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## QUALITY PAPER

# Excellence models in the non-profit context: strategies for continuous improvement

Omar Al-Tabbaa, Kenneth Gadd and Samuel Ankrah  
*Leeds University Business School, University of Leeds, Leeds, UK*

### Abstract

**Purpose** – This paper provides insights into the applicability of excellence models (in particular the European Foundation for Quality Management (EFQM) Excellence Model), for use in the nonprofit context as a strategy for performance improvement aiming to enhance sustainability.

**Design/methodology/approach** – The study is based on an exploratory, qualitative in-depth case study approach, which includes three UK-based nonprofit organizations (NPOs) as research case studies.

**Findings** – In general, we found the quality models to be relevant to the NPO context, and potentially effective and useful as a performance improvement strategy for NPOs. However, we also propose some modifications to the EFQM model to address the specific characteristics of this sector. Additionally, we compare two of the most widely used quality models (EFQM and MBNQA), and suggest that although both are relevant for NPOs, the EFQM model has some superior advantages.

**Originality/value** – This paper contributes to the debate about the sustainability of organizations and the underpinning mechanisms behind their efficiency. Many researchers and practitioners are continually debating how an organization can optimize its available resources, as this is considered to be one of the primary foundations for organization sustainability. The added contribution of this paper advances this debate a step further by providing insights into how concepts and tools which have been initially designed for the for-profit sector can be deployed by nonprofit organizations (NPOs). In addition, the paper provides further views about the approaches NPOs might use in response to the current political and financial challenges.

**Keywords** Sustainability, EFQM, MBNQA, Non-profit organizations, Performance improvement, Total quality management, Business excellence, Continuous improvement

**Paper type** Research paper

### 1. Introduction

Influenced by the current dynamic and complex operating environment, nonprofit organizations (NPOs) are increasingly paying attention to their organizational sustainability (Al-Tabbaa, 2012; Claeys and Jackson, 2012). Issues such as uncertainty of government funding and the decline of private donations due to economic difficulties, coupled with growing competition within and outside the sector, render the survival of NPOs to a more difficult task. Scholars, accordingly, are increasingly considering performance improvement as a countering approach to this tough environment (Cairns *et al.*, 2005; Kong, 2008). In the literature, several performance improvement concepts and techniques in the nonprofit domain have been investigated, including quality standards (Naveh and Marcus, 2005), the balanced scorecard (Kaplan and Norton, 1992), “best practice” benchmarking (Paton, 2003), and performance management (Dart, 2004).



Total quality management (TQM), as one of these approaches, is still suggested as being a more holistic performance improvement approach that is relevant to our modern economy (Slack *et al.*, 2010, p. 668; Sun, 2000), since it encompasses both social and technical issues (Bou-Llusar *et al.*, 2009). The TQM approach embraces the fundamental concepts of continuous improvement, and process management (Raine, 2006; Sila and Ebrahimpour, 2003). The historical development of TQM has been fascinating but also rather problematic. The field initially grew out of practice, and initial academic research tended to be case study based in an effort to understand the evolving “phenomenon” (Dale, 1992; Dale *et al.*, 2001). As the research in this area developed, various “models” attempted to describe and encapsulate the unfolding approaches that organizations were increasingly adopting (Black and Porter, 1996; Dahlgaard *et al.*, 1998; Gadd *et al.*, 1997, 1996; Garvin, 1988; Oakland, 1999; Saraph *et al.*, 1989).

Despite the general agreement among scholars that TQM needed a framework to enable its core concepts to be turned from theory into practice (Aalbrektse *et al.*, 1991; Cua *et al.*, 2001; Taylor and Wright, 2003), the current and extant literature would suggest that there is still no commonly agreed consensus between researchers with regard to the most appropriate framework for applying TQM. This problem was exacerbated when practitioners started to change their terminology to fit their “real” world environments. For a discipline based primarily on practitioner “experience” and case study research, this created problems. The wording moved from TQM to Excellence, and as “quality” became a word that had a diminishing usage in the management literature, many scholars expressed concern that the basic premise was being diluted (Dale *et al.*, 2000). However, there is still a real need to bring these concepts into a common perspective. The recent resurgence of Lean and Six Sigma in the practitioner domain has emphasized the need to keep quality on the agenda. This creates a need to understand the theoretical basis for, and the practical application of overarching frameworks that will provide a real path forward for organizations grappling with the practicalities of delivering sustainable performance.

Several TQM frameworks have been suggested, and these can be summarized into three main categories (McAdam *et al.*, 2008; Yusof and Aspinwall, 2000):

- (1) Consultants/experts-based frameworks (Crosby, 1996; Deming, 1986; Feigenbaum, 1991; Juran, 1988).
- (2) Quality award models; for example, the Deming Prize (2012), MBNQA model, now known as the Baldrige Excellence Criteria (Baldrige, 2012), and the European Foundation for Quality Management (EFQM, 2012) model.
- (3) Academic-based frameworks; for example, the UMIST quality improvement framework (Dale *et al.*, 2007), Kanji’s Excellence Framework (Kanji and Wallace, 2000), and Oakland’s Total Organisational Excellence Framework (Oakland, 1999).

Of these three categories, the quality award models have often been seen as best reflecting the concepts underpinning TQM, and therefore, the most appropriate to be used as a guide to implementing TQM for continuous improvement (Dean and Bowen, 1994; Prajogo and Sohal, 2006; Yong and Wilkinson, 2001), in view of the fit between the criteria applied in these models and the fundamental concepts behind TQM (Bou-Llusar *et al.*, 2009). Arguably, they were not initially generated from pure academic research and have therefore been derived more from a practitioner basis, but they have nonetheless been the subject of substantive academic scrutiny and challenge over the years.

The MBNQA and the EFQM models are currently the two predominant quality award models in the Western hemisphere. Both the MBNQA and EFQM models have been specifically designed to address the different core concepts embraced in the emerging Western approaches to TQM and the inherent underlying philosophy of improving the performance of organizations. Importantly, the models have continually been reviewed and refined over time, although this has led to some of the problems with nomenclature; in particular the increasing reference to “excellence”, rather than “quality” (Dale *et al.*, 2001). However, they have proved over time to be powerful frameworks, since they articulate the philosophy of TQM in various well defined dimensions and have been increasingly used not only as award models but also for organizational self-assessment and for planning purposes (Porter and Tanner, 1996; Sandbrook, 2001; Schmidt and Zink, 1998; Van der Wiele and Brown, 1999). Both models have received empirical support regarding their applicability in the private, governmental, healthcare and education sectors, for the EFQM model (Bou-Llusar *et al.*, 2009; Sandbrook, 2001; Tari, 2008; Vallejo *et al.*, 2007), and for the MBNQA model (Islam, 2007; James and Johnson, 2009; Meyer and Collier, 2001). However, close examination of the literature reveals that, to date, little effort has been given by scholars to examining the relative merits of these quality models for performance improvement in NPOs.

Our study seeks to fill this gap by addressing the applicability of these quality models within the nonprofit context. In particular, we aim to explore the extent to which quality models are appropriate for the use of NPOs as a strategy for improving performance. We have focussed particularly on the EFQM model since the focus of this research was on UK based NPOs, as the EFQM model is more commonly used in the UK than the MBNQA model.

This study contributes to the literature in three main ways. First, the study suggests that quality models, and in particular the EFQM model, are relevant for improving the performance of NPOs, although we propose some modifications to the version of the EFQM model in order to provide a better fit with the setting of the nonprofit context. Second, we suggest an integrative model linking quality, performance evaluation and improvement (via the EFQM model) in a continuous process to illustrate how quality models can be embedded within the cycle of continuous improvement. Finally, we critically compared two of the quality models, EFQM and MBNQA, and suggest that although both are relevant for NPOs, the EFQM model has some advantages.

## 2. Theoretical background

We begin this section by demarcating the boundaries of the term NPOs as applied in this paper. Next we discuss the concepts of performance improvement and quality in the context of NPOs, then review the role of Quality Award models and look at different attempts at applying the EFQM model to sectors other than the for-profit sector, such as healthcare and higher education. Finally, we consider a comparison of the EFQM and MBNQA models in relation to their relative content and structure.

### *NPOs*

NPOs are a central part of the social fabric in developing and developed economies (Hudson, 2005; Weerawardena *et al.*, 2010). However, the terms used in describing organizations working in this sector is considered as one of the main issues that has no general consensus among scholars (Courtney, 2002; Hudson, 2002; Vakil, 1997).

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Therefore, in this paper we adopt the characteristics incorporated by Al-Tabbaa *et al.* (2013) to consider the NPO as any organization that:

- is formally structured, although this structure may have different shapes (e.g. paid or voluntary staff);
- operates exclusively for any other not-for-profit purpose;
- is independent of the state (i.e. is independently governed and not part of the government); and
- re-invests its entire financial surplus either in the services that the organization offers or back into the organization itself.

Furthermore, we use the terms “NPOs” and “nongovernmental organizations” (NGOs) interchangeably (Al-Tabbaa *et al.*, 2013).

#### *Performance improvement in NPOs*

There is increasing pressure on NPOs to achieve best practice in performance through improvement approaches to ensure their continued sustainability (Cairns *et al.*, 2005). This is due to the growing need for NPOs to provide the best possible service for their clients and beneficiaries (Cairns *et al.*, 2005), and also the increasing requirement by governmental funders to ensure that the recipients of their financial support (i.e. the NPOs) have the organizational capacity to deliver services effectively (Eisinger, 2002). In order to achieve performance improvement, NPOs have considered a variety of approaches (Chew and Osborne, 2009; Rojas, 2000). Some NPOs have focused on evaluating individual programs. Some have implemented self-evaluation strategies, while others have taken a broader organizational learning or capacity-building approach (Boerner, 2004). Quality is also widely perceived as a significant factor in improving performance and increasing both the efficiency and the effectiveness of NPOs (Herman and Renz, 1999). Hudson (2002) has defined quality within the nonprofit context as being a concern to improve all aspects of the organization’s work, and not limited to just focusing on the quality of the provided services. Giffords and Dina (2004) studied the concept of continuous quality performance improvement (CQPI) within NPOs from a strategic perspective. They argued that adopting a strategic planning approach during the implementation of quality improvement would help the leaders of NPOs to respond more efficiently to external environmental changes.

#### *Quality award models*

The MBNQA was established as an act of congress in the USA in 1987 in response to the success of Japanese industry in exporting high quality products to the West, and the impact that this was having on domestic sales (Ghobadian and Woo, 1996). The framework was established with the input of business and academia (Garvin, 1991), and the approach to TQM taken by the first winner of the award, Motorola, has now become an industry in itself, heavily championed by General Electric (GE), and known by the name of Six Sigma. The interest in quality awards as a way of improving quality at this time was not limited to the USA. Four year’s previously, in, 1984, the Canadian Ministry of Industry launched the Canada Awards for Business Excellence, with prizes awarded for achievements in the categories of; innovation, entrepreneurship, environment, industrial design, invention, marketing and small business (Laszlo, 1996). Originally based on the

MBNQA framework, the Australian Business Excellence Awards, have been reviewed and developed over the years, and the current framework, whilst clearly based on the MBNQA model, has its own distinct terminology. Tan (2002) undertook a comparative study of 16 national quality awards, including Argentina, Aruba, Australia, Chile, Egypt, Europe, Hong Kong, Japan, USA, Mauritius, Israel, Malaysia, Singapore, South Africa, and Sri Lanka. Virtually every country in Western Europe now has a quality award, and within both the USA and the UK, regional quality awards have also gained momentum, as the deliverable benefits of these improvement models have been increasingly realized.

On 15 September 1988, the presidents of 14 European companies signed the Letter of Intent that established the European Foundation for Quality Management (EFQM), in recognition that TQM had become the key to business success and survival in Europe (EFQM-News, 1992; EFQM, 1994). Like the Baldrige model, the EFQM model is a framework that allows an organization to measure both internal and external performance (EFQM, 2010b; Soltani *et al.*, 2005). When adopting this model, an organization can gain several benefits. First, the model provides a holistic framework that systematically addresses a range of organizational quality issues and also highlights the potential impacts upon an organization's stakeholders. Second, it diagnoses an organization's activities and enables planning, as it links what an organization does with the results it achieves. Finally, the scoring feature of the model has indicators for both internal and external benchmarking (NEF, 2012; Bou-Llusar *et al.*, 2009).

The EFQM model consists of nine main criteria grouped into two main categories: enablers and results. The enablers describe what an organization does in each of these criteria whereas the results provide performance measures in the four criteria of customer results, people results, society results and key performance results. Each of the nine criteria includes a "weighting", in order to provide a relative importance to each of the criteria when considering the performance of the organization across the nine criteria of the model (Gadd *et al.*, 1997; Porter and Tanner, 1996). It is worth noting that these weightings have not been changed since the inception of the model, but they have been challenged (Eskildsen *et al.*, 2011); as have the relationships both between the enablers and between the enablers and results (Bou-Llusar *et al.*, 2005; Gomez *et al.*, 2011).

#### *A comparison of the EFQM and MBNQA models*

Both the EFQM and MBNQA models are the dominant excellence models in use in the West, the first in Europe and the later in the USA. As both models were developed initially as Quality Award models, this development was geared specifically towards the needs of US and European organizations rather than considering a broader, transatlantic theoretical underpinning. There are therefore potential geographical, cultural and political dimensions which may have informed their structure and approach. However, as both purport to capture the key principles of TQM and the inherent values and concepts within this management approach, and do so using frameworks based upon specific "criteria", it is worth comparing the two models from these three dimensions:

- (1) the core principles of TQM;
- (2) the remaining criteria not covered by the core principles of TQM; and
- (3) the core values and concepts that underpin the models' criteria.

Tables I and II and Figure 1 show the comparisons using these three dimensions.

Dimension for comparison (TQM core principles <sup>a</sup> )	The EFQM model	The MBNQA model
Leadership	Leadership (10%)	Leadership (12%)
Customer focus	Customer results (20%)	Customer focus (8.5%)
Human resources management	People (9%), people results (9%)	Workforce focus (8.5%)
Process management	Processes (14%)	Process management (8.5%)
Continuous improvement	Not specified, however, the model-flow supports the learning and innovation process	Measurement, analysis and knowledge management (9%)

**Table I.**  
Comparison between the EFQM and MBNQA main criteria

**Notes:** <sup>a</sup>Derived from Bou-Llusar *et al.* (2009), Dror (2008), Oakland (2003); dimensions for comparison: TQM core principles

Dimension for comparison	The EFQM model	The MBNQA model
Other models' criteria	Policy and strategy (8%)	Strategic planning (8.5%)
	Society results (6%)	Not specified, although this can be covered by the "results" criterion
	Key performance results (15%)	Results (45%)
	Partnership and resources (9%)	Not specific

**Table II.**  
Comparison between EFQM and MBNQA models main criteria

**Note:** Dimensions for comparison: other criteria

The first dimension relates to the TQM core principles. Both models share the main assumptions of the TQM approach (i.e. the difference between social and technical issues), the causal relationship between the procedures and performance, and continuous improvement (Bou-Llusar *et al.*, 2009). Also, as shown in Table I, both models reflect the TQM core principles in their main criteria. Although some of the main criteria are captioned or described differently for the models, nevertheless, they relate to the same basic issues. For instance, "customer results" in the EFQM model and "customer and market focus" in the MBNQA model basically relate to the same issue in the TQM core principles, which is "customer focus". The second dimension concerns the remaining main criteria for both models which are not explicitly covered by the TQM core principles (Table II). Again, these criteria relate to the same basic issues, although they are captioned differently. For example, the "policy and strategy" criterion in the EFQM model and the "strategic planning" criterion in the MBQNA model would seem to basically relate to the same issues. Finally, the third dimension for comparison reflects the core values and fundamental concepts which underpin the models' main criteria (Figure 1). The values and concepts upon which the models are built appear very similar in meaning. "Adding value for customers" in the EFQM model and "customer-driven excellence" in the MBQNA model would seem to be delivering similar meaning and addressing the same point of interest (i.e. to ensure value for the customer). Although three concepts of the MBNQA model (organizational

Dimension for comparison	The EFQM model <sup>a</sup>	The MBNQA model <sup>b</sup>
Core values and fundamental concepts which underpin models' criteria	Leading with Vision, Inspiration and Integrity	Visionary leadership
	Adding Value for Customers	Customer-driven excellence
	Not explicitly specified	<b>Organizational and personal learning</b>
	Succeeding through people/Building Partnerships	Valuing workforce members and partners
	Not explicitly specified	Agility (The ability of an organization to cope with changes in the external environment)
	Not explicitly specified	<b>Focus on the future</b>
	<b>Nurturing Creativity &amp; Innovation</b>	<b>Managing for innovation</b>
	Not explicitly specified	Management by fact
	Taking Responsibility for a Sustainable Future	Societal responsibility
	<b>Achieving Balanced Results (Both short and long results)</b>	Focus on results and creating value
	<b>Managing by Processes</b>	Systems perspective

**Note:** Dimension for comparison: core values/concepts  
**Source:** Adapted from <sup>a</sup>EFQM (2010a), <sup>b</sup>MBNQA (2010)

**Figure 1.**  
Comparison between EFQM and MBNQA models

and personal learning, focus on the future, and management by fact) do not appear to have specific counterparts in the EFQM model, nevertheless, from a critical examination, these values/concepts are also inherent in the EFQM model core concepts/values (see the arrows in Figure 1). As shown in Figure 1, “organizational and personal learning” in the MBNQA model, which emphasizes the need for improvement, learning and development to be embedded in organization processes (MBNQA, 2010), would appear to be similar to “nurturing creativity and innovation” in the EFQM model, which stresses the continual and systematic improvement of an organization by harnessing the creativity and learning of its stakeholders (EFQM, 2010b). With regards to “focus on the future” in the MBNQA model, this would appear to be similar to “achieving balanced results” in the EFQM model, which aims at achieving a balanced set of results that meet both the short and long-term objectives. Finally, “managing by facts” in the MBQNA model and “managing by processes” in the EFQM model would also appear similar since they both emphasize the significance of fact-based decision leading to balanced and sustainable results.

*The application of the EFQM model in sectors other than the private sector*

The EFQM model has been applied within sectors other than specifically the for-profit sector, and particularly in the healthcare and higher education sectors. Many researchers have studied the application of the EFQM model in the healthcare and education sectors and reached significant conclusions about the ability of the model



to improve quality (Jackson, 2001; Moeller, 2001). Jackson (2001) concluded that by utilising the concepts of the EFQM model, healthcare organizations could determine their strengths and areas needing improvement relative to national standards, local needs and “best in class” performance. However, Vallejo *et al.* (2006) found that the model had fewer details than required in the healthcare sector. Consequently, they adapted the EFQM model for the healthcare sector by including concept elements from the PATH[1] framework (the Performance Assessment Tool for Quality Improvement in Hospitals), to develop what they called the EFQM-healthcare framework. In the higher-education sector, the EFQM model has been applied as a tool for self-assessment and continuous improvement (Tari and Juana-Espinosa, 2007). They concluded that universities could effectively use the EFQM model as a self-assessment tool and for continuous improvement planning. Nevertheless, the model needed modifications to suit this context by considering the assessment of academic performance along with matters related to operational efficiency in universities (Temple, 2005). Spasos *et al.* (2008) modified the EFQM model and applied it to Greek higher-education. The modifications involved adapting the original main criteria and the sub-criteria to reflect the unique characteristics of higher-education institutions, such as replacing the label “customer” in the original EFQM model with the label “student”. These modifications clearly raise issues about “specificity” with regard to the various different contexts in which organizations operate, and indeed the very nature of the organization. There was considerable debate about the applicability of the EFQM model for the public sector initially and specific guidelines for the sector were drafted. In 1999, these differences were subsumed in the publication of a revised model applicable to both public and private sectors (EFQM, 1999a, b) and this has prevailed in current usage.

### Summary

In summary, the literature would suggest that whilst the quality award models offer a holistic and pragmatic approach to TQM and the concept of “excellence” in terms of continuous improvement, the way in which they have been constructed and applied has varied. Some of this variation is inherent in the nature of the development of the models to reflect the needs of organizations in different geographic locations with inherently different cultures and sensitivities. Adaptations to the EFQM model, in particular, have been made to accommodate sector specific issues. Academic scrutiny has offered some challenges to the construct of the models, but there are clearly issues regarding their adaptation to specific national, sector, and possibly even organizational contexts. NPOs demonstrate strong characteristics of sector specificity, having marked differences from large private sector companies, for example. They also differ from government, healthcare and educational establishments. To date, there is little evidence to suggest that NPOs have adopted these models as a strategy for continuous improvement. The aim of this study is therefore to explore the applicability of excellence models to the context of NPOs as a driver of performance improvement and sustainability.

### 3. Methodology

Given that there is a paucity of literature on the application of quality award models in NPOs, and the highlighted need in the literature to adapt these models in certain circumstances, we adopted an exploratory, qualitative and in-depth case study method

as our research strategy. This was considered appropriate because the study involves an inquiry process of understanding the potential of a social phenomenon (Creswell, 1994; Miles and Huberman, 1994). A theoretical sampling technique was used to select our cases based on the emerging theory and insights of the researcher (Weerawardena *et al.*, 2010), and therefore rationalizing the selection of certain groups and themes for detailed analysis (Eisenhardt, 1989). We selected our NPO cases from those located within an annual income range of £10-£1 m (according to the classification of the UK Charity Commission). The rationale for this was twofold. First, this large annual income suggests that these NPOs have complex systems which would allow them to benefit from adopting management concepts to improve performance (Kong, 2008), since “large organizations would have the size, personnel, and other resources necessary to undertake new program development in a systematic and sophisticated manner” (Barczak *et al.*, 2006, p. 516). Second, the cost of applying tools like the EFQM model for small income NPOs is expected to be more than the potential benefits that they would achieve due to the scale of their operations (NEF, 2012). Within this range, we selected three NPOs based on their adoption of quality procedures (as informed by their websites) and their acceptance to participate in the research. These NPOs share a common interest in addressing social issues at local, as well as, international levels. The work domain for these NPOs includes poverty reduction and education interventions at national and international levels.

To select our informants, we used rational judgment based on information received from the CEOs of these NPOs. The total number of interviewees was 12, which included four from each organization. We selected the interviewees based on their being associated with the organization’s operations at a senior level, and a familiarity with basic concepts of management and improvement practices. The titles of the respondents included; chief executive officer (CEO), project manager (PM), public relations officer (PRO), and IT and media officer (IMO), financial controller (FC), program officer (PO). The duration of the interviews ranged from 60 to 120 min. The data collection process was carried out in two intervals; from August 2009 to January 2010, and then from November 2010 to February 2011 due to difficulty in building trust and securing access to these organizations. As this was a UK based study, the EFQM model was selected for investigation as this model is the prevalent Quality Award model in the UK and forms the basis of not only the European and UK Excellence Awards, but also various Regional Excellence Awards such as the North of England Excellence Award (BQF, 2012). Of the various quality award models discussed it is the most widely adopted in the UK and was therefore considered appropriate to the prevailing context.

#### *Analysis and validity issues*

A case study protocol was designed to guide the data collection process and achieve consistency between responses (Yin, 2009). The questions were developed at two levels. The first level covered a set of questions relating to the quality and performance improvement practices of NPOs. The second level of questions sought to investigate the relevance of the EFQM model to the nonprofit context. Matrices were used to increase reliability in analyzing and reporting the findings. This technique facilitates the comparison between patterns as well as data categorization (Miles and Huberman, 1984).

As part of the protocol and to minimize the inconsistency of interviewees’ understanding of the concepts embedded within the questions, we provided the interviewees with written definitions of the key concepts, such as quality of service and

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quality of management, prior to the interview. Also, to articulate the EFQM model criteria, we developed two polar diagrams; one for the enablers category and the other for the results category. For each polar diagram, we asked each interviewee to draw the percentage weighting of the main criteria for their NPO by superimposing their drawing on the original diagram. These approaches further enhanced the validity of our research findings by creating a common understanding of the EFQM model concepts between the interviewees.

#### 4. Reporting of findings

We present our findings under two main themes:

- (1) quality in NPOs; and
- (2) applicability of the EFQM model for performance improvement in NPOs.

##### *Quality in NPOs*

Most interviewees acknowledged that unlike for-profit organizations, it was more difficult to define quality from an NPO perspective. Interestingly, the analysis revealed two groups of interviewees to hold two different perspectives when defining quality. The first group defined quality from the perspective of achieving quality in terms of the standards or procedures governing how things are done within the organization, which would result in delivering the work in more efficient and effective manner. For instance, the PRO from NPO1 defined quality as:

Quality is embedded in how we implement our projects. Also it [quality] is about how you are able to communicate with different stakeholders efficiently and effectively. It is how to do our work according to specific standards.

The second group considered quality from the standpoint of how their beneficiaries and donors positively perceive their services. Thus, they defined quality as offering services that provide satisfaction to both beneficiaries and donors. They explained that, for beneficiaries, satisfaction could be achieved by offering services that meet their expectations or at least fulfil their needs, while satisfaction for donors means the efficient achievement of the objectives of the NPO's programs. For instance, the CEO of NPO2 gave a definition consistent with the second group's definition, but with emphasis on the impact on beneficiaries:

It is the impact. I mean in my view, quality in charity organizations is about the positive impact on your beneficiaries per each pound you spend; this is how you measure the quality of your work in a charity context.

He explained that this definition links quality with the value of work. It can be concluded that quality in NPOs can be achieved not only when NPOs are able to provide satisfaction to their beneficiaries, but also when they are able to create a positive impact on their beneficiaries.

##### *Applicability of the EFQM model for performance improvement of NPOs*

Interview questions in this part were set at two levels in order to achieve an in-depth evaluation of the EFQM model for NPOs. Level 1 was aimed at evaluating the suitability of the model as a self-assessment tool, while level 2 evaluated the applicability of the model for use as a planning tool for performance improvement.

Regarding level 1, the early part of the questions on the evaluation of the model as a self-assessment tool for NPOs was centered on the performance evaluation process currently applied in the NPOs. This was followed by questions on how the EFQM model could be applied in detail to improve performance in the NPOs. All informants agreed that the evaluation of the performance of NPOs was important and should be done regularly if their organizations are to achieve sustainability. They also informed that annual evaluation is conducted in their NPOs. An interesting point made by the interviewees was that evaluation should not only be done internally (i.e. self-assessment) but externally as well (i.e. external assessment by an independent body). This was essential to facilitate benchmarking of NPOs against each other. All three NPOs did not conduct systematic or holistic performance evaluation exercises although they all agreed that this was very important. NPOs 1 and 3 usually conducted a general annual evaluation of their organizations by comparing the previous year's planned objectives with the current year's achieved objectives. However, they did not use any theoretical framework or tool for this evaluation, but depended on brainstorming among their employees to identify future improvement activities.

When evaluating the model's main criteria, all the interviewees were unanimous that the nine main criteria in the original EFQM model were relevant to their NPOs. However, they indicated that some of the percentage weightings of the criteria in the original model were not appropriate to NPOs. We have summarized the interviewees' comments on the main criteria of the EFQM model and also included their suggested percentage weightings in Tables III and IV.

With regard to level 2, all the informants acknowledged the importance of planning for improvement, and explained that they use previous years' project evaluation indicators to plan for improvement strategies. They also generally agreed that the EFQM model could be used as a planning tool for the continuous improvement of their organizations for several reasons. The IMO from NPO3 explained this as follows:

Because we can use it to identify weakness areas in our performance. Also we can give satisfaction to our customers by focusing on those criteria with higher percentage weightings, and concentrate on these during our development processes.

The FC from NPO 2 acknowledged that the model could be useful as a planning tool as per the following comment: "I also acknowledge that the model could be very useful in the sense that it could provide us with a more holistic view for our organization's performance".

## **Discussion**

We discuss the findings in three main sections: quality in NPOs, Adopting the EFQM model in the context of NPOs, and the MBNQA model.

### *Quality in NPOs*

Different definitions of quality were provided by the respondents, which suggested that there was little consensus on the meaning of quality within the context of NPOs. From the definitions provided, two concepts emerged (Figure 2). The first of these perceived quality within the nonprofit domain as standards and procedures necessary to conduct activities in an efficient and effective manner, which we called as "quality of management". The second considered quality as providing satisfaction to the

Informants	Leadership	Policy and strategy	Enablers category		Processes
			People	Resources and partnership	
CEO1	↑12%	↑9%	↓9%	↓9%	↓11%
CEO2	↑11%. NPOs are driven by leadership	↓8%	↑12%. Given the limited resources of NPOs, we need to maximize the value of our staff	↑10%	↓10%. Our operations are simple
CEO3	↑12%. In NPO you need to lead by examples – leadership is fascinating	↓8%	↑11%. Because staff skills are essential for best practice	↓9%	↓10%
PM1	↑9%. The work in the NPO comes from internal desire which make the employee less affected by the leadership style	↑9%. Because strategy is important and is needed to estimate performance	↑12%. As in NPO it is not easy to find success indicators, also qualified staff members are essential to achieve efficiency	↑12%	↓9%. In NPOs processes are less important in non-profit sector than the private sector
PM2	↑11%. Our leadership is essential to keep staff engaged with the organization	↑9%	↑10%	↑10%	↓10%
PRO1	↑13%. It is important to ensure that everyone in the organization shares the same vision with the leadership	↓7%	↓9%	↓9%	↓12%
PRO3	↑12%	↑11%	↑10%	↑12%	↓11%. We do not have complex processes
IMO3	↓10%	↓8%	↑10%. This is important to achieve efficiency	↓9%	↓13%
FC3	↑13%	↓8%	↑11%. People skills are central to reach high performance	↑10%	↓12%. Because in NPOs you do not have those strict systems/procedures like industry
FC2	↓10%	↓8%	↑11%. People skills are needed for creativity and best practice	↓9%	↓13%
PO2	↑12%. However, the board of trustee should be highlighted here	↑9%	↑11%	↑10%	↓10%. The 14% weighting is accepted in business but not in the case of NPOs
a	(11%)	(8%)	(10%)	(10%)	(11.0%)
b	(10%)	(8%)	(9%)	(9%)	(4%)

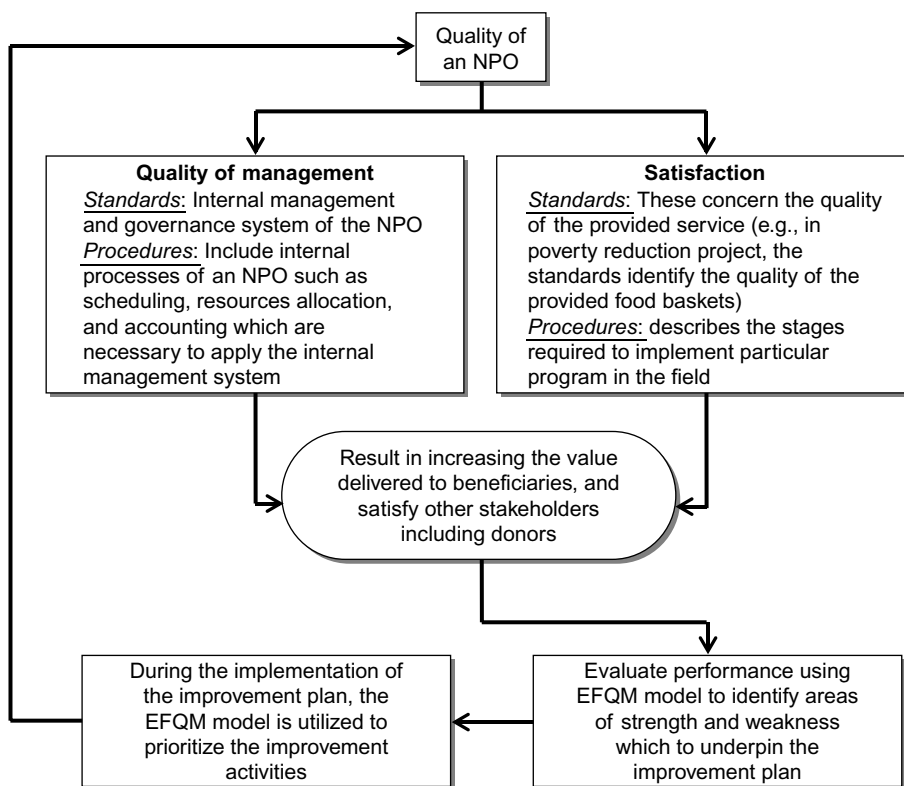
Notes: <sup>a</sup>Mean percentage weightings of the main category as calculated from the responses; <sup>b</sup>percentage weightings of the original EFQM model category; ↑ – increase the weight to the suggested percentage; ↓ – decrease the weight, ↓ – fair enough (i.e. same as suggested in the original model)

**Table III.**  
Summary of EFQM model criteria evaluation and informants' comments (enablers category)

**Table IV.**  
Summary of EFQM  
model criteria evaluation  
and informants'  
comments (results  
category)

Informants	Customer results	People results	Results category		Key performance result
			Society results	Society results	
CEO1 CEO2	<p>↑ 20% ↓ 20%. Customers' satisfaction is important for charities because if the level of performance is not convincing they simply would not donate</p> <p>↓ 20%</p>	<p>↑ 10% ↑ 10%. People in NPOs are not paid like in the private sector. Those work in NPOs do a lot works and work under stress, so if they are not happy with their job they will leave</p> <p>↑ 10%. We need to ensure that our staff are satisfied with their work and love what they are doing, otherwise, they will leave and go</p> <p>↓ 9%</p>	<p>↑ 7% ↓ 6%</p>	<p>↑ 13% ↓ 10%</p>	
CEO3			<p>↑ 10%. Because fundraising depends mainly on how the society perceives our work</p>		<p>↓ 11%. Because the previous results criterion has more impact on our work</p>
PM1	<p>↑ 24%. The satisfaction of our beneficiaries is important and we make big mistakes if we do not consider their real needs</p>		<p>↑ 9%. We should clarify our impact on society as this constitutes the core of our mission</p>		<p>↓ 12%. The previous three criteria are more important for the organization</p>
PM2	<p>↓ 20%. However, I would prefer to change the word customer to beneficiaries and donors</p>	<p>↑ 11%. The pay for NPOs staff is far lower for staff in for-profit organizations</p>	<p>↑ 8%. Because if the society is not happy with your work they will not donate</p>		<p>↓ 11%. The previous criteria are more important</p>
PRO1 PRO3	<p>↑ 18% ↓ 20%. I would prefer to change the word customer, as this word is strange to us</p>	<p>↑ 11% ↑ 11%</p>	<p>↑ 8% ↑ 8%</p>		<p>↑ 13% ↓ 11%</p>
IMO3	<p>↓ 20%</p>	<p>↑ 10%</p>	<p>↑ 7%</p>		<p>↓ 11%. It is difficult to quality our work</p>
FC3 FC2	<p>↓ 20% ↓ 20%</p>	<p>↑ 10% ↑ 10%</p>	<p>↑ 9% ↑ 9%. It is important to ensure that the society perceives the organization positively as this trust will develop and donations will increase</p>		<p>↑ 13% ↓ 11%</p>
PO2 a b	<p>↓ 20% (20%) (20%)</p>	<p>↓ 9% (10%) (9%)</p>	<p>↑ 8% (8%) (6%)</p>		<p>↓ 12% (12%) (15%)</p>

**Notes:** <sup>a</sup>Mean percentage weightings of the main category as calculated from the responses; <sup>b</sup>percentage weightings of the original EFQM model category; ↑ – increase the weight to the suggested percentage, ↓ – decrease the weight, ↓ – fair enough (i.e. same as suggested in the original model)



**Note:** Integrating quality, performance evaluation and improvement via the EFQM model

**Figure 2.**  
Quality improvement strategy for NPOs

beneficiaries and is labelled as “satisfaction”. For each of the definitions, we suggest specific standards and procedures, as shown in Figure 2. As suggested by the analysis, we attribute the differences in the respondents’ perception of the definition of quality of the differences in their job functions. Respondents whose job functions related to operations (e.g. PMs) perceived quality as procedures or standards, whereas those whose functions were linked to policy making (e.g. CEOs) defined quality as providing satisfaction to beneficiaries, as this contributed to their organization’s mission.

Although there are these two differing perspectives/definitions of quality, both need to be considered together (Giffords and Dina, 2004; Paton, 2003). NPOs need to consider the quality of procedures as objectives and also as procedures to achieve their mission. Moreover, the satisfaction of beneficiaries and donors cannot be achieved without having solid systems and standards that would enable NPOs to conduct their activities efficiently (to satisfy the donors) and effectively (to satisfy the beneficiaries). Accordingly, there is a need for an overall understanding of quality in NPOs that would enable them to consider both concepts of quality. This would permit them to improve their overall quality and, consequently, increase their impact on their beneficiaries (NEF, 2012). The impact would be the final outcome of the NPOs’ operations on their beneficiaries, and this was explained by the CEOs as the value of money spent by the

NPO on internal-processes or on external-operations (i.e. in the field) that ultimately results in the satisfaction of beneficiaries and donors.

The foregoing discussions led us to propose an overall model that explains the concept of quality within the NPOs, as shown in Figure 2. The model illustrates the relationship between quality in NPOs and its impact on beneficiaries and donors. Furthermore, it explains how quality, performance evaluation and improvement can be linked in a continuous process via the EFQM model. The model suggests that once an NPO recognizes the need to improve the quality of operations, the attention should be made to address issues related to both internal processes and the services provided. For both, an NPO needs to set standards for how its services would be provided, and also how to conduct its work in a systematic and efficient manner. When the NPO has excelled in both of these steps, it would be able to create a positive impact on its beneficiaries and provide satisfaction to its donors, which would in turn increase the value of invested finances since more benefits would be achieved by the same amount of donations due to an increased work efficiency. The next step in the model is to evaluate the performance of the NPO on a regular basis by using an effective evaluation tool such as the EFQM model. Finally, the output from the evaluation process is an improvement plan for the NPO. The implementation of this plan would be benefited by the EFQM model through prioritizing the areas which have a need for improvement. Respectively, this will result in developing the quality of the NPO's internal processes and external services in an effective and efficient way. Eventually, this improvement would lead to advancing the NPO's image and brand, and thereby result in increased funding opportunities for the NPO.

#### *Adopting the EFQM model in the context of NPOs*

This section discusses the use of the EFQM model in the NPO context at two levels; first as a self-assessment tool and second as a planning tool for performance improvement.

*The EFQM model as a self-assessment tool.* To optimize the use of the EFQM model, it needs to be embedded within the NPO's quality system as discussed in Figure 2. All respondents recognized the need for a systematic tool for the holistic evaluation of their organization's performance in order to improve their operations. In addition, since the respondents expressed the desire to evaluate their NPOs by an external party, the EFQM model could easily be employed for external evaluation. It facilitates the standardization of the external evaluation process through the consistent use of the same evaluation criteria by all NPOs, thereby resulting in a common language for external evaluations of NPOs (Ritchie and Dale, 2000). The standardization of the evaluation criteria would also make it possible for the NPOs to benchmark themselves against each other in order to enable them to achieve their targeted level of performance (Drew, 1997; Seghezzi, 2001).

Analysis of the responses in Tables III and IV illustrates that at least three of the nine main criteria, which scored a total of 31 per cent, were related to people ("people" – 10 per cent; "leadership" – 11 per cent and "people results" – 10 per cent). Therefore, a key area for performance improvement of NPOs would appear to be related to the employees. This conclusion agrees with the original EFQM model which recognized and considered the high importance of people in both the "enablers" category and the "results" category (Paton, 2003). The importance of people in NPOs is justified because the tasks of the employees of NPOs are not as precisely defined or quantified as the employees of private organizations.



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Respondents criticized the “leadership” and “customer” criteria. For the “leadership” criterion, the three NPOs felt the role of the Board of Trustees needs to be made clearer in the EFQM model since these are significantly important in influencing the day-to-day operational management of NPOs (Parker, 2008), and also in the shaping and development of strategies for NPOs (Parker, 2007). In particular, the respondents suggested the need to highlight the role of the Board of Trustees’ members in the EFQM model because although they are very important, they are volunteers and not paid; unlike their counterparts in the for-profit sector. With regards to the “customer” criterion, the suggestion to replace the word “customer” with “beneficiaries and donors” appeared to be similar to the work of Spasos *et al.* (2008) who proposed that the word “customer” should be changed to “student” when they adapted the EFQM model for the education sector.

The percentage weightings given to the main criteria by the respondents were consistent for both the “enablers” and “results” categories. For the “enablers” category, the general agreement was to increase the percentage weighting for the “leadership” criterion from 10 per cent in the original EFQM model to 11 per cent which reflects the importance of leadership to NPOs. Since the objectives and roles of NPO employees are less quantified and less well defined than the private sector, leadership is nevertheless important in NPOs in order to provide clarity and unity of vision and values (Hudson, 2002, p. 285). While the percentage weighting for the policy and strategy criterion remained almost unchanged at 8 per cent, that for the “partnership and resources” criterion was increased from 9 to 10 per cent. In particular, we were not surprised about the proposed increase in the percentage weighting for the “partnership and resources” criterion since internal and external resources allow NPOs to enhance their capabilities by collaborating with others. As a consequence, NPOs enjoy higher monetary and non-monetary benefits from collaborations compared with other organizations which cannot advance their capabilities through collaborations (Arya and Lin, 2007).

With regards to the “results” category, the percentage weighting for the “customer results” criterion (i.e. beneficiaries and donors) was unchanged at the value of 20 per cent because the satisfaction of beneficiaries and donors are extremely important in evaluating the overall performance of NPOs. Similar to the “people” in the “enablers” category, the percentage weighting for the “people result” in the “results” category also received support for an increase from 9 to 10 per cent for NPOs. The increase in percentage weighting of the “society results” criterion from 6 per cent in the original model to 8 per cent for NPOs could be linked to NPO’s interest in being positively perceived by society so that they could benefit from uninterrupted funding from donors to ensure their sustainability. Finally, the reduction in percentage weighting for the “key performance results” criterion from 15 to 12 per cent for NPOs appears to be due to the ambiguity and difficulty of identifying tangible indicators for NPOs compared with the for-profit sector (Kong, 2008).

Based on these discussions, we concluded that the EFQM model is generally applicable to NPOs as a self-assessment tool. However, we suggest that the model needs some modifications to render it more appropriate for use by NPOs. We propose three main modifications to the original EFQM model. First, we suggest highlighting the NPOs’ Board of Trustees by including them in the “leadership” criterion in the “enablers” category and renaming this criterion as “Leadership and Board of Trustees”. Second, we recommend substituting “customer” in the “customer results” criterion with “beneficiaries and donors”. This is essential as the term “beneficiaries and donors” are found to be more

appropriate for the nonprofit context. Our last recommended modification relates to the percentage weightings of the main criteria. This recommendation is made based on the mean of the respondents' weightings for each criterion as illustrated in Tables III and IV, see the last two rows in each table.

*The EFQM model as a planning tool to improve performance.* There was consensus among the respondents that the EFQM model is applicable for planning as a tool to prioritize their improvement activities. This can be explained by the argument that self-assessment is not an end in itself, but rather a means for planning for improvement (Tari and Juana-Espinosa, 2007). Our study, therefore, contradicts the criticisms of other researchers (Clarke and Newman, 1997; Willkinson and Wilmott, 1995; Temple, 2005) who have perceived quality concepts like the EFQM model as loose, confusing and promising far more than they can deliver.

*The MBNQA model: implications and potential applications of research findings*

Although our findings are based primarily on the EFQM model, we are of the view that the substance of these findings could be extended to the MBNQA model. This can be justified as the two quality models are founded upon similar values and share common features. We therefore argue that the MBNQA quality model is also potentially applicable to the nonprofit setting. However, it is our view that the EFQM model has superior advantages which make it more appropriate for NPOs than the MBNQA model for two reasons. First, the perception by society of NPOs' image is a major issue for sustaining funding from society, as explained in our study's findings. The EFQM model highlights this important requirement through the "society results" main criterion whereas the MBNQA model does not explicitly highlight it. Second, in addition to "society results", our study found the following four main criteria in the EFQM model to be important for NPOs: "leadership", "customer focus", "people" and "people results". With the exception of the "leadership" main criterion, where the MBQNA has a percentage weighting of 12 per cent which is more consistent with the results of our study (the original leadership criterion for the EFQM model has a percentage weighting of 10 per cent and our study suggested increasing this to 12 per cent), the MBNQA model underestimates the percentage weightings for the other three criteria.

## **6. Conclusion**

Despite quality models like the EFQM having been recognized as effective tools for performance improvement in different types of organizations, no serious efforts appear to have been made to apply these models to NPOs. Consequently, this study has looked at how quality models could be used to improve performance in NPOs to support their sustainability efforts. We focused our attention on the EFQM model as this is the most widely used framework in Europe and is the basis for both the European and the UK Excellence Awards. Our first contribution is that quality models in general, and in particular the EFQM model, are relevant to NPOs and can be adopted both for self-assessment and also as tools for planning improvement. The second contribution concerns the suggestion of modifying the main criteria of the original EFQM model to better address the specific needs of the nonprofit sector, and thus proposes a modified version of the EFQM model for NPOs. Our third contribution is that we have proposed an integrative model linking quality, performance evaluation and improvement

(via the EFQM model) which illustrates how the EFQM model could be applied by NPOs in a continuous process of improvement. Finally, we compared the EFQM and MBNQA models, and suggested that although both have similar attributes; the EFQM model has advantages which make it more appropriate for the NPO context.

However, our study does have limitations, especially with regard to the issue of statistical generalizability (Ghauri *et al.*, 1995; Yin, 2009). While this research has yielded some useful findings, it is suggested that future research via quantitative methods of data collection, for example using a questionnaire survey across a large sample of NPOs, could test the statistical generalizability of the findings of this study. Such research could use the themes generated in this study and the findings as hypotheses to provide external validity of this study, and also help to further refine the EFQM model to maximize its usefulness as a tool for performance improvement.

### Note

1. PATH was developed by the World Health Organization regional office for Europe in 2003 for developing the healthcare sector in the UK.

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#### **About the authors**

Omar Al-Tabbaa works as Teaching and Research Fellow in Strategy, Leeds University Business School. His research interests focus on strategic management discipline, including cross-section collaboration, performance development, and the application of strategic management theory in the context of small scale businesses (SMEs). Omar AL-Tabbaa is the corresponding author and can be contacted at: [omar@lubs.leeds.ac.uk](mailto:omar@lubs.leeds.ac.uk)

Kenneth Gadd is a Senior Teaching Fellow in Business Strategy, Leeds University Business School. He is interested in emergent management practices and their shaping of organisational behaviour, change and development, and understanding and managing knowledge-based processes.

Samuel Ankrah is a Lecturer in Operations Management, Leeds University Business School, University of Leeds. His current research interests focus on interorganizational relationships, technology and innovation management, and performance improvement of organizations.