

## **APPLICATION OF THE EFQM EXCELLENCE MODEL TO** **AROMA**

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### **Abstract**

In this article we apply the EFQM Excellence Model to AROMA – a company located in Poland which specializes in producing flavored tea mixtures. Three methods have been used to gather data necessary for achieving the goal – observation, interview with the head manager and survey. First, initial information about the company was gathered from its website. Then there was an interview with the head manager in order to learn about major areas of his business. Finally, the researcher prepared a questionnaire to measure the business excellence of AROMA. The questionnaire was completed by the head manager and, independently, by the researcher – in accordance with the EFQM method. Detailed analysis of the research results is presented in this article along with proposals for the company that can improve its performance.

**Keywords: Business excellence, EFQM model, Self-assessment, Performance measurement**

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## 1. Introduction

The concept of excellence appeared for the first time in ancient philosophy. Aristotle postulated that something in order to be considered “excellent” needs to possess one of three properties – complete, good and it should achieve its aim. The concept of excellence changed over the time and in XVIII century A. Smith said that the manifestation of excellence in practice was value-maximization by way of specialization and division of tasks. As we all know the research of A. Smith gave the birth to economics as a part of science. His thoughts on excellence initiated also the study of the concept of excellence in management theory. There is no need or space to go through all the varieties of business excellence in this article. Nevertheless, if one is interested and wants to review how business excellence was changing in last decades, one can refer to publications [1]-[3].

The case study selected for this article is Aroma – a company operating in Poland. Aromawasestablishedabout25yearsago.Atthebeginning,the company focused onlyontheimportofhibiscusandafewotherteasmainlyfromNigeria.Inthetimeofnewtechnology was developed to let the company grow and offer cleaned goods. The next move was to purchase a cutting line and to build new plants.AromahasstartedbuyingherbsanddriedfruitfromPolishfarmersaswellasofferingfinecutproducts. Since that moment it has been offering fruit and her bal tea mixture components. As the third step, Aroma preparedforitsclientsalreadymixedbasesreadyforflavoringandpacking.Itwasobviousthatthenextstepshouldbeanintroductionoftheflavoringtechnology.Fromthispoint,therewasonlyasmallsteptobroadenthecompany’sproducts’listwithalreadyflavoredteamixtures.ThatsmallstepbecamethebiggeststepinAroma’shistory.Fromthatmomentonthecompany’srevenuestartedtoincrease rapidly.The companyhasbeensupplyingfruitandherbalteasforoverlast10years.

The main groups of products are: fruit teas, herbal mixtures, herbs, fruit bases, simple products like hibiscus sort teas. In the fixed offer, there are: strawberry tea, forest fruit tea, raspberry tea, orange tea, lemon tea, slimming teas and herbs like: peppermint, lemon balm, St. John's wort, chamomile, sage, nettle, thyme, oregano, fennel and lime. The base of the offer are fine cuts (TBC) cut to 0,3-

1,6mm. Having at its disposal the newest technology, the company is able to offer all kinds of fine cut teas. It also offers some products like hibiscus and rosehip grosscut. Aroma's machine park allows preparing mixtures of high volume weight, even to 500 grams per liter. The technology of granulating, as well as flavoring, which have been developed for over a decade, are the "know-how" of the company.

The substance of quality control is determined by such certificates as IFS, HACCP, and ERP management system. The HACCP and ERP systems have been working efficiently for a few years now and let the company supply its clients with quality goods. The IFS Food standard was introduced in Aroma in April 2014. Now, the company has entered the next level of the business. Its production processes are comparable and transparent, the cost and production times have been lowered and the company is able to offer only a safe product of the highest quality. In addition, performance in the area of quality is supported by highly skilled laboratory personnel. Aroma's laboratory currently tests organoleptic and physicochemical features of raw materials. Obligatory tests are the following: taste, smell, color, dust, maximal fraction, total ash, bulk density and perfume oil content. In 2013, a new laboratory was opened and the range of research has been widened to microbiology and mineral impurities insoluble in HCL.

The company's strategy did not intend to launch its own brands from the very beginning. It allowed it to bear reliable and honest partner for many famous tea packing companies in Europe and not to be a competitor at the same time. Thanks to this policy, Aroma's products can be found in packages of many companies and are available in all trade chains in Europe and also on some other continents. The company cooperates with such Polish enterprises as: Herbapol, Tekkanee, Malwa, Mokate and Vitax which sell their products partially under their brands and partially under supermarket's brands. The same situation concerns foreign customers of Aroma. The percentage of the market share is not easy to be determined because of the private labels, but according to the Nielsen's report for the period 2010-2011 Aroma's production corresponds to about 25% of all packaged fruit and herbal teas in Poland.

The company's leaders continuously monitor whether the strategy is executed in a desired way. Twice a year a thorough analysis is conducted to check if the company is going in the right direction. The company's strategy is considered flexible, therefore, if circumstances change, the strategy is updated as well. The employees are trained according to the current needs of the organization. Therefore, if the strategy changes they are provided with an appropriate training.

The leaders of the company are focused on continuous improvement. They have regular meetings that allow them to discuss current issues and make sure that everything is going according to the plan. When a manager notices a problem and informs about it, leaders immediately get together and look for solutions to this situation. As the communication between managers at different levels is very effective it usually does not take much time to tackle a problem. They also use the concept of lessons learned as a way to keep improving the company. After every project has been finished, the leaders meet to evaluate it and look for areas that could be improved. Nevertheless the communication between leaders and their subordinates is not very effective. Employees are afraid of reporting failures and leaders don't trust them.

The company is constantly looking for new ways to improve its processes. Having introduced IFS Food Standard in 2014, the production time and the cost of production per unit have been significantly decreased. Management processes are monitored and gradually improved. Recently the company has started to monitor its relationship with customers. Since the company does not deliver the products to final customers, it does not possess a marketing department. Only a few marketing promotion activities take place in a year, but the results of them are carefully analyzed.

#### Aroma

has defined in a clear way customer satisfaction indicators. Furthermore, the company regularly monitors changes in consumers' preferences, which influences the company's strategy and processes. The customer satisfaction has risen during last three years and at the same time customers have become more loyal. The company aims to provide products of the highest possible quality but sometimes they received complaints from the customers. All the complaints are dealt with quickly in the appropriate manner.

The company has defined in details employee satisfaction indicators and tries to follow them, which has led to a significant increase in employee satisfaction during last three years. On a daily basis productivity of employees is measured, which guarantees an efficient personnel utilization. Aroma has introduced in last three years technological improvements, which brought about a decrease in the waste of natural resources. Following clear rules concerning health and safety is one of the company's priorities.

The company uses benchmarking as a way to compare its results with competitors. Financial objectives of the company has been completely achieved in last three years but due to processes improvements and innovations. The company has recently invested in new technology and even better financial results of these actions are expected to be visible in the following years.

The information about Aroma provided in this section comes from the company's website [4] and from the interview with the head manager.

## **2. Research Method**

In order to measure the business excellence of Aroma, we shall apply the EFQM Excellence Model, which is a self-assessment method based on a questionnaire. The EFQM Excellence Model is a framework behind the European Quality Award (EQA), which was established in 1992 by the European Foundation for Quality Management. The model is regularly reviewed and updated – the last refined version was published in 2013 [5].

The EFQM Excellence Model consists of nine elements organized into two categories of assessment criteria: “enablers” and “results” [6]. The “enablers” refer to everything that the organization does and how it does it. The other group, “results”, relates to what the organization achieves from its activity.

Among “enabler” we distinguish five elements:

- leadership (10%),
- strategy (10%),
- people (10%),
- partnership and resources (10%),
- processes, products and services (10%).

Whereas among “results” there are:

- customer results (15%),
- people results (10%),
- society results (10%),
- key results (15%).

The values in the brackets indicates how each element contributes to the final business excellence result.

Over the last decades there have been many research studies conducted to verify whether there is a positive correlation between the implementation of excellence models such as EFQM and improved organizational results. Most of those studies proved that the hypothesis is correct. The work which is considered most comprehensive was conducted by Kevin Hendricks and Vinod Singhal [7].

In order to measure company's performance in each element a researcher needs to prepare a questionnaire, which has to consists of 9 parts – each part corresponds with one of the elements mentioned before. Each part of the questionnaire comprises of several sentences (in case of this research it is 7) which describe different aspects of business excellence. The respondent has to mark on a percentage scale (from 0% to 100%) how much he or she agrees with each sentence. First the questionnaire should be filled in by the head manager (self-assessment). The second step is to fill in the questionnaire by the researcher on the basis of the knowledge he gather during the interview and observation. Then it is possible to compare both results and draw conclusions about the level of business excellence.

Below there are the sentences included in the questionnaire divided into 9 parts.

#### LEADERSHIP

- The company leaders act accordingly with the company's mission and vision.
- The company's leaders act accordingly with the determined core values and ethics.
- The company's leaders control whether the determined core values and ethics are applied by workers.
- The company's leaders improve the company's management system.
- The company's leaders have good contact with customers and suppliers.
- The company's leaders react immediately to every sign of imperfection within the company.
- The company's leaders reinforce a culture of excellence within the company.

## STRATEGY

- The company has a clearly defined strategy for the future.
- Every stakeholder of the company is aware of the main points of the strategy.
- The strategy is possible to execute using the company's capabilities.
- The strategy requires to improve the company's internal performance.
- The progress in executing strategy is monitored.
- The strategy is reviewed by every manager in the company.
- The strategy is being developed and updated according to changing circumstances.

## PEOPLE

- Workers are aware of strategy of the company.
- Workers know their role in the company's strategy.
- Knowledge and competences of workers are developed according to the company's strategy.
- Workers can propose new solutions and give feedback up to date.
- Communication between workers and online managers-workers is good and unreserved.
- The rules about safety and health, justice and equality are propagated between workers.
- Workers are appreciated after their good job (not only by base salary).

## PARTNERSHIP AND RESOURCES

- The company maintains long-term relationships with suppliers based on trust and mutual benefit.
- When the company has a problem with business partners it reacts quickly and proposes solutions.
- Financial CEO considers all scenarios concerning profit and always has "plan B".
- All tangible and non-tangible assets are managed with sustainable development principles.
- The company invests in new technology and gives workers the opportunity to know it.
- The company measures and draws conclusions from adverse effects of the organization's operations.
- The company has its network to transfer information in an efficient way between staff at all levels.

## PROCESSES, PRODUCTS AND SERVICES

- Managers work at improving processes within the company.
- The production process is maximally optimized and innovative.
- The promotion and marketing of the product are crucial for the business.
- The effects of promotion and marketing are monitored.
- The process of production, delivery and management is controlled by process improvement methodology.
- The production, delivery and management processes are normalized by an international management system standard.
- The company monitors the relationships with customers.

## CUSTOMER RESULTS

- Customer satisfaction indicators are defined.
- Changes in customer preferences are continuously measured.
- The results of customer preference surveys trigger changes in the company (e.g. in customer service or company's offer).
- Customer satisfaction has risen during the last three years.
- The number of customer complaints has decreased during the last three years.
- The number of loyal customers has risen during the last three years.
- Since introducing systems HACCP and ERP the quality of products has risen significantly.

## PEOPLE RESULTS

- Employee satisfaction indicators are defined.
- The company measures the suitability of an employee's competencies to the needs of the company.
- The company continuously assesses the productivity of employees.
- The company has developed tools to improve the productivity of employees.
- The company measures the efficiency of the internal communication.
- Employee satisfaction has increased during the last three years.

- The company achieves the goal that we set concerning employees.

## SOCIETY RESULTS

- The company uses indicators to assess the image of the organization as being concerned about the environment.
- The company uses indicators to assess the impact of the organization on the environment.
- Innovations introduced in last three years has improved company's environmental impact.
- The company has been receiving positive media coverage for last three years.
- In last three years the company has become more engaged in supporting local communities.
- The company follows clear rules concerning health and safety performance.
- The amount of waste of natural resources has decreased in last three years.

## KEY RESULTS

- The company has reached its major goals in last three years.
- Company's outcomes are reflected in financial results.
- Final results satisfy company's stakeholders.
- Managers can name what was the failure and what was the success.
- The Board compares the company's outcomes with its benchmarks.
- The company's strategy is continuously monitored and modified (if necessary).
- The company can estimate future performance and results.

In order to analyze the data provided by the respondents, the researcher calculates for each of the nine areas of business excellence the mean value of the provided answers. The researcher does it twice – once for the scores provided by the head manager and the other time for the answers the researcher provided himself. The scores are compared and discussed.

### 3. Results and Analysis

As it was described in the previous section, the questionnaire was completed by two respondents – the head manager and the researcher. First, the top management perspective shall be presented.

The average scores for each business excellence element have been calculated and are presented in Table 1.

Table 1. Head manager perspective

CRITERION	SCORES
I. Leadership	87%
II. Strategy	74%
III. People	70%
IV. Partnership & resources	94%
V. Processes, products and services	86%
VI. Customers results	80%
VII. People results	95%
VIII. Society results	74%
IX. Key results	89%

In three cases, the score is lower than 75% -

strategy, people, society results. The results suggest that these three areas should be improved by Aroma and require the closest attention of the management board. This section

contains specific suggestions for the company – they are presented after the comparison of the two perspectives. In two cases, the score is higher than 90% -

partnership & resources and people results. These results show the strongest areas of the company, however, even here, continuous development is absolutely necessary for the company's present market situation maintenance and potential future growth. Nevertheless, other companies from the same industry could use Aroma as a benchmark when it comes to these two issues.

In table 2, there are average results for the nine elements from the researcher's perspective.

Table 2. Researcher's perspective

CRITERION	SCORES
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I.Leadership	80%
II.Strategy	69%
III.People	64%
IV.Partnership&resources	90%
V.Processes,productsandservices	76%
VI.Customersresults	78%
VII.Peoplereults	88%
VIII.Societyresults	70%
IX.Keyresults	86%

Althoughtheresultsdiffersignificantlyfromthetopmanagementperspective,still,thesamethreeweake  
stareasarevisible

–  
people,strategyandsocietyresults.Thisonlyconfirmsthesuppositionswiththelowestscoresbeingrathe  
ralarming.Theresultsalsosuggestthesamestrongestpointsofthecompany –  
partnership&resourcesandpeoplereults.Ontheotherhand,itconfirmsthesignificantpositionofthehigh  
lydevelopedHumanResourcesdepartmentinthecompany.

The discrepancies between the top management perspective and researcher's perspective are  
graphically on figure 1.

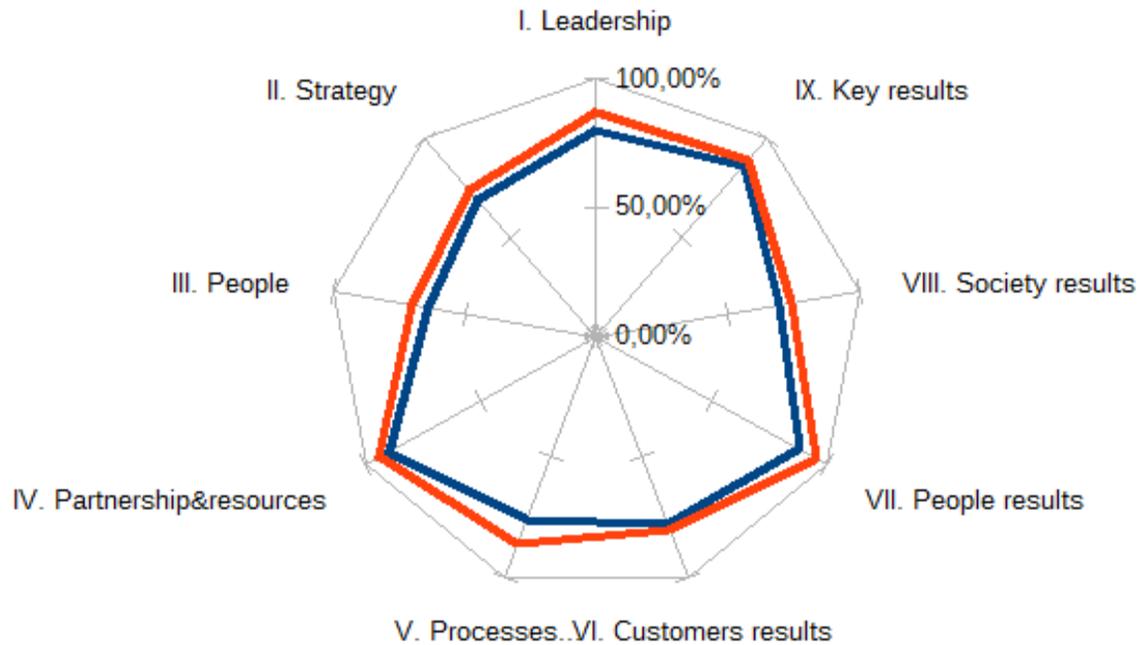


Figure 1. Comparison between the head manager's perspective (color red) and the researcher's perspective (color blue)

The graph shows strong consistency between the results obtained from the two sources – the management board of the company and the researcher. The three areas requiring particular attention of Aroma's management are people, strategy and society results. On the other hand, the fields in which Aroma's good practices are clearly visible are partnership&resources and people results. This means that the company achieved excellence in contacts with employees and suppliers. Being in good relations with the two groups guarantees that the company is provided with raw material of good quality...

After conducting the survey and comparing the results obtained differences between answers can be noticed. It is striking, however, that in almost every question, the company sees itself more valuable in a given field than the assessor sees it basing on the previous interview with Aroma. That is why we would like to offer some proposals to improve the company's business excellence.

## Leadership

It is highly unwise to do unethical things only for the sake of the profit in order to avoid negative consequences. Such behavior (e.g. a worker's abuse) could end up in court. Increasing the number of controllers and observing if employees are consistent in relation with work could be a good option for constantly maintaining the company's values, mission and vision. These movements should be launched quickly – the world and people are changing and the company should keep up with them. The biggest problem is in the area of sharing culture of excellence among workers. Employees should have meetings where managers or the MB would explain Aroma's actions and decisions and tell everybody why it is necessary to improve the quality of product, of work, etc. Supervisors should support workers in what they do and encourage them to improve their own skills so that they can be a part of the company's excellence path.

## Strategy

The company has to rethink their strategy for the future because not everything is clear. If Aroma wants to be recognized for business excellence, it should improve the strategy, make it more friendly and accessible for everyone in the company. Stakeholders do not know the strategy, but this is because it is the secret of the company.

If Aroma does not want to change it, we will not propose anything in this area. It could be better if the strategy would be monitored minimum four times a year (after every 3 months). It could help in fixing errors faster, making more explanations, adjusting the strategy to the current changes in the market.

Every manager has to review the strategy and has a possibility to get feedback from the top. Also, they should talk with stakeholders and learn about their expectations so that the management can take into account the needs of stakeholders when they will be making or improving the strategy of Aroma. A good sign is that the company knows its weaknesses and wants to improve them (integration of the forward-packing area).

## People

In researcher's opinion, every employee should know about the strategy of the company. It could make them more aware of

Why Aroma wants to achieve business excellence. Details are not necessary to know but core values and the framework of the strategy could help, for example, in communication. Then, they could be more open and get feedback more often. Now they are probably too intimidated to notice that if they could, they would change this or that. The attitude of managers and bosses should encourage them to talk about problems or better solutions. With a more friendly attitude workers will trust and dare more and they will work harder to solve problems, not only on production lines but also on management–blue collar line. Perhaps then they will also be more satisfied with their jobs. The management board should also take into account some slogans which are commonly articulated but in reality only top managers pay attention to fulfill them. When regular workers hear words like: justice, equality they do not think such values fit to their position in the company. It has to be changed, employees should know that they have the same rules of safety or security like everybody in Aroma.

### **Partnership and resources**

This area is almost excellent. Besides minor shortcomings the researcher has noticed only one big defect: the company should have a more developed “plan B” in case of unfavorable circumstances. When something goes wrong there is not time to set up a new strategy. We are aware of the fact that it is hard to foresee every scenario, but still the company should be more secured and prepared. Details can be changed and adjusted to the situation later but the framework of plan B should be prepared beforehand.

### **Processes, products and services**

We have a proposal that managers should be divided into two subgroups: the first one taking into account improving production process, the second trying to deal with the present production with no delays. Especially, it is needed in the delivery area where systems have not changed for a few years. The second thing is that Aroma does not have control over the area of marketing. The company only knows about its own position in *Fair Trade* competition but this is not enough. It would be good to hire a marketer who will be responsible for marketing and the company's promotion. It is also important to consider

CSR – corporatesocialresponsibility – becauseitis commonamongentrepreneursandcompanies.Itisobviousthatfinancialresultsareinthefirstplaceinthe aimhierarchyinthecompanybutAromashouldbeawareofthenaturalenvironment,humanrights(atallst eps of the supply chain), and perhaps take part in some projects on environmental topics. It could improve the position on the business market and the company could be perceived as society and environment friendly.

### **Customer results**

The researcher noticed that the company conducts too few marketing research. It can be suggested that checking customer preferences should be done every month or every two months. Furthermore, Aroma should consider applying different types of surveys because such methods can reach all customers and provide information for the managers and the stakeholders. If the company puts into practice the results obtained from the research, the customers' satisfaction will rise and the problem with discontented customers will no longer take place. Another step to improve business excellence is to compare Aroma's results with other companies' results from the same branch. Naturally, not all data concerning other companies is available but still the managers can do benchmarking concerning at least some aspects of business.

### **Peoples results**

The main challenge in this area is to devise a tool which can help measure efficiency of employees and help solve problems in internal communication. Now, there is no system to use for this aim which could help. As mentioned before, Aroma does not use surveys or other research tools within the company and, even if they are provided with some data, the management board does not take it into account. It would be better to conduct such research from time to time for checking what people, who are directly connected with the company, think about Aroma. Aroma's workers are the best source of information about this topic.

### **Society results**

The company should be more focused on the society and environment. Aroma measures only those indicators which are obligatory to obtain certificates or when they are obliged by law during controls. It would be beneficial to observe the environment more carefully for the sake of better coexistence with the society. Aroma should be more engaged in the life of local communities. Most people living in close surroundings of the company are its employees. Helping them in daily life will increase the company's reputation. A side effect of that behavior could be better efficiency of Aroma's workers. Thanks to being close to the community, the company could get to know better present trends in the society; what tastes of teas are popular, what is the most important while producing a product, which channels are the most effective in selling teas.

### Key results

Aroma should focus not only on reaching financial goals but also on non-financial ones which will be its long-term goals. Investing in people, workers, laboratory would bring positive economies of scale. What is the most important challenge here is to improve the quality of products because this is the main guideline which consumers follow during tea shopping. Maybe then more managers will be satisfied with their jobs and outcomes. The same holds for the management board. If something goes wrong, it is important to analyze actions which occurred and think how those actions could be improved. Continuous strategy improving and adjusting it to the current circumstances should boost business excellence of Aroma. In general, in our research Aroma is a stable, efficient company. The board knows what should be corrected to give Aroma the title of a business excellence company.

### 4. Conclusion

The general view of Aroma is rather positive and the company's pursuit of business excellence is clearly visible. However, being that optimistic and leaving the company without any changes could only lead to its fall. That is why Aroma should constantly work on two areas. The first one concerns the company's present achievements in the fields of partnership & resources and people results. The two aspects measured in the survey undoubtedly proved that the company is able to be excellent in its proceedings. These second areas in question are related to people, strategy and society results. Here, a lot needs to be done and, in fact, these fields should constitute Aroma's priority in the subsequent months, or even years. N

evertheless, if Aroma maintains the same level of determination, which was observed by the researcher in the company, there is no doubt about Aroma's future success.

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