

INTEGRATION OF THE BUSINESS PERFORMANCE MANAGEMENT FRAMEWORK AND THE MALCOLM BALDRIGE NATIONAL QUALITY AWARD FRAMEWORK TO ADDRESS ENHANCED COMPETITIVENESS

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ABSTRACT

This work examines and compares the Malcolm Baldrige National Quality Award (MBNQA) model and the Business Performance Management (BPM) Framework. We use the literature in both areas to posit about the relationships among the two models and to propose a single integrated model. The intent is to provide insight that will allow maintaining organizational MBNQA initiatives while helping to create an agile organization that is capable of developing and increasing competitive advantage.

Keywords: Business Performance Management, Malcolm Baldrige National Quality Award, Innovation, Competitive Advantage.

INTRODUCTION

The Malcolm Baldrige National Quality Award (MBNQA) framework provides a basis for self-assessment and a systems perspective for managing an organization's key processes for achieving business results. The Business Performance Management (BPM) framework helps an organization continuously adjust and successfully execute its strategies. BPM helps increase flexibility by providing managers with a sense of uncertain changes earlier and allows faster response to such changes. It thus helps organizations address market opportunities. The simultaneous use of the Malcolm Baldrige National Quality Award (MBNQA) model and the Business Performance Management (BPM) Framework by an organization has the potential to help organizations pursue excellence while simultaneously increasing their agility and competitive advantage. Therefore, to facilitate the ability to use both models simultaneously for organizational advantage we examine the existing literature and from it glean the common relationships among the frameworks and use these findings to posit an integrated model.

The Malcolm Baldrige National Quality Award criteria are grouped into seven categories that show the underlying relationships among and between organizational performance and various quality management constructs [10]. These relationships are portrayed in the Malcolm Baldrige National Quality Award (MBNQA) Framework. The MBNQA criteria define practices in seven categories - (1) Leadership, (2) Strategic Planning, (3) Customer and Market Focus, (4) Measurement, Analysis, and Knowledge Management, (5) Workforce Focus, (6) Process Management, and (7) Results. These seven categories are composed of a set of 18 performance-oriented Criteria Items. Each of these categories embodies two or more Criteria Items. For instance, the Leadership category is comprised of two Criteria Items: Senior Leadership, and

Governance and Social Responsibilities. The Baldrige criteria also shed light on asking questions that organizations can utilize to establish the vital linkages in their structure, operations, strategy, and results. These questions provide both practitioners and academicians with invaluable insights for developing self testing instruments. However, because of the use of the same terms in other contexts in academic literature there is the potential for the confusion of these questions (items) with the criteria items. Therefore, it is the intent of the authors to make a distinction at the onset between the criteria items and the question items by labeling the criteria items as dimensions of the categories. Thus, the Baldrige framework is a model of seven interrelated constructs with each construct having two or more dimensions with each dimension measured with multiple question items.

The BPM framework embodies a closed-loop. Cokins [3] posits that business performance management existed decades ago and that organizations were doing performance management long before it was labeled such in 1990s by information technology research firms and software vendors. There is little or no research in academia on business performance management. Several practitioner BPM frameworks exist but these are industry specific and vary from industry to industry [3] [4]. However, all such frameworks have common constructs – develop strategy; define, measure and manage performance against strategic goals; continuously adjust and refine strategy; and optimize the strategic execution. Therefore, the first objective of this work is to validate and create a common general framework for the business performance model by integrating the practitioner literature with basic theory including existing MBNQA theory.

The 2007 Criteria place significant importance on competitive advantages, core competencies, and innovation. The Baldrige criteria ask thought-provoking, critical questions that emphasize an organizational infrastructure that is essential to maintain and improve competitive advantage and bring about innovation. One impediment to achieving improved organizational effectiveness and competitiveness is the huge gap between strategy and execution [4]. Eckerson [4] suggests that business performance management (BPM) bridges the gap between strategy and execution. Eckerson also posits that BPM helps organizations exploit market opportunities as they arise, and make organizations more effective, and more competitive. Therefore, the second objective of this study is to integrate the business performance management framework and the MBNQA framework into a new model (BPM-MBNQA Model) that can guide organizations in their journey toward achieving and sustaining competitive advantage.

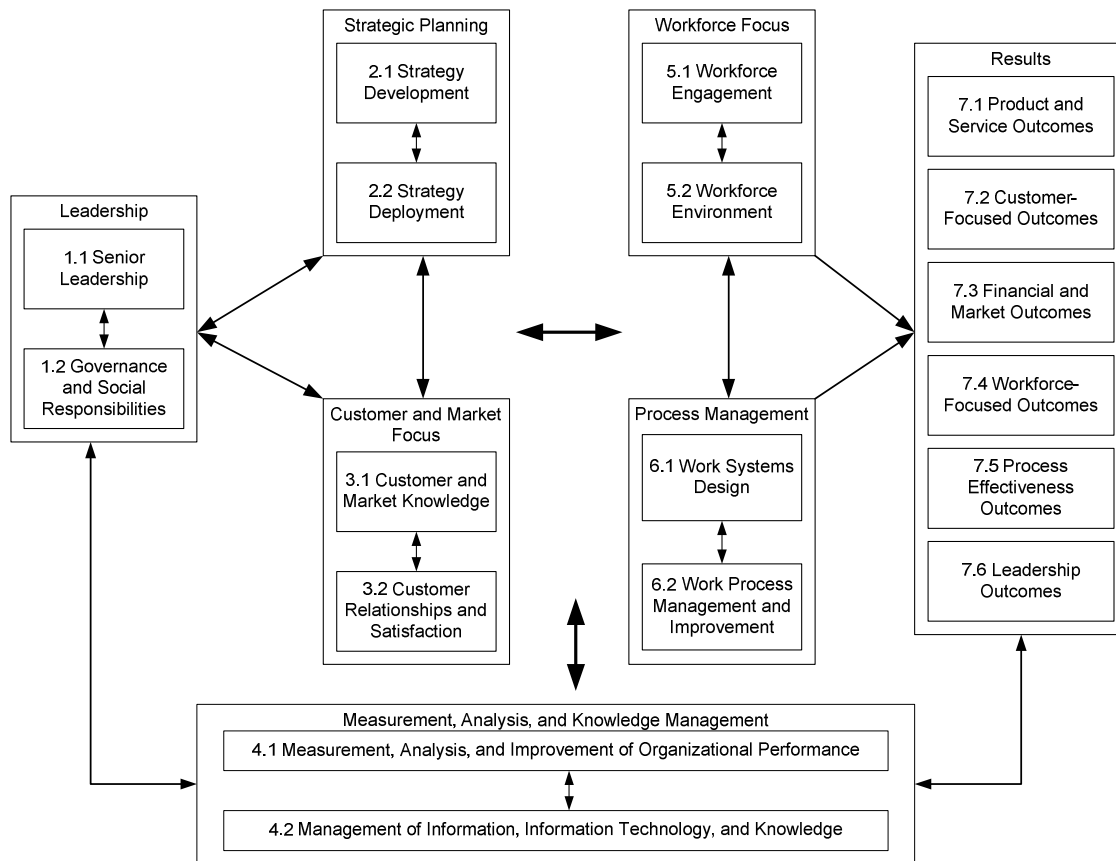
LEVEL OF EXISTING KNOWLEDGE

The MBNQA Conceptual Framework

The MBNQA framework was first created in 1987 for the purpose of improving organizational competitiveness [6] [7] and has evolved continuously since its inception [1] [9]. The 2007 Criteria bring significant changes from the 2006 Criteria in almost all categories and dimensions, and these changes include adding seven terms to the Glossary of Key Terms [9, p. 8-9]. These changes are reflected in the framework in terms of new and modified underlying relationships. For example, the 2007 Criteria assume that strategic planning has a stronger focus than in previous models on innovation, strategic advantages, and resource needs to achieve strategic objectives. The MBNQA framework enjoys widespread acceptance at local, national, and

international levels [5] [8] [11]. Various studies have utilized, extended and tested this framework in several industries, such as healthcare [13], government organizations [10] [11], and higher education [14]. The Baldrige model (Figure 1) defines seven categories of criteria that are designed to endow organizations with an integrated approach to performance excellence. The bottom-line philosophy of this model is to provide a systems perspective for managing organizations and their key activities and processes to obtain results.

FIGURE 1
The MBNQA Conceptual Framework

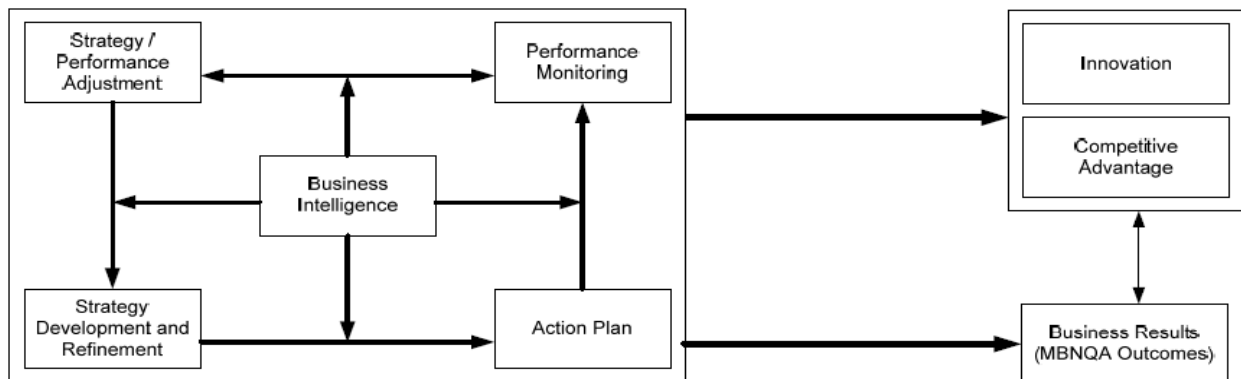


The BPM Model

The acronym BPM in this study stands for *Business Performance Management*, not the more common business process management. Synonymous with the concept of BPM are the concepts of corporate performance management (CPM) and enterprise performance management (EPM). These concepts provide a systems perspective for optimizing the execution of business strategy [4]. The concept of BPM was introduced to business in 1990s by information technology research firms and software vendors [3]. BPM is misunderstood by many companies as being a new category to describe multiple applications including planning, budgeting, financial consolidation and reporting, forecasting and scenario modeling, scorecarding or dashboards, business intelligence, and key performance indicators (KPIs) reports [4]. Eckerson argues that

BPM is a common strategic and technical framework that pulls these applications together in a cohesive and concerted manner with a view to drive the whole organization toward achievement of strategic goals and objectives. Therefore, BPM is a much broader and bigger concept than planning, budgeting, forecasting, reporting, scorecarding, or business intelligence. These latter concepts are all parts of the business performance management concept. BPM defines and refines strategies, and manages them in order to enhance performance. It bridges the gap between strategy and execution by means of improved communication, collaboration, control, and coordination [4]. Eckerson posits that BPM improves (1) communication of strategy and expectations to all levels of the organization through planning models and performance metrics that are tied to strategic goals and objectives, (2) collaboration across organization through two-way exchange of ideas and information, (3) control to continuously adjust plans and improve operations through dissemination of up-to-date information about market conditions and operational processes, and (4) coordination among business units and functional groups. He also suggests that BPM helps organizations better exploit opportunities as well as detect and rectify operational problems before they grow out of control. Practitioners at various consulting firms such as IBM and KPMG have been utilizing some variants of the concept of business performance management since the late nineteenth century [2]. However, there is little or no research in academia on business performance management. In this vein, we attempted to critically analyze each practitioner model and synthesize them based on their common, shared foundations. Our examination of the various BPM models suggests that while these frameworks vary in their terminologies and the steps of implementation, they possess many of the same and overlapping constructs. All BPM models use integrated data and data analysis to develop strategies; devise action plans (e.g., definition of targets, models, projects, and initiatives in terms of metrics and key performance indicators (KPIs)) to deploy these strategies; define, measure, and manage performance against these metrics and KPIs, and adjust strategy and/or performance. Based on this analysis, we proposed and presented a BPM model to the 2007 Monfort Summit. The 2007 Monfort Summit was a gathering of Baldrige Award Recipient (BAR) members and a small group of selected researchers from across the United States. The summit had a total of 25 participants with 20 of those from Baldrige Award winning organizations and 5 academicians from different universities. The model was then revised based on the feedbacks provided by the 2007 Monfort Summit participants. Figure 2 illustrates the proposed BPM model.

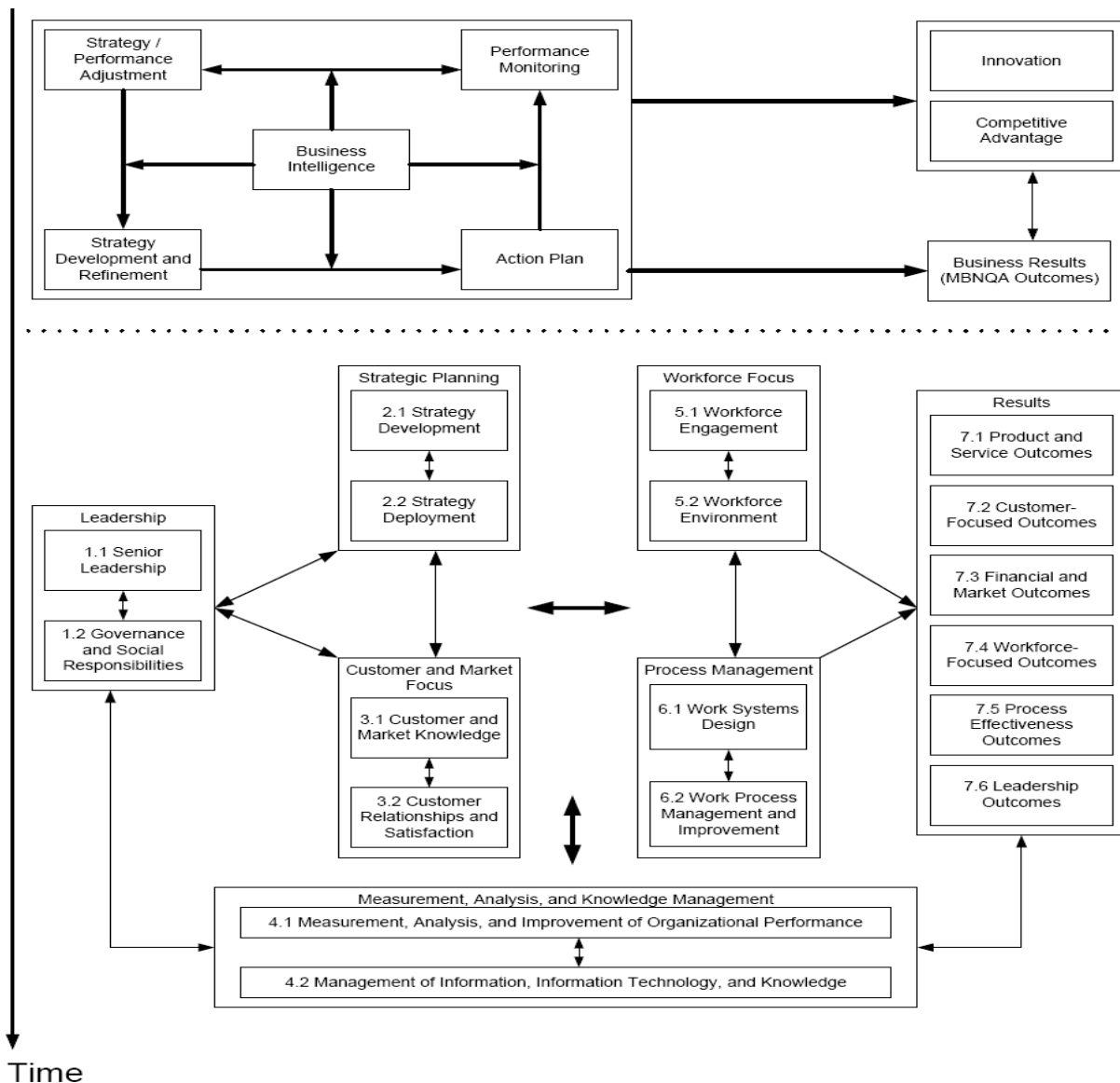
FIGURE 2
The Proposed BPM Model



THE BPM-MBNQA CONCEPTUAL FRAMEWORK

Most elements of BPM model are also critical constructs of the current MBNQA framework. The MBNQA framework embodies six business results and implies that innovation and competitive advantage lead to and are integral parts of the business results. In fact, the MBNQA framework is more comprehensive and provides the basis for the underlying constructs in the BPM model. The 2007 Monfort Summit participants alluded to this conclusion and posited that the BPM model be used a subset of the MBNQA model. Consistent with this we posit that the BPM and MBNQA frameworks be integrated into a new model (BPM-MBNQA Model) such that the BPM model works as the start-up model for the MBNQA model. In other words, organizations can initially deploy the BPM model and gradually move to the adoption of MBNQA framework. Figure 3 shows the integrated BPM-MBNQA framework.

FIGURE 3
The BPM-MBNQA Conceptual Framework



CONCLUSION

The key to ever increasing competitive advantage is to continuously improve the fit between a dynamic and changing business environment and organizational strategy, and doing so requires responsiveness and flexible strategies [12]. Business performance management (BPM) provides a structure for enhancing responsiveness and flexibility because it embodies the process of managing an organization's strategy [3]. BPM integrates business improvement and analytic methods – including strategy mapping, balanced scorecards, costing, budgeting, forecasting, and resource capacity requirements planning. These tools help organizations to formulate strategies in changing business environments and provide managers and employees with the capability to move toward defined strategies [3]. The MBNQA framework provides a basis for self-assessment and a systems perspective for managing an organization's key processes for achieving business results [9]. The BPM framework helps an organization continuously adjust and successfully execute its strategies [3]. The integration of these two models will facilitate managers' ability to maintain organizational MBNQA initiatives as well as help them create an agile organization that is capable of developing and increasing competitive advantage. The new composite model will also help academicians gain insight into enhancements of the Baldrige quality model that would allow them to better address innovation and enhanced competitiveness.

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