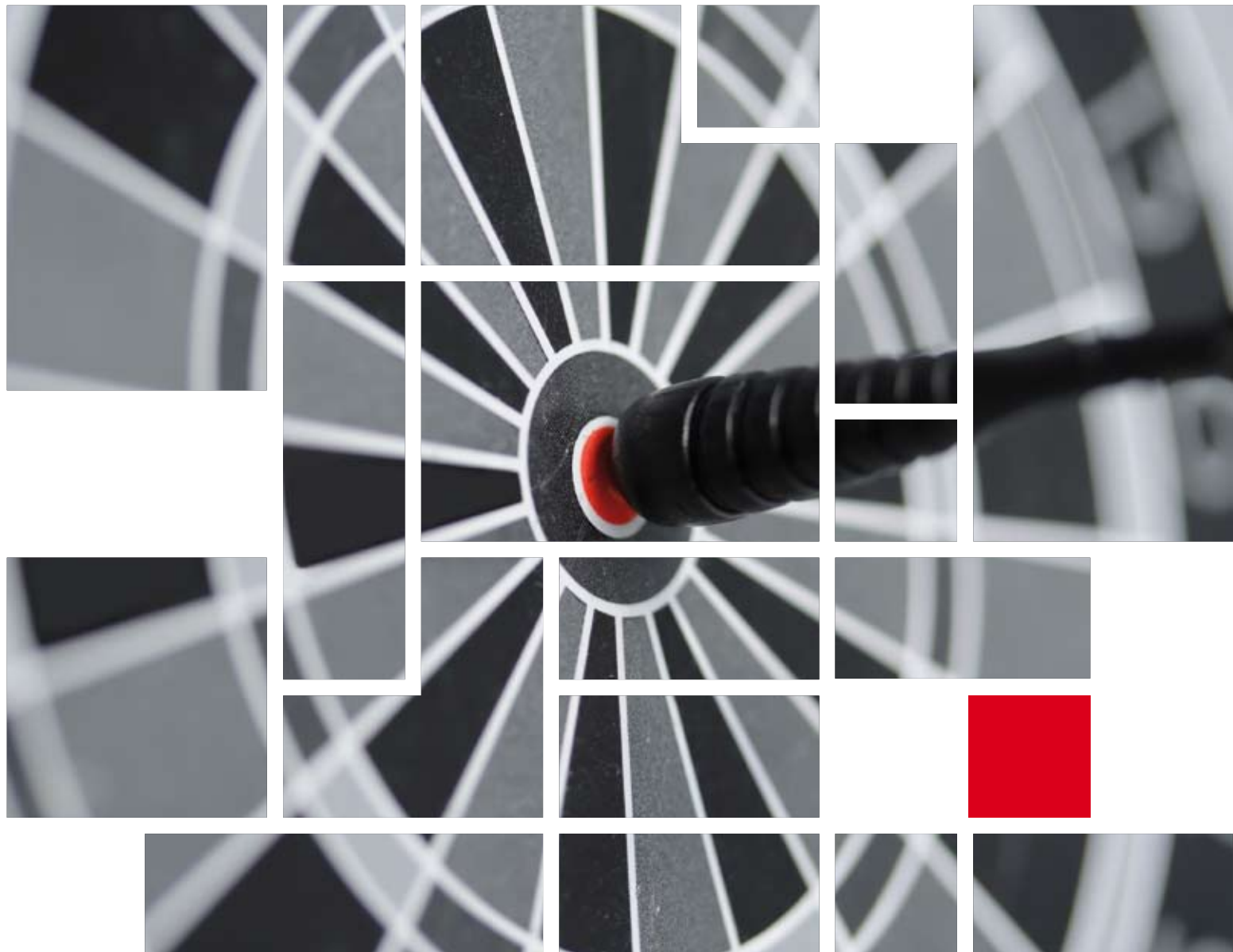


# THE **Business Excellence** FRAMEWORK



Published March 2007

GB.002—2007

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Published by SAI Global Limited

GPO Box 5420, Sydney NSW 2001, Australia.

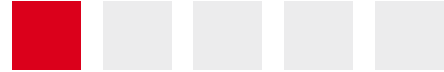
ISBN 1 921093 29 3

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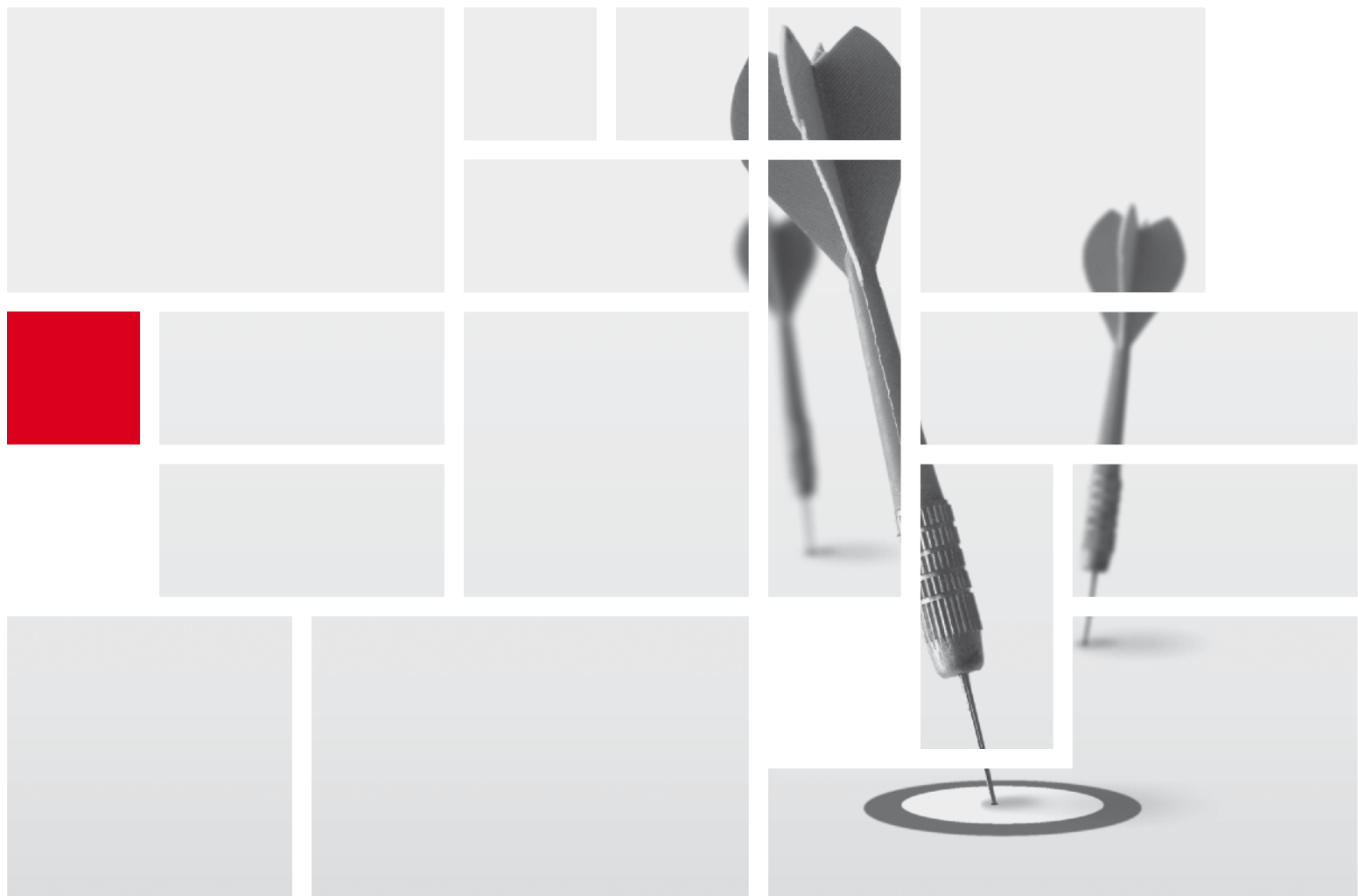


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# **An overview** OF THE BUSINESS EXCELLENCE FRAMEWORK



# WHAT IS THE **Business Excellence Framework**?

The *Business Excellence Framework (BEF)* is an integrated leadership and management system that describes the elements essential to sustainable organisational excellence. It can be used to assess and improve any aspect of an organisation, including leadership, strategy and planning, people, information and knowledge, safety, service delivery, product quality and bottom-line results.

Importantly, the *BEF* recognises the unique nature of each enterprise. When an organisation embarks on a journey for excellence, it is challenged to look within and address key questions, such as 'how are we really performing as an organisation?', 'what are we good at?', 'what do we need to improve?' The internationally recognised *Business Excellence Framework* ensures that the organisational review remains holistic; that is, it encompasses all levels of the organisation and considers all factors that can influence performance. It enables any organisation to clarify the factors inhibiting or accelerating organisational advancement and provides the tools to implement targeted strategies. The *BEF* has proven relevance to all types and size of organisation – multinational, SME, not-for-profit and public sector.

## **AIM**

The aim of the *BEF* is to create an **environment for continuous improvement**. This environment can be described as follows:

- The organisation is outward looking, has a strategic understanding of its operating environment, and is strongly focused on adaptability and sustainability. It understands the needs of current and future customers and contemporary and prospective markets, and is aware of the interests, perceptions and expectations of key stakeholders and the wider community.
- There are processes to formulate business strategies. These processes are continuously influenced by the external environment and are clearly communicated throughout the organisation. The people who are responsible for delivering strategic objectives are actively engaged and involved and their efforts are consistently aligned with the organisation's objectives.
- It is recognised that people in the organisation work in a 'system'. Leaders and managers focus on improving that system while encouraging the resourcefulness and enthusiasm of the people involved. This means that there is personal engagement with the organisation's values and directions, sustainable behavioural change and productive organisational relationships.
- A successful organisation continually improves its business processes through understanding their performance and capability, effectively using of data and information for evidence-based decision making, and fostering corporate learning and knowledge. Data and information are essential components of performance monitoring and direction-setting by all levels of leadership within the organisation.
- Behavioural changes are considered and organisational values and principles are consistently applied in order to bring about improvement in business processes.

## STRUCTURE

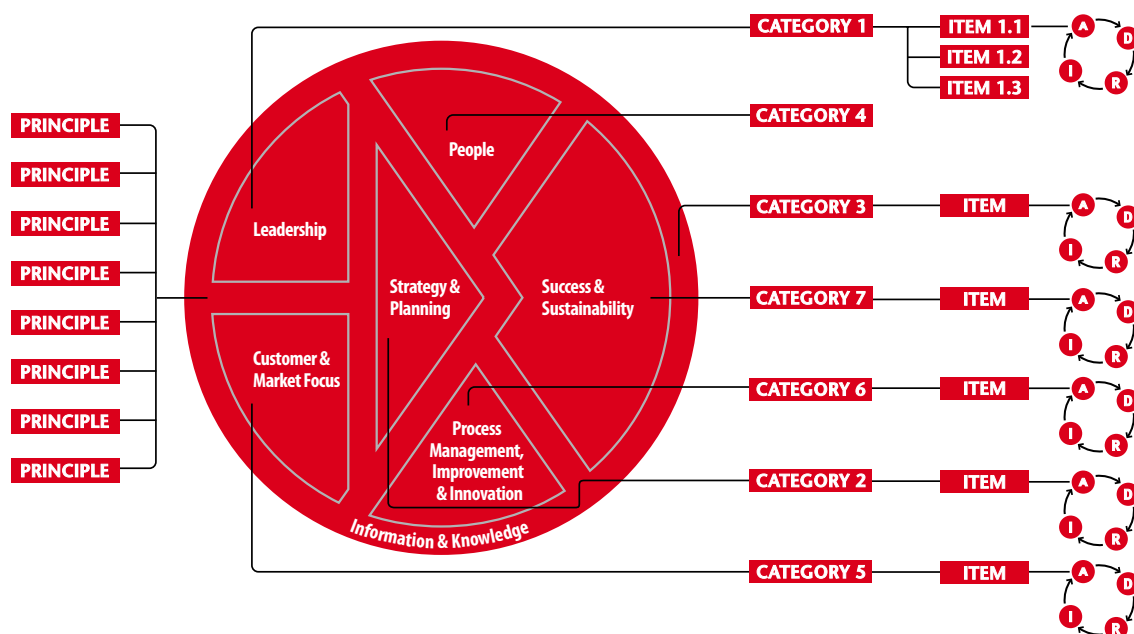
The *BEF* specifically aims to create an organisational environment that leads to sustainable business success. It is based on enduring principles of organisational improvement. Use of the *BEF* helps leaders maintain a comprehensive (systemic) overview of the organisation (a 'helicopter view') and supports a value and principle-based organisational environment.

The underlying philosophy of the *BEF* is expressed in eight **Principles**, consistent application of which is fundamental to creating an environment for business success.

The Principles are interpreted according to individual business settings using seven **Categories** and 17 sub-categories, or **Items**. The broad Categories, and more specific Items, break down the complex structure of an organisation into tangible components which can be systematically monitored and improved.

The organisation's performance against each Item is assessed using an **Assessment Matrix**. This type of assessment shows the extent to which the organisation's systems and operations are aligned to the Principles of Business Excellence. Improvement can then be planned. The Assessment Matrix can be used in three ways: by the organisation to measure its progress; by SAI Global in its role as a consultant to the organisation; and by the *Australian Business Excellence Awards* Evaluators.

**FIGURE 1.1: THE ELEMENTS OF THE BUSINESS EXCELLENCE FRAMEWORK**



**This is Australia's framework for innovation, improvement and long-term success. It is applicable to all organisations, large and small, private and public, whatever their purpose.**

# HOW CAN THE *BEF* help your organisation?

Your organisation can use the *Business Excellence Framework* to:

- achieve stronger financial performance
- create visionary and inspirational leadership
- drive innovation in products and services
- focus on customer service and satisfaction
- increase market penetration and revenue
- create effective business planning processes
- raise productivity and reduce operating costs
- engage teams in the process of improvement and increase staff satisfaction
- improve its decision-making capabilities
- increase its capacity to manage change
- be recognised for its achievements in excellence and best practice through the *Australian Business Excellence Awards*
- demonstrate to key stakeholders (i.e. customers, shareholders, boards, community, employees) that it has a structured and systematic approach to improving and achieving best practice and excellence.

Additionally, the *BEF* provides an umbrella under which a number of business initiatives can be integrated to form one coherent, cohesive organisational system. Business initiatives that fit comfortably within the *BEF* include the following:

- ISO 9000 series
- Six Sigma
- Balanced Scorecard
- Enterprise Resource Planning
- Triple Bottom Line reporting
- Corporate Governance
- Risk Management.

For more information about how organisations apply the *BEF* to achieve excellence, please contact SAI Global's Business Improvement Solutions team at **[consulting@sai-global.com](mailto:consulting@sai-global.com)**.



# IS THERE PROOF **that the BEF works?**

Extensive research carried out in Australia and overseas clearly demonstrates that significant business improvements will result from implementing the *Business Excellence Framework*.

## THE BUSINESS EXCELLENCE INDEX: 1990–2006

In 2003, SAI Global commissioned SIRCA, a financial services research organisation, to conduct a study on all Australian Stock Exchange (ASX)-listed *Australian Business Excellence Award* winners. Through this study, SAI Global aims to provide Australian organisations with valuable quantitative data to answer the key question: *Does excellence pay?*

The research produced the Business Excellence Index, which compares the performance, over 16 years, of the ASX-listed *Australian Business Excellence Award* winners against the ASX All Ordinaries Index. It is up to date to June 2006.

The methodology used by SIRCA is set out in Appendix E.

## RESULTS

A hypothetical investment in all listed *Australian Business Excellence Award* recipients generated a significantly higher return than that of the market benchmark, Standard and Poor's Accumulated Index. Over the period 1990 to 2003, a portfolio of *Business Excellence Award* recipients generated a 169 percent return, outperforming the Standard and Poor's Accumulated Index benchmark of 113 percent. The portfolio further grew from A\$44,113 invested on 10 March 2003, to A\$118,447 by 30 June 2006. Table 1 below presents a summary of the results (THPR is Total Holding Period Return).

**TABLE 1: 1990-2006 AUSTRALIAN BUSINESS EXCELLENCE AWARD WINNERS VERSUS STANDARD AND POOR'S ACCUMULATED INDEX**

	<b>TOTAL A\$ Investment 31 October 1990</b>	<b>TOTAL A\$ Value 10 March 2003</b>	<b>TOTAL A\$ Value 30 June 2006</b>	<b>THPR % Since 2003</b>	<b>THPR % Since 1990</b>
<b>Award recipients</b>	\$12,192	\$44,113	\$118,477	168.58%	871.76%
Standard and Poor's All Ordinaries	\$12,192	\$21,251	\$45,197	112.68%	270.71%

**Business Excellence Award-winning organisations outperform the Australian All Ords by over 3 to 1  
(for full Report contact [consulting@sai-global.com](mailto:consulting@sai-global.com))**

Given the strong performance of the Australian Business Excellence Index compared to the ASX All Ordinaries Standard and Poor's Accumulated Index, the following research conclusions can be drawn:

- a) The Australian Business Excellence Index provides valuable quantitative data on the impact of strong leadership and management on stock price and provides investors with a tool to drive safer investments and better returns.
- b) Organisations that embrace and effectively implement the principles and practices of the *Business Excellence Framework* achieve outstanding and sustainable results.

## RESEARCH BY MASSEY UNIVERSITY, NEW ZEALAND

Research conducted by Massey University, New Zealand, supports SIRCA's results. A key component of the University's research was the benefits users derived from implementing the *BEF*. The results of the research are set out in the report *Beneath the Surface: Enhancing the development, design and deployment of the Australian Business Excellence Framework* (see Appendix B).

In brief, 62 percent of respondents believed that their performance was significantly better since implementing the *BEF*. All of these organisations had been using the *BEF* for between four and 12 years and it was evident that the benefits increase as the length of use increases. In fact, all of the organisations that have used the *BEF* for more than 10 years believe it benefits them significantly.

**These examples and studies highlight the positive correlation between performance measured against the *BEF* and improvements in bottom-line results.**

## SECTION 2



# THE **eight principles** OF BUSINESS EXCELLENCE



The Principles of Business Excellence are the core of the *Business Excellence Framework*. They form the basis of a unified theory of management and are supported by a published body of research that underpins all similar frameworks throughout the world. When understood and applied across an organisation, they provide a powerful and integrated philosophy of leadership.

## PRINCIPLE 1: LEADERSHIP

**Lead by example, provide clear direction, build organisational alignment and focus on sustainable achievement of goals:** An excellent organisation realises that a culture of excellence can only be achieved and sustained when organisational leaders, particularly senior leaders, lead by example and model behaviours based on all of these Principles. Senior leadership communicates the mutually agreed organisational purpose, values and core strategies and ensures that they are effectively deployed.

## PRINCIPLE 2: CUSTOMERS

**Understand what markets and customers value, now and into the future, and use this to drive organisational design, strategy, products and services:** An excellent organisation recognises that the users of its products, services and processes are best able to judge the usefulness, suitability and worth of its offerings; that is, the value it provides. Customer-driven excellence means using knowledge about how markets perceive value, to influence the design of key areas such as strategy, end-to-end processes and the nature of products and services. This has many benefits for the organisation, including sustaining competitive advantage, improving customer acquisition, generating loyalty and gaining market share.

## PRINCIPLE 3: SYSTEMS THINKING

**Continuously improve the system:** An excellent organisation will view itself and the environment in which it operates as a system. It will deliver continuous improvement of the system by understanding and anticipating the potential consequences of core actions within and outside the system. It will analyse outcomes and apply the lessons it has learned to reshape its activities. It will continuously improve, with the goal of transforming inputs into outputs and achieving desirable outcomes for its stakeholders.

## PRINCIPLE 4: PEOPLE

**Develop and value people's capability and release their skills, resourcefulness and creativity to change and improve the organisation:** An excellent organisation knows how enthusiastic its people are, and why. The people working in a particular process understand that process best. Harvesting their ideas improves the system and their outcomes, promotes shared ownership of the organisation's goals and creates a committed, loyal, productive and innovative workforce. Attention to the satisfaction, development and wellbeing of employees enhances their performance and working relationships and improves organisational outcomes.

## PRINCIPLE 5: CONTINUOUS IMPROVEMENT

**Develop agility, adaptability and responsiveness based on a culture of continual improvement, innovation and learning:** An excellent organisation has the capacity to implement change, learn quickly and respond rapidly with new ways of doing business. Maximising both personal and organisational learning leads to improved efficiency and effectiveness, and increased knowledge-sharing and innovation.

## PRINCIPLE 6: INFORMATION AND KNOWLEDGE

**Improve performance through the use of data, information and knowledge to understand variability and to improve strategic and operational decision-making:** An excellent organisation makes use of organisational data, information and knowledge when making strategic and operational decisions. Because variation has an impact on predictability, costs and performance, measurement and management of variation should be a high priority.

## PRINCIPLE 7: CORPORATE AND SOCIAL RESPONSIBILITY

**Behave in an ethically, socially and environmentally responsible manner:** An excellent organisation behaves responsibly as a 'corporate citizen' and is perceived to do so by customers, suppliers, employees, critical stakeholders and the wider community. Good governance with corresponding management accountabilities will ensure that the organisation's broader responsibilities are identified and met, resulting in an enhanced public image, improved risk management and, ultimately, ecological and economic sustainability.

## PRINCIPLE 8: SUSTAINABLE RESULTS

**Focus on sustainable results, value and outcomes:** An excellent organisation that survives and thrives in the global marketplace is distinguished from others by the actual and perceived value it creates and sustains for its customers, shareholders, suppliers, partners, employees and other stakeholders. Successful organisations are able to make judgements about the 'balance' of outcomes to be achieved across their key stakeholder groups and reflect that balance in developing and monitoring the value delivered by their corporate strategies.



## SECTION 3



# THE **seven categories** OF THE BUSINESS EXCELLENCE FRAMEWORK



# Introduction

The seven Categories of the *BEF* form a structure with which organisations can review, question and analyse their leadership and management system. All the Categories are linked to one another and an organisation's success relies on it having sound systems and processes in place for all seven. The Categories are set out in Figure 3.1 below. They are arranged from left to right to reflect their interdependent relationship.

**FIGURE 3.1: THE SEVEN CATEGORIES OF THE *BEF***



## CATEGORY ITEMS

Each Category is made up of sub-categories called Items. There are 17 items spread across the seven Categories. The *BEF* gives descriptions of areas in each Item to which organisations should pay attention. The Items are designed to guide organisations on what they must address in order to achieve sustained success. Question and define your own approach to each Item using the intent and criteria in the *BEF* as inspiration.

For ease of reference, the Categories and Items are listed on page 36, under 'Table of Item Weightings'.

## CATEGORY TYPES

The Categories can be divided into three types: 'Drivers', 'Enablers' and 'Results'. Drivers are factors that position the organisation in the external environment. An organisation's strategies are usually Drivers. Enablers are the processes, tools and approaches that support an organisation's pursuit of its goals and objectives. 'Results' are the organisation's measures of success: they provide comparison against past performance and organisational objectives.

### Drivers

**FIGURE 3.2: THE DRIVER CATEGORIES**



The **Leadership** and **Customer & Market Focus** Categories are the Drivers of all the other components of the *BEF*. Leadership 'drives' or sets the direction for the organisation by focusing on Customers and Markets and desired performance (i.e. intended business results). In Figure 3.2 these Categories are on the left-hand side, illustrating their influence on the shape or design of the rest of the Categories. Implicit in this depiction is the key Principle of designing the organisation to deliver value to its markets and stakeholders.



## Enablers

**FIGURE 3.3: THE STRATEGY AND PLANNING, AND PEOPLE CATEGORIES**



The **Strategy and Planning** and **People** Categories are shaped by the Drivers and support the processes that enable the organisation to achieve its objectives, in line with its intended directions and performance goals. In Figure 3.3 the Strategy and Planning and People Categories are shown in the middle to represent their supportive role.

**FIGURE 3.4: THE INFORMATION AND KNOWLEDGE CATEGORY**



In Figure 3.4 the **Information and Knowledge** Category weaves through all the other Categories: it is connected to all aspects of the organisation. Access to and strategic use of knowledge and information is fundamental to the creation of an environment for business success, in understanding the external environment now and into the future, evaluation of business strategies, modelling, monitoring performance and evidence-based organisational development.

**FIGURE 3.5: THE PROCESS MANAGEMENT, IMPROVEMENT AND INNOVATION CATEGORY**



The **Process Management, Improvement and Innovation** Category is shaped by the Drivers, supported by the Enablers and fundamentally focused on how work is done to achieve the required success and sustainability of the organisation. (See Figure 3.5.) The Category describes the management and improvement of the organisation's processes; that is, its operational system. Products and services are the outputs of these processes.

## Results

**FIGURE 3.6: THE SUCCESS AND SUSTAINABILITY CATEGORY**



The **Success and Sustainability** Category deals with organisational outcomes. In Figure 3.6 this Category is on the right-hand side to show that the Categories must be approached holistically. To improve its organisational performance a business must work on the design of, and interrelationship between, the other six Categories.

It is important to understand the Categories as a holistic view of an organisation, rather than as a set of functional segments. Category 4 'People', for example, is more than the conventional HR function. It is a view of the whole of the organisation from the perspective of people. Similarly, Category 1 'Leadership' addresses the entire perspective of formal and informal leadership across the organisation, rather than a limited view of 'who's in charge'.

# CATEGORY 1: **Leadership**

Category 1 explores how organisations develop and use leadership concepts, business processes and management systems, how they develop cultures that are consistent with their values and how they support their communities and the environment.

## ITEM 1.1 **LEADERSHIP THROUGHOUT THE ORGANISATION**

Excellent organisations have effective and visible systems and processes of leadership in place at all levels. Management structures promote leadership and the allocation of effective accountabilities and responsibilities.

### **Core practices include:**

- **Implementing good governance**—The organisation identifies its responsibilities to stakeholders and implements effective systems of leadership, authority, accountability and control to fulfil them. A system of values, policies, regulations, processes and controls, risk management and relationships is implemented to meet legal, financial and ethical obligations. Governance processes define the roles, powers and responsibilities within the organisation and the links with the organisation's ownership, its stakeholders and its internal management structure.
- **Recognising the role of senior leadership in modelling desired behaviour**—The collective and personal commitment, involvement and visibility of senior leaders develop the values of the organisation and maintain an environment for innovation, diversity and business excellence. ('Senior leaders' means those people identified by organisations as the highest level decision-makers.)
- **Promoting a leadership system that generates desired competencies**—The organisation creates an environment that promotes a system of leadership at all levels (including providing consistent direction, constancy of purpose, integrity and coaching). The organisation requires certain competencies of its leaders and monitors how people develop those competencies (including how performance in leadership competencies and the overall effectiveness of the leadership system is assessed).
- **Developing an effective management system**—The organisation's management system encourages people at all levels to exercise appropriate leadership using associated structures involving principal roles, accountability and responsibilities.

## ITEM 1.2 LEADING THE ORGANISATIONAL CULTURE

Excellent organisations develop cultures and support behaviours that are consistent with their values and help them to achieve their objectives.

### Core practices include:

- **Relating organisational values to practice**—The organisation's values relate to its management philosophy; that is, how values are communicated, adopted, reviewed and reinforced throughout the organisation, and how values are expressed and incorporated into the workplace environment, policies and other organisational documents.
- **Establishing behaviour that demonstrates the values**—The organisation defines individual behaviours that promote the values and maintains an environment where these behaviours are recognised and rewarded.
- **Encouraging creativity and innovation**—The organisation promotes, encourages and supports creativity and innovation. It applies these qualities strategically as well as operationally.
- **Providing for organisational adaptation**—The organisation absorbs change and responds quickly to opportunities.

## ITEM 1.3 SOCIETY, COMMUNITY AND ENVIRONMENTAL RESPONSIBILITY

Excellent organisations support society and their smaller communities by participating in capacity-building activities. In particular, they foster equal opportunity, the environment, education and health and encourage wellbeing among community stakeholders by minimising the adverse impacts of their products and services, systems and processes.

### Core practices include:

- **Promoting equal opportunity**—The organisation demonstrates its commitment to equal opportunities and acts as a model of good practice for employers and people in the community.
- **Supporting the environment**—The organisation acts responsibly with respect to the environment through, for example, conservation, recycling, waste reduction and using the earth's resources in a way that does not jeopardise the reasonable rights of future generations.
- **Demonstrating corporate social responsibility**—The organisation contributes to its community in areas such as health, education and community development, and demonstrates good corporate citizenship.
- **Demonstrating legal and ethical behaviour**—The organisation demonstrates its commitment to its community and the wider society by, for example, disclosing information to the community, listening (through community consultation), and reducing and preventing nuisance and harm arising from its operations and the lifecycle of its products and services and influencing its business sector.

## CATEGORY 2: **Strategy and Planning**

Category 2 explores how organisations establish systems to set strategic directions (where the organisation has come from, where it is going and how it will get there) and how they deploy plans to achieve those strategies.

### ITEM 2.1 **STRATEGIC DIRECTION**

Excellent organisations use systems and processes to establish and communicate their purpose, vision, values and goals. They understand how to plan for sustainable success, what the core business strategies are and how to align the whole organisation to its core purpose. These practices help them to remain focused on sustainability into the future and give meaning to the people who work in the organisations and to stakeholders.

#### **Core practices include:**

- **Defining overall purpose and direction**—The organisation develops and communicates its purpose, vision, principles, strategies, goals and objectives for organisational success, and the ethics, values, beliefs and behaviours that underpin this strategic direction.
- **Defining strategic positioning**—The organisation chooses markets and strategies that maximise its core competencies. It makes choices between competing opportunities based on knowledge of the market and the business environment in which it operates—now and into the future.
- **Utilising robust processes for the development of strategy**—The organisation drives the development and communication of strategy through effective processes that embrace good governance, give weight to information, and challenge and stimulate thinking. These processes engage key stakeholders and promote confidence in the strategic direction.
- **Harnessing corporate knowledge**—The organisation sets effective strategies by considering where the organisation has come from, what it has learned, and where it is going. This includes consideration of the context in which it operates, knowledge of customer groups and market segments, past performance, discharge of legal responsibilities and minimisation of harm.
- **Predicting and contingency planning**—The organisation is able to be agile and adjust its strategic direction by predicting change, managing uncertainty, contingency planning, managing strategic risk and responding rapidly to significant external changes. It assesses and predicts the technology, knowledge, skills, resources and competencies required to be successful in the future.

## ITEM 2.2 THE PLANNING PROCESS

**Excellent organisations develop systems and processes to turn strategic decisions and imperatives into actionable plans. They build their resources and assets and then apply them to achieving their goals and increasing their future value.**

### **Core practices include:**

- **Developing and deploying objectives and related measures**—The organisation develops and deploys objectives and measures in order to assess results against intended outcomes.
- **Being rigorous about strategic and business plan development and implementation**—The organisation involves people at all levels (and other stakeholders) in the development of plans that reflect its values. It translates plans into action, allocates accountability for executing and communicating the plans, and uses team and individual measures to help track achievement against its plans and objectives.
- **Ensuring business plan alignment and integration**—The organisation uses systems to ensure that various levels and types of plans are integrated and aligned, and that strategic plans are linked to and deployed via annual plans, operational plans, marketing plans, people plans etc.
- **Conducting capability gap analysis**—The organisation analyses data in order to close the gap between where the organisation is now and where it wants to be. It determines how resources and assets will be developed, valued, used and managed in order to support the deployment of the strategy. Resources and assets include the following:
  - *physical assets*—major capital items (buildings, production facilities, equipment etc.)
  - *soft assets*—intellectual property, corporate reputation, image control
  - *financial assets*—effective management of investments and capital
  - *technology*—identification and evaluation of emerging technologies and the replacement of outdated/inefficient or environmentally unfriendly technologies; innovation, research and development
  - *projects*—the project capability required to achieve action plans
  - *strategic alliances*—the role of strategic alliances in enabling the organisation to achieve its objectives
- **Ensuring processes are in place to anticipate or adjust for change**—The organisation deals with changes such as those resulting from new legislative requirements, new ventures, mergers or acquisitions, market shifts, changing standards, or new innovations in product, service or technology or other external factors that impact on the desired intent.
- **Continuously reviewing and improving**—The organisation measures its performance against plans, makes improvements and corrections as needed, and periodically reviews what it has learnt.

## CATEGORY 3: **Information and Knowledge**

Category 3 focuses on the effective application of the information and knowledge required to achieve the organisation's objectives and the need for efficient and effective processes to acquire, analyse, apply and manage the information and knowledge.

### **ITEM 3.1 GENERATING, COLLECTING AND ANALYSING THE RIGHT DATA TO INFORM DECISION-MAKING**

Excellent organisations have effective systems and processes for determining what data and information should be collected (e.g. the development of meaningful organisational KPIs) and how it is handled, stored, analysed and interpreted to create information and knowledge. Organisations use this information to increase their understanding of the environment in which they operate (internally and externally) and continually review it to ensure it remains current, meaningful and effective.

#### **Core practices include:**

- **Planning data collection and linking it to strategy—**  
The organisation establishes criteria and processes for determining what data should be collected and for preventing the collection of data that is not useful. The processes show clear links between data gathering and organisational purpose, strategy and core values as well as customer requirements and organisational learning at all levels. These sources of data are regularly reviewed for their effectiveness and are continually improved to meet changing organisational requirements. A broad range of stakeholders are involved in determining what data should be gathered.
- **Analysing and interpreting data—**The organisation analyses and interprets data in order to learn and inform its decision-making in both the short and long term. The analysis supports the organisation's understanding of the nature and impact of variation on processes, outputs, outcomes and measurement systems. Data is also used as the basis for training and innovation.
- **Sharing the data—**The organisation puts in place systems to ensure that data is shared among those that can use it to improve performance and that the data is generally accessible. The organisation defines and regularly reviews data collection needs and the methods and sampling systems and processes for capturing it.
- **Ensuring data integrity—**The organisation ensures that data is valid, reliable, relevant, timely, secure and sound.

### ITEM 3.2 CREATING VALUE THROUGH APPLYING KNOWLEDGE

**Excellent organisations establish systems and processes to consolidate knowledge and share it across the organisation. They use this knowledge to support decision-making, stimulate innovative thinking and ensure organisational success and sustainability.**

#### **Core practices include:**

- **Defining knowledge requirements**—The organisation puts in place processes to ensure that the knowledge required for its success and sustainability can be defined.
- **Sourcing and creating knowledge**—The organisation identifies and uses a diverse range of existing and potential knowledge sources (internal and external to the organisation). It regularly updates, refreshes and refines the information held within its systems and by its people.
- **Encouraging the application of knowledge**—The organisation puts in place systems and processes to encourage its people to access, discuss and build upon data, information and knowledge. The organisation ensures that all decisions are based on current information, knowledge and fact.
- **Maintaining a knowledge store**—The organisation maximises its strategic advantage by harnessing the knowledge and expertise of its people and the knowledge embedded in the organisational systems. The knowledge store should:
  - be in a user-friendly repository, ideally linked to the IT system and available and accessible across the organisation
  - have a back-up store of current information in the event of an emergency or disaster
  - have strategies in place to ensure the security and confidentiality of organisational knowledge and data.

## CATEGORY 4: **People**

Category 4 explores how organisations acknowledge that people are essential and are to be valued, and how they create great places for people to work by attracting the right people, developing their skills, engaging them and retaining them. Appropriate policies, systems, processes and tools ensure that people are engaged and make a meaningful contribution to organisational improvement, goals and success.

### ITEM 4.1 **A GREAT PLACE TO WORK**

Excellent organisations create work environments that are engaging, positive and open, foster creativity and unify the efforts of their people. They encourage people to learn, test what they see, improve their skills and challenge possibilities.

#### **Core practices include:**

- **Creating the right culture**—The organisation maximises the potential of its people through constructive leadership coupled with a strong performance ethic. It creates a work environment that encourages the elements needed for high individual and organisational performance: transparency, inclusiveness, diversity, fairness, innovative thinking and freedom from fear.
- **Building trust and respect**—The organisation builds strong relationships through communication, trust and respect, and with the support of appropriate policies that define behaviour. Consistent behaviour and the way in which tasks and responsibilities are delegated largely determine the degree of trust that exists.
- **Communicating well**—The organisation encourages effective communication that is open, top-down, bottom-up and horizontal. It has mechanisms for getting input from people throughout the organisation, including their perspectives and needs. Feedback processes are critical.
- **Establishing the physical work environment**—The organisation establishes a workplace which is safe and in which people are provided with appropriate facilities and the tools to do their work well.



## ITEM 4.2 BUILDING ORGANISATIONAL CAPABILITY THROUGH PEOPLE

Excellent organisations align their needs with people's expectations. They attract people who are capable of growing with the organisation, place them in the right roles and then develop, evaluate, remunerate, lead and manage them appropriately.

### Core practices include:

- **Aligning organisational needs and people's expectations**—The organisation communicates organisational needs in a manner that aligns individual and team effort and is supported by learning, positive reinforcement, recognition, remuneration and KPIs. People are encouraged to improve their skills in ways that collectively improve the organisation and its ability to succeed in the marketplace.
- **Having in place structures, policies, systems, processes and tools for both leading and managing people and measuring effectiveness**—The organisation arranges the effective leadership and management of people and the work they do. These arrangements are aligned with, and measured against, organisational intent.
- **Attracting, recruiting, retaining and redeploying people**—The organisation identifies its current and future workforce needs and, in particular, the talent, capabilities and values it needs to move forward. Mechanisms are in place to recruit, retain, redeploy and outsource as internal and external circumstances change.
- **Evaluating and developing individuals**—The organisation aspires to develop its people to their full potential. Learning is valued and is achieved through experience, exposure and education. It is linked to effective career progression and feedback systems.
- **Remunerating and providing benefits**—The organisation provides remuneration and benefits that support and provide value to organisational intent.

## CATEGORY 5: **Customer and Market Focus**

**Category 5 explores how organisations analyse their customers and markets, how they use this knowledge, how they manage their relationships with customers and how they deliver increasing value to customers and other stakeholders.**

### **ITEM 5.1 GAINING AND USING KNOWLEDGE OF CUSTOMERS AND MARKETS**

**Excellent organisations use processes to find out what their customers and markets want now and what they will want in the future. They then use this information to design products and services as well as the processes that underpin the lifecycle of experiences desired by customers and markets.**

#### **Core practices include:**

- **Effectively segmenting the market**—The organisation clearly defines, segments and communicates key or priority markets and customers, giving consideration to competitors and other potential customers.
- **Listening and learning strategies**—In a changing environment the organisation listens to customers and learns about their requirements and how they perceive value. To do this it uses a variety of techniques suited to its strategy, the significance of the segment and the nature of its relationship with the customer.
- **Defining current and future needs**—The organisation collects information about the needs of its customers, analyses and translates this information into statements defining the current or future requirements of the segments and communicates these statements within the organisation.
- **Using the information for design**—The organisation uses information about market and customer requirements to pro-actively develop products and services and the underlying processes that deliver them.

## ITEM 5.2 EFFECTIVE MANAGEMENT OF CUSTOMER RELATIONSHIPS

Excellent organizations design and tailor processes for building and managing customer relationships to suit markets with the aim of acquiring new customers, retaining existing customers, and developing new market opportunities.

### Core practices include:

- **Building customer relationships**—The organisation deliberately designs and manages its relationships with markets and customers to suit the market, promote trust and confidence, and provide clear contact points and access mechanisms.
- **Ensuring a positive customer experience**—The organisation selects, trains and empowers its employees (particularly those in direct contact with customers) to meet and exceed customer expectations.
- **Facilitating and acting on customer feedback**—The organisation establishes effective complaint/feedback management processes so that customers can easily provide feedback, complain, and receive prompt resolution of their concerns. It analyses complaint patterns and uses the analysis to improve relationship management, processes, products and services.

## ITEM 5.3 CUSTOMER PERCEPTION OF VALUE

Excellent organisations measure customer satisfaction and loyalty, compare the results with those of their competitors and use the information to improve internal processes, products and services and so deliver increasing value for customers, markets and other stakeholders.

### Core practices include:

- **Measuring value through focused feedback**—The organisation has a clear approach to collecting feedback from customers/markets, focusing on key market expectations and determining the importance and nature of its relationship with the specific market.
- **Measuring the total customer experience**—The organisation measures all indicators of customer satisfaction and loyalty. Measurement is linked to important customer requirements (determined through research of customer needs), comparison of results with those of competitors and the intended design of processes that deliver the experiences desired by the market.
- **Increasing the value of the feedback**—The organisation analyses customer feedback and communicates it to the relevant people. Managers and teams set time aside to review the results and initiate improvement actions or projects.

# CATEGORY 6: **Process Management, Improvement and Innovation**

Category 6 explores the processes organisations use to supply value to stakeholders. It also examines how they encourage innovation and improvements to these processes and, therefore, improve the quality of their products and services.

## ITEM 6.1 IDENTIFICATION AND MANAGEMENT OF PROCESSES

Excellent organisations identify, document and manage their value-creating, support and leadership processes in order to achieve their objectives. They map and understand the interdependencies in their end-to-end sets of organisational processes that deliver their products or services. They manage and optimise their system of processes as a whole and regularly review processes for relevance and suitability in assisting the organisation to achieve its objectives.

### Core practices include:

- **Translating stakeholder requirements, and partner and internal capabilities into process design and management requirements**—Value-creation requirements, particularly of customers, are used to shape the design of products, services and end-to-end processes to ensure that the linkages between all stakeholders' requirements (e.g., supply, manufacturing, service, legal, environmental) are taken into account. Cross-functional management of product and service development reduces development time and ensures trouble-free introductions into the market
- **Defining, recording and managing end-to-end processes**—Important value-creating, support and leadership processes are carefully managed to provide confidence that output and customer requirements are consistently met. Many organisations will make use of process management standards and other tools that suit their industry, to ensure quality is built into their products and services. Cross-functional, end-to-end processes will be managed as a whole to optimise the key requirements of customers, other stakeholders and to meet the needs of the organisation. Partnering relationships amongst both internal and external contributors (e.g., suppliers, distributors, service partners) involved in the end-to-end chain of processes are defined, developed and managed to agreed performance requirements that maximise overall performance
- **Measuring processes to manage conformance to requirements and improvement opportunities**—The organisation maintains and improves process performance by measuring both in-process achievements and final results for all organisational processes. Measures reflect the key value-creation design requirements. Process quality is controlled by monitoring variation in performance of measures, verifying results, determining root causes and making corrections. Trends and patterns of variation (both stability and capability) are studied to determine if changes made led to improvement in performance.

## ITEM 6.2 PROCESS IMPROVEMENT AND INNOVATION

Excellent organisations use structured methods to improve their processes and achieve efficiency and effectiveness for all stakeholders. They learn, prepare for change and maintain the agility needed to meet new challenges as they arise.

### Core practices include:

- **Defining and deploying a consistent methodology to facilitate process improvement**—Senior leaders drive and encourage an orientation towards continuous improvement. They champion the deployment of a suitable and consistent improvement methodology, incorporate planning for improvement in business plans and resource improvement projects appropriately. Capability to resource such work is sustained through a system of development designed to provide varying levels of skills and experience to deliver process improvement projects in the organisation. Progress of projects and results achieved are regularly monitored by leaders who suitably recognise the achievements of teams delivering improvements.
- **Establishing processes to capture and exploit innovative opportunities**—The organisation supports the systematic identification and implementation of innovative ideas (internal and external) through structured approaches. Structured approaches to innovate, promote creativity and achieve breakthrough performance are practised. Innovation programs are resourced to increase the value of products/services/processes to customers.
- **Involving staff in the improvement process**—The organisation recognises the value employees (at all levels) contribute to the organisation's objectives and encourages and enables their widespread participation. It encourages and supports risk-taking within appropriate parameters.
- **Learning from others**—The organisation increases the efficiency and effectiveness of its processes by recognising the need to learn from others and utilising techniques such as benchmarking, comparisons, networks and alliances to enable breakthrough improvement.

## ITEM 6.3 PROCESS OUTPUTS

Excellent organisations continuously improve their products and services, based on determinations of how they perform against required standards, customer expectations and competitor performance.

### Core practices include:

- **Using measures to provide confidence**—The organisation uses measures and monitoring methods to confirm that the quality of the products and services delivered to the customer will meet their expectations. The organisation uses both quantitative and qualitative measures for products and services to determine their level of excellence.
- **Making external comparisons**—The organisation continually compares itself with others to understand how its products and services relate to the marketplace and are performing, relative to competitors and others in the marketplace.

## CATEGORY 7: **Success and Sustainability**

Category 7 explores the methods an organisation uses to demonstrate how well it is performing and how well it is likely to perform in the future. The organisation must have clear objectives and appropriate measures, with data available to enable them to assess their performance against their objectives, and to undertake review and improvement.

### ITEM 7.1 **MEASURING AND COMMUNICATING ORGANISATIONAL PERFORMANCE**

Excellent organisations use systems and processes to measure and understand their performance. They use the data provided to show how well they are performing and as the basis for the ongoing review and improvement of their systems and processes. They also address 'big picture' data and correlate their improvements to systems and processes with better outcomes.

#### **Core practices include:**

- **Understanding key stakeholder objectives**—The organisation determines the key objectives of each stakeholder group, giving consideration to their perception of value and the systems used to track success in achieving these objectives.
- **Measuring progress**—The organisation reports results for all indicators, including trends, performance against targets and comparative data against competitors and/or 'best in class'. It interprets the data appropriately and applies them to all relevant levels in the organisation.
- **Taking a holistic approach**—The organisation knows it is taking an integrated and balanced view of its performance and ensures there is shared ownership of key performance indicators across all areas. It interprets organisational performance in a broad sense (i.e. success—including and beyond financial performance) and considers the benefits provided to all of its stakeholders, including (but not restricted to) shareholders or owners, employees, customers, suppliers and the wider community.

■ **Defining and meeting the reporting requirements of all decision-makers within the organisation—**

The organisation makes it a priority to report to all levels. All decision-makers are considered when formatting and disseminating knowledge and information.

■ **Ensuring that the output of improvement initiatives positively impacts on strategic outcomes—**

The organisation ensures that improvement initiatives being undertaken align with strategic objectives and future stakeholder requirements.

**ITEM 7.2 ACHIEVING SUSTAINABILITY**

**Excellent organisations use the systems and processes by which they measure and interpret internal and external indicators to help ensure their future sustainability in relation to their economic, environmental and social viability.**

**Core practices include:**

- **Using risk management in the development of strategies—**The organisation reviews, evaluates and amends the measures established to eliminate or mitigate potentially significant strategic risks identified in the strategic planning process, and the organisation's capacity to leverage newly-identified opportunities.
- **Assessing relevance to market—**The organisation measures and assesses its capacity to ensure stakeholder relevance in the future and collects data on trends in the business environment and the markets in which it would like to operate in the future. It uses data and information to validate its market analysis process and thus enable it to predict its ability to create offerings of value to future customers.
- **Measuring the rate of change of organisational capability—**The organisation continually measures its technology, knowledge, skills and resources, augments the information with data gathered through benchmarking activities, and assesses its capability against what is required to be successful in the future.

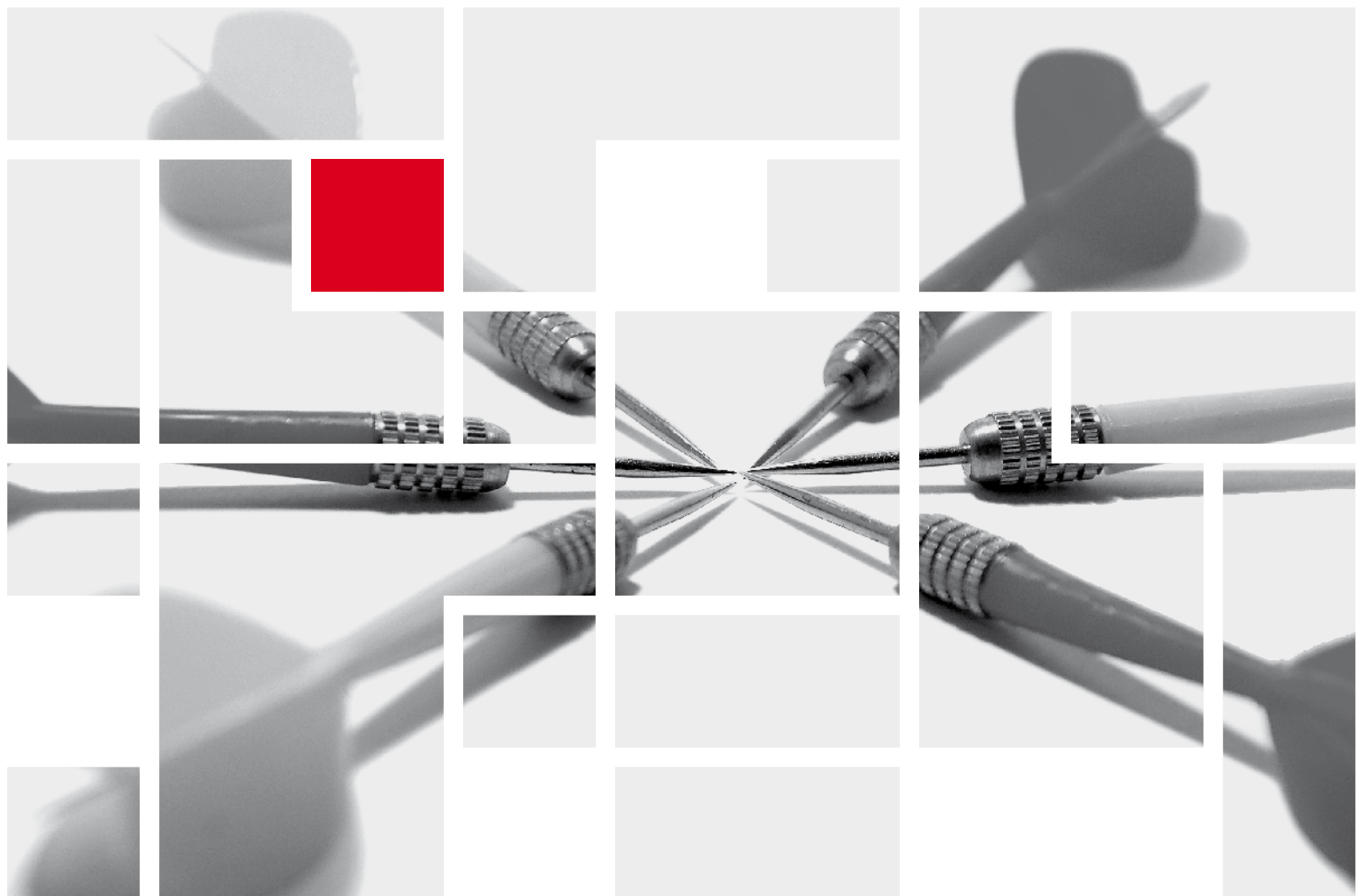




## SECTION 4



# ASSESSING **your organisation's** performance



## THE BENEFITS OF ASSESSMENT

The **BEF** converts the core Principles of Business Excellence into a set of criteria that can be used for assessment and improvement planning. Assessment helps you to move from the Principles to plans and actions using the seven Categories. It can be either internal (self-assessment) or external (by accredited SAI Global facilitators).

## THE ASSESSMENT MATRIX

Your organisation's performance against each Item of the **BEF** is assessed using an **Assessment Matrix**. This type of assessment shows the extent to which your organisation's systems and operations are aligned to the Principles of Business Excellence.

The Assessment Matrix is constructed from 0 to 10 across the assessment dimensions of 'Approach', 'Deployment', 'Results' and 'Improvement' (ADRI). Use the scoring to determine where you are now, then plan for the future and take scores again from time to time in order to track progress. The scoring system is not designed to promote competition among parts of the same organisation but, rather, to provide a way to quantify the organisation's overall performance to date against the Categories and Items.

Scoring is best undertaken as a team process. The subjectivity of the scoring process means that group consensus scores are generally more useful than an individual's scores. The score helps the group reach consensus on what is really being achieved within the organisation.

This matrix is also used to assign scores to applicants to the **Australian Business Excellence Awards** but the score obtained in an Awards Evaluation is only one element of several used to determine whether an award will be conferred. For more information on the **Australian Business Excellence Awards** application and evaluation process (see Appendix D).

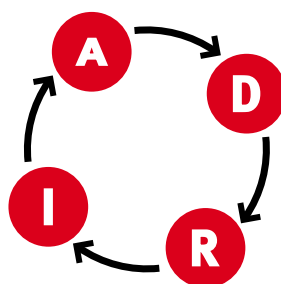
**For any organisation, the identification of strengths and opportunities for improvement, not the score, is the real benefit of the BEF.**

## The ADRI Cycle

The assessment dimensions used in the Assessment Matrix form an organisational learning cycle with which you can examine your organisation's performance against each Item.

- **Approach**—identifies your organisation's intent for an Item; the thinking and planning and the strategies, processes and infrastructure designed to achieve the intent and to track progress.
- **Deployment**—identifies those planned implementation activities supporting the improvement strategy.
- **Results**—the performance indicators (and process by which they are monitored and evaluated) that measure the effectiveness of an Approach and its Deployment.
- **Improvement**—the process by which Approach and Deployment are reviewed and adapted to achieve improved results.

FIGURE 4.1: THE LEARNING CYCLE



The Assessment Dimensions encourage you to follow the practice of having an approach, deploying it, assessing its effectiveness and improving the approach across all aspects of your organisation. Each Item of the **BEF** is examined in the following way:

**ADRI is the critical assessment methodology that underpins assessment against the Business Excellence Framework. Its primary focus is to ensure that organisational success correlates to a planned, sustainable cycle of improvement.**

## THE LEARNING CYCLE

<b>APPROACH</b>	<b>‘Thinking and planning’</b> <ul style="list-style-type: none"><li>■ What are you trying to achieve for the Item—what is your intent?</li><li>■ What goals have been established?</li><li>■ What strategies, structures and processes have been developed to achieve your intent, and why did you choose them?</li><li>■ What quantitative and qualitative performance indicators have been designed to track progress?</li><li>■ How does your approach align with the Business Excellence Principles?</li></ul>
<b>DEPLOYMENT</b>	<b>‘Implementing and doing’</b> <ul style="list-style-type: none"><li>■ How have those strategies, structures and processes been put into practice?</li><li>■ What is the depth and breadth of their implementation throughout the organisation?</li><li>■ To what extent have they been accepted and integrated as part of normal operations?</li></ul>
<b>RESULTS</b>	<b>‘Monitoring and evaluating’</b> <ul style="list-style-type: none"><li>■ What are the trends in the performance indicators for this Item?</li><li>■ How do these results compare with best-known performance?</li></ul> <p>Give examples.</p> <ul style="list-style-type: none"><li>• To what extent are these results indicative of the entire organisation’s performance?</li><li>• How do you know that these results flow from the Approach and its Deployment?</li><li>• How do you communicate, interpret and use these results?</li></ul>
<b>IMPROVEMENT</b>	<b>‘Learning and adapting’</b> <ul style="list-style-type: none"><li>■ What is the process to review the appropriateness and effectiveness of the Approach and its Deployment for the Item? How do you use the Results for the Item to do this?</li><li>■ What have you learned, how have you captured this learning, and how have you used the learning to improve the Approach and its Deployment?</li></ul>

## THE ASSESSMENT MATRIX

SCORE	APPROACH	DEPLOYMENT OF THE APPROACH	RESULTS OF THE APPROACH AND ITS DEPLOYMENT	IMPROVEMENT OF THE APPROACH AND ITS DEPLOYMENT
0	No evidence that Approach has been considered and there is a reactive attitude to problems.	Little use of the Approach.	Anecdotal. Addresses few relevant areas.	Anecdotal. No improvement activities in place.
1–2	Some form of Approach exists, but it is reactive and not systems-based.	Approach is applied in some areas. Approach is separate from normal operations.	Some measures are in place to assess the effectiveness of achieving the intent of the Approach.	Approach and Deployment are subject to ad hoc review.
3–4	Beginnings of a planned and prevention-based Approach.	Approach is applied in some major areas. Approach is beginning to be part of normal operations.	Positive trends in some areas. The organisation is beginning to make external comparisons. Some evidence that Results are caused by the Approach in some areas.	Approach and Deployment are subject to ad hoc review. Evidence that improvements are being implemented.
5	Approach is planned and has a defined sequence of Deployment.	Approach is applied to many areas and activities, including the major ones. Approach is becoming part of operations and planning.	Positive trends in many areas, including the major ones. Results are comparable with external organisations in some areas. Evidence that Results are caused by the Approach in some areas.	Approach and Deployment are subject to regular review. There is evidence that Approach and Deployment have been improved.
6–7	Approach is planned with a focus on improving innovation and quality to enhance organisational performance.	Approach is applied to most areas and activities, including all the major ones. Approach is part of normal operations and planning.	Positive trends in most areas, including the major ones. Favourable comparisons with external organisations in many areas. Evidence that Results are caused by the Approach in most areas.	There are mechanisms for regular review and improvement of Approach and Deployment. There is evidence that the organisation is continuously learning.
8–9	Approach is proven as a method for improving organisational performance.	Approach is applied to all major areas and activities, as well as most support areas. Approach is well established as part of normal operations and planning.	Positive trends in all major areas. Among 'best-in-class' in some areas, including the major ones. Evidence that Results are caused by the Approach in most areas, including all major ones.	There is evidence of a system for regular review and improvement of Approach and Deployment. There is a systematic Approach to continuous organisational learning.
10	Approach is accepted as best practice in the field.	Approach is applied to all areas and activities. Approach is totally integrated into normal operations and planning.	Positive trends in all areas. Excellent comparisons with external organisations in most major areas. Among 'best-in-class' in many areas. Results are clearly caused by the Approach in all areas.	There is a proactive system for regular review and improvement of Approach and Deployment, including their appropriateness. There is widespread evidence that the organisation is continuously learning.

## GUIDELINES FOR SCORING USING THE ASSESSMENT MATRIX

- 1 Work on one Item of the *BEF* at a time.
- 2 Go to the 'Approach' column and read which characteristics will generate a score of 5.
- 3 Decide whether actual organisational performance is above or below that level.
- 4 Move to the next score above or below 5 (i.e. 3–4 or 6–7) and read that.
- 5 From the Assessment Matrix, read what characteristics will generate that score.
- 6 Repeat this process until the group reaches a consensus on a score for Approach to that Item.
- 7 Repeat steps 2 to 6 for each of Deployment, Results and Improvement. Generate a separate score for each Assessment Dimension on that Item.
- 8 Use these four scores to determine, as a group, the score that would best represent the overall performance of the organisation against that Item. This may not necessarily be a simple average of the scores across the four Assessment Dimensions.
- 9 Multiply this score by the points assigned to that Item in the weightings table (page 36) and then divide by 10.

**Example:** If Item 4.1 'A great place to work' under the People Category scores as follows: Approach 6, Deployment 5, Results 2 and Improvement 1, and an overall score of 3 is assigned, then the points value of the Item (80) from the weightings table is multiplied by 3 for a total of 240, then divided by 10. The overall score for that Item is 24 points out of 80.

- 10 Repeat the process for each Item. The total over the 17 items of the *BEF* represents an overall score for the management system out of a possible 1000.

### NOTES:

- 1 When assessing the Approach, consider how that Approach reflects the relevant Principles upon which the Australian *BEF* is based.
- 2 Remember that Results will generally lag behind Deployment, and Deployment will generally lag behind Approach. Evaluation, or assessment, must be conducted across all four Assessment Dimensions (ADRI) to give a total picture of where the organisation sits now in order for it to target activity for the future.

## WEIGHTINGS OF CATEGORIES AND ITEMS

In order to work out your company's score against the *BEF*, the 17 Items (spread across the seven Categories) have been assigned weighted values. As shown in the table below, your management system can be scored out of 1000 points.

TABLE OF ITEM WEIGHTINGS

CATEGORY	ITEM	POINTS
<b>1.0 Leadership</b>	1.1 Leadership throughout the organisation	60
	1.2 Leading the organisational culture	60
	1.3 Society, community and environmental responsibility	60
		<b>180</b>
<b>2.0 Strategy and Planning</b>	2.1 Strategic direction	50
	2.2 The planning process	50
		<b>100</b>
<b>3.0 Information and Knowledge</b>	3.1 Generating, collecting and analysing the right data to inform decision-making	50
	3.2 Creating value through applying knowledge	50
		<b>100</b>
<b>4.0 People</b>	4.1 A great place to work	80
	4.2 Building organisational capability through people	80
		<b>160</b>
<b>5.0 Customer and Market Focus</b>	5.1 Gaining and using knowledge of customers and markets	60
	5.2 Effective management of customer relationships	50
	5.3 Customer perception of value	40
		<b>150</b>
<b>6.0 Process Management, Improvement and Innovation</b>	6.1 Identification and management of processes	50
	6.2 Process improvement and innovation	60
	6.3 Process outputs	50
		<b>160</b>
<b>7.0 Success and Sustainability</b>	7.1 Measuring and communicating organisational performance	100
	7.2 Achieving sustainability	50
		<b>150</b>



# Implementing THE BUSINESS EXCELLENCE FRAMEWORK



## SAI GLOBAL SERVICES

SAI Global's Business Improvement Solutions team aims to help organisations develop their capability to continuously improve performance in a sustainable manner. The team achieves this by building from its significant experience in applying the *BEF* across the full range of industry types and through the application of proven methodologies. The typical methodologies applied include:

- achieving excellence
- assessing excellence
- designing a road map to guide your journey to excellence.

Contact Business Improvement Solutions directly at **consulting@sai-global.com** to determine how it can tailor a service to your requirements.

## 'DO-IT-YOURSELF'

This section may make it easier for you to identify:

- where you are currently positioned on the journey to organisational excellence
- the range of options for accelerating the implementation of the *BEF* in your organisation.

**Implementing the *BEF* is not an 'all or nothing' investment. It can be applied in parts to suit your organisation's needs and budget.**

You can rate your organisation's familiarity with the *BEF*, or other approaches to achieving business excellence, in terms of 'New-user', 'User' and 'Advanced'.

Your self-rating is not a reflection of your organisation's status; rather, it is a measure of specific experience in applying the *BEF* or other business excellence methodologies.

- **New-user**—organisations that are not using the *BEF* or other business excellence methodologies.
- **User**—organisations that are using business improvement models or methodologies, looking to go further down the journey to organisational excellence and wanting to sharpen skills and capabilities.
- **Advanced user**—organisations that have philosophically, culturally and managerially embraced business improvement and are likely to be well down the journey to organisational excellence. These organisations want to go to the next level, which may include validating self-assessment tools or external assessment when entering the *Australian Business Excellence Awards*.

The following paragraphs will show you how organisational improvement can be achieved. They are set out in terms of the three levels of expertise noted above. Steps 1 to 4 take you through the complete process from New-user to Advanced. Conversely, each step can be tackled separately.



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## STEP 1 (MAINLY NEW-USERS)

### **Build up your knowledge of the BEF by reading this booklet.**

Embracing the eight Principles of Business Excellence and understanding how the BEF works are prerequisites to getting started.

Consider the following questions as the first step:

- Do you have the expertise in your organisation to do it yourself?
- If not, where can you go for help? (You can contact SAI Global and we will sit down with you and help you to plan a strategy to get started.)
- Do you want to tackle all Categories and maybe even consider applying for an award in the *Australian Business Excellence Awards* program?

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## STEP 2 (USERS)

### **Assess your organisation's performance through an organisational self-assessment.**

Self-diagnosis or assessment (see page 32) will help you identify strengths and areas of opportunity for improvement (i.e. the gaps). It educates people in your organisation on how to apply the Principles leading to Business Excellence and helps integrate those Principles into your culture. SAI Global has self-assessment models to suit most needs and organisational profiles.

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## STEP 3 (USERS—BUT NOT YET ADVANCED)

### **Build on current strengths; design and implement improvement strategies.**

Design and implement improvement strategies, build on current strengths and harness your people to address the issues. Training will help secure their commitment to the excellence journey and also help your organisation close those gaps identified as potential barriers.

Have your organisation reviewed through an organisational self-assessment or external evaluation.

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## STEP 4 (ADVANCED USERS)

Your business may be operating smoothly but now you want more industry and public recognition, greater exposure, further learning and more sophisticated knowledge transfer. You are ready to go to the next level. You also recognise that success is a never-ending journey.

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### **WHERE CAN YOU GO?**

- Even further down the road to sustainable excellence.
- Gain external validation of your current self-assessment methodologies.
- Enter the *Australian Business Excellence Awards*. The awards evaluation process is based around the *Business Excellence Framework* and is set out in Appendix D.

# APPENDIX A

## Glossary of terms

### PRECISE DEFINITIONS OF THE KEY TERMINOLOGY

**ADRI**—Approach, Deployment, Results, Improvement.

**Agility**—a capacity for rapid change and flexibility.

**Alignment**—a state that occurs when the combined talents of people in an organisation and its resources are actively directed towards the same desired future.

**Approach**—a way of identifying the organisation's intent for an Item; the thinking and planning plus the strategies, processes and infrastructure that are designed to achieve the intent and to track progress.

**Assets**—any resources of value to the organisation, including typical balance sheet assets, such as buildings, plant and equipment, but also other resources, such as people, goodwill, intellectual property and knowledge.

**Benchmarking**—a method of comparing and measuring processes and outcomes with those of recognised leaders, with the intent of improving performance.

**Best practice**—the best-known management practices as captured through global benchmarking with peak national excellence awards administrators and leading-edge research.

**Business Excellence**—the successful adoption of 'best-practice' management Principles, which contribute to higher profit, increased revenue, reduced operating costs and turnover, increased productivity and improved customer satisfaction.

**Community**—stakeholders of the organisation, other than its owners, people, customers, suppliers and partners. This might include, for example, geographical regions, professional groupings, industry bodies and the general public.

**Creativity**—the generation of new and original ideas for improved working practices, products, services, systems and social interactions leading to Business Excellence.

**Culture**—the total range of behaviours, ethics and values that are transmitted, practised and reinforced by members of the organisation.

**Customer**—the recipient or beneficiary of an output product or service. A customer may be internal or external to the organisation.

**Data**—raw numbers and facts, including perceptions.

**Deployment**—a way of identifying the activities needed to implement an Approach in order to achieve intent. Deployment involves achieving breadth, depth, acceptance and integration of these activities.

**Effectiveness**—the ability of a process, product or service to meet the specific needs of a customer, client or beneficiary.

**Efficiency**—the degree of utilisation of the resources required to achieve a particular output.

**Empowerment**—a process that develops relationships between people where they share a purpose, develop a sense of self-worth, have confidence in each other's abilities, accept responsibility for their actions and communicate effectively to review performance and identify improvements.

**Environment**—

- 1 the major political, economic, market, competitive and social influences that affect the organisation
- 2 the components of nature that make up the world around us and which might be affected by the organisation, including air, water, soil, flora and fauna.

**Ethics**—(drawn from a definition from the St James Ethics Centre) 'Ethics is a kind of practical wisdom; it addresses the ancient question: 'What ought one do?' This wisdom will reflect a view about life that extends beyond the material. This view, or inner character, will drive behaviour. A truly responsible leader draws on such an inner orientation when weighing the issues that arise in determining a good course of action.'

**Framework**—a description of an interlinked and interdependent set of Items, established as a guide to action to support the achievement of a higher goal.

**Governance**—the processes by which an organisation identifies its responsibilities to its owners and other stakeholders and ensures that effective systems of leadership, authority, accountability and control are implemented to fulfil them. It includes defining and implementing a system of values, policies, regulations, processes and relationships to enable the organisation to fulfil its legal, financial and ethical obligations. Governance processes define the roles, powers, responsibilities and linkages with the organisation's ownership, its stakeholders and the internal management structure.

**Information**—data that has been processed in a way to give it meaning through analysis or interpretation and presentation.

**Improvement**—the process by which Approach and Deployment are reviewed in order to learn and adapt and thus achieve better results.

**Innovation**—the process of developing and applying novel products, processes, technologies and management practices to create significant value for stakeholders.

**Knowledge**—a state that is created when relationships demonstrated by information have been tested and refined through experience.

**Leaders**—those people who, through their relationships, inspire others or exercise influence in an organisation.

**Learning**—the process of acquiring knowledge, know-how and wisdom.

**Management system**—the framework of structures, systems, policies and processes used to ensure that the organisation can fulfil all the tasks required to achieve its objectives.

**Mission**—the unique purpose of an organisation; an explanation of why the organisation exists.

**Partners**—two or more parties in a working relationship who are creating added value for customers. Partners can include suppliers, distributors, joint ventures and alliances.

**People**—all of the individuals employed by the organisation or who represent the organisation in any capacity, including full-time, part-time, temporary, contract or volunteer employees.

**Perception**—the observations and interpretations by a person or a group of people that influence their opinions and behaviours.

**Performance**—achievement by an individual, team, organisation or process.

**Policy**—a pre-determined decision for likely events, which embodies the agreed values, ethics and strategies of the organisation.

**Principle**—a governing law used as a basis for predicting and reasoning.

**Process**—a sequence of activities that adds value by producing required outputs from a variety of inputs.

**Results**—the performance indicators and the process by which they are monitored and evaluated, which measure the effectiveness of an Approach and its Deployment.

**Stakeholders**—all those who have an interest in an organisation, its activities and its achievements, including customers, partners, employees, shareholders, owners, the community, government and regulators.

**Strategy**—a high-level plan for achieving success in an activity, including being a successful enterprise.

**Senior Executive**—one of the highest-ranking people of the organisation and identified by the organisation as a senior decision-makers.

**Supplier**—a contributor of goods or services to an organisation. An organisation is a customer of its suppliers.

**Sustainability (organisational)**—economic, social and environmental outcomes meet the needs of present generations without compromising the ability of future generations to do the same.

**System**—a network of inter-related elements working together towards a common aim.

**Systematic**—a comprehensive and defined sequence of working.

**Systemic**—of the whole system and not confined to particular parts.

**Trust**—the relationship that develops between people when there is mutual respect, shared purpose, confidence in each other's abilities and open, honest communication.

**Value**—worth, desirability or utility. Usually determined as a balance between different characteristics (such as cost and benefits).

**Values**—

1. the understandings and expectations that describe how the organisation's people behave and upon which all business relationships are based (e.g. trust, support and truth)
2. individual beliefs about what is worthy in life.

**Vision**—a description or image of how the organisation wishes to be in the future.

## APPENDIX B

# A short history of the *BEF*

### WHO DEVELOPED THE *BEF*—AND WHY?

The *BEF* was developed in 1987 by a team of leadership and management experts in response to calls by the Commonwealth Government and industry that Australian enterprises should become more effective, efficient and competitive. Since that time, the *BEF* has been regularly updated to reflect evolving, leading-edge thinking and state-of-the-art practice in business excellence.

The original aim of the *BEF* was to describe succinctly the principles and practices that create high performing organisations and then to use these criteria to identify and recognise highly successful enterprises that pursued this approach. Recognition was given through the introduction of the Australian Quality Awards (now the *Australian Business Excellence Awards*). The knowledge gained by studying the leading organisations is then shared with other organisations, thereby enhancing their performance as well as contributing to the national economic wellbeing.

The *Australian Business Excellence Awards* enable the exemplars of business excellence in Australia to be identified and recognised annually. In addition, a large number of Australian enterprises, in all industry sectors (private and public), now use the *BEF* as their principal reference for developing leadership and management systems throughout their organisations.

Research has been used to validate the principles and criteria in the *BEF*. Recent evidence confirms that organisations that have adopted the business excellence approach are achieving enduring success (see pages 7–8).

In addition, intellectual capital is generated by the *BEF* Steering Committee (see Appendix C), the panel of Award Evaluators (see Appendix D) and contributions from leading local and international experts and practitioners to ensure there is high-calibre and well-rounded industry and academic input to the *BEF*'s development.

SAI Global has managed the *BEF* since 2001 and continues to invest heavily in its development. Additionally, SAI Global offers a range of services that provides assistance to a wide variety of organisations implementing the *BEF*, including organisations from the following sectors:

- Financial
- Manufacturing and Aerospace
- Resource
- Professional Services
- Construction
- Technology
- Federal Government
- State Government
- Local Government
- Not for Profit.

## CURRENT GLOBAL STATUS

There are now more than 75 countries around the world that have adopted similar *BEFs* and associated awards processes. The Australian *BEF* is compatible with similar models around the world (including the US Baldrige and the European EFQM models) and contains all of the requirements of the ISO 9004:2000 system. As one of the pacesetters, the Australian *BEF* and *Business Excellence Awards* are highly regarded models for countries seeking to adopt and develop their own. Although the graphical models and the wording of Categories and Items may appear different, their underlying philosophies and principles are very similar throughout the world. They all reflect fundamental business excellence principles and holistic systems that provide guidance for organisational analysis, design, strategy and improvement.

SAI Global is a member of the network of Global Excellence Model (GEM) organisations, including the administrators of awards from the United States, Europe, Japan and South Africa. Through association with the network, the *BEF* and *Business Excellence Awards* reflect proven leadership and management principles and practices, as well as providing access to leading-edge research regarding their application and organisational outcomes.

## ENHANCEMENTS TO THE *BEF* 2007

The *BEF* 2007 has undergone significant changes from the 2004 edition, based on an extensive research exercise commissioned by SAI Global and conducted by Massey University's Centre for Organisational Excellence Research (COER). This exercise incorporated detailed surveys of all major global framework and award custodians and surveys of key stakeholders and senior business management. The comprehensive report, *Beneath the Surface: Enhancing the development, design and deployment of the Australian Business Excellence Framework* noted that general confidence in the *BEF* was high and only minor revisions were needed. However, it recommended that, while the document was 'sound and rigorous in its design, the design should be simplified'.

Accordingly the following changes have been incorporated into the 2007 edition:

- An amalgamation of some Principles to accord to most other models.
- A re-drafting of the Categories and Items to reflect issues identified by the Massey University report and to strengthen alignment with other international models.
- A reduction of guidance points focusing on the core values of each Item.
- A review and re-structure of supplementary content to enhance usability of the publication.

SAI Global and the *BEF* Steering Committee will carry out an iterative review every two years and a major review every five years.

## APPENDIX C

# The *BEF* Steering Committee

The development of the *Business Excellence Framework* was overseen in 2006 by a steering committee comprising the following representatives from business, government and academia. SAI Global gratefully acknowledges the contribution of the members of the *BEF* Steering Committee. The breadth and depth of their knowledge and experience has been invaluable in ensuring diverse input and a commercially strong development focus.

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**Alan Skinner** (chair)

Quality and Customer Satisfaction Manager,  
Hewlett-Packard

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**Kathy Bracken**

Senior Human Resources Consultant,  
NSW Business Chamber

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**John Dalrymple**

Director,  
Centre for Management Quality Research, RMIT Business

---

**Phillip Haddad**

Business Development Consultant

---

**Lindsay Heywood**

National Manager Quality Development,  
General Practice Education and Training

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**John Hussey**

Manager, Human Resources,  
South East Water

---

**Ingrid Liepins**

General Manager, HR Systems, RBS,  
Commonwealth Bank

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**Brian Maher**

Global Manager, Business Excellence, BHP Billiton

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**Kathy Main**

Chief Officer Risk Management & Business Quality,  
Prudential Services Asia Sdn Bhd

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**Erin Wood**

Director, Professional Services, APESMA

---

**Darren Timms**

Executive Manager, Business Development, RSL Care

---

**Denis Dawkins**

Associate Director, SAI Global Business Publishing

---

**MaryAnne Bakker**

Manager, Australian Business Excellence Awards,  
SAI Global

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**James Digges**

National Manager, Business Improvement Solutions,  
SAI Global

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**David Sikorski**

State Manager, Business Improvement Solutions, SAI Global

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## APPENDIX D

# Australian Business Excellence Awards

### INTRODUCTION

Since the introduction of the Australian Quality Awards in 1988 (since renamed), many organisations have benefited from being assessed against the *BEF* by being recognised at the various award levels.

Previous winners in the *Australian Business Excellence Awards* come in all shapes and sizes and from a wide range of industries. Industry and award winners are listed in Paragraph D3 (in alphabetical order).

Winning is a bonus, but the greatest value from entering the *Australian Business Excellence Awards* is the comprehensive Feedback Report prepared by the volunteer business professionals who act as Evaluators. Hundreds of applicant organisations have benefited from having strengths and opportunities for improvement identified against each Item in the *Business Excellence Framework*.

### AWARDS APPLICATION AND EVALUATION PROCESS

The Awards have the most rigorous evaluation process in Australia. The combination of the expertise of the Evaluators, the process for evaluating and our leading-edge criteria make this process unique.

Organisations can apply at Award level, where they are evaluated against all 17 Items in the *BEF*, or at Category level, where they are evaluated against only those Items in their nominated Category. There is also an award for Small to Medium Enterprises. Applicant organisations must have annual revenues of less than \$5m or less than 100 employees (FTEs).

In addition, in 2007 a new type of award has been instituted at the System level. There are seven Systems in which application can be made:

- Corporate Social Responsibility
- Customer Service
- Environmental Management
- Governance
- OH&S Management
- Quality Systems
- Risk Management

Application requires only basic information about an organisation, such as contact details, locations, and a summary of key activities. This information is used to assist Awards Management in allocating evaluation teams.

### Written submission

The written submission is designed to give the evaluation team a basic overview of how an organisation works in relation to the criteria. It comprises (i) a summary statement describing an organisation's overall strategy for business excellence, a summary of significant achievements and a description of an organisation's business environment; and (ii) a detailed submission addressing the Categories in the *BEF*.

The Evaluators conduct individual desktop evaluations of the written submission and then achieve consensus on areas that require clarification during a site visit.

### Site visit

The evaluation team spends 1 to 2 days on site with the organisation. The visit is planned by both the evaluation team and the organisation and covers issues arising from the desktop evaluation.

The Evaluators then spend one day consolidating their findings, preparing their feedback and their recommendations to the Panel of Review.

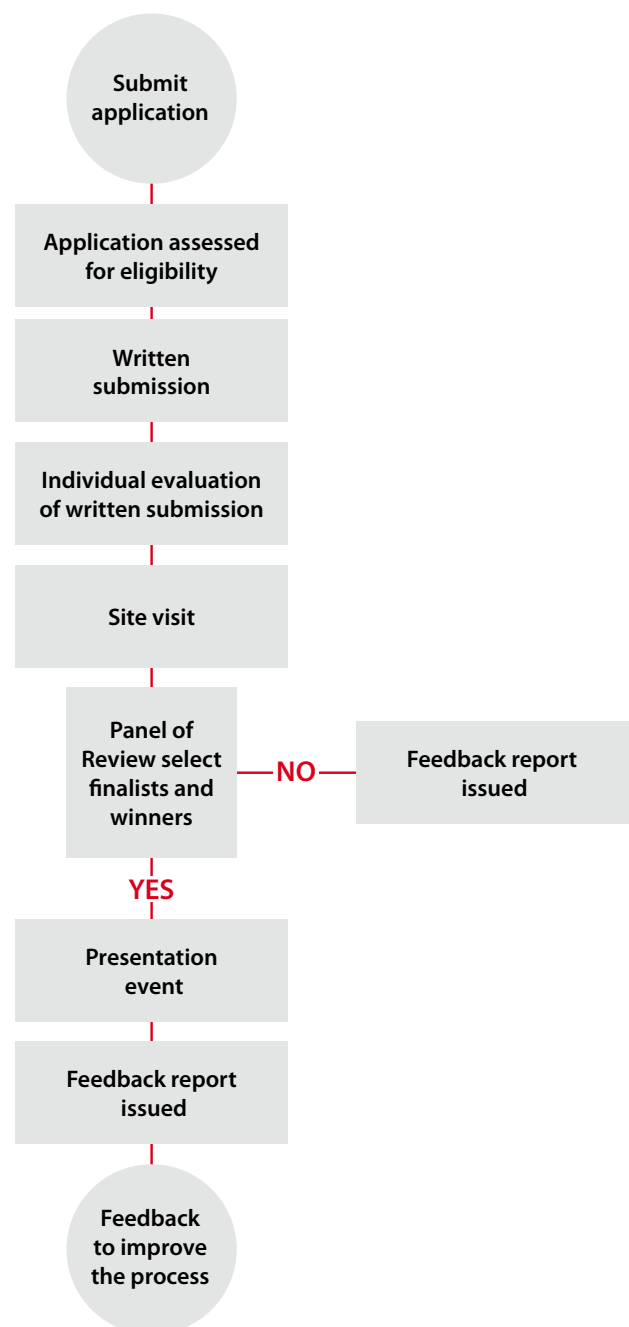
### Panel of Review

The Panel of Review consists of business leaders from private and public sector organisations, academia and leaders of award-winning organisations. The Panel reviews the recommendations made by each Evaluation team and makes final decisions on levels of recognition.

### Evaluation criteria

Evaluators assess an organisation's performance using the Assessment Matrix. For each Item, strengths and opportunities for improvement are identified and a score for each of the assessment dimensions as well as an overall score is given. All applicants receive a detailed feedback report containing this information and a scoring summary, regardless of the level of recognition they have achieved.

## PROCESS OVERVIEW





## PREVIOUS WINNERS UPDATE

The following organisations have won awards since 2000. A full list of award winners, finalists and category award winners since 1991 is available from [consulting@sai-global.com](mailto:consulting@sai-global.com).

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**2006****Bronze Award**

- Vero Insurance
- DORIC Group
- UnitingCare Wesley Adelaide
- Campbell Page

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**2005****Excellence Medal**

- Tasmanian Alkaloids

**Silver Award**

- Tasmanian Alkaloids
- Hobart City Council

**Bronze Award**

- Child Support Agency
- Queensland Ambulance Service
- Safety and Health, Bureau of Mining and Petroleum, Dept of Natural Resources and Mines, QLD

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**2004****Excellence Medal**

- The City of Nedlands

**Silver Award**

- The City of Wodonga
- LeasePlan Australia Ltd
- The City of Nedlands

**Bronze Award**

- Baulkham Hills Shire Council
- The Salisbury High School
- TAFE NSW—Hunter Institute

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**2003****Excellence Medal**

- Boeing Australia Ltd

**Silver Award**

- CORE—The Public Correctional Enterprise

**Bronze Award**

- Fremantle Ports
- Tasmanian Alkaloids

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**2001****Award Gold**

- Schefenacker Vision Systems Australia

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**2000****Prize**

- Honeywell

**Award Gold**

- Australia-New Zealand Direct Line
- ING Funds Management
- South East Water Ltd

**Award**

- University of Wollongong Library

## ACTIVE AWARD EVALUATORS

### SAI Global's unique Panel of Evaluators

More than 80 Business Excellence professionals Australia-wide undertake a rigorous and leading-edge evaluation of organisations applying for the *Australian Business Excellence Awards*. Our Evaluators are volunteers from a wide cross-section of sectors and industries and often hold senior positions in their organisations. All Evaluators have a passion for excellence and they contribute to all aspects of the evaluation process, which in turn benefits Award applicants. We thank our active Evaluators for their time and contribution.

**Lindy Babb**

**Jeothish Babu**, WorleyParsons

**Jeanine Bailey**, City of Wodonga

**Christopher Barrett**, Catholic Education Office, Sydney

**Angela Bombardieri**, BHP Billiton Ltd

**Callum Brown**, DSTO, Fernhill Park

**Peter Bull**, Dept for Families and Communities, SA

**Kevin Burgess**, Queensland Rail

**Patricia Burke**, Insurance Manufacturers of Australia Pty Ltd

**Renee Campbell**, Wollongong City Council

**Peter Chislett**, Department of Education and Children's Services, SA

**Andrew Christopher**, Horizon Power, WA

**Peter Coman**, ENERGEX

**Vanessa Craig**, Queensland Rail

**David Cromb**, Queensland Transport

**John Dargusch**, Brisbane City Council

**Andrew De'Ambrosis**, Disability Services, QLD

**Murray Dempsey**, Global Insight

**Joseph Donataccio**, Your Enterprise Solutions Pty Ltd

**Richard Dowse**

**Don Edwards**, Department of Industry and Resources, WA

**Steven Embry**, Hastings Council

**David Evenis**, Department of industry and Resources, WA

**Storm Foulkes**, Child Support Agency

**Sally Francis**, Pacific Brands

**Mark Galliot**, Melbourne Prosecutions Unit, Legal Services, VIC

**Tannith Galliot**, Office of Gaming and Racing, VIC

**Peter Gawne-Buckland**, Amcor Fibre Packaging Australasia

**Sally Gilbert**, Sally Gilbert—Improvement Unlimited  
**Ross Gliddon**, City of Wodonga  
**Peter Gough**, Rio Tinto  
**Vincent Granahan**, Corporate Solutions Queensland  
**Sandy Guest**, Catchment and Agricultural Services—  
 Department of Primary Industries, VIC  
**Kate Harbert**, Department of Natural Resources and  
 Mines—Safety and Health Division, QLD  
**Rod Hill**, Insurance Manufacturers of Australia Pty Ltd  
**Silvia Holcroft**, Quality Performance Systems  
**Michael Jacobson**, Caloundra City Council  
**Graham James**, Competitive Edge Services Pty Ltd  
**Noelene Jennings**, WA State Government  
**Vera Joosten**  
**Owen Kavanagh**, St George Bank  
**Louise King**, TAFE NSW, Hunter Institute  
**Sue Kitchen**, Health Insurance Commission  
**Bernard Kornfeld**, Commonwealth Bank  
**Ingrid Liepins**, Commonwealth Bank  
**Russell Linwood** ASM, Department of Emergency  
 Services, QLD  
**Colleen Liston**, Curtin University of Technology  
**Bruce Macdonnell**, Auburn Council  
**Margaret McCloghry**, TAFE NSW, Hunter Institute  
**John McDowall**, QMI Solutions Ltd  
**Rod McGregor**, ValueEdge Pty Ltd  
**John McIntosh**, McIntosh Consulting Group  
**Bryan Maher**, BHP Billiton Ltd  
**Kathy Main**, Prudential Services Asia Sdn Bhd  
**Len Mangan**, Toll North Pty Ltd  
**Peter Marshall**, University of Tasmania  
**Karen Meyer**, Child Support Agency

**Irving Mojica-Perez**, ANZ Banking Group Ltd  
**Warren Nichols**, Hobart City Council  
**Michael Noyce**, Noyce Legal  
**Kyle O'Donnell**, City of Perth  
**Irene Page**, Pilkington Building Products Australasia  
**Dale Quinlivan**, City of Perth  
**Gary Reid**, Queensland Rail  
 Peter Shakespeare, Focus Coaching Australia Pty Ltd  
**Steven Scott**, ASIC  
**Doug Shaw**, CSIRO  
**Shayne Silcox**, City of Belmont  
**Alan Skinner**, Hewlett-Packard  
**Roger Snaith**, Snaith & Associates Consulting  
**Tony Uhe**, Global Pharmaceutical Sourcing Group  
**Michael Vallance**, Department of Justice, VIC  
**Kathryn Wagner**, Department of Natural Resources and  
 Water, Land Information and Titles, QLD  
**Rob Walley**  
**Jack Walter**, Cutler Brands Pty Ltd  
**Terry Wardle**, Motorola  
**Julie Weatherstone**, Hawker Pacific Pty Ltd  
**Ann Webber**, North Shore Private Hospital, Sydney  
**Ziggy Wilk**, Horizon Power, WA  
**Neil Whiteman**, RSL Care  
**Andrew Wilford**, Boeing Australia  
**Ziggy Wilk**, Western Power  
**Brian Yearwood**, Department of Corrective Services, WA

## APPENDIX E

# The Business Excellence Index: 1990–2006

### INDEX METHODOLOGY

The methodology employed by SIRCA is similar to that used by the National Institute of Standards and Technology in the United States for the Baldrige Index.

A hypothetical sum was invested in each of the Australian Stock Exchange (ASX)-traded Business Excellence Award recipients' stock at the end of the month in which the award was announced. If the company was not listed at the time of the announcement, the investment was made on the company listing date. Each stock was tracked from the first available trading day (first investment made 31 October 1990) through to close of business on 10 March 2003 and then reinvested on 10 March 2003 and tracked through to close on 30 June 2006. Where recipients' businesses were sold to other organisations, the investment monies were reinvested in the new entities if they were listed on the ASX.

A\$5,000 was invested in each parent company that received an award. For subsidiaries or divisions that received the award, a portion of the A\$5,000 was invested. This portion was calculated by multiplying the portion (percentage) of the parent company's employee base that the subsidiary or division represented at the time of its award. In order to benchmark the returns, the same total dollar amount was invested in the Standard and Poor's All Ordinaries Accumulated Index on the same day. The Standard and Poor's All Ordinaries Accumulated Index was used because it incorporates dividends and capitalisation changes and represents the top 500 companies listed on the Australian Stock Exchange (ASX).

An in-depth evaluation of each investment value was undertaken by measuring the change in investor's wealth over the life of the investment, taking into account all changes in the share ownership and cash flows from or to the investor. The value of each investment was adjusted for stock splits, dividends, rights, bonus issues and consolidations. The hypothetical investment excluded transaction costs.

### DEFINITIONS

The stock price used was the volume weighted average price (VWAP), which is a measure of the price at which the majority of a given day's trading in a given stock took place (calculated by taking the weighted average of the prices of each trade). This method is used by institutional traders who often break a given trade into multiple transactions.

The total holding period return (THPR) is the total return from an investment over a specific period of time. It incorporates both price and income changes.

### STUDY PARTICIPANTS

Award recipients included in the study (current company names in italics) were:

- BHP Limited (Steel Slab and Plate) Division 1990 (*Blue Scope Steel Limited (Industrial Markets)*)
- BHP Limited (Steel High Carbon Wire Products) 1991 (*OneSteel Limited*)
- Tubemakers of Australia Limited 1991 (*Blue Scope Steel Limited; OneSteel Limited*)
- BHP Limited (Building & Construction Products) 1993 (*Blue Scope Steel Limited; Australian Building and Manufacturing Markets*)
- BHP Limited (Research) 1996 (*BHP Billiton Limited 50%; BHP Blue Scope Steel Limited 50%*)
- ICI Australia Limited (Pharmaceutical) 1996 (*Orica Limited*)
- Southern Pathology Limited 1999 (*Sonic Healthcare Limited*)
- Suncorp-Metway Limited (Injury Claims) 2001
- NRMA 1992 (listed in 2000) (*Insurance Australia Group Limited*)
- Panbio Limited 1997 (listed in 2001)
- LeasePlan Australia (listed in 2006—No trades at time of study)







