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## The role of innovation in the assessment of the excellence of enterprise subjects

Radoslav Jankal <sup>a</sup>\*

<sup>a</sup> *University of Zilina, Faculty of Management Science and Informatics, Univerzitná 1, 010 26 Zilina, Slovakia*

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### Abstract

Demands placed on enterprises in the area of improving their functioning are still higher and higher in the present time. If enterprises wish to succeed on markets with strong competitive pressure, they have to focus their attention towards the achievement of the status of so-called excellence. One of possible ways to achieve this status is also innovation. The aim of this article is to point out the role of innovations for assessing the excellence of business subjects. Primary and secondary research has shown that approaches to assessing the excellence of business subjects underwent and are undergoing constant changes, individual areas and criteria serving for the general assessment of excellence are being changed and amended. And innovations have been gradually included to larger or lesser extent to all mentioned approaches.

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### 1. Introduction

The present places still higher demands on enterprises in the area of improving their functioning and quality of their products. If enterprises wish to succeed on markets with strong competitive pressure, they have to focus their attention towards the achievement of the status of so-called excellence. One of possible ways to achieve this status is also innovation. These are not only innovations of products, but also innovations of processes, marketing innovations, organizational innovation, innovations in the field of human resources management and so on.

Authors have been dealing with the issue of innovations from many points of view for many years (Freeman, 1982; Košturiak & Chal' 2008; Blašková, 2011; Hittmár, 2011; Vlček, 2011; Lendel & Varmus, 2012). A single comprehensive definition of this notion has not been found so far. However, the uniting feature of innovations is the implementation of something new to life, thus innovations can be characterised as follows:

- innovation is: the renewal and enlargement of the range of products and services and the associated markets; the establishment of new methods of production, supply and distribution; the introduction of changes in management, work organisation, and the working conditions and skills of the workforce (European Commission, 1995),
- Innovation includes the technical, design, manufacturing, management and commercial activities involved in the marketing of a new (or improved) product or the first commercial use of a new (or improved) process

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\* Corresponding Author: Radoslav Jankal. Tel.: +421-41-513-4458  
*E-mail address:* [radoslav.jankal@fri.uniza.sk](mailto:radoslav.jankal@fri.uniza.sk)

or equipment” (Freeman, 1982).

The role of innovations lies in the ability to create and market new products and services complying with growing requirements of customers for new product functions, variability and quality, reliability, useful life, operation, design, but also environmental properties. Customers prefer with regard to products novelty, individuality, acceptable price, availability and user-friendly nature in compliance with technical, economical and social progress that has a continuously growing tendency. (Dicová & Ondruš, 2012)

The aim of this article is to point out the role of innovation for assessing the excellence of business subjects. The article contains also description of theoretical starting points and methods (procedures) for assessing the excellence, with emphasis on the role of innovations in selected methods (procedures, approaches) of excellence assessment – Models of Business Excellence, standards of ISO 9000 series. The emphasis is put also on examination and assessment of opinions of business subjects about the significance of innovations for assessing of their excellence.

## 2. Current status of examined issue

Many authors deal with the assessment of excellence or success factors (Hoffmann, 1986; Chung, 1986; Nagel, 1986; Jacobs, 1992; Peters & Waterman, 2004, Jankalová, 2012a; Jankalová, 2012b). The achieved excellence status can be currently assessed by means of so-called Business Excellence models, according to standards of ISO 9000 series, or by means of Six Sigma, TQM Controlling, Balanced Scorecard, and TQM-Scorecard. In addition to that, the excellence of a business subject can be partially assessed also by means of ratio financial indicators for evaluating the enterprise performance, models of financial standing and solvency, indicators EVA, MVA, CVA, NVA...

### 2.1. The basis of Business Excellence models

The starting framework for determination of the achieved Business Excellence status is formed by models with fixed scale of criteria, on the grounds of which it is not only possible to objectively evaluate individual enterprises, but especially mutually compare them. Models of Business Excellence are used for assessing the achieved status of Business Excellence in Japan – in form of Deming Prize model, in USA in form of Malcom Baldrige model, in Europe in form of EFQM model. All said models are based on basic TQM pillars - people, processes and results.

Deming Prize model can be considered one of the oldest and most prestigious quality prizes in the world. It has been awarded since 1951 and is named after Dr. William Edwards Deming, who significantly contributed to post-war development of Japan. It was originally intended only for Japanese companies, but since 1987 foreign companies can participate, too. (JUSE, 2013)

The EFQM model has been created at the end of the nineties by the institution *European Foundation for Quality Management*. In addition to the fact that it is deemed to be a directive and at the same time a system of objectives necessary for the application of TQM in an enterprise, it also serves as a basis for awarding prizes for quality. The EFQM model expresses that the satisfaction of customers, employees and the company itself is achieved through the management, through its tools, i.e. by means of policy and strategy, resource management and orientation to employees, what is in the end manifested also in company results. (Jankalová, 2005)

The document named „*Malcolm Baldrige National Quality Improvement Act*“, has been published on 20 August 1987 and it was meant to contribute to the improvement of quality and increase of productivity in the United States. An important impulse to achieve changes in the American economy and for the support of competitiveness of American companies has since 1988 become the TQM model, called also MBNQA model. Also in this case, similarly to the EFQM model, we can speak about the model as basis for awarding the National Quality Prize in the USA called **Malcolm Baldrige National Quality Award**. (Jankalová, 2005)

## 2.2. The ISO 9000 family of standards

The ISO 9000 family of standards has been developed to assist organizations, of all types and sizes, to implement and operate effective quality management systems. The approaches of quality management systems given in the ISO 9000 family of standards and in organizational excellence models are based on common principles. Both approaches enable an organization to identify its strengths and weaknesses, contain provision for evaluation against generic models, provide a basis for continual improvement and contain provision for external recognition. (ISO, 2005)

The difference between the approaches of the quality management systems in the ISO 9000 family and the excellence models lies in their scope of application. The ISO 9000 family of standards provides requirements for quality management systems and guidance for performance improvement; evaluation of quality management systems determines fulfilment of those requirements. The excellence models contain criteria that enable comparative evaluation of organizational performance and this is applicable to all activities and all interested parties of an organization. Assessment criteria in excellence models provide a basis for an organization to compare its performance with the performance of other organizations. (ISO, 2005)

## 3. Results and findings

Approaches to assessing the excellence of business subjects mentioned in the article underwent and are undergoing constant changes, individual areas and criteria serving for the general assessment of excellence are being changed and amended. In the following part of the article we will see in which areas innovations are included in individual approaches.

### 3.1. Deming Prize model

The model contains assessment of six areas, whereas it is the second area where a significant emphasis is put also on innovations. This area is called: *New product development and/or work process innovation*. This area is assessed from two equally important points of view (JUSE, 2013):

- *The organization actively develops new products (including services) or innovates work processes,*
- *New products need to satisfy customers' requirements. In the case of work process innovation, it must contribute greatly to the efficiency of business management.*

One of the model's requirements is that every organization should have at least one so-called *unique activity*. Examples of such *unique activities* include (JUSE, 2013):

- Top management vision, business strategies and leadership - Under the excellent vision, the organizational innovation and improvement takes place.

Such *unique activities* are assessed from three angles - *Effectiveness, Reproducibility, Innovativeness*. Innovativeness is characterized as follows: *It must be innovative and can be expected to contribute to management development in a given field.* (JUSE, 2013)

### 3.2. EFQM model

The EFQM model includes innovations in various forms in all examined areas (EFQM, 2012; EFQM, 2005):

- *Leadership* (Excellent leaders cultivate an *innovation* culture.),
- *Strategy* (Excellent Organisations (EO) continuously scan for *innovation* opportunities. They develop *innovation* policies and strategies that are integrated within the organisation...),
- *People* (EO empower and educate people by creating a context that allows *innovation* to happen.),
- *Partnerships and Resources* (To *innovate*, EO continuously build on their network of partners.),
- *Processes, Products and Services* (EO develop and enhance relevant organisations structure, processes, methods and tools to successfully manage *innovation* projects and activities that focus on customer current and future needs.),

- *Results* (EO comprehensively measure and achieve outstanding results.).

### 3.3. Malcom Baldrige model

Innovations have their place also in this model. Already when creating the Organizational Profile, some supporting questions are aimed at the area of innovations, such as in the part Organizational Relationships - Suppliers and Partners: *What role, if any, do these organizations play in contributing and implementing innovations in your organization?*, in the part Competitive Environment - Competitiveness Changes: *What key changes, if any, are affecting your competitive situation, including changes that create opportunities for innovation and collaboration, as appropriate?* (NIST, 2013)

The Baldrige Criteria emphasize three key aspects of organizational excellence that are important to strategic planning. One of such key aspects are also innovations in the following form (NIST, 2013):

- *Operational performance improvement and innovation* contribute to short - and longer - term productivity growth and cost/price competitiveness.

In the case of Malcom Baldrige model, innovations are incorporated and monitored in various forms in all examined areas of this model, same as was the case of the EFQM model (NIST, 2013):

- Efficient and effective work systems require *innovation*.
- Organization listens to the voice of the customer, builds customer relationships, and uses customer information to improve and to identify opportunities for *innovation*.
- Comparative performance projections and competitors' performance may reveal organizational advantages as well as challenge areas where *innovation* is needed.
- It is anticipated that the review findings will provide a reliable means to guide both improvements and opportunities for *innovation* that are tied to your organization's key objectives, core competencies, and measures of success.
- *Analysing performance* - The relationship between knowledge management and *innovation*.
- *Innovation management* - In an organization that has a supportive environment for *innovation*, there are likely to be many more ideas than the organization has resources to pursue. This leads to two critical decision points in the *innovation* cycle: (1) commensurate with resources, prioritizing opportunities to pursue those opportunities with the highest likelihood of a return on investment (intelligent risks) and (2) knowing when to discontinue projects and reallocate the resources either to further development of successful projects or to new projects.

### 3.4. The ISO 9000 family of standards

The standard ISO 9004 (which provides guidance to support the achievement of sustained success for any organization in a complex, demanding, and ever-changing environment, by a quality management approach) deals with innovations in a separate part – *Improvement, innovation and learning*, where innovations are dealt with from several points of view (ISO, 2009):

- Depending on the organization's environment, improvement (of its current products, processes, etc.) and *innovation* (to develop new products, processes, etc.) could be necessary for sustained success. Learning provides the basis for effective and efficient improvement and *innovation*. Improvement, *innovation* and learning can be applied to *products, processes and their interfaces, organizational structures, management systems, human aspects and culture, infrastructure, work environment and technology, relations with relevant interested parties*.
- Fundamental to effective and efficient improvement, *innovation* and learning is the ability and enablement of the people in the organization to make informed judgments on the basis of data analyses and the incorporation of lessons learned.
- Changes in the organization's environment could require innovation in order to meet the needs and expectations of interested parties. The organization should *identify the need for innovation, establish and maintain an effective and efficient innovation process and provide the related resources*.

- *Innovation* can be applied to issues at all levels, through changes in technology or product, processes, the organization, the organization's management system.
- The organization should use a process that is in alignment with its strategy to plan and prioritize *innovations*. The organization should support the *innovation* initiatives with the resources needed.
- The organization should assess the risks related to planned *innovation* activities, including giving consideration to the potential impact on the organization of changes, and prepare preventive actions to mitigate those risks.

#### 4. Conclusion

It can be said on the grounds of the analysis that innovations have been gradually included to all mentioned approaches to a larger or lesser extent. The performed research confirmed the assumption that all addressed enterprises, without regard to the sector of business activity, consider innovations to be a significant factor related to the success of the company and app. 80% deem it even to be the key factor of success and does not doubt its significance, even despite the fact that part of enterprises (4%) neglects this area. It can be therefore said that the role of innovations for assessing the excellence of business subjects is indisputable and this is understood not only by composers and performers of various approaches to assessing the excellence, but also by enterprises themselves, which deal with this area more and more.

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