

Innovative Excellence Model for Conscious Capitalism

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Abstract. This paper builds on the work on conscious capitalism, shared value, corporate governance, and business excellence to develop a new excellence model. This model is based on five basic concepts namely: 1) translating core values in to actions, 2) achieving sustainable outstanding benefits for all stakeholders, 3) corporate governance, 4) quality assurance, 5) creativity and innovation. This model has twelve criteria including five stakeholders' benefits, and seven enablers. Each criterion has a few sub-criteria having a number of guiding points each. The guiding points should not be used as a prescription. The model is assessed using twelve assessment tools: six for enablers and six for benefits. This paper finally compares this model to the European EFQM excellence Model and the American Baldrige performance excellence model. The comparison addresses the basic concepts, the criteria, and the assessment methods.

Keywords: excellence model, conscious capitalism, shared value, core values, corporate governance, stakeholders, benefit.

1. Introduction

Most excellence models (EMs) and national quality awards (NQAs) promote quality awareness [1] and measure the level of organizational excellence [2] [3]. The awards are mostly based on the Baldrige business excellence model (BBE) and the European foundation of Quality Management (EFQM) model [4] [5]. Löffler [6] states that quality awards have become an important benchmarking instrument for public and private sector organizations. While the EFQM and BBE models are proven to improve performance, [7] [8] they are not aligned with the developments in economic and business such as conscious capitalism, [9] and shared value [10]. They also have not focused on enough on corporate governance. Neither of the two models includes governance as a main criterion. The BBE model includes it as a sub-criterion of leadership while the EFQM model does not even include it as sub-criterion¹. Both models have also not focused enough on the importance of core values and aligning the enables to them, unlike the value based model developed by Jabnoun. [11]

This paper builds on the main excellence model to propose an innovative excellence model aligned with conscious capitalism and shared value, and giving more focus on corporate governance and translating values into actions. This model is called Conscious Capitalism Excellence (CCE) model.

2. Theoretical Foundation

The section will focus on the importance of Excellence models, and the main literature relevant to the main concepts that distinguish this model, namely: stakeholders' benefit, translating core values into actions and corporate governance. Concepts that are common to other excellence models such as creativity, innovation and process management or quality assurance are not covered in this section.

Hendricks and Signal [12] investigated 120 award winners, and found that the winners outperformed companies of similar size in the same industries over an 11-year period. Miguel [13] contends that

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¹ http://www.efqm.org/sites/default/files/efqm_bem_2013_user_guide.pdf

introduction of quality management frameworks based on NQAs enhances quality awareness, which leads to improved service quality and organizational performance. We argue that since excellence models have been effective in transferring knowledge; they can be useful in spreading awareness and transferring knowledge about conscious capitalism.

Conscious capitalism and shared value have been gaining popularity [14] [15] [16]. Both concepts seek to change the focus of business from one category of stakeholders, namely the shareholders, to the focus on all stakeholders. [17] [18]. Firms of endearment that are concerned with all stakeholders have hugely outperformed the average S&P 500 firms in 10 ten years [19] [20]. Simpson et al. [21] confirmed that conscious capitalism companies outperform their competitors financially. We therefore propose to include stakeholders' benefits into the model.

Values improve performance [22] [23] and drive continuous improvement customer satisfaction [24][25]. High-performing firms typically strive to have the core values of their firm, as foundational beliefs, become actively integrated and embedded as practices throughout all levels of the company [26]; [27]. This integration should include incorporation into customary operational discussions as well as into decision-making, ranging from the routine tasks to the highest-level strategies [28].

Collins and Porras [29] found that visionary companies significantly outperformed their counterparts. They indicated that the attributes that separated the visionary companies from their counterparts lied essentially in their translation of their values into goals strategies, policies, process, building layouts, pay system, and job design structure. Based on the above we propose to include translating core values into actions into the CCE model.

Corporate governance enhances performance and transparency [30] [31] [32]. It also improves market confidence and business integrity, which in turn is essential for companies that need access to equity capital for long-term investment [33]. We propose including corporate governance in the model.

3. The Proposed Model

The building blocks of any excellence model are the basic concepts, the criteria and the assessment method. The three building blocks of this model are presented below.

3.1 Guiding basic concepts

The guiding basic are the foundation of the model. The criteria of the model as well as its assessment method shall be aligned with the basic concepts. The basic concepts are general statement derived from the relevant literature. Based on the literature outlined in the above section, the CCE basic concepts are:

- Translating core values into actions leading to stakeholders benefit (*noble means*)
- Sustaining outstanding benefits for all stakeholders (*noble ends*)
- Corporate governance
- Creativity and innovation
- Quality assurance

Some may regard creativity and innovation to contradict quality assurance, however, this is a fallacy, because we always need creativity and innovation in planning, design and stakeholders relation, while we need quality assurance in the production and execution stages [34] [35]. Indeed both the EQM Model [36] and the Baldrige model [37] include the concepts of innovation and address quality assurance under the concept of agility.

3.2 Proposed criteria for the model

The model is shown in Figure 1. It has seven enablers including corporate governance and core values, addition to five benefits relevant to the five stakeholders: society, customers, employees, partners, and investors. This model has three levels, namely, criteria, sub-criteria, and guiding points. The guiding points provide explanation and guidance about implementing the sub-criteria and they are not supposed to be taken as a prescription.

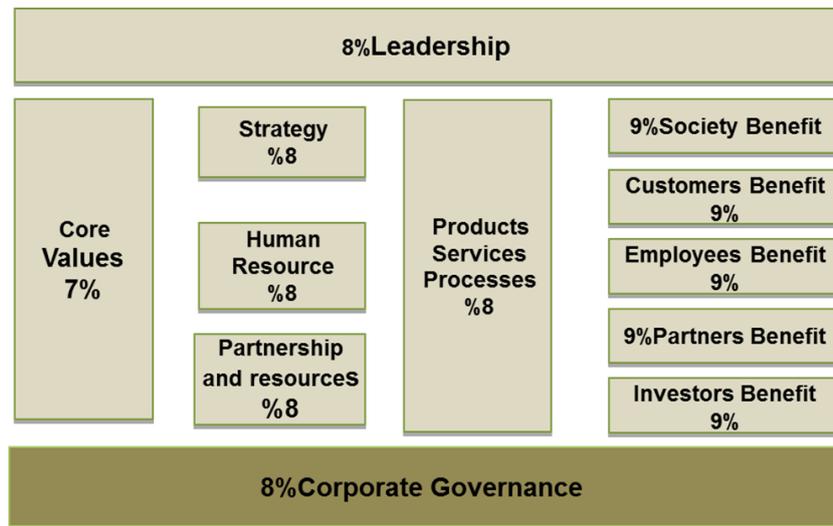


Fig.1. Proposed Conscience capitalism excellence model

3.3 Assessment approach

Enablers are assessed using the following six elements:

1. Approach. Organizations are expected to show evidence of doing their work based on plans, procedures, and mechanism in order to achieve quality assurance.
2. Alignment. Organization are expected to show that their enables are aligned with Islamic based core values and the vision of the organization
3. Implementation. Organizations are expected to show that they implemented their approaches. They should show the period and scope of the implementation. The scope refers to the relevant parts of the organization and its stakeholders that this implementation covered. (e.g. all departments, divisions, customers' categories).
4. Measurement of Impact. Organizations need to show evidence of measuring the impact of their approaches. Measures may include surveys, tests, and meter readings
5. Learning. Organizations need to show evidence of learning. They should show the date and source of learning. Sources may include benchmarking, research, brainstorming, and results of surveys and interviews
6. Improvement. Organizations need to show evidence of improving their approaches.

The score of each sub-criterion is the arithmetic average of the above six components.

The assessment of stakeholders' benefits is based on two main components: credibility and its impact. The score of each sub-criterion is minimum score of the two components:

$$\text{Stakeholders benefit score} = \text{Min} (\text{Credibility}, \text{impact})$$

Credibility consists of the following elements:

- Data integrity refers to how the data about stakeholders' benefits and comparisons are collected.
- Causality refers to the approach related to the benefit perception measure/indicator

Impact consists of the following elements:

- Scope which refers the categories and segments of the benefit
- Importance which refers to how critical the benefit is to the relevant stakeholder
- Trend which refers to the pattern of the benefit during the past few years (comparing with one's past performance)

- Comparisons that refer to comparing the relevant benefit with those of highly performing organization (e.g. regional best, world best). Trend and comparisons are usually presented in charts.

The scores of credibility and impact are equal the scores of the respective arithmetic averages of their elements.

4. Comparing the new Model with the EFQM and Baldrige Models.

The comparison between the CCE model and the EFQM and BBE model are shown table 1.

Table 1: Comparing the CCE model with the EFQM and BBE Models

	EFQM	BBE	CCE
Concepts and Principles	8 basic concepts	11 core values and concepts	5 principles including governance translating core values into actions, stakeholders' benefit
Criteria	5 enablers + 4 results	6 process + 1 results (5 in 1)	7 enablers including CG and CV+ 5 benefits (SPICE)
Levels of Criteria	3: criteria, sub-criteria, guiding points	Different level	3: criteria, sub-criteria, guiding points
Scores	500 for enablers 500 for results	550 for process 450 for results	550 for enablers 450 for benefits
Assessment tool for enablers/process	Approach (Sound, integrated, Deployment (implemented, systematic) Assessment & refinement (Measurement, learning, improvement))	Approach, Deployment Learning Integration	Approach, Alignment, Implementation, Measurement Learning, Improvement
Assessment for Results/benefits	Relevance and Usability (scope, integrity, segmentation) & Performance (Trend, Target, comparison, confidence)	Levels, Trend Comparisons, Integration	Credibility (Data integrity, causality & Impact (Scope, Importance, Trend Comparisons_

The main difference between the three models lies three first basic concepts of the CCE model: 1) translating core values into actions leading to stakeholders benefit (*noble means*), 2) sustaining outstanding benefits for all stakeholders (*noble ends*), and 3) *corporate governance*. The CCE has more enablers than both the EFQM and the BBE models. This increase in the number of enablers is due to the incorporation of the criteria of corporate governance and core values that are needed for aligning the model to its basic concepts. The total score for the enablers' criteria of the CCE model is the same as that of the process criteria in the BBE model. The CCE has a total of six assessment elements for the enablers and six assessment elements for the benefits while the BBE and EFQM have seven elements for process/enablers and seven elements for results.

5. Conclusion

This paper proposed an innovative excellence model for conscious capitalism that we termed as the CCE model. This model draws on the works of leading scholars of conscious capitalism and shared value. This model also draws on the literature on values and their pivotal role in guiding corporate performance. The proposed model has a number of similarities and differences with the most utilized excellence models, namely the EFQM model and the BBE model. The main difference between the CCE model and the other two models lies in the three basic concepts. The differences in the content of the criteria are the result of the difference in basic concepts. The criteria structure of the CCE is similar to that of the EFQM while the total

scores assigned to enablers is the same as the score of enablers (process) in the BBE model. The assessment methods for the CCE is somewhat simpler than those of the EFQM and the BBE.

This model is practical. Organizations that applied the EFQM model or the BBE model are likely to find it easy to apply it given the structural similarities between the three models. The CCE mode is simpler because of its assessment method. The application of this model can lead to a quick and effective dissemination of the knowledge on capital capitalism. More, importantly, this can help organizations increase value to all their stakeholders and enable them to do good and well at the same time.

6. References

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