




The EFQM Framework for Managing External Resources

*Driving performance and growth
through excellence in managing external resources*





No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means (be this electronically, mechanically, through photocopy or recording or otherwise) without either the prior written permission of, or a licence permitting restricted copying and use for a third party, from the publisher.

© EFQM 2006

The EFQM Framework for Managing External Resources has been jointly developed by EFQM and EIPM. The intellectual property within the EFQM Framework for Managing External Resources as owned by EFQM and EIPM is freely offered to EFQM for production and distribution to its partners and network.

© EFQM - EIPM 2006

The European Institute of Purchasing Management (EIPM) joined EFQM in 1999. Since 2006, the EIPM and EFQM have a strategic alliance to promote excellence in managing external resources throughout Europe. As part of this alliance, the EFQM Framework for Managing External Resources has been jointly developed by the EFQM and the EIPM.

Information on EFQM

EFQM® is a membership-based not-for-profit organisation, created in 1988 by fourteen leading European businesses, with a Mission to be the driving force for sustainable excellence in Europe and a Vision of a world in which European organisations excel.

EFQM has promoted the concept of partnership with similar national organisations in Europe to help promote sustainable excellence in European organisations. These national organisations work with EFQM to promote the EFQM Excellence Model and related Frameworks. Contact details for EFQM partners can be found on the EFQM website (www.efqm.org).

There are over 700 member organisations of EFQM from all European countries and most sectors of activity. Together with its National Partner Organisations (NPOs) in each European country, the membership network runs to thousands of organisations with several million individuals employed in those organisations.

The EFQM Excellence Model is the most widely used organisational management framework in Europe, used by at least 30,000 organisations across more than 25 European countries and increasingly outside Europe, particularly in the Middle East and South America. The Model has been systematically reviewed and improved through more than 10 years of continuous use and is supported through a network of national partners and licensed trainers.

In addition to being the owner of the EFQM Excellence Model and managing the European Quality Award, EFQM also provides a portfolio of related organisational improvement services for its members.

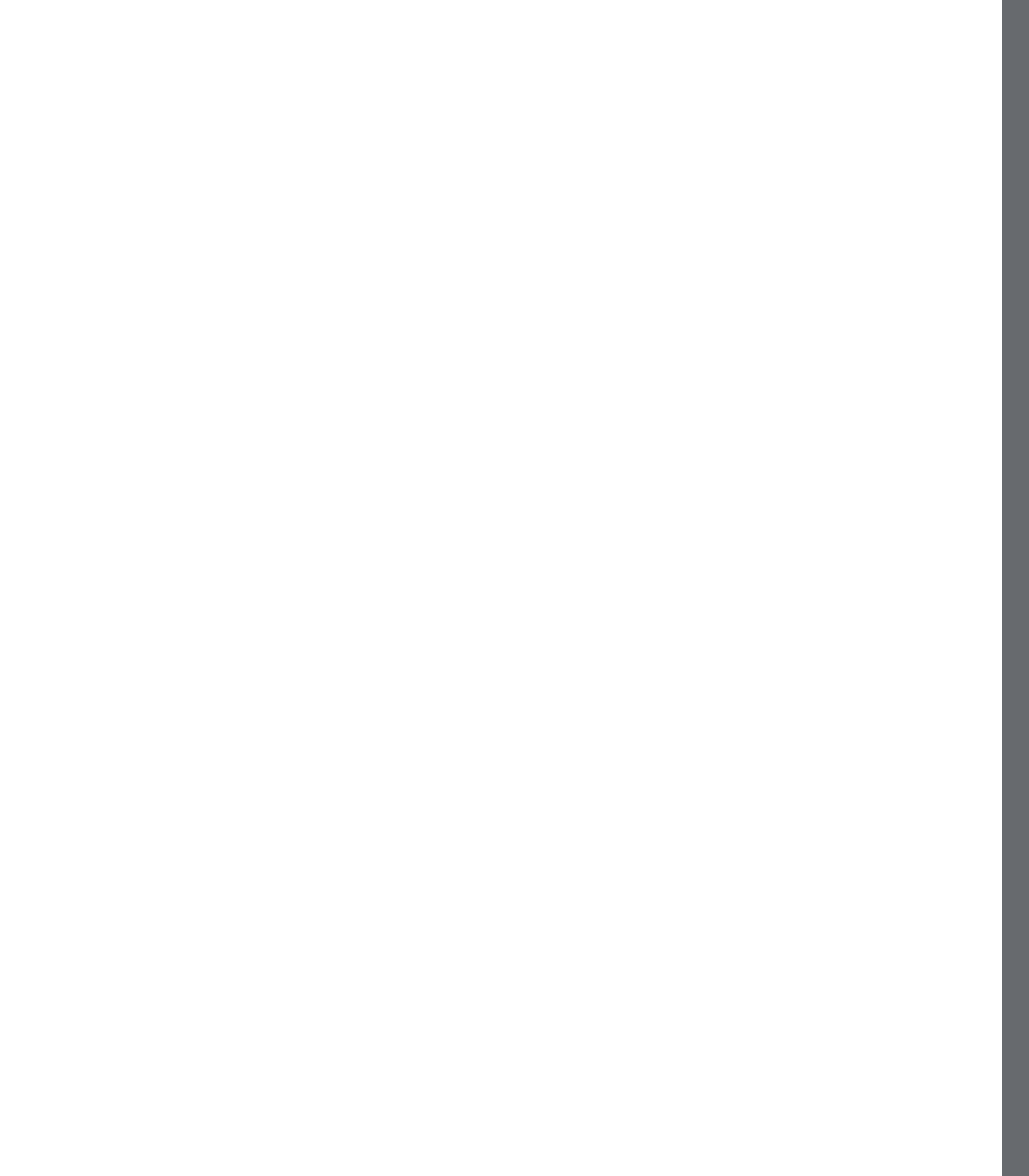
Information on the EIPM

The EIPM was founded in 1991 by 10 multinational companies in order to offer the first MBA programme specialised in Purchasing and Supply Management in Europe. Today, the EIPM is the leading provider of education and training in purchasing in Europe, with growing activities in Asia, North and South America and Africa.

EIPM provides the following programmes, activities and resources:

- executive MBA in Purchasing and Supply Management, the first and unique specialised MBA programme accredited by the Association of MBAs (AMBA)
- tailor-made training programmes to large multinational companies all over the world. Blended learning programmes are offered in 8 different languages
- certified Advanced Purchasing courses for newcomers, expert buyers and purchasing managers in Europe and Asia
- best practices seminars for purchasing professionals
- conferences and roundtables for purchasing executives
- human resources assessment tools based on an internet platform capable of assessing large numbers of collaborators worldwide in short period of time
- research on purchasing topics

More information on the EIPM can be found at: www.eipm.org



1. Introduction	6
1.1 The growing importance of the organisation's external resources	6
1.2 Benefits from Excellence in managing external resources	7
1.3 Excellence in managing external resources	7
1.4 Managing external resources and the purchasing department	9
1.5 External resources and category management	10
1.6 Introduction to the EFQM Framework for Managing External Resources	11
2. The EFQM Framework for Managing External Resources	12
3. Self-Assessment	24
3.1 The Self-Assessment process	24
3.2 Choosing the 'right' Self-Assessment technique	26
Appendix 1: Self-Assessment tool	28
Appendix 2: Category strategy	30
Glossary of terms	34
Further help and associated EFQM products	36
Acknowledgements	37

1.1 The growing importance of the organisation's external resources

External resources have been used in this framework to represent what traditionally are named suppliers, vendors, partners and joint-ventures, as well as universities, public organisations, regulatory boards, local communities, etc. whenever they are used to provide products or services (which, in some cases, may be less tangible such as know-how and information) required to accomplish a given task for the organisation.

Network of external resources has a wider view of the supply chain, including the relationships that external resources may have which are not directly linked to provide the goods and services to the organisation.

Traditionally, the importance of external resources on the business was represented by the amount of money spent with purchased products and services, which range from 40% to as high as 80% of cost of goods sold.

Today, the direct financial importance represented by the spending on external resources is always valid, and growing, but other factors are impacting the business and organisational performance even more. Organisations are facing new challenges where external resources play a major role such as:

- **search for efficiencies:** organisations are searching for efficiencies by concentrating their resources in their core competencies and relying more and more on external ones to complement the whole range of products or services they are supposed to deliver. Dependence on external resources through outsourcing is ever increasing. This is a reality to private as well as public organisations.
- **search for higher performance:** organisations are facing increasing pressure from stakeholders and especially from their customers to improve lead times, quality, cost, flexibility and CSR. As organisations are relying more and more on their external resources, their own performance is dependant on the performance of its supply chain. For the private sector, business performance and competition is no longer between competing companies but between competing networks of supply chains.
- **search for growth:** for the private sector, it has been largely accepted that growth is a survival issue for many companies and it depends on the company's capacity for innovation and differentiation. Most companies today rely on innovations coming from external sources. Companies which are blind to this competitive source will probably go out of business in the long term.

On the other hand, external resources themselves are searching for the same objectives. Resources (engineering resources for R&D, production capacity, quality staff, etc.) available for allocating to a specific customer are becoming scarce. Companies are segmenting their customer base to better serve their key accounts.

Therefore, the organisation's performance depends more and more on its external resources, thus transforming the management of external resources a strategic factor for success. The conclusion is that excellence in managing external resources will contribute highly to an organisation's success.

1.2 Benefits from excellence in managing external resources

Excellence in managing the external resources will result in improved value creation and delivery to stakeholders through, for example:

- Improved value enhancement and reduced time to market for new products or services: more collaborative type of relationship with strategic companies co-developing new products result in higher value propositions, faster development and reduced costs related to downstream risks such as availability of material, quality and manufacturability.
- Improved flexibility (cycle time), quality and delivery performance to final customers: selecting external resources in line with the company's level of flexibility and service requirements is not enough to guarantee high performance. Through a closer and collaborative management of key external resources companies can share their expectations to satisfy their final customers. Continuous exchange of expectations followed by a close performance monitoring and continuous improvement mindset will result in better customer satisfaction.
- Improved agility, which means the organisation's ability to change or to adapt rapidly to new markets or to react to threats from its environment. Excellence in managing external resources provides the capabilities to identify, to capture and to reduce the risk of mobilising resources in new or non-traditional networks of resources required to enter in new markets or to deal with external threats.
- Improved profitability (or budget usage) through better overall cost management: companies facing the traditional fight for price reduction may reach a limit where playing the competition and constant negotiation loses effectiveness. Companies may turn to a more supportive type of relationship where continuous improvement approaches are implemented throughout its network of external resources creating a new and much broader source of cost reduction opportunities through the supply chain. Value is created not only for the company or its customers but throughout the supply chain.
- Improved Corporate Social Responsibility performance: CSR performance of a company is strongly influenced by the performance of its external resources. Closer collaboration with them provides greater opportunities to promote values, ethics and behaviours which are in line and reinforce the company's CSR results.
- Improved financial security in terms of meeting financial regulations such as Sarbanes-Oxley Act. Clear policies and processes to select and manage external resources are part of the laws in place to prevent business scandals which result in a decline of public trust in accounting and reporting practices.

1.3 Excellence in managing external resources

Excellence in managing external resources is about how the organisation defines its vision, mission and strategy, the processes, the organisation and the internal resources it puts in place to manage its external resources in order to achieve the organisation's objectives.

Excellence in the management of external resources requires a fundamental analysis of the organisation's vision, mission and strategy in order to identify which resources (external and internal) are the most important and relevant ones to reach its objectives. This fundamental analysis will be the basis to decide which resources shall be internal and those which shall be external. For those external resources an adapted set of strategy and policy shall be defined and further process and organisation must be set-up. The key aspect being the alignment of how the company manages its external resources and the company's business strategy. The following diagram shows a general process for defining the types of resources:

Figure 1: Process to define internal and external resources



An organisation may identify three types of resources and further adopt adequate process, organisation and resources to manage them:

- **strategic resources:** resources which contribute to the company's competitive advantage are the ones required to develop the organisation's future projects. It depends on where the organisation wants to go and how. For example, for an electronic sector company: specific technologies required for future new products or services, qualified labour, production capacity on specific components, etc. Organisations may use the VRIN¹ approach to identify resources that generates sustained competitive advantage. Resources are strategic if they are: valuable (enable improvement of the organisation's efficiency and effectiveness), rare, imperfectly imitable and non-substitutable.
- **key resources:** resources that, if not managed correctly, may affect the organisational performance in the short term. For example, high spend resources, if not managed correctly, may reduce dramatically the organisation's profitability, mono-source suppliers delivering several plants may affect all production sites of the organisation at the same time in case of a quality issue.
- **non-critical resources:** are all the resources required for the functioning of an organisation which have no major impact on its performance.

¹VRIN was developed by Barney, Jay. "Firm Resources and Sustained Competitive Advantage", Journal of Management, Mar91, Vol. 17

Decision whether to have resources internally or externally (known as ‘make or buy decision’) is a complex process based on several aspects such as:

- is the resource part of the company’s core competence²?
- does the company have the financial resources to have or develop it internally?
- what are the market trends and the level of risk in investing or maintaining the resource internally?
- do external resources make it more efficient for performing the tasks?

Organisations may decide to externalise some of the resources or activities performed internally in order to focus more effectively on its own core competencies. This externalisation process is known as outsourcing which means that a company divests itself of all resources (assets, infrastructure, people and competencies) to fulfil a particular activity to another organisation. Outsourcing therefore implies that the activity was once performed in-house, but after the outsourcing process, the ability to conduct the activity in-house is lost.

Common sense would advise having the strategic resources internally, but in many cases this option is not reasonable due to the high level of investment, time and risk required to obtain the capabilities required. In this case, companies must rely on external resources which increase the level of risk and dependency of the company towards them.

Different types of relationship must be set-up and managed with the adapted organisation and process according to the type of external resources. Types of relationships may range from simple ‘arms-length’ to partnership or even joint-venture.

Therefore, organisations need to take the journey towards excellence in managing external resources in order to maximise the benefits and minimise the risk of dependency from their external resources.

1.4 Managing external resources and the purchasing³ department

What would be the role of the purchasing department in the management of external resources?

In many organisations today, the purchasing department has the role of interface between the organisation’s internal and external resources (traditionally called suppliers, vendors and partners). In many cases purchasing could have the legitimacy to play a major role, for example, by becoming the owner of the process for managing the external resources. It means defining the governance model for managing the organisation’s network of external resources. Purchasing could drive the definition of the ‘rules of the game’ and the process and the roles for the different stakeholders within the organisation. This must be done within a highly integrated framework with the organisation’s different stakeholders in order to have a management process aligned with the organisation’s vision, mission, strategy and objectives. Purchasing could manage the interlinked process with ‘cross functional teams’ to define and to roll out the process.

² Core competence is a capability that is valued by customers, it can be applied to many products or services across multiple business of the company and it is unique and cannot be easily imitated by competitors.

³ There are different ways to name the purchasing department in companies; it depends on the company itself and it may also have some country influence. There is no unique definition today. These different names are Procurement, Sourcing, Supply Management, Strategic Sourcing, etc. In this document we will use purchasing as the function in charge of the need identification, market analysis, strategy setting, supplier selection, negotiation, contracting and supplier monitoring.

1.5 External resources and category management

More traditionally, the purchasing view on external resources is translated into categories of purchase⁴. Purchasing is, most of the time, organised by categories and buyers are responsible for setting up and implementing the purchasing strategy per category.

The specific roles for the members of the purchasing department could include:

- providing the market trends and risks for 'make or buy' decisions
- assuring that the needs, specifications or type of resources required by the organisation are clearly identified
- providing the economic impact and commercial risks related to the organisation needs and type of resources required
- providing alternative solutions based on their knowledge of the market
- guaranteeing that the needs definition and external resources selection criteria have been defined by cross-functional teams in order to reflect the organisation's needs rather than of some stakeholders
- steering the definition of the strategy to select and to manage a given external resource
- steering the selection process of external resources in respect of corporate and legal frames
- steering the negotiation process with external resources
- guaranteeing the legal frame of agreements
- assuring that an adapted performance measurement system and its correct usage are in place
- addressing the company's reactive and proactive activities directed at the identification of improvement opportunities and facilitation of the enhancement of external resources performance and capabilities.
- steering all forms of formal communication with external resources
- monitoring that the right internal resources are available and are working in projects agreed regarding the external resource
- implementing order realisation process (or order fulfilment) through simplification, standardization and synchronization of operational processes.

It is important to note that all the above activities are within a cross-functional context in order to reach the internal alignment required when managing external resources. It should be also clear that such roles for purchasing requires a high level of internal resources in the purchasing organisation. Skills and competencies have to be assessed in order to drive the development of the critical ones.

Process Survey Tool for Purchasing is available for EFQM Members. It provides a comprehensive tool to assess the Purchasing process of an organisation.

Bee-Resources is available at the EIPM. It provides a complete system for assessing Purchasing human resources of an organisation.

⁴Category of purchase is used here as to represent a cluster of components, products or services bought by the organisation. Synonymous for category may be: purchasing family or sub-family, cluster, purchasing segment, commodity (which sometimes leads to confusion with undifferentiated products such as coffee, wheat, copper, oil, etc.)

1.6 Introduction to the EFQM Framework for Managing External Resources

The EFQM Framework for Managing External Resources has been developed to provide private and public companies with a holistic and universal approach towards excellence in managing their external resources. The objective of this framework is to go beyond excellence of a purchasing department or even the purchasing function per se by bringing a larger view of how companies manage their external resources.

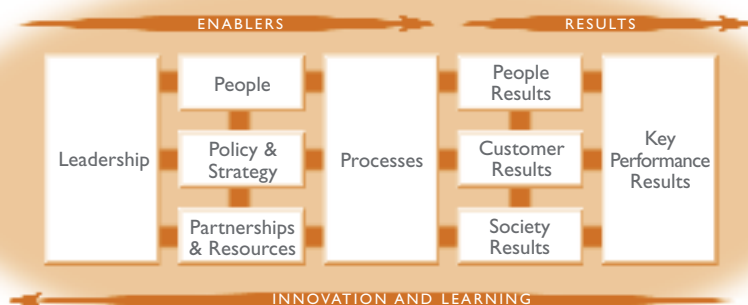
This framework is based on the EFQM Excellence Model which is used by more than 30.000 organisations in Europe and throughout the world. This framework has the same objectives as the EFQM Excellence Model but focuses its attention on the specific aspect of managing the company's external resources.

The EFQM Framework for Managing External Resources can be used in a similar way as the Excellence Model:

- a tool for Self-Assessment, by measuring where the company is and helping them understand the gaps towards excellence in managing their external resources
- as the basis of a common vocabulary and the way of sharing the vision among the company's stakeholders on what is excellence in the management of external resources
- as a framework for positioning existing initiatives, removing duplicates and identifying gaps
- as a structure for the management system for external resources.

As the EFQM Excellence Model, it is based on the fact that companies achieve 'results' from what they 'do'. The 'enablers' represent what a company 'does' and the results, its achievement. The results are used as a feedback that supports the continuous improvement of a company's enablers (or the way they do things).

Figure 2: EFQM Excellence Model



CRITERION 1 LEADERSHIP

Excellent Leaders develop and facilitate the implementation of the vision and mission for the organisation's network of external resources. They develop organisational values and systems required for sustainable success through the collaboration with the organisation's network of external resources and implement these via their actions and behaviours. During periods of change they retain a constancy of purpose towards the network of external resources. Where required, such leaders are able to change the direction of the organisation and inspire a network of external resources to follow.

1a Leaders develop the vision, mission, values and ethics for the management of the organisation's network of external resources

This may include:

- clearly identifying and aligning the mission and vision for the company's network of external resources to support the business' own mission and values
- developing, role modelling and promoting values, ethics and public responsibilities that can serve as an example and influencer for the network of external resources
- ensuring that a governance model (code of conduct/business ethics) is developed and implemented within the organisation and across the network of external resources.

1b Leaders ensure that the management system for the network of external resources of the organisation is appropriately developed, shared, implemented and continuously improved

This may include:

- adapting and aligning the organisation's structure and processes to support the management of the different segments of the network of external resources (e.g., centralised, hybrid or decentralised organisation to manage the network of external resources and the categories of product or services to be bought)
- identifying and ensuring clear ownership of the process to manage the network of external resources
- supporting the development of a formal continuous improvement programme of the network of external resources
- ensuring the development, alignment and implementation of a process for measurement, review and improvement of the company's management process and organisation of external resources.

1c Leaders interact with the network of external resources and reinforce a culture of Excellence

This may include:

- meeting with strategic and key external resources to share business strategies and align plans, objectives, needs and expectations
- meeting with strategic and key external resources to review, align and improve current and future activities and developments towards Excellence
- formally and promptly recognising the contribution of the network of external resources to the company performance
- promoting and supporting ethical behaviour, Corporate Social Responsibility within the company and throughout the network of external resources.

1d Leaders identify and champion change regarding the management of the network of external resources

This may include:

- acknowledging change forces which are impacting the network of external resources (e.g., increase of raw materials, change in regulations, merges and acquisitions)
- taking into consideration the company's network of external resources when planning changes in the organisation (e.g., the impact of company changes on external resources)
- securing investment, resources and support to assure the successful changes related to the network of external resources
- communicating, explaining the changes and the reasons for them to the internal organisation and to the network of external resources
- securing compliance of changes to the strategy and policy, objectives, organisation and key processes related to the network of external resources.

CRITERION 2 POLICY AND STRATEGY

We may have here two different levels of Policy and Strategy: one for the business and a second one (but strongly related) for the company's network of external resources.

For the business Policy and Strategy, Excellent Organisations implement their mission and vision by developing a stakeholder focused strategy that takes account of the supply markets trends in which it operates. Organisations explore supply market intelligence when defining and reviewing their strategy.

For the Policy and Strategy concerning the company's network of external resources, Excellent organisations adapt the mission and vision for its external resources in line with the business overall strategy. Policies, plans, objectives and processes for its network of external resources are developed in line with the company's vision, mission, strategy and objectives and deployed to deliver the expected results.

2a Business Policy and Strategy are based on the present and future aspects of the supply market

This may include:

- gathering and understanding information from and about the supply market trends and strategic external resources
- translating supply market developments into risks and value creation opportunities for the company's future business
- identifying present and future competitive advantage and core competencies provided by current and potential external resources
- defining the level of vertical integration ('make or buy' policies) based on the analysis of the company's core capabilities and those available in the market today and in the future.

2b Policy and Strategy for the network of external resources are developed, reviewed and updated based on the company's business strategy and the market trends

This may include:

- identifying, formalising, reviewing and updating policy, strategy, objectives and processes for the external resources which meet stakeholders' needs and expectations and which are aligned with the company's business policy and strategy
- ensuring organisation alignment and resources definition to implement the key processes to manage the network of external resources activities (e.g., level of centralisation of the purchasing processes, appropriate human and financial resources requirements)
- defining indicators and setting performance targets aligned with the external resources management strategy and policy
- assessing risks related to the network of external resources and assuring that risk mitigation plans are identified
- identifying critical success factors for the implementation of the policy and strategy for the network of external resources.

2c Policy and Strategy for the network of external resources are based on information from performance measurement, benchmarking and learning

This may include:

- analysing the performance of the company's external resources (e.g., delivery, quality and cost performance of external resources)
- analysing the impact of the network of external resources on the company's image, profitability, market share, etc.
- benchmarking best in class policy, organisation and practices regarding the management of external resources
- analysing social, environmental, safety and legal trends impacted by external resources;
- analysing the life-cycle characteristics of products and services purchased or produced by the company (e.g., recycling, maintenance and cost of usage)
- analysing the impact of new technologies and business models on the performance of the organisation and its network of external resources.

2d Policy and Strategy are communicated and deployed through a framework of key processes

This may include:

- communicating relevant aspects of the company's policy and strategy to stakeholders including the network of external resources and evaluating the awareness of it
- designing the framework for organisation's key processes, including those needed to assure governance and deliver policy and strategy
- communicating and securing compliance with the framework of key processes to deliver the organisation's policy and strategy for external resources
- aligning (within the organisation), prioritising, agreeing, cascading, communicating and following up plans, objectives and targets for the company's network of external resources
- establishing organisation wide and across network of external resources reporting mechanisms to track and monitor improvement programmes.

CRITERION 3 PEOPLE

Excellent Organisations manage, develop and release the full potential of their people managing and supporting the network of external resources at an individual, team-based and organisational level. They care for, communicate, empower, reward and recognise, in a way that motivates staff and builds commitment to using their skills and knowledge for the benefit of the organisation.

3a People resources for managing and supporting the network of external resources are planned, managed and developed

This may include:

- developing human resource policies, strategies and plans for those managing and supporting the network of external resources
- aligning the human resources with the strategy, the organisational structure and the framework of key processes
- positioning leaders empowered to manage the relationship with external resources at an appropriate hierarchical level to demonstrate the degree of accountability and provide visibility to the internal and external organisations
- managing recruitment, career development and succession planning for those managing and supporting the network of external resources (e.g., promoting the function as a career path, attracting talents into the function, promoting and planning career paths outside the function for those in place today, including the function as part of a job rotation programme)
- Communicating, providing awareness and securing compliance to the policy and strategy, organisation and key processes related to external resources to all employees of the company.

3b People's knowledge and competencies are identified, developed and sustained for promoting excellence in the management of network of external resources

This may include:

- identifying and developing people's knowledge and competencies regarding their current and future needs required to manage and support the network of external resources;
- designing and promoting individual, team and organisational learning opportunities towards excellence in managing and supporting the network of external resources activities;
- aligning, reviewing and appraising individual and team objectives with the targets relevant to the network of external resources
- identifying and ensuring opportunities to share best practice and knowledge within the organisation and across the network of external resources (e.g., cross-functional and cross-organisation workshops).

3c People acting on the network of external resources are involved and empowered

This may include:

- encouraging and supporting individual and team participation in improvement activities in order to reach excellence in external resources related activities
- providing opportunities that stimulate involvement and support innovative and creative behaviour of people involved with external resources activities as well as across the network of external resources
- encouraging people to work together in cross functional and cross company teams
- communicating to and securing collaboration from the people within the organisation and external parties on the roles, responsibilities and process of the people managing the external resources.

CRITERION 4 PARTNERSHIPS AND RESOURCES

Excellent Organisations plan and manage internal resources and external organisations (which are not considered resources in the sense of providing goods or services directly used by the organisation) in order to support the delivery of the company's plans, objectives and targets.

4a. Relationship with external organisations (which are not considered resources in the sense of providing goods or services directly used by the organisation) are managed

This may include:

- identifying objectives and implementing relationships with key organisations and community representatives to support the implementation of the company's policy and strategy for external resources (e.g. keeping relationship with regulatory bodies, local associations, professional federations, etc).

4b. Finances involved in external resources activities are managed

This may include:

- developing and implementing strategies and processes for using financial resources in support of overall policy and strategy concerning the external resources (e.g., payment terms, investment or co-investment policies, co-financing mechanisms for external resources, etc.)
- designing, developing and implementing value creation and Total Cost of Ownership (TCO) models for planning, monitoring and reporting performance from the network of external resources activities
- developing and implementing decision models for in-sourcing/out-sourcing based on a financial perspective
- developing and introducing methodologies for managing financial risks related to external resources activities (e.g., investment risks, currency risks, raw material/energy increase risks, suppliers financial health, etc.).

4c Technology related to external resources activities are managed

This may include

- developing a strategy for managing technology that supports the organisation's policy and strategy for external resources;
- using information and communication technologies to support and improve the effective operation of the key processes related to external resources activities (i.e. e-procurement tools, e-purchasing tools, collaborative IT tools, EDI, e-auctions, e-catalogues, invoice handling and payment, etc.)
- using information and communication technology to support and improve internal processes related to external resources activities (i.e., external resource monitoring systems, internal performance management systems, knowledge management systems, purchasing workflows, databases for spend analysis, etc.).

4d Information and knowledge regarding activities related to the network of external resources are relevant and timely

This may include:

- collecting, structuring, updating and providing access to information and knowledge including:
 - products and services bought, planned and allocated: what, how much, from whom, to whom, how, when, purchasing conditions, etc.
 - current, past and potential external resources or sources of supply: basic data, risk data, performance, etc.
 - contracts in place
 - specific raw materials, components, services currently bought or to be sourced in the future: potential sources, market capacity, market demand, price/cost forecasts, technological developments, etc.
 - strategic or key external resource
- creating a culture of knowledge sharing among people working in activities related to and across the network of external resources
- developing and implementing processes to ensure that relevant information from external resources and the market is transmitted to the right people within the organisation and used for decision making
- ensuring the right information is transmitted to the network of external resources and market through the right channels and have reached the right people
- managing intellectual property issues and know-how transfer as well as Digital Right Management when working in a collaborative approach with the network of external resources
- cultivating and implementing information protection activities and behaviour among the people within the company and influencing the network of external resources to do the same
- providing access to the sources of information necessary to manage external resources (e.g., external data bases, specialised literature and press, internal and external specialists, etc.)
- identifying and implementing processes to share and manage strategic and key operational information within the organisation and across the network of external resources.

CRITERION 5 PROCESS

Excellent Organisations design, manage and improve processes to manage their network of external resources in order to generate increasing value for all stakeholders.

5a. Category strategy is systematically designed, implemented and managed

This may include processes for:

- securing the right people and sources of information for identifying the company's present and future needs for the category
- integrating the market capabilities, risks and value creation and total cost considerations when defining specification of requirement
- managing the consolidation of the company needs at the right level (e.g., bundling volumes at the right level)
- identifying the market trends of the category based on facts and figures
- defining, validating and communicating the strategy to manage the category
- identifying and managing risks regarding a specific category
- defining and monitoring KPIs aligned with the category strategy
- monitoring effectiveness of strategy per category and adapting strategy accordingly.

5b. External resources base is systematically managed

This may include processes for:

- defining external resources selection criteria based on company's needs, values and category strategy and policy
- identifying, assessing, developing and integrating potential external resources worldwide to maintain a competitive base which can meet the company's current and future needs
- selecting external resources using a fair, transparent, structured and formalised process
- analysing and taking into consideration Corporate Social Responsibility aspects when selecting external resources
- developing agreements and objectives which respect ethical values
- formalising agreement and communicating it to the organisation in order to secure compliance
- preparing, implementing and monitoring the deployment and compliance of agreements (e.g., respect of external resources lead time, payment terms, capacity, specifications, etc.)

- managing risk (e.g., identifying appropriate contingency and recovery plans in case of underperformance of the external resource)
- managing the legal and contractual aspects of agreements
- developing and implementing a strategy for managing assets required by external resources to produce the goods and services to the company (e.g., management of specific tooling and equipment used by external resources to produce components to the company).

5c. External resource performance is systematically monitored and developed

This may include processes for:

- monitoring, sharing and managing performance using indicators aligned with the company needs and agreed with the external resources
- managing non-conformity and implementing improvement actions internally and throughout the value chain
- managing external resources compliance with EHS (Environment, Health and Safety standards)
- using and communicating feedback from the internal organisation's perception of the external resource performance in order to identify improvement opportunities and future decision making
- using external resources' feedback on the organisation performance (as a customer) in order to identify improvement opportunities and future decision making
- identifying, negotiating, implementing, monitoring and securing results from improvement projects with external resources (e.g., quality, delivery and cost improvement projects, EHS improvement projects, customer and external resource satisfaction improvement, etc.).

5d. External resource integration in value creation is systematically designed and managed

This may include processes for:

- identifying and communicating internally the need and objectives for external resource integration in value creation
- selecting external resources for integration based on their core capabilities and values;
- identifying and assessing external resources' capabilities for collaborative project development
- managing the external resource integration process into project development teams (when and how)
- aligning internal and external organisation, resources and process for joint development
- identifying and communicating the information to be shared with external resource (e.g., communicating customers' needs and expectations to external resources, sharing design and ideas of new products)
- identifying, implementing and monitoring the KPIs for external resource integration;
- managing intellectual property and investment
- encouraging external resources to provide solutions and rewarding them for their collaboration.

5e. Relationship with external resources is systematically designed and managed

This may include processes for:

- identifying strategic, key and non-critical external resources in order to design and to adopt the adequate management system
- identifying the strategic external resources using the company's business strategy in order to define and align specific strategies, objectives, process and organisation (e.g., implementing external resource specific strategies to become their 'preferred customer')
- implementing and cultivating exchange channels with the strategic external resources to foster mutual value creation (e.g., using products from external resources to provide extra features to customers which may represent high impact on final price and extra benefit for both companies)
- defining specific KPIs for the management of different types of external resources
- securing information management on strategic external resources
- handling feedback received from day to day contacts including complaints from customers, the internal organisation and external resources
- proactive involvement with external resources in order to discuss and address their needs, expectations and concerns as well as those from customers and internal organisation.

5f. Operational integration of external resources is managed

This may include processes for:

- managing the purchasing order placement, goods and service receiving, returns, invoice and payment
- developing and implementing a material inventory system that optimises the whole value chain
- developing and implementing a strategy to optimise waste, transport and recycling throughout the value chain.

CRITERION 6 CUSTOMER RESULTS

Organisations which are excellent in managing their external resources comprehensively measure and achieve outstanding results with respect to their customers.

6a Perception Measures

These measures are of the customers' perceptions of the organisation (obtained, for example, from customer surveys, focus groups, external resource ratings, compliments and complaints).

Depending on the purpose of the organisation examples of measures may include:

The perception of the company's final customer:

- impact on the company's general image:
 - company image due to the company's relationship with a specific external resource (e.g., using a external resource which is a leader in the market)
 - company image due to the reputation of the company in terms of values and ethics on the management of its network of external resources (e.g. company reputation of 'cost killer' and opportunistic behaviour)
 - company image due to values, ethics and public responsibilities of its network of external resources of the company
- impact on the company's product and services:
 - company's reputation due to the products and services delivered directly by the company's network of external resources (e.g. the delivery performance of the company's logistics partner)
 - customer's quality perception due to external resource's parts and services included in the company's final product or service

6b Performance indicators

These measures are the internal ones used by the organisation in order to monitor, understand, predict and improve the performance of the organisation and to predict perceptions of its external customers.

Depending on the purpose of the organisation examples of measures may include:

The performance measured concerning the final customer of the company

- impact on the company's general image:
 - press releases
 - number of 'boycotts' for the company products
 - sales volume changes
 - etc.
- impact on the company's products and services:
 - non conformity claims from customers
 - penalties paid to customers
 - sales increase subsequent to introduction of a new external resource
 - etc.

CRITERION 7 PEOPLE RESULTS

Organisations which are excellent in managing their external resources comprehensively measure and achieve outstanding results with respect to their people working in the management of the external resources.

7a Perception Measures

These measures are of the people's perception of the organisation managing the network of external resources (obtained, for example, from surveys, focus groups, interviews, structured appraisals).

Depending on the purpose of the organisation examples of measures may include:

- VP Purchasing as part of the board
- reporting lines of the purchasing organisation to the top management
- purchasing function as part of a career path
- senior executives or CEO with a purchasing experience
- image of purchasing as a value adding function
- job rotation programmes including purchasing
- payment and benefits within the purchasing function seem as fair as compared to other functions of the company
- purchasing function perceived as an attractive one for talents
- search for people working in purchasing functions to work on major company projects
- perception of people working in purchasing activities on the level of competence they have to perform the job
- level of internal collaboration for purchasing projects.

7b Performance Indicators

These measures are the internal ones used by the organisation in order to monitor, understand, predict and improve the performance of the organisation's people and to predict their perceptions.

Depending on the purpose of the organisation examples of measures may include:

- turnover of people working in activities related to the management of the company's network of external resources
- number of internal candidates for open positions in purchasing and external resources related activities
- level of training in subjects related to the management of the network of external resources activities
- gap between the competences required and available for carrying on activities related to the management of the company's network of external resources
- number of new product development projects with representatives of purchasing related activities.

CRITERION 8 SOCIETY RESULTS

Organisations which are excellent in managing their external resources comprehensively measure and achieve outstanding results with respect to society through and across its value chain.

8a Perception Measures

These measures are of the society's perception of the organisation's approach with regard to its network of external resources (obtained, for example, from surveys, reports, press articles, public meetings, public representatives, governmental authorities).

Depending on the purpose of the organisation examples of measures may include:

- reputation on how the company relates with its network of external resources (ethical behaviour, values, care for the external resource's business survival and its community, etc.)
- company's efforts to develop values, ethics and public responsibilities across its value chain
- CSR performance of the company's value chain (e.g. child labour used by any member of the company's network of external resources, waste management, non-environmental activities or source of material/energy, energy consumption, gas emission levels, etc.)
- impact on local, regional and global economies related to the company's activities with its network of external resources (e.g. delocalisation of plants with impact to local economy, etc.)
- use of banned substances and the proactive management of them
- plans for the reduction of energy with suppliers and in products.

8b Performance Indicators

These measures are the internal ones used by the organisation in order to monitor, understand, and predict the perception of society and improve the performance of the organisation and its network of external resources.

Depending on the purpose of the organisation examples of measures may include:

- accidents and incidents across the network of external resources (e.g. working accidents, environmental incidents, etc.)
- level of nuisance of the company's network of external resources (e.g. noise and odour level of the company's network of external resources, etc.)
- number of programmes to develop CSR with the company's network of external resources
- audits results on CSR compliance across the company's network of external resources
- violation of company code of conducts across the network of external resources
- violation of human rights across the network of external resources
- number of suppliers SA 8000 certified
- number of violations against banned substances
- number of males/females in functions.

CRITERION 9 KEY PERFORMANCE RESULTS

Organisations which are excellent in managing their external resources comprehensively measure and achieve outstanding results with respect to their business performance.

9a Key Performance Outcomes

Results measured shall be somehow consequences of the way the organisation manage their external resources.

Depending on the purpose and objectives of the organisation some of the measures for Key Performance Outcomes may be applicable to Key Performance Indicators and vice versa. These may include:

Financial results

- margin improvement
- total cost of ownership (TCO) reduction
- cash availability and working capital
- sales increase
- investment and asset related results: return of invested capital, return on net assets
- budgetary performance (performance against organisation or unit budgets).

Non-financial results

- market share as a result of more cost effective products or services, innovation, better quality and service level to customers, larger scope of products and services, larger geographic coverage etc.
- shorter time to market
- shorter cycle time
- increased rate of innovation
- higher customer satisfaction and retention
- CSR rating.

9b Key Performance Indicators

These measures are the operational ones used in order to monitor and understand the processes and predict and improve the organisation's likely key performance outcomes.

Depending on the purpose of the organisation examples of measures that may be made include:

Financial indicators

- cost of goods sold
- inventory levels and turnover speed of capital employed
- operational, maintenance, transport cost
- warranty, waste, non-quality, rework and other avoidable costs
- sales volume due to joint development with external resources.

Non-financial indicators

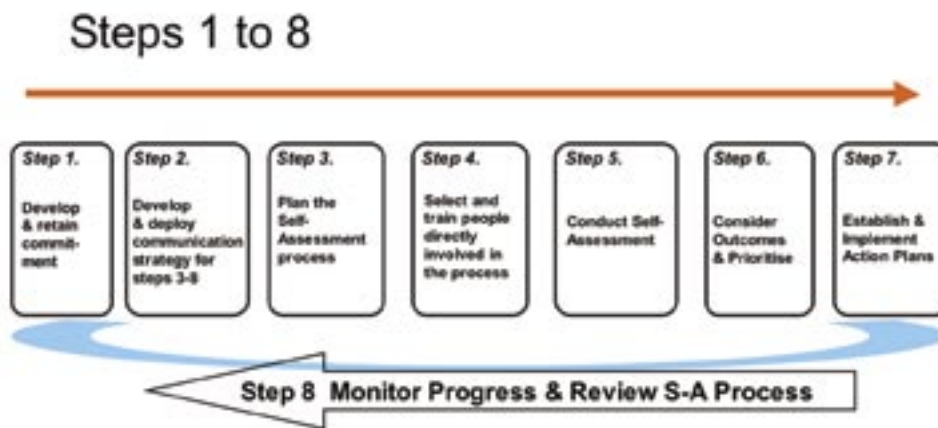
- number of innovations developed in collaboration with the network of external resources
- number of accidents across the network of external resources
- levels of waste, scrap, non-quality, non-delivery
- number of long term agreements
- production capacity on short, mid and long term
- delivery reliability and lead time management.

3 . Self-Assessment

3.1. The Self-Assessment process

The process flow diagram below shows the general steps involved in establishing and undertaking organisational Self-Assessment. These steps are equally applicable when using the EFQM Framework for external resources to assess the strengths and areas for improvement specifically related to the efficiency and effectiveness of the external resources strategy and processes within an organisation.

Figure 3: The Self-Assessment Process



Taking each of the eight steps of the Self-Assessment process in turn, the following text provides a high level description of the key points to consider at each stage.

Step 1 – Develop and retain management commitment

Develop reasons for change and a shared vision of the future undertaking any Business Excellence activity represents an intervention into the daily life of the organisation and external resources Self-Assessment is no different. It invites change and not everyone is necessarily comfortable with the idea of change. To help gain management commitment to the external resources Self-Assessment it can be beneficial for them to first develop a shared vision of what the organisation could look like in the future if external resources was truly living and breathing within it.

Step 2 – Develop and deploy the communication strategy

As with any other change initiative, it is important that a communications strategy is developed at the planning stage. Consider what information needs to be shared and why and also think about who needs to have the information and by when they need to have it. Taking this structured approach at the outset helps to identify potential gaps and synergies and minimise the cost of failure due to poor communications later in the life of the project. Developing a communications strategy around your responses to the questions who? what? why? when? where? and how? is a good place to start.

Step 3 – Plan for Self-Assessment

There are two key questions requiring an answer at this step in the process. What are the benefits we are looking to get out of the exercise (why bother?) and, particularly first time round, where to start? External resources Self-Assessment does not necessarily have to be carried out at the level of the whole organisation. Indeed, in the early days, it may be more appropriate to perform the activity at the level of a business unit, project or new venture.

Step 4 – Select and train people directly involved in the process

Dependant upon the external resources Self-Assessment technique chosen, the people involved in the activity will require a level of training ranging from simple awareness sessions in the Framework for External resources through to participation in a very rigorous two and a half day Assessor training course run by EFQM and its Partners.

Step 5 – Conduct Self-Assessment

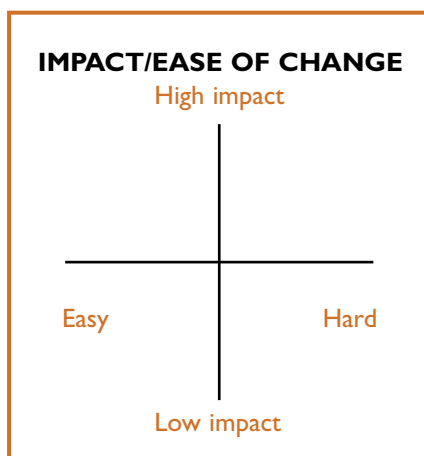
As mentioned before, EFQM's Assessing for Excellence brochure provides practical details on how to perform the task.

Step 6 – Consider outcomes and prioritise

Once the actual assessment has been completed, you will be left with a list of strengths and areas for improvement and perhaps a score. No organisation has a limitless resource of people and money and so it is impossible, and inappropriate, to try to address every single issue. It is necessary to prioritise the list and identify those vital few actions that will have the most benefit for the organisation and its stakeholders. Each organisation is unique, there are no ready-made solutions, but by using appropriate tools it will be possible for the organisation to 'funnel down' to those all-important opportunities.

Two examples of tools that could support the prioritisation process are shown below.

Figure 4: Prioritisation based on impact/ease of change



- Two factors considered - what will be the impact of this change and how easy or difficult will it be to effect this change.
- Force Field Analysis, based on these questions, provides a mathematical calculation to help the selection and prioritisation process.

Figure 5: Prioritisation based on strategic importance

Strategically important	Urgent improvement action required	Maintain high performance
	Improve to minimum quality levels	Potential to reduce investment
Strategically not important		
	Areas for improvement	Strengths

Step 7 – Establish and implement action plans

Having prioritised on the vital few issues that need to be addressed if the organisation is to become more effective, the next step is to convert these aspirations into an action plan that, once established, is then implemented. In the action planning stage teams and/or individuals need to be tasked with the responsibility of undertaking these improvement actions.

Step 8 – Monitor action plan progress and review the Self-Assessment Process

Once the action plans have been established, and implementation is under way, the organisation needs a process for monitoring to ensure that plans are retaining their momentum, are on schedule and on track to deliver the desired benefits.

Finally, the external resources Self-Assessment process itself needs to be reviewed for effectiveness and the identified learning points fed into the next Innovation Self-Assessment cycle.

3.2. Choosing the ‘right’ Self-Assessment technique

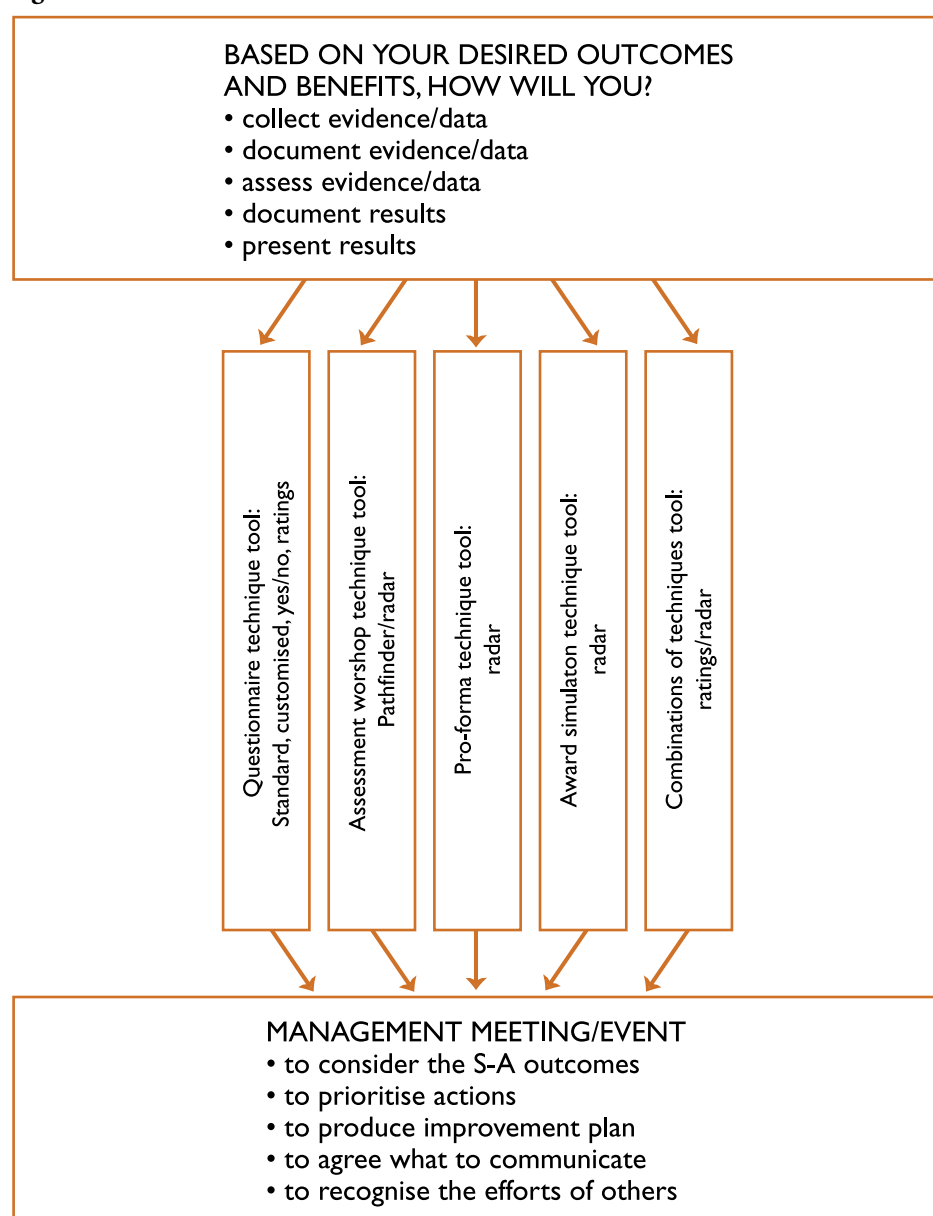
There are a number of external resources Self-Assessment techniques that can be used and there is no single ‘right’ way to perform the task. The decision on which external resources Self-Assessment technique to use at any given moment in time will be determined by a number of factors, including:

- 1) the current maturity of the organisation in terms of its external resources capability.
- 2) whether the desired outcome from the external resources Self-Assessment is an accurate score that can be used to compare the organisation and its external resources performance against the best in Europe.

EFQM’s Assessing for Excellence brochure (see associated EFQM products), provides detailed information on four different Self-Assessment techniques, the workload required, end-to-end timescales and associated benefits and risks.

Regardless of which technique is used, there are three distinct phases to pass through. Phase 1 requires consensus among the management team on the desired outcomes and clarity on how data and evidence is going to be gathered, assessed and presented. Phase 2 is performing the actual assessment, typically using one or more of the generically known techniques and Phase 3 is the management team coming together to decide on what to do with the outcomes.

Figure 7: Self-Assessment Process



Remember that a managing external resources Self-Assessment process can be initiated across the whole organisation or in individual organisational units. It is not meant to be a 'one-off' activity. Rather it should be repeated periodically, typically annually, as it provides a powerful method for assessing progress and highlighting further managing external resources improvement opportunities.

Appendix I: Self-assessment tool

Enablers	Criteria	0 - Nothing has been done	1 - Some approaches have been implemented; outcome is still uncertain; deployment is embryonic
Leadership	1a Leaders develop the vision, mission, values and ethics for the management of the organisation's network of external resources		
	1b Leaders ensure that the management system for the network of external resources of the organisation is appropriately developed, shared, implemented and continuously improved		
	1c Leaders interact with the network of external resources and reinforce a culture of Excellence		
	1d Leaders identify and champion change regarding the management of the network of external resources		
Policy and Strategy	2a Business Policy and Strategy are based on the present and future aspects of the supply market		
	2b Policy and Strategy for the network of external resources are developed, reviewed and updated based on the company's business strategy and the market trends		
	2c Policy and Strategy for the network of external resources are based on information from performance measurement, benchmarking and learning		
	2d Policy and Strategy are communicated and deployed through a framework of key processes.		
People	3a People resources for managing and supporting the network of external resources are planned, managed and developed		
	3b People's knowledge and competencies are identified, developed and sustained for promoting excellence in the management of network of external resources		
	3c People acting on the network of external resources are involved and empowered		
Resources	4a. Relationship with external organisations are managed		
	4b. Finances involved in external resources activities are managed		
	4c Technology related to external resources activities are managed		
	4d Information and knowledge regarding activities related to the network of external resources are relevant and timely		
Processes	5a. Category strategy is systematically designed, implemented and managed		
	5b. External resources base is systematically managed		
	5c. External resource performance is systematically monitored and developed		
	5d. External resource integration in value creation is systematically designed and managed		
	5e. Relationship with external resources is systematically designed and managed		
	5f. Operational integration of external resources is managed		
		0 - Results are not measured	1 - Some measurements have been implemented; objectives can remain unclear
Results	6. 1 Excellence in the management of external resources impact on final customer results		
	6. 2 Excellence in the management of external resources impact on internal customer results		
	6. 3 Excellence in the management of ext. res. impact on the organisation's result as a customer		
	7. Excellence in the management of external resources impact on people results		
	8. Excellence in the management of external resources impact on society results		
	9. Excellence in the management of external resources impact on key performance results		

2 - Relevant and tested approach have been implemented; systematic deployment has started but not reached all targeted activities	3 - Approach aligned with the strategic needs have been implemented; deployment is well advanced in relevant areas, systematic measurement and review has started	4 - Approach recognized a good practice outside of the organisation, full deployment in relevant areas achieved; measurement and review is well structured and regularly practiced	5 - Proven world class approach aligned with the strategy; full deployment; systematic measurement and review	Evidence to support marking
2 - Relevant and tested measurements have been implemented; clear objectives have been established. Some positive trends can be seen	3 - Measurements and objectives are aligned with the strategic needs; Positive trends are recorded. Link with enablers is sometimes unclear	4 - All trends are positive; link with enablers is well understood and some results are the industry benchmark	5 - Proven world class results on all objectives	Evidence to support marking

Appendix 2: Category strategy

Category strategy consists of determining the purchasing strategy of a category by analysing the category importance to the company and the supply market for that category.

The Category strategy consists of making a set of choices:

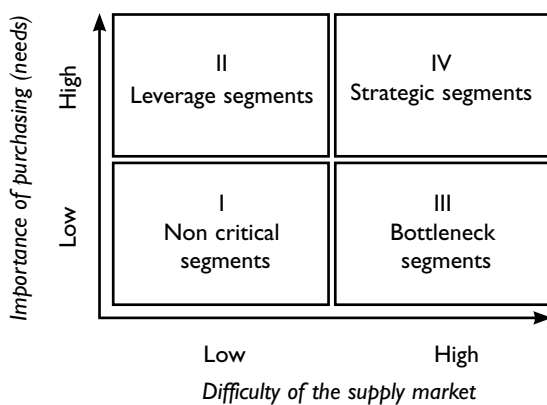
- nature of the relationship with suppliers: time frame, level of commitment, nature of co-activities, sharing of information and assets, supplier selection process, etc.
- number of qualified and number of active suppliers, accompanied by the policy of tendering
- internal levers to be deployed, notably to influence the needs, and look for simplification, reduction of the quality level (struggling against over-specifications), standardization, etc.
- external levers to be deployed, notably to influence the market, such as using advanced competition tools (e.g., e-auctions), developing suppliers, sourcing in low cost countries, etc.

Category strategy should be reviewed at least once a year based on in-depth market analysis and internal needs evolution. It can be reviewed whenever a major change occurs in any of the two parameters.

Different tools can be used to define and to structure Category strategy. The most known one is different and more or less adapted versions of the Kraljic matrix which positions different purchasing categories on two axes (here is an example from the EIPM version):

- the first axis measures the importance of the need, which can be understood as the combination of:
 - the purchasing expense
 - the share of this expense compared to the total expense
 - the sensitivity of the customer
 - the presence of the item on the critical path of the production process
 - possible associated investments (cost of machines)
 - etc.
- the second axis measures the difficulties to source the segment which can be either:
 - difficult market conditions (monopoly/oligopoly/absence of competition, lack of production capacity compared to the current and future market demands, etc.)
 - easy markets (high level of competition in the market, large choice of potential suppliers, etc.)

Four categories of segments are identified:



- **non critical segments** are those segments for which an optimisation is necessary, since they often deal with large product variety, high logistics complexity, labour intensiveness. Systems contracting and/or e-commerce solutions will be preferably selected. In terms of market, the supply is rather large and the importance of the segment is low. The key policy is to reduce the number of suppliers in the panel.
- **leverage segments** are the ones in which the competition can be played, since alternative sources are available, and substitutions are possible. Competitive bidding will be used among many competitors. Those segments, often dealing with commodity products, are usually dominated by buyers.
- **bottleneck segments** bear a risk of 'non delivery of goods'. In those markets where entry barriers are high, the constant look for the security of supply and alternatives is necessary. Suppliers are often few, and generally leaders in their technologies. Those segments are usually dominated by suppliers.
- **strategic segments** are critical for the company, and often the company depends on the suppliers. Generally, the company will look for performance-based partnerships, with market and technology leaders, owning specific know-how. The balance of power between buyers and suppliers can be very heterogeneous.

The following table presents the best practices regarding the key choices for the four classes of segments.

Procurement focus / Segment class	Non critical	Leverage	Bottleneck	Strategic
Main sourcing focus	Process simplification, reduction of admin cost/ time	Price/cost control	Secure delivery	Manage TCO
Make versus buy	Always buy	Buy (or make if cost competitive)	Make or buy decision (based on sourcing risk)	Make or buy decision (based on strategy)
Number of suppliers	Few global service providers	Many approved suppliers (to guarantee competition), few active suppliers	Few suppliers by nature. Constant search for new suppliers	Few suppliers by nature. Constant search for new suppliers
Nature of supplier relationship	Medium to long, switching costs deserve full service providers	Must be in line with market trends. Most of the time short to medium	Long term	Long term partnership
Price/cost negotiation	The product price is insignificant compared to the TCO	Constant price reduction pressure. Exploitation of full purchasing power	Price shall not be an issue	Open book policy TCO reduction with risk/ product sharing
Supplier development policy	No investment	Negotiated investment to obtain full benefit	No investment	Co-development and experience sharing with suppliers. Invest in new supplier development
Substitution policy	No investment	Screen the market	Invest heavily in product/ supplier substitutes	Invest heavily
Required information	Good market overview, short term demand forecast, economic order quantity, inventory levels	Good market data, short to medium term demand planning, accurate vendor data, price/transport rate	Medium term supply/ demand forecasts, very good market data, inventory costs	Detailed market data, long term supply/demand information, good competitive intelligence
Best practices	Standardization Subjective supplier evaluation Admin process optimisation E-procurement Outsourcing of the buying process Order volume monitoring	Negotiation Competition E-auctions Cost analysis Productivity analysis Value analysis (financed by suppliers) LCC sourcing Product substitution Contract/spot purchasing mix	Long term agreement Public relations Risk management Market/supplier monitoring Functional analysis Security stock Bonus, insurance Volume insurance (at premium if necessary) Vendor control Back-up plans	Long term agreement Value analysis Risk management, Market/supplier monitoring Know-how transfer Accurate demand forecasting Supplier development Make or buy Strategic relationship

A category strategy may have the following content:

- category introduction
 - what is it?
 - why and where is it used?
 - importance to the business
- team members
 - stakeholders and their requirements
- business requirements
 - historical volumes and forecast per business
- current supplier base
 - current suppliers, volumes, capacity utilization, performance, comments
 - potential identified suppliers, capacity, opportunities and risks
- cost and TCO analysis
 - cost breakdown
 - TCO analysis
 - main drivers and recommendations
- market analysis
 - porter 5 forces (facts and figures, source of information)
 - market difficulty and trends
 - recommendations
- strategic positioning
 - kraljic mapping
- risk analysis
 - major risk and mitigation plan with costs relate
- strategic plan
 - mission: what will be the main focus of the strategic plan?
 - main achievements in n-1
 - strategy for n+1 ...n+3: how we are going to accomplish our mission?
 - operational options: detailed activities, contribution to objectives vs. feasibility (with rough figures of cost benefit and resource/time)
 - approved operational plan: who does what and when
- supplier portfolio
 - non-cost selection criteria
 - supplier comparison grid
 - proposal for supply base n+1...n+3

Arms-length relationship – characterised by short term relationship with suppliers with frequent re-bidding, low levels of information sharing and low level of trust among the organisations. It is the extreme opposite of partnership relationship model.

Category – represents a cluster of components, products or services bought by the organisation. Synonymous for category may be: purchasing family or sub-family, cluster, purchasing segment, commodity (which sometimes leads to confusion with undifferentiated products such as coffee, wheat, copper, oil, etc.). It is used by purchasing organisations to set-up and implement a purchasing strategy.

Core competence – a well performed internal activity that is central to an organisation's competitiveness, profitability or efficiency. It is a capability that is valued by customers, it can be applied to many products or services across multiple business of the company and it is unique and cannot be easily be imitated by competitors.

Corporate Social Responsibility – meeting the needs of present and future stakeholders, thereby exceeding legal requirements, by integrating the economic, social and environmental impact of an organisation's operations within the organisation's strategy.

Ethics – the universal morals that the organisation adopts and abides by.

Excellence – outstanding practice in managing the organisation and achieving results based on a set of Fundamental Concepts which will include: results orientation, customer focus, leadership and constancy of purpose, management by process and facts, people development and involvement, continuous learning, innovation and improvement, partnership development, corporate social responsibility.

External resources – represents what traditionally are named suppliers, vendors, partners and joint-ventures, as well as, universities, public organisations, regulatory boards, local communities: whenever they are used to provide products or services (which, in some cases, may be less tangible such as know-how and information) required to accomplish a given task for the organisation.

Governance model – system of rules, processes, procedures and relationships to manage the organisation and fulfil its legal, financial and ethical obligations.

Key resources – resources that if not managed correctly may affect the organisational performance in the short term.

Leaders – the people who coordinate and balance the interests of all who have a stake in the organisation, including: the executive team, all other managers and those in team leadership positions or with a subject leadership role.

Mission – a statement that describes the purpose or 'raison d'être' of an organisation. It describes why the organisation or function exists.

Network of external resources – a wider view of the supply chain, including the relationships that external resources may have which are not directly linked to provide the goods and services to the organisation.

Outsourcing – externalisation process of an activity which implies that the organisation divests itself of all resources (assets, infrastructure, people, and competencies) to fulfil a particular activity to another external organisation. It is a 'buy' decision on the 'make or buy' analysis.

Partnership – a working relationship between two or more parties creating added value for the customer, involving a commitment over an extended time period, a mutual sharing of information and a sharing of risks and rewards resulting from the relationship. Partners can include suppliers, distributors, joint ventures, and alliances.

Note: Suppliers may not always be recognised as formal partners.

Performance – a major of attainment achieved by an individual, team, organisation or process.

Policy and Strategy – the way an organisation implements its mission and vision, based on the needs of major stakeholders and supported by relevant policies, plans, objectives, targets and process.

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

Procurement – depending on the organisation or country it is a synonymous of purchasing. It can have a more strategic or operational meaning.

Purchasing – there are different ways to name the purchasing function or department in organisations. It depends on the organisation itself and it may also have some country influence. There is no unique definition today. These different names are procurement, sourcing, supply management, strategic sourcing, etc. In this document purchasing is the function in charge of the need identification, market analysis, strategy setting, supplier selection, negotiation, contracting and supplier monitoring.

Society – all those who are, or believe they are, affected by the organisation, other than its people, customers and partners.

Sourcing – the initial steps of purchasing or procurement. It represents the process to identify and qualify new potential suppliers.

Stakeholders – those groups who affect or are affected by the organisation and its activities. This may include, but are not limited to: owners, trustees, employees/workers, associations, trade unions, customers, members, partners, suppliers, competitors, government, regulators, the electorate, non-governmental organisations (NGOs)/not for profit organisations, pressure groups and influencers, and communities.

Strategic resources – resources which contributes to the company's competitive advantage, they are the ones required to develop the organisation's future projects. It depends on where the organisation wants to go and how. Resources are strategic if they are: valuable (enable improvement of the organisation's efficiency and effectiveness), rare, imperfectly imitable and non-substitutable.

Supply chain – the integrated structure of activities that procure, produce and deliver products and services to customers. The chain can be said to start with suppliers of the organisation and ends with the customers of the organisation's customer.

Total Cost of Ownership (TCO) – is the cost associated with an item or service during the whole life cycle, from its conception through to its acquisition (the purchasing price), use and disposal. It incorporates to the price of purchasing all direct and indirect costs such as the costs for managing quality, non-delivery or non-quality costs, external resource management cost, etc.

Values – 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).

Vision – a statement that describes how the organisation wishes to be in the future.

Further Help and associated EFQM products

EFQM works in partnership with many national organisations in Europe and licenses a number of organisations to deliver training courses related to the EFQM Excellence Model. We also organise a number of events throughout Europe related to the Excellence Model. Further information on these organisations and events is available via our website www.efqm.org.

TITLE	PURPOSE	AUDIENCE
Introducing Excellence	To give an overview of the Excellence Model, the Fundamental Concepts, the Levels of Excellence recognition scheme and Self-Assessment	Anyone with a general enquiry or interest on EFQM, the EFQM Excellence Model and Model related activities
Fundamental Concepts of Excellence	To provide detailed information on the Fundamental Concepts to persuade senior executives that the Excellence Model has value and it is based on sound business sense	Those with an interest in the Fundamental Concepts underpinning the Model Senior executives and people who need to persuade senior executives
The EFQM Excellence Model (large company, public sector and SMEs versions)	To provide details on the EFQM Excellence Model, including the linkages with the Fundamental Concepts, the nine criteria, the 32 criterion-parts and the guidance points	Award applicants Self-Assessment practitioners, including internal assessors and Award Assessors Quality professionals and others with a wish to understand the Model in more detail Training participants receive a copy as part of the supporting materials
Assessing for Excellence – A Practical Guide for Self-Assessment	To provide a summary of what Self-Assessment is, the value of it, the different approaches to Self-Assessment and their respective risks and benefits	People either charged with, or involved in, developing Self-Assessment strategies in their organisation People who wish to benchmark their current Self-Assessment approach Also supporting material for the portfolio of training
EFQM Model in Action	To provide a general advice on the implementation of Excellence into an organisation using the EFQM Excellence Model	People wanting an easy description and live examples of the implementation of the Model to help them start the Business Excellence journey
Case Studies	To provide a complete description of a fictitious organisation, its operations and results written in the structure of the EFQM Excellence Model	Anyone wanting a deeper understanding of the Excellence Model. Those who want an example of the implementation of the Model to help them start the business excellence journey
Knowledge Base - Excellence One	A comprehensive, interactive, online knowledge base for performance excellence	Any organisation or individual wishing to have access to regular news updates, latest management practices and tools and discussion forums on performance excellence topics
Excellence One Toolbooks	To provide practical tools to help organisations improve. Contain templates, checklists and help-cards	
Frameworks	To provide a structure based on the EFQM Excellence Model to help organisations conduct Self-Assessments on CSR, knowledge management, innovation and risk management	
PST Purchasing and PST Supply Chain Management – Sponsored by Philips	PSTs (Process Survey Tools) are a means of measuring the maturity levels of key business processes. They are practical tools aimed at helping managers improve their planning and decision-making processes, as well as giving them guidance on how to improve the processes	

Acknowledgements

The EFQM Framework for Managing External Resources was jointly developed by EFQM and the EIPM:

Ohanes Missirilian EIPM
Hervé Legenvre EFQM

Special thanks for those who have contributed to this framework:

Peter Laurence, PhD EIPM
Bernard Gracia EIPM
Patrick Le Laouenan Sanofi-Aventis
Richard Calvi, PhD IAE Grenoble

ISBN 90-5236-610-1



*EFQM, Private Stichting
Avenue des Pléiades, 11
1200 Brussels, Belgium
Tel: + 32 2 775 35 11
Fax: + 32 2 775 35 35
<http://www.efqm.org>
e-mail: info@efqm.org*