# ADVANCED MANAGEMENT MODEL
## 2018

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The aim of this model is to provide organisations with guidance on how to improve their management, irrespective of their sector, size or level of progress in this respect. Use of the model enables strengths and areas for improvement to be identified in 6 areas which impact on the competitiveness and sustainability of organisations, thereby creating a management system which enables them to:

- generate a long-term vision, to be delivered through a clearly defined strategy.

- be focused on their customers, providing differential added value.

- engender in their people a sense of belonging to a shared project.

- foster a commitment to society-at-large and to its sustainable development.

- innovate in all areas of the organisation.

- deliver satisfactory results for all stakeholders in a sustainable and balanced manner.

The Advanced Management Model 2018 is an update on the original 2015 version. We sincerely thank all those professionals from leading organisations who, under the coordination of Euskalit, have contributed with their management expertise to this version of the Model.

# EUSKALIT

EUSKALIT-The Basque Foundation for Advanced Management is a private foundation set up by the Basque Government in 1992. The mission of EUSKALIT is to promote Advanced Management in Basque organisations, to contribute to their competitiveness and, in doing so, to the sustainable development of the Basque Country, with a committed, professional and motivated team of people.

An average 2,000 people, most of whom are senior management team members, take part every year in programs to deploy around thirty different management methodologies developed by EUSKALIT. These include methodologies of strategic reflection and the deployment of objectives, technological surveillance and competitive awareness, management by processes, leadership, high performance teams, 5S, creativity tools and emotional intelligence, amongst others.

EUSKALIT provides wide-ranging services to Basque organisations, including basic level and full external diagnosis and assessment against the Advanced Management Model, innovative product and service development and the 5S method. We conduct over 500 different diagnostic services each year, and 400 or so organisations receive these services each year free-of-charge thanks to the altruistic and selfless support provided by the 2,200 or so people who make up the different EUSKALIT Assessor Clubs.

Over time, these sustained efforts have positioned the Basque Country at the forefront of management excellence. The Basque Country is one of the regions of Europe with the highest number of business management accolades, with 27 different Finalist, Prize or Award winners in the EFQM Excellence Award over the last 17 years.

## ⌐ THE ADVANCED MANAGEMENT MODEL

Over the last two decades, the management practices of Basque organisations have been progressively enriched through the application of different concepts rooted in knowledge management, Total Quality, business Excellence, Innovation and Corporate Social Responsibility, all of which together form part of the Advanced Management practised by the most competitive organisations.

An organisation is a living being and, as such, its component parts are in continual interaction. Advanced Management is the result of a systemic approach which enables all associated component elements (ideas, methods, tools, good practices, etc.) to work together integrally as one in a coherent and interrelated fashion, and not in an aggregated and sequential manner. The Advanced Management model was drawn up in 2014 precisely to help facilitate this approach and its integration in Basque organisations. The model itself is the result of the joint participation and consensus agreement, under the coordination of EUSKALIT, of management experts from leading organisations and institutions in the Basque Country.

Every year, around 1,000 people from the EUSKALIT Assessors Club are trained and updated in the Advanced Management Model in specifically-run refresher courses.

## ⌐ THE BASQUE COUNTRY AT A GLANCE

Surface area: **7,234 km²**
Population: **2,168,254**
GDP: **€73,643M**
GDP per capita: **€33,964**

% of Spain's GDP: **6.33%**
Imports: **€18,653M**
Exports: **€23,857M**

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# ¬ ADVANCED MANAGEMENT AND COMPETITIVENESS

Advanced Management is management that generates the best possible results for all stakeholders in a balanced and sustained manner. Through this type of management, more traditional management styles become outdated and are replaced by more participative ones, with people more committed to the organisation, stronger relations with customers and other stakeholders and better and more satisfactory results.

For example, an advanced organisation should:

- have at its disposal all the strategic information required to undertake a participative process of reflection to determine its STRATEGY. Subsequently, that strategy will be deployed and communicated through an organisational model aligned to the organisation's Mission, Vision and Values. Financial, technological and information resources, amongst others, will be managed in support of the strategy;

- build relationships with its CUSTOMERS and maximise the efficiency of all aspects of its activity (the value chain), including product and/or service design, development, marketing, production, delivery, distribution and maintenance, where relevant. In doing so, the organisation should also build on its relations with partners and suppliers;

- attract talent, select, reward and care for its PEOPLE adequately, developing their knowledge and competences in line with its strategy and engaging them in the organisation by developing their motivation and leadership capacity;

- take responsibility for contributing to the development of the organisations and people that make up the SOCIETY in which it operates, making every effort to eliminate any negative impact its activity may generate and taking active part in activities which may contribute more effectively on a social level; and

- define innovation goals and strategies, creating a culture of innovation internally so that their people may share their knowledge, accept risk and be enterprising and innovate. An advanced organisation should also tap into the INNOVATION potential of technology and other external organisations and individuals, and manage innovation ideas and projects through to delivery.

# ¬ HOW TO USE THE ADVANCED MANAGEMENT MODEL

The 6 elements and 23 sub-elements of this Advanced Management Model feature numerous management practices used by benchmark organisations. These ideas can be looked at to identify the degree to which they are being worked on in a planned and systematic manner in any given organisation, and, if they are not being worked on, whether it is important and necessary to do so.

Each and every organisation will identify its own particular ways to best address the content of the 6 elements and 23 sub-elements of this Model. The ideas expressed in each of the sub-elements are there to reflect on for reference purposes, and are not intended to be prescriptive or mandatory.

Though every organisation is unique in itself, this Model provides a generic framework of good practice potentially applicable in any organisation, irrespective of its sector, size or level of progress in the field of management.

This reflection exercise on the management of the organisation can be done with the involvement of different groups of people. For example:

- just with the people of the organisation in question (self-assessment or self-diagnosis). Such an exercise should involve the Management Team at the very least, although the participation of others is also recommended; and/or

- comparing the internal view with that of people from outside the organisation (external contrast or assessment).

There are many organisations throughout the world providing external assessment services. In many cases, these same organisations offer some form of public recognition for the degree of progress achieved.

Subsequently, and after due deliberation, each organisation should then decide on which areas of their management system to further strengthen and which areas for improvement to address. Corresponding action plans should then be drawn up and the required improvement tools and management methodologies rolled out.

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# ¬ ELEMENT 1: STRATEGY

Strategy definition is crucial. In some organisations, strategy formulation may be complex and elaborate, whilst others merely require some clearly expressed and basic shared lines of strategy to guide them along the right path. In both cases, the *governance*\* model, ethics and flexibility and agility in decision-making are of increasing importance. The strategy needs to be progressively and continuously rolled out and reviewed on a structured and collaborative basis.

An advanced organisation should have at its disposal all the strategic information required to undertake a participative process of reflection to determine its strategy. Subsequently, that strategy should be duly deployed and communicated, and financial, technological and information resources, amongst others, should be managed in support of the strategy. Progress is thus made towards the *extended organisation*, with different internal and external players engaged in defining, developing, monitoring and updating the strategy of the organisation.

## E.1 HOW THE INFORMATION REQUIRED TO DEFINE STRATEGY IS MANAGED

This may involve:

- Identifying who the most important *stakeholders* of the organisation are (owners, customers, people, *partners, society*, etc.), and understanding the current needs and future expectations of those *stakeholders* in relation to the organisation's products, services and their relationship with the organisation, whilst also taking into consideration variables such as age groups, gender perspective and linguistic requirements, amongst others.
- Knowing and understanding *stakeholders*' strategic objectives and projects and how they may affect the organisation.
- Identifying information sources on current and potential customer and market trends, technologies, competitor strategies, suppliers, legislation and the socio-economic environment, on both a local and international basis.
- Identifying key information that helps the organisation anticipate potential risks and opportunities (demographic, financial, technological, operational, legal, reputational, etc.), both in the strategic area and in the field of business.
- Analysing the current capabilities, operational performance and results being achieved by the organisation, its competitors and other organisations which may be used as relevant benchmarks.
- Looking at and establishing how all this information is gathered, analysed, prioritised, distributed and kept up-to-date, using appropriate technological resources in a way that enables the information to be processed swiftly to back up the organisation's strategic decisions.

## E.2 HOW STRATEGY IS DECIDED AND ESTABLISHED

This may involve:

- Defining a process or method for conducting an in-depth reflection, encouraging the organisation's main *stakeholders* to take active part in this process on the basis of their relevance to the organisation, their representativeness, *diversity*, etc.
- Identifying the key long-term elements of the organisation (Mission, Vision, Values, *ethical standards*, policies, *governance*, etc.) and using them as the basis for the development of strategy and corporate culture.

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\* *All terms presented in italics are included with a corresponding definition in the glossary.*

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- Defining the organisation's strategic long term goals, balancing the different needs and expectations of stakeholders and analysing the different scenarios and strategic alternatives required to deliver them, e.g. internationalisation of markets, customers, suppliers, partners, new plants, technological development, innovation, etc., clearly identifying cause and effect relationships.
- Defining the organisation's *business model* and value propositions for different market segments, products, services, etc.
- Establishing short and long-term goals, targets and strategies, identifying cause and effect relationships and effectively combining the importance of long-term results with short-term urgencies and circumstances.
- Drawing up action plans to anticipate, minimise and address potential strategic and business risks.

## E.3 HOW STRATEGY IS DEPLOYED

This may involve:
- Equipping the organisation with an *organisational model* (based on areas, processes, business units, mini-companies, etc.) which enables strategy to be rolled out in line with the Mission, Vision and Values of the organisation and the management principles and tools adopted (continuous improvement, decision making, teamwork, innovation, etc.), thereby enabling agile and responsive management.
- Ensuring the coherence and integrated nature of the different policies and strategies (quality, environmental, *diversity*, communication, equality, prevention, linguistic, internationalisation, etc.) to be deployed.
- Deploying goals and strategies through action plans and more specific objectives to guide people's actions.
- Using financial and economic management tools as required (funding sources, investment, budget management, etc.).
- Identifying and soundly managing all other resources required to deliver the strategy: key processes, critical success factors, brand image, people competences, priorities and time frames, technology portfolio, etc.
- Setting up and managing *partnerships* with suppliers, customers and other *stakeholders* (including, where appropriate, competitors), on the basis of organisational and strategic needs and the capabilities and complementarity of the two parties.

## E.4 HOW STRATEGY IS COMMUNICATED, REVIEWED AND UPDATED

This may involve:
- Communicating the most relevant aspects of the organisation's strategy to *stakeholders* in an effective manner.
- Facilitating access to relevant information, ensuring the language used is appropriate for the needs of the stakeholders (people, customers, partners, etc.) and that information of a confidential and/or legally regulated nature is preserved.
- Using indicators (of sales, productivity, economic and financial data, etc.) which enable the organisation's plans and results to be continuously monitored, ensuring their constant alignment through cause and effect relationships.
- Establishing a method or system to regularly and efficiently review the delivery of the organisation's goals, strategies and *partnerships*, thereby ensuring their suitability and updating them when necessary.

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# ⌐ ELEMENT 2: CUSTOMERS

An advanced organisation is clearly focused on the current and potential recipients of its products and services. Its competitive advantage is rooted in the differential value it provides for its customers with respect to its competitors.

An advanced organisation should develop relations with its customers and maximise the efficiency of all aspects of its activity (the value chain), including product and/or service design, development, marketing, production, delivery, distribution and maintenance, where relevant. In doing so, the organisation should have the support of reliable suppliers, giving them an important role in the definition and development of its strategy and thereby progressing towards the concept of an *extended organisation*.

## C.1 HOW CUSTOMER RELATIONS ARE MANAGED

This may involve:

- Keeping in tune with current and future needs and expectations, both explicit and implicit, in connection with the organisation's products and services and different types of existing and potential customers, using market research, focus groups, monitoring behaviour patterns and the use customers make of the organisation's products and services and segmenting by age group, gender perspective, geographical location, buyer motivation, etc.
- Putting the organisation's people in contact with customers, setting up meetings and discussions, visiting customer facilities and taking advantage of the opportunities available for this purpose through technology.
- Responding promptly to customer enquiries, suggestions, complaints and requests for support, and effectively developing the internal information flows required to do so.
- Measuring customer satisfaction with products and services and whether they are meeting customer needs and expectations, with data appropriately segmented where necessary, and comparing the organisation's results with those of competitors.
- Developing long-term working relationships with customers based on values such as trust, on service guarantee, the ability to innovate, all necessary data protection, etc.

## C.2 HOW CUSTOMER-ORIENTED PRODUCTS AND SERVICES ARE DESIGNED, DEVELOPED AND MARKETED

This may involve:

- Ensuring the organisation's products and services meet the needs and expectations of its different customer types.
- Developing the business portfolio, designing new products and/or services, optimising existing ones (for example, by broadening, simplifying or redesigning them), customising them, adding complementary services, etc.
- Engaging customers, suppliers and other *stakeholders* in the design and/or development of new products and services.
- Analysing different sales strategies and channels, and drawing up marketing plans to promote, position and sell the organisation's products and services (through direct selling, the Internet, sales networks, social media, advertising, etc.).

- Assessing the impact of the commercial strategies, plans, actions and sales channels developed, as well as the organisation's brand image in the market.

## C.3 HOW PRODUCTS ARE PRODUCED AND DISTRIBUTED AND SERVICES DELIVERED

This may involve:

- Planning production activity and/or service delivery to ensure compliance with requirements and objectives.
- Designing working methods to ensure product and/or service quality.
- Establishing methodologies to increase the flexibility of production and service delivery processes, analysing the potential of technology strategies such as *digital transformation* and automation, amongst others.
- Using economic and financial tools which enable costs per product and/or service (including implementation, logistics and distribution costs, amongst others) to be monitored, thereby improving process efficiency and the overall efficiency of the organisation.
- Optimising stores and material inventory management, increasing stock rotation, reducing inventories, etc.
- Performing materials, equipment and facilities maintenance, involving the people who use these assets to enhance their familiarity with them and their potential to make better use of them.
- Developing a logistics structure adapted to the particularities of product and/or service supply to each customer.
- Setting up a comprehensive post-sales service to support the use of products and services.

## C.4 HOW RELATIONS WITH SUPPLIERS ARE MANAGED

This may involve:

- Identifying those processes and activities considered to be key and those which can be outsourced, thereby determining the organisation's current and future needs in relation to its suppliers.
- Defining structured processes and/or methods to manage procurement and supplier selection and monitoring.
- Informing suppliers of the organisation's needs and expectations in a structured way, involving them in the organisation's Values, strategic goals and key policies (on quality, safety, the environment, gender equality, language criteria and *governance*, amongst others).
- Identifying the strengths, capabilities and potential of the organisation's suppliers, encouraging, motivating and supporting them to adopt and develop an Advanced Management system to improve their competitiveness and thereby help the organisation to deliver its goals.
- Developing strategies to build a long-term relationship with suppliers based on mutual openness, collaboration and trust.
- Appraising supplier performance in the delivery of the organisation's needs and expectations in a structured way.

# ¬ ELEMENT 3: PEOPLE

People are the cornerstone of any advanced organisation. Their knowledge, competences, capabilities and involvement constitute a differential competitive factor for the organisation.

An advanced organisation should aspire to creating a common project with their people, one of two-way collaboration with everyone involved. Likewise, it should attract, select, reward and care for its people adequately, preserving and developing their knowledge, competences and *talent* in line with its strategy, and engage them by developing their personal autonomy and teamwork and leadership capacity.

## P.1 HOW PEOPLE ARE ATTRACTED, SELECTED, REWARDED AND CARED FOR

This may involve:

- Identifying the people profiles (in terms of knowledge, attitudes, innovation and leadership potential, language competences, experience, etc.) required by the organisation, and developing strategies to attract the right *talent* to contribute to the organisation's growth.
- Selecting people through transparent processes which ensure *genuine equality* of opportunity, and establishing induction processes to support and mentor the organisation's people.
- Developing remuneration systems which ensure fair and equal opportunity, and *fringe benefits* which improve people satisfaction and *motivation* levels and help to attract *talent*.
- Promoting and facilitating shared responsibility in achieving an appropriate work-life balance, addressing the challenges of *diversity* and the particular circumstances of the organisation's people with flexible and consensus-based approaches.
- Implementing occupational risk prevention systems conducive to improving people's health, both physical and psychosocial, whilst also taking into account variables such as job type, gender, age, etc., thereby progressing towards becoming an organisation with a healthier working environment.
- Measuring the degree of satisfaction of the people of the organisation through surveys, personal interviews, focus groups, etc.

## P.2 HOW PEOPLE'S KNOWLEDGE, CAPABILITIES AND TALENT ARE PRESERVED AND DEVELOPED

This may involve:

- Analysing the gap between the *talent*, knowledge, values and key competences required to deliver the organisation's strategic goals, and those the organisation's people and teams currently have.
- Planning and providing the resources, learning processes, tutoring, etc. required to preserve and develop people's *talent*, knowledge and skills sets, meeting the needs of the organisation and its people and ensuring equal opportunity and professional development.
- Assessing the effectiveness of training plans and the acquisition of skills and competences on a regular basis.
- Using the potential of technology to preserve and share knowledge.
- Developing the versatility of the organisation's people and their ability to adapt to new market and customer situations, ways of working, etc.
- Sharpening people's enterprising spirit and sense of critical thinking, observation, creativity and innovation.

## P.3 HOW PEOPLE'S COMMITMENT AND MOTIVATION ARE ENCOURAGED AND FOSTERED

This may involve:

- Engaging people in the organisation's strategy, thereby providing them with an overall view of the organisation itself.
- Providing the required channels to ensure effective and dynamic communication and cooperation at all levels (teamwork, networking, cross-cutting and/or interdisciplinary projects, etc.) of the organisation, and mechanisms to ensure *diversity* and respect for it.
- Informing the organisation's people of the results being achieved over time, both on an overall level and with respect to teams and individuals, thereby showing how each individual's work contributes to the delivery of the organisation's overall goals.
- Matching and aligning people's values, interests and needs to the job they do and responsibilities they hold, and to the Values of the organisation.
- Implementing participation-based and pluralistic management systems which empower people to be more autonomous, to monitor and follow up on their own activities, to take decisions, to work in teams and to improve the efficiency and effectiveness of their own processes and work teams, thereby progressing towards approaches which engage and involve the organisation's people in its management and results.
- Appraising individual and team performance, and recognising people's attitudes and efforts and the results achieved.
- Using approaches and methodologies which foster good and satisfying relationships, of both a formal and informal nature, based on mutual respect and trust.

## P.4 HOW PEOPLE'S LEADERSHIP CAPACITY IS DEVELOPED

This may involve:

- Defining the form leadership should take in the organisation (the competences and role-model behaviour required, etc.) to meet the key long-term aspects and strategic goals of the organisation.
- Developing the leadership capacity of the organisation's senior management and progressively extending it to others, with a view to shaping a culture of widespread and shared leadership, ensuring equal opportunity and generational change.
- Ensuring coherence and consistency between what the organisation officially says and its real internal practices, particularly with respect to its Values and *ethical standards*.
- Developing the competences of the organisation's people to improve communication, discussion and debate, empowerment and acceptance of responsibility, decision making, teamwork, negotiation skills, conflict resolution, etc.
- Supporting other people throughout the organisation to develop their capabilities and competences.
- Reviewing leadership development, using assessment and monitoring systems and establishing new objectives.

# ¬ ELEMENT 4: SOCIETY

Every organisation forms part of a social fabric. In turn, that same social fabric may favour the development of the organisation or, conversely, may condition or limit its competitiveness. It is, therefore, important to consider *society* as another stakeholder, and to take action to identify and meet its needs and expectations over and above mere compliance with the organisation's legal requirements and Mission, or main activity.

An advanced organisation should take responsibility for contributing to the development of the organisations that make up the society in which it operates, analysing the impact it has on that society and taking active part in those activities which may bring about an optimum social impact. All such activities must be aligned to the organisation's capabilities and Values, thereby further strengthening its strategy, and the organisation should take and promote actions which contribute to environmental sustainability.

## S.1 HOW COMMITMENT TO SOCIETY IS MANAGED

This may involve:

- Identifying those people and/or organisations of particular relevance in the social/community environment (consumer and/or neighbourhood associations, government authorities, universities and other education centres, social services, suppliers, etc.) which may be affected, positively or negatively, by the organisation's decisions and/or activities.

- Knowing which issues, needs and/or challenges are considered to be priority in the social/community environment, and understanding how the organisation's capabilities are complementary to them, anticipating and going beyond mere legal requirements.

- Defining the organisation's goals in relation to its commitment to *society*, in line with its other strategic goals, and subsequently implementing the required plans, methodologies and actions backed up by all necessary resources.

- Developing the organisation's own social projects and initiatives, or taking part in other projects led by government authorities and/or other players with a greater transformative capacity.

- Engaging the organisation's people, suppliers, partners and other *stakeholders* in the organisation's *society*-related goals and plans.

- Informing *society* of the organisation's goals, plans and results of public interest, and assessing their awareness of, and satisfaction with, those goals, plans and results.

## S.2 HOW ENVIRONMENTAL SUSTAINABILITY IS DRIVEN

This may involve:

- Identifying the environmental setting (open spaces, organisations, etc.) which may be affected by the organisation's activities.

- Defining the organisation's environmental goals and policies and the methods and standards required to deliver them.

- Training and raising the awareness of the organisation's people regarding the sustainable use of resources: energy and material efficiency, the conservation and use of water, recycling, pollution and noise prevention, etc.

- Designing and developing products and services which are environmentally-friendly throughout their lifecycle and at the end of their useful life (eco-design).

- Measuring and improving the environmental impact of the organisation's current production processes and service delivery, its facilities, buildings and equipment, and using these issues as a selection criterion for new procurement, particularly in relation to energy and material efficiency.

- Including and engaging suppliers, partners, customers and other *stakeholders* in the organisation's environmental initiatives.

- Taking actions to drive and raise public awareness of the need for local and responsible consumption of all types of goods and services.

- Informing customers, suppliers and other *stakeholders* of the environmental, business and social benefits of taking environmental, energy and material efficiency actions.

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# ¬ ELEMENT 5: INNOVATION

It is essential to manage innovation, from incremental or continuous improvement right the way through to radical or breakthrough innovation, in a structured way throughout the organisation, including technology, products and services, markets, business models, processes, methodologies and management systems, amongst other areas.

An advanced organisation should define innovation goals and strategies, creating a culture of innovation internally so that their people may accept risk, be enterprising and innovate. An advanced organisation should also tap into the innovation potential of technology and of other external organisations and individuals in the community, and manage innovation ideas and projects to deliver its strategy in this field.

## I.1 HOW INNOVATION GOALS AND STRATEGY ARE DEFINED

This may involve:

- Identifying current and future challenges, in line with the general strategy of the organisation, to serve as a reference for the innovation strategy.
- Determining where to innovate (in technology, products and services, markets, business models, processes, methodologies, management systems, etc.), deciding on objectives and lines of action and assigning resources to deliver them.
- Incorporating innovation management into the *organisational model* (areas, processes, business units, mini-companies, etc.), assigning responsibility, establishing indicators, etc.
- Establishing challenging goals that cause the organisation to reconsider its approaches, structures and management concepts, thinking outside the box and thereby stimulating the creative and innovative potential of its people.
- Studying, on a systematic basis, the publications of patents, *intellectual property*, the methodologies, technology and competences characteristic of the activity sector of the organisation, and analysing whether those the organisation currently has may be of use in markets different from those in which it is currently active.

## I.2 HOW A CULTURE OF INNOVATION IS CREATED INTERNALLY

This may involve:

- Building up trust in the organisation's people to contribute different ideas, to think critically and to seek out challenges, thereby encouraging creativity and new ideas.
- Enabling people to dedicate some of their time to exploring, thinking about and coming up with new ideas, giving shape to innovative proposals and making the most of their personal abilities and interests.
- Setting up formal and informal collaborative environments such as meeting points and gathering places, virtual forums, etc. which enable the organisation's people to interact and exchange ideas, knowledge and opinions.
- Using methodologies and tools which promote creativity and innovation.
- Drawing on technology and digitalisation to enable and optimise the conditions, the environment and the contexts for innovation.
- Promoting and recognising, both formally and informally, innovative attitudes, ideas, projects and their results, including those which have not delivered the desired outcome.

## I.3 HOW THE POTENTIAL IN THE EXTERNAL ENVIRONMENT IS HARNESSED FOR INNOVATION

This may involve:

- Developing mechanisms which promote *"open innovation,"* encouraging idea-sharing and debate with customers, suppliers, research centres, organisations from other sectors, specialist experts, the general public, etc.
- Having methods in place to identify, gather, analyse and make use of information on scientific developments and technology currently used by the organisation and of potential use.
- Setting up *partnerships* with customers, suppliers and other organisations best able to help the organisation innovate in markets, products and services, methodologies, technology, digital environments, processes, management systems, etc., looking to complementarity of knowledge and expertise, sharing costs and risks, etc.
- Investigating areas outside the organisation's normal field of work, and seeking out approaches, ideas and experiences which open up new opportunities for it.

## I.4 HOW INNOVATION IDEAS AND PROJECTS ARE MANAGED

This may involve:

- Setting up a process or method for the structured collection, analysis, assessment and prioritisation of ideas, and for their subsequent development through innovation projects.
- Establishing budgets for investment in innovative activities, accepting that the return on such investments is by nature uncertain and often notional.
- Managing innovation projects in a systematic manner, with specific multidisciplinary teams of people with the time, skills and other specific resources to take the projects forward.
- Analysing lessons learnt from projects and drawing appropriate conclusions to ensure future projects are more effective, sharing best practice amongst project teams, capitalising outside of the organisation on the experience gained through innovation, gauging the extent to which the organisation's intellectual property needs to be protected and establishing a strategy of industrial and *intellectual property* included in the overall strategy of the organisation.

# ⌐ ELEMENT 6: RESULTS

For an organisation to be competitive and sustainable, its goals should be determined:

• balancing long and short-term visions.

• balancing a firm and tireless commitment to delivering long-term goals with the flexibility required to adjust to changes in the environment.

• taking into account historic data, trends and the latent capabilities of the organisation.

• taking into account the goals and results being achieved by competitors and other organisations.

• establishing cause-and-effect relationships between the goals themselves, and also between the organisation's processes, projects and activities to be taken forward to deliver those goals, ensuring their coherence.

The organisation should also equip itself with systems to assess and measure its results (through interviews, surveys, focus groups, studies and research, customer samples, a set of internal performance indicators, etc.). These metrics should cover all relevant areas, be reliable, provide information on the efficiency and effectiveness of actions taken and be appropriately segmented to enable and provide present, and especially future, insights.

The nature and importance of organisations' results are variable and will need to be monitored on different levels within the organisation and at different intervals in each particular case. On some occasions, results values may be measured annually, quarterly, monthly, etc., whilst on others it may be necessary to take measurements on a daily or more frequent basis to be able to take decisions and effectively manage the processes and activities being monitored by these metrics.

An advanced organisation should deliver a satisfactory and balanced set of results for its different *stakeholders*. Good results in relation to Strategy, Customers, People and *Society*, coupled with Innovation outcomes that help transform and drive the organisation forward, all contribute to consolidating the organisation's competitiveness and sustainability.

## R.1 STRATEGY RESULTS

Strategy results are those measuring the delivery of the organisation's long-term purpose and key strategic goals. Customer, people, *society* and innovation results (detailed below in R2, R3, R4 and R5) may also be considered as strategic depending on their importance for the organisation in question.

**This may involve measuring and assessing:**

• The degree to which the Mission, Vision and long and short-term strategic goals of the organisation are being delivered, the Values are being put into practice and the corporate culture is being lived.

• Financial results, providing the organisation with information on its soundness, solvency, liquidity, profitability, etc. (equity, added value, EBITDA, cash flow, working capital, profits, dividends, etc.).

• Overall sales figures, number of customers, etc. in the organisation's different markets and for different products and services, market shares attained, etc.

• The degree of satisfaction of those individuals and/or organisations who own the organisation and fund it.

• The overall effectiveness and efficiency of the organisation's design, production, service delivery and distribution processes, amongst others.

• The effectiveness and efficiency of the organisation's new technologies and its information, organisational and management systems.

- The degree of satisfaction of the organisation's partners and suppliers, the degree to which the goals established with them have been delivered, their performance in terms of on-time delivery, quality standards, incidents which have arisen, etc.
- The image of the organisation in the eyes of its different stakeholders.

## R.2 CUSTOMER RESULTS

Customer results are those measuring the degree to which the goals and strategies the organisation has set itself in relation to its direct customers (and, where relevant, to the customers of its customers) are being delivered.

**This may involve measuring and assessing:**

- Customer satisfaction with the organisation's products and/or services, e.g. price, value, quality and reliability, on-time delivery, design, etc.
- Customer satisfaction with the information provided by the organisation, the service and support given them, the organisation's commercial and distribution network, after-sales service, complaints handling, etc.
- The organisation's brand image, reputation and value development amongst its customers and in its market (in terms of transparency of information, solidity, innovation, environmental and social commitment, etc.), the number of awards and/or certificates and accolades received from customers, where the organisation figures in its customers' supplier rating system, etc.
- Customer loyalty (retention and defection rates, trends in orders and repeat purchases, purchase intentions, recommendations to other customers, requests received from customers to support them in new developments, etc.)
- Time to market for new products and/or services, estimates submitted and approved, complaints resolution, suggestions and ideas received, response times, etc.
- Production effectiveness and efficiency in relation, for example, to units, times, costs, materials, facilities, etc.
- Incidence rates in relation to service delivery, defects, rejects, warranty costs, etc.
- Supplier management and performance.

## R.3 PEOPLE RESULTS

People results are those measuring the degree of satisfaction of the people (including those on permanent, temporary, part and/or full-time contracts, volunteers, trainees, interns, etc.) working in an organisation. These, together with a series of other related performance indicators, enable the organisation to assess the degree to which it is delivering its various people-related goals.

**This may involve measuring and assessing:**

- People satisfaction with the organisation's selection and remuneration processes, their working conditions and environment, how they are cared for, occupational risk prevention, competence development, communication, equal opportunity, involvement and teamwork, amongst other issues.
- People's perception in terms of their involvement, motivation, engagement, enthusiasm and pride in and for the organisation and its activities, its strategy formulation and the deployment and monitoring of its goals.
- People satisfaction with activities designed to develop leadership capacity and empowerment, the coherence between the Values, *ethical standards* and management principles promoted and those actually prevailing in the organisation, etc.

- The organisation's ability to attract *talent*, the degree of versatility and flexibility obtained and acquisition of required competences, performance appraisal, involvement and participation in projects, teamwork, surveys, events, celebrations, etc.
- People loyalty and turnover.
- Work-related accidents and time off work, absenteeism, the effectiveness of actions taken to promote physical and psychosocial health, etc.

## R.4 SOCIETY RESULTS

Society results are those which enable the organisation to measure the degree to which it is delivering its goals and strategies established in relation to its social environment and environmental factors.

This may involve measuring and assessing:

- The opinion of those *stakeholders* considered to be of particular relevance in the organisation's social environment, and of opinion leaders with regard to the organisation's goals, achievements and image as a socially responsible organisation.
- Media coverage and reports and/or open access research on the organisation.
- Awards and/or certificates and accolades received, penalties for regulatory non-compliance, etc.
- The activity and involvement level of the organisation and its people in the local social/community environment.
- The degree and effectiveness of the organisation's cooperation and involvement in the economic development, training activities and provision of support for its suppliers in the local environment.
- Consumption trends in terms of raw materials, energy and water.
- The degree to which the organisation's products and/or services are environmentally friendly throughout the different stages of their lifecycle (design, production, use, recycling, etc.)
- Improvements in energy efficiency, water consumption, the use of less polluting materials, recycling, emission levels, packaging and the volume of waste generated, noise and contamination levels, transport, etc.
- The degree of success achieved in encouraging environmental improvements in suppliers and other *stakeholders*, and their involvement in the local social/community environment.

## R.5 INNOVATION RESULTS

Both the uncertainty inherent in innovation and the time which often elapses between the commissioning of any such initiative and actually achieving results from it are factors to be taken into account when interpreting, analysing and assessing innovation results.

**This may involve measuring and assessin:**

- The satisfaction of customers and other *stakeholders* with the organisation's innovation goals and strategy, how such initiatives are taken forward, how the organisation engages its customers and stakeholders in its innovation activities and updates them on progress and results, etc.
- People satisfaction with the amount of time and other resources provided by the organisation for them to think, research and submit ideas, with the channels provided for them to express their creativity, with the recognition and reward given to them for accepting risk and uncertainty, etc.
- The ratio of suggestions or ideas put forward / those actually implemented, response times, etc.
- Investment and/or activity in market research, R&D, methodologies, technology and digitalisation, the number of hours spent on projects, collaboration in the external environment, acquisition and access to new knowledge, etc.

- The results being obtained through innovation, particularly those of a strategic nature, using indicators such as: sales and profit achieved with products and/or services developed in recent years, the number of customers using those products and/or services, the time required to renew all or part of the organisation's product and/or service portfolio, time and cost reductions achieved in processes, improvements in the management of the organisation, activity with new customers and/or in new markets, the number of patents registered, the revenue secured through licensing or selling patents, improved *stakeholder* satisfaction, etc.

- The cost-efficiency of innovation activities.

# ¬ ASSESSMENT OF PROGRESS

Two assessment tables are used to assess the organisation's level of progress in Advanced Management: one for the so-called "action" elements, and the other for the results elements. These tables are designed to:

- help identify the organisation's strengths and areas for improvement, using the "Aspects To Assess" to better single out and pinpoint each strength or area for improvement (for example, if the approach in question does not provide for the needs of all affected *stakeholders*, or if it is not implemented in all relevant areas of the organisation, or if assessment and learning are not currently used for improvement purposes).
- provide the organisation with a snapshot of its level of progress in Advanced Management in each of the respective elements, sub-elements and aspects of the management model. This way, the organisation will be able to determine its current state of affairs in this area, how it is progressing over time and its situation in comparison with other organisations.

| ACTION ELEMENTS | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | LEVELS OF PROGRESS | | | | | | | | | |
| ASPECTS TO ASSESS | BASIC<br>Initial and/or isolated practices. | | | INTERMEDIATE<br>Semi-structured management practices starting to be integrated and improved. | | DEVELOPED<br>Systematically and soundly developed and improved management practices for at least the last 3 years. | | ADVANCED<br>Agile, innovative and potential benchmark management practices, obtained through creativity, learning and comparison with best-in-class. | | |
| APPROACH | 0 | 1 | 2 | 1 | 2 | 1 | 2 | 1 | 2 | 3 |
| DEPLOYMENT | 0 | 1 | 2 | 1 | 2 | 1 | 2 | 1 | 2 | 3 |
| ASSESSMENT AND REVIEW | 0 | 1 | 2 | 1 | 2 | 1 | 2 | 1 | 2 | 3 |
| OVERALL | 0 | 1 | 2 | 1 | 2 | 1 | 2 | 1 | 2 | 3 |

## ASPECTS TO ASSESS

| APPROACH | • Approaches have a clear rationale, provide for the needs of affected *stakeholders*, support the overall strategy and are integrated and coherent with other approaches of the organisation.<br>• Processes and other mechanisms are designed to deliver the approaches adeptly and efficiently, covering all issues considered as essential for the organisation.<br>• Approaches have been reviewed and improved over time. |
|---|---|
| DEPLOYMENT | • Approaches are implemented in an orderly, rigorous, flexible and systematic manner in all relevant areas. |
| ASSESSMENT AND REVIEW | • Assessment of the effectiveness and efficiency of the approaches and their deployment, together with internal and external learning and creativity, are all used to systematically innovate or improve the approaches and deployment rolled out by the organisation and its assessment and review methods. |

| RESULTS ELEMENTS<br>The organisation has determined which are its most relevant results | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **ASPECTS TO ASSESS** | **LEVELS OF PROGRESS** | | | | | | | | | |
| | **BASIC**<br>Some initial and/or exploratory data. | | | **INTERMEDIATE**<br>With respect to around 50% of results data. | | **DEVELOPED**<br>With respect to around 75% of results data. | | **ADVANCED**<br>With respect to around 100% of results data. | | |
| USEFULNESS | 0 | 1 | 2 | 1 | 2 | 1 | 2 | 1 | 2 | 3 |
| ACHIEVEMENT | 0 | 1 | 2 | 1 | 2 | 1 | 2 | 1 | 2 | 3 |
| OVERALL | 0 | 1 | 2 | 1 | 2 | 1 | 2 | 1 | 2 | 3 |

## ASPECTS TO ASSESS

| USEFULNESS | • The results data and/or relevant information used enable the effectiveness and efficiency of the organisation to be measured (scope), are appropriately segmented, are reliable and accurate and provide an understanding of cause and effect relationships between actions and results and meaningful insights for the future. |
|---|---|
| ACHIEVEMENT | • Satisfactory results trends and operational performance for at least the last 3 years.<br>• Targets set are appropriate, are met or exceeded and are used for improvement purposes.<br>• Meaningful comparison is made with other organisations as a reference to understand and improve the organisation's own results, and such comparison is seen to be favourable for the organisation. |

This management model is designed for these tables to be used flexibly, depending on how rigorously, and on the level of detail with which, the organisation is looking to assess itself, and also on its particular level of progress in management. For example:

• If this model is being used by an organisation for the first time to assess its management, it may be advisable just to identify a series of strengths and areas for improvement for each of the 6 elements of Advanced Management and not use the assessment tables.

• For more developed organisations in the field of Advanced Management, using the assessment tables, and more specifically the "Aspects To Assess" part, may help provide them with a more detailed and in-depth insight into identifying their strengths and weaknesses. In this case, the organisation may need to:

  - assess its management practices sub-element by sub-element, identifying strengths and areas for improvement on the basis of the Aspects to Assess and the description of the different levels of progress (Basic, Intermediate, Developed or Advanced) in the tables. Each of these levels is sub-divided into different sub-levels (0, 1, 2 or 3), denoting the degree of consolidation within that level for each aspect, and an overall level for each sub-element can then be decided on; and

  - after each sub-element (E1, E2, E3, E4) of each element has been assessed, the overall level of each element (Element 1: Strategy, Element 2: Customers, etc.) can be decided on.

# ¬ GLOSSARY

**BUSINESS MODEL:** the way the organisation describes how it works to create value and generate benefits. To define its business model, the organisation needs to consider beforehand aspects such as target customer segments, customer relations channels, value propositions for each customer segment, market entry channels, revenue streams, internal resources, cost structure, key activities and the key players in the organisation's value chain (essentially suppliers and collaborators but also competitors).

In the modern world, a competitive organisation must be capable of business model innovation to address and adapt to the priorities of its customers and the markets in which it operates.

**DIGITAL TRANSFORMATION:** the change associated with the application of digital technology throughout an organisation, triggering radical changes in how organisations are managed and the value provided for their customers.

**DIVERSITY:** internally, this involves determining the different characteristics, needs and expectations of each and every collective of people in the organisation, taking those issues into account and using them when managing the organisation. Externally, this involves determining the different characteristics, needs and expectations of the organisation's different stakeholders and markets. Diversity may be generational, cultural, gender-based, socioeconomic, etc.

**ETHICAL STANDARDS:** the set of values the organisation has embraced and intends its people to take on as their own at work.

**EXTENDED ORGANISATION:** linked to the concept of networking with suppliers, customers, collaborators and/or competitors, with a view to securing strategic competitive advantage by engaging those players in the organisation's processes, not only to improve production but to contribute greater added value to production and/or service delivery chains as a whole.

**FRINGE BENEFITS:** benefits supplementary to money, wage or salary which an organisation offers its people. Such benefits are neither cumulative nor replaceable by money and may be intended to improve the quality of life of the organisation's people or of those around them, to increase their satisfaction, their commitment, their productivity, to attract and retain talent, etc. Examples include leave, medical insurance, training grants or subsidies for family members, discounts and special allowances on the services provided by the organisation and/or by its suppliers, complementary pension schemes, subsidised meals, nursery services, subsidised transport or a company vehicle, health improvement plans, physical activity, flexitime, teleworking, personal use of the organisation's facilities, specialised training, etc.

**FULL EQUALITY:** as expressed in the Convention on the Elimination of All Forms of Discrimination against Women, approved by the General Assembly of the United Nations in December 1979, this refers to the commitment and obligation of both public authorities and all other sectors to apply effective measures to promote equal treatment and opportunity between men and women.

**GOVERNANCE:** the set of principles and standards regulating the design, integration and operation of the governing bodies of the organisation. The need to exercise Good Governance is inextricably linked to the correct administration of an organisation, safeguarding its legitimate rights, ensuring its sustainability, overseeing and guiding its progress and complying with all applicable legal standards, ethics and the rights of its stakeholders who, though not the owners of the organisation, have direct and/or indirect interests in its good conduct and performance.

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INTELLECTUAL PROPERTY: a category of property that includes intangible creations of the human intellect. There are two categories of intellectual property; industrial property, covering patents, trademarks, industrial design and geographical indications, and copyright, covering literary works, films, music, art works and architectural designs.

MOTIVATION: the emotional state in which people want and decide to do things to deliver their work-related goals, with a positive and proactive attitude and willingness.

OPEN INNOVATION: an innovation strategy through which organisations combine internal and external knowledge and know-how to develop and market innovative products and services. Cooperation and sharing ideas with customers, suppliers, research centres, universities, organisations from other sectors, experts and society at large takes on particular importance in the organisation's search for new perspectives and solutions.

ORGANISATIONAL MODEL: how an organisation is structured to roll out its strategy and perform its activities, including guidelines and criteria for decision making and process, operations, activities and people management systems. The structure should be flexible, focused on the organisation's customers and other stakeholders and foster people participation and engagement.

PARTNERSHIP: a lasting and stable relationship on important and strategic issues between organisations, in which both parties create and share added value and common goals. Partnerships may be set up with suppliers, distributors, customers, technology centres, public bodies, healthcare and education organisations, etc.

SOCIETY: when considering exactly what its "Commitment to Society" is going to consist of, it is important for an organisation to firstly define and delimit exactly who and/or what "Society" includes, which aspects of that Society it is going to focus on and the scope of its activities.

Defining "Society" is a key issue, as the organisation may be mixing up and including within "Society" stakeholders who are not affected by this definition, such as customers, suppliers, its people, etc. Furthermore, depending on the type of organisation in question, the dividing lines between the interests of its customers and those of Society may be blurred, as is the case, for example, in public administration, or for organisations whose services are specifically focused on society (schools, hospitals, NGO's and other organisations).

It's not always easy to clearly identify the stakeholders of an organisation, and it is sometimes difficult to categorise them into an organised group. In these cases, it is easy for their interests to be overlooked. Examples of this type of stakeholder may be future generations, young children or wildlife. As collectives of this type cannot be represented directly, it is important for the organisation to make an effort to think about and identify those groups who can best defend their interests. A case in point may be a collective of people which is not a direct customer of the organisation but which does represent the interests of its customers, e.g. a patients' association in the healthcare sector, or families of special needs children in the education sector.

Organisations which may figure as members of the stakeholder group referred to as Society for a given organisation include: the community as a whole, collectives and groups of people particularly affected by priority issues in the community (the elderly, young children, victims of gender-based violence, long-term unemployed, early school leavers, etc.), community associations (neighbourhood groups, sports clubs, Arts associations, etc.), volunteer groups, public administration and institutions, professional and business associations, environmental organisations, the media, education centres, trade union organisations, job placement and employment promotion agencies, etc.

**STAKEHOLDERS:** people and organisations with an interest, direct or indirect, in an organisation, either because they may affect its activities and achievements or because they may be affected by them. Internal stakeholders are the people who form part of the organisation. External stakeholders are owners (shareholders), investors, customers, suppliers, partners, public bodies and representatives of the community and society.

**TALENT:** a higher than average ability to pursue an occupation, perform an activity or practice certain skills. Talent is normally associated with innate ability and creativity, though it may also be developed over time through practice and training.

# ADVANCED MANAGEMENT MODEL
## 2018

EUSKO JAURLARITZA | GOBIERNO VASCO