The development of quality management and business excellence

For some decades total quality management (TQM) has been used in large parts of the world to improve competitiveness, efficiency and profitability.

Originally, TQM was used in the private business sector, but since then it has also been applied in the public sector, and even societies.

However, the promises of success have far from always been obtained, although, for instance, quality award recipients on the average tend to show better financial results than other comparable companies.

For different reasons, problems have also been identified when the TQM concept has been transferred to the public sector. These and other things have initiated a healthy discussion of the TQM concept and whether TQM is a fit, fashion or fad.

The TQM concept

There are many definitions and descriptions of TQM, but several of the proposals are more like vague descriptions than definitions. For a long time it has been unclear whether TQM is simply a collection of independent techniques, a management philosophy, a strategy, or a master theory for managing the entire enterprise. However, during recent years there is seemingly a tendency toward agreement on a system perspective of TQM. One such definition is:

... a continuously evolving management system consisting of core values, methodologies and tools, the aim of which is to increase external and internal customer satisfaction with a reduced amount of resources.

The three components here are interdependent and supporting each other and should support establishing and sustaining a culture based on core values.

Six sigma

Six sigma has often been presented as something different from TQM. However, the concepts share many traits, methods and core values.

The rapid growth of six sigma in America and slower growth in the rest of the world may indicate that six sigma is better suited to the American way of doing business. The six sigma concept needs to be adjusted to accommodate different national cultures.

Lean production

Lean production or lean manufacturing (sometimes named Toyota Production System, TPS) has also been launched as an alternative to TQM. Also hybrids such as lean six sigma have been offered. Lean production is roughly a way to avoid waste in all forms through efficient processes – the focus is on creating customer value.

Excellence

There is a trend among many custodians of national and international quality awards to move toward “business excellence” or “performance excellence.” The Malcolm Baldrige National Quality Award is based on “the Baldrige Criteria for Performance Excellence,” the European Quality Award has been renamed to “the European Excellence Award,” and the Swedish Quality Award is based on “the SIQ model for performance excellence”.

We see this trend of moving from “quality” toward “excellence,” partly since the word “excellence” now more fashionable than “quality,” but partly because of the widened focus of the assessment criteria. Gradually, aspects such as societal responsibility and financial status have grown more important, at
the expense of organizational processes and results related to customer satisfaction.

**Integrated management systems**

The integration of management subsystems for issues such as quality, environment, working environment, safety and social responsibility is considered important by many managers. This development might be accelerated by the continuing harmonization of international standards for infrastructural management subsystems, represented by, for instance, ISO 9001 (quality), ISO 14001 (environment), and SA 8000 (social accountability including work environment).

**The scope of quality management**

In recent years, the scope of quality management has changed from “customer satisfaction” into something broader. This tendency might be due to an increasing focus on multiple bottom lines of a company. What is central is how we choose to define the concepts of customers, non-customer stakeholders and interested parties.

**Customers**

ISO 9001:2000 promotes a narrow definition of the customer, internal or external, as an “organization that, or person who, receives a product”. A buyer is sometimes not a customer using this definition, since the buyer and the receiver might be different people. In the Baldrige Criteria “customer” refers to “actual and potential users of your organization’s products and services”.

A wider definition of customers is “those we want to create value for." The concept of value is here related to the value chains and not to the financial chains in the organization. An intermediate definition that may be useful is customers as individuals or organizations being down-stream in the product life cycle process, that is, receivers of a product. Individuals or organizations upstream in the same process would accordingly be named suppliers. Customers and suppliers could be internal or external, depending on the organizational boundaries of the actual process.

A negative consequence of broad customer definitions might be that they differ from the view of many as “a person who buys goods or services from a shop or business”. Word usage that differs from what is commonly accepted often cause misinterpretation or even mistrust. On the other hand, a too narrow customer definition may hamper the usefulness of quality management.

We believe it is important for the quality movement to agree on this.

**Stakeholders**

The term “stakeholders” is broadly used to mean those who have “a stake” in the organization. Stakeholders are any group or individuals, who can affect the achievement of an organization’s objectives, or who is affected by the achievement of an organization’s objectives. They have an interest in an organization, its activities and its achievements.

“Stakeholders could be distinguished from other interested parties as having both the means of bringing attention to their needs and of acting if their needs are not met.”

The term “primary stakeholder” is used for those who provide the necessary means or support for the organization, and could withdraw these, leading to significant consequences for the organization. Examples of primary stakeholders could include customers, employees, investors, shareholders, and government.

Stakeholders could be distinguished from other interested parties as having both the means of bringing attention to their needs and of acting if their needs are not met. Some actors, despite that they are not directly providing any of the necessary means or support to the organization, could still have enough influence to merit being considered more than just interested parties. Those “secondary stakeholders” may include nongovernmental organizations, academics, media, fair-trade bodies, environmental pressure groups and other individuals or organizations that, somehow may influence stakeholders to act on their behalf, if their needs and expectations are violated. “Interested parties”, then, are those with any interest in the organizational activities, output or outcome, although these parties lack power or instruments to invoke unacceptable damage to the organization or to influence primary stakeholders to do so.

By enlarging focus from customers to the wider concepts of stakeholders and interested parties, much of the quality management theory should
still be applicable, although modifications might be necessary.

**Quality management, total quality management and business excellence**

Although there are different definitions of quality, many modern definitions include a qualitative and subjective evaluation made by customers, such as, “fitness for use,” “value to customers” or “customer satisfaction and delight.”

Quality management should then be interpreted as management of quality, that is, something close to “customer satisfaction orientated management”. With a narrow customer definition, such as, receivers or buyers of a product, quality management clearly becomes an important part of business management.

Using a broader customer definition, quality management might be interpreted as “stakeholder satisfaction orientated management, or even management for the satisfaction of all legitimate stakeholders and interested parties”. However, quality management should focus on quality, and while there is a need to look wider when running a business, quality management is not business management but an important part of business management. No one gains from a dilution of either concept.

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**Quality evolving**

It may be argued that the development of the quality concept and of quality management largely have taken place without consideration of what quality management is or should be. Over time, definitions of quality, customer and management concepts such as TQM have widened and become used to incorporate many new and honourable objectives, such as the wellbeing of society, the environment and future generations. Such a change may be healthy and could be seen as an evolution of quality management. On the other hand, the expansion could cause troubles. Do we want to enlarge the quality management concept into a business management concept?

Whereas top managers need to address all parts of business, there could also be a need to separate quality issues from other issues – quality professionals cannot be experts on every aspect of business and we believe that there still is a need for quality experts and a discipline of quality management. Quality excellence with a strong customer focus should be one prerequisite to attain true business excellence.

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