TOTAL QUALITY MANAGEMENT : A STRATEGIC MANAGEMENT APPROACH

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ERKENNING

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World-wide the service element of service and non-service organisations is playing an increasingly important role. With the growth of information technology (IT) and many organisations extending their activities into various parts of the world, boundaries are becoming less important and competition is becoming a more important factor with which organisations must cope.

One of the best ways of coping with increasing competition is to provide an exceptional product or service to customers. To enable organisations to do so it can adopt various approaches, one of which is total quality management (TQM).

TQM aims at creating an organisational culture committed to the continuous improvement of skills, teamwork, processes, product/service quality and customer satisfaction. During the nineteen eighties there was a phenomenal growth in the spread of TQM ideas and principles, but in the late 20th century criticism against TQM became rife and its proponents came under attack.

The ultimate aim of TQM is to ensure that the organisation remains profitable. Of the most important ways to achieve this is to retain customers. Management is ultimately responsible to ensure that this happens and often embraces a philosophy such as TQM without understanding the principles behind, and the implications of, the philosophy. Although most aspects of TQM are based on sound principles, TQM often fails because of management not adopting the right approaches in implementing TQM and not understanding that TQM has certain paradoxes which must be handled.
Management also adopt TQM rhetoric without a true commitment to its principles. If TQM is to be successfully implemented, management must provide the right leadership and must make core value deployment an integral part of the implementation process.

Implementing TQM in a service organisation has an added dimension, in that humans play a vitally important role in service provision. Historically it was said that characteristics such as intangibility, inseparability of production and consumption, heterogeneity and perishability, distinguished services from products. However, with the advance of IT and the use of the internet as a mechanism to deliver services, these historic characteristics are no longer universally applicable.

The service provider must today provide an exceptional service and will, to a larger extent than in the past, have to use IT as a mechanism to do so. Speed of delivery is also going to become one of the most important competitive advantages organisations can offer. The design of services must take these realities into account.

Quality Services can only be rendered if the service organisation has a quality service system. Service organisations must develop quality service systems and design services within the parameters of the quality service system. More attention will in future also have to be given to the design of delivery services.

Empowering employees and management will become very important in the 21st century. True empowerment means management's ability to trust employees to take the right decisions. To achieve this employees must be able to take the right decisions and must be trained and mentored on a continuous basis. The proper use of teams can assist with this process, but organisations must ensure that team tyranny does not spoil an otherwise good concept.

To ensure that TQM is correctly implemented organisations must, on a continuous basis, assess the impact of their efforts on their customers. Use of IT can assist organisations to achieve this if information is correctly used.

Organisations must in addition to auditing, adopt assessment models, such as those of the South African Excellence Foundation, to assess themselves. They must also encourage staff to assess themselves on a continuous basis and to endeavor to become quality people, which will make the provision of a quality service easier.
TOTALE GEHALTE BESTUUR: 'N STRATEGIESE BESTUURSBENADERING

SINOPSIS

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Die dienste-element van dienste- en nie-dienste-organisasies word wêreldwyd al belangriker. Die groei van inligtingstegnologie (IT) en die uitbreiding van aktiwiteite van baie organisasies na verskillende wêreld dele beteken dat tradisionele grense minder belangrik word en dat mededinging 'n al groter faktor word wat maatskappye in ag moet neem.

Een van die beste maniere om groeiende mededinging te bekamp is om 'n buitengewone produk of diens aan kopers te voorsien. Om dit te kan doen kan verskeie metodes, waarvan een totale gehaltebestuur (TGB) is, gebruik word.

Die doel van TGB is om 'n kultuur in 'n maatskappy te skep wat gerig is op die aanhoudende verbetering van vaardighede, spanwerk, prosesse, produk/diensgehalte en klientbevrediging. Gedurende die negentien tagtigs was daar groot groei in die idees en beginsels van TGB, maar in die laat twintigste eeu het kritiek teen TGB, en die se voorstanders, begin toeneem.

Die uiteindelike doel van TGB is om te verseker dat 'n organisasie winsgewend bly. Een van die belangrikste maniere om dit te doen is deur kliënte te behou. Die verantwoordelijkheid hiervoor berus op die ou einde by bestuur en om dit te kan bereik aanvaar bestuur baie keer 'n filosofie soos TGB, maar verstaan in baie gevalle nie die beginsels of die implikasies van die filosofie nie. TGB rus op verskeie goeie beginsels, maar slaag baie keer nie omdat bestuur nie die regte benadering volg wanneer hulle TGB implimenteer, en ook nie verstaan dat TGB sekere teenstrydhede bevat wat aangespreek moet word nie.

Bestuur praat hulle in baie gevalle in TGB in, sonder dat hulle werklik verbind is tot die beginsels van TGB. Om TGB suksesvol te implimenteer moet bestuur die
regte leiding verskaf en moet kernwaarde-ontplooiing ‘n integrale deel van die implimenteringsproses uitmaak.

Die implimentering van TGB in ‘n dienste-organisasie het ‘n addisionele faset, naamlik mense. Mense speel ‘n baie belangrike rol in diensteverwening. Histories is gesê dat eienskappe soos ontaasbaarheid, onderskeibaarheid tussen vervaardiging en gebruik, ongelyksoortigheid en bederfbaarheid dienste van produkte onderskei het. Die groei van IT en die gebruik van die internet as ‘n metode om dienste te lewer het die eienskappe van dienste van produktes verander.

Die diensteverwener moet vandag ‘n buitengewone diens verskaf, en sal, tot ‘n al groter mate as in die verlede, IT gebruik as ‘n manier om dit te doen. Die ontwerp van dienste moet hierdie realiteite in ag neem.

Gehalatedienste kan slegs gelewer word as die organisasie ‘n gehalte-dienste-stelsel (GDS) het. Dienste organisasies moet ‘n GDS ontwerp en moet dan dienste binne die raamwerk van die GDS ontwerp. Meer aandag sal in die toekoms ook aan die ontwerp van aflieveringsdienste gegee moet word.

Bemagtiging van werknemers en bestuur gaan in die 21ste eeu baie belangrik wees. Ware bemagtiging beteken dat bestuur die vermoe het om te vertrou dat werknemers die regte besluite kan neem. Om dit te bereik moet werknemers regte besluite neem en moet, in dié opsig, op ‘n aanhoudende basis opgelei en voorgelig word. Die behoorlike gebruik van spanne kan met hierdie proses help, maar organisasies moet verseker dat spantrannie nie ‘n goeie beginsel benadeel nie.

Om te verseker dat TGB behoorlik geimplimenteer word, moet ‘n organisasie, op ‘n gereelde basis, die impak van sy pogings op sy kliete, monitor. Die gebruik van IT kan organisasies hiermee help, indien inligting behoorlik gebruik word.

Organisasies moet, bo en behalwe die gebruik van ouditaamtreëls ook selfondersoek modelle, soos dié van die South African Excellence Foundation, aanvaar om hulself te ondersoek. In hierdie opsig moet personeel ook aangemoedig word om hulself op ‘n gereelde basis te ondersoek en om te probeer om gehalte mense te word wat die voorsiening van ‘n gehalte diens makliker sal maak.
LIST OF ACRONYMS

ATM : Automatic Teller Machine
BEM : Business Excellence Model
BRE : Business Re-Engineering
BSC : Balanced Score Card
CEO : Chief Executive Officer
CSI : Customer Satisfaction Index
CVD : Core Value Deployment
DDI : Design, Development and Implementation
ETQA : Education and Training Quality Assurance Body
GDP : Gross Domestic Product
GPEP : Global Performance Equity Programme
IIP : Investors in People
ISO : International Standards Organisation
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<td>ISO 9001:1994, Quality systems — Model for quality assurance in design, development, production, installation and servicing.</td>
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IT: Information Technology

JIT: Just-In-Time

LOA: Learning Organisation Approach

MBO: Management by Objectives

MBWA: Management by Walking Around

NIST: National Institute for Standards and Technology

NSB: National Standards Body

PC: Personal Computer

PEM: Personal Excellence Model

QFD: Quality Function Deployment

QMS: Quality Management System

QSS: Quality Service System

SAEF: South African Excellence Foundation

SAQA: South African Qualification Authority

SDE: Statistical Design of Experiments
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</tr>
<tr>
<td>SGB</td>
<td>Standards Generating Body</td>
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<tr>
<td>SPC</td>
<td>Statistical Process Control</td>
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<tr>
<td>TQM</td>
<td>Total Quality Management</td>
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<td>TQS</td>
<td>Total Quality System</td>
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## CHAPTER 1

**ORIENTATION**

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CHAPTER 1
ORIENTATION

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1.1 BACKGROUND TO THE STUDY

This Thesis deals with the challenges posed to management to ensure that quality services are provided to customers and investigates the approaches management should adopt.

1.1.1 THE IMPORTANCE OF SERVICES

World-wide the service element of service and non-service organisations is playing an increasingly important role. It is estimated that in the USA the service industry accounts for about 76% of its gross domestic product (GDP). (Ivancevich et al. 1997: 450). Services are America's largest business category and one of the brightest spots in the economy. Worldwide there is the same tendency (Ivancevich et al. 1997: 464).

1.1.2 SERVICES AND GOODS

Services are distinguished from other goods in that they are intangible. Tangible products can be processed physically. A service is an intangible product that involves human, and in some cases, mechanical effort. In the case of a service it is instantly perishable because service provision and consumption occur at the same time. A tangible product, on the other hand, can be stored and used at a future time. Products or services can seldom be classified as purely service or purely goods because most products contain both a tangible and an intangible element. Therefore manufacturing, production, mining or any other process usually also provides a service. In many cases companies whom regard themselves as primarily manufacturing or production orientated are building a competitive advantage around customer service. Modern customer related businesses (i.e. banking, insurance, and most professions) are trying to gain a competitive advantage by placing emphasis on the service they render.

1.1.3 BUILDING A COMPETITIVE ADVANTAGE THROUGH QUALITY

In most organisations competition is rife. Organisations compete for customers, for clients, for patients, for resources, for funds and for people. Often, the only competitive advantage an organisation gains is through the quality of its services or products. In many cases the quality of
the services or products is the one factor which distinguishes one organisation from another and
leads to a definite competitive advantage. Throughout the world many companies and
organisations have strategically used quality to win customers, gain resources or funding and
become more competitive.

By embarking on a quality drive, the organisation improves its performance, productivity, reliability,
delivery and price. This principle applies not only to individual companies, but in many cases to
industries and even to countries. The most famous example is possibly Japan where, after the
second world war, Japanese companies learnt that by managing quality they could make huge in-
roads into markets traditionally belonging to other companies.

Many companies today are, according to Smit (1998 : 4), recognising that:

- they must build upon the competitive elements of quality, reliability, delivery and price of which
  quality has become the most important;
- they must abstain from actions which lead to a reputation for poor quality, since it often takes a
  long time to change a reputation;
- reputations, good or bad, can quickly become national reputations; and
- quality can be learnt like any skill.

They are realising that it is vital for organisational survival that service permeates an organisation
from chairperson to caretaker. According to Smit (1998 : 5), they realise if there is a high
commitment to service the pay-offs are immense, provided the organisation:

- tries to understand service from customers' perspectives;
- commits itself to aligning its systems and procedures with service;
- recruits carefully;
- orients, trains and invests in employees to ensure that they understand what is meant by
  service and are willing and able to perform accordingly;
- provides consistent, positive modelling of desired attitudes and behaviours;
- gets out of the way of employees and frees them to take decisions and deliver the services;
  and
- sets goals and standards, provides feedback and rewards desired behaviour.
This realisation has lead to an extension of quality management principles from a narrow manufacturing orientation to also include services. In this process many organisations have attempted to apply manufacturing related quality principles to services without a clear understanding that there are often fundamental differences between the two concepts, particularly in so far as that services have different characteristics than products and that the implementation of quality management principles to services must take these differences into account. This thesis highlights those factors which must be taken into account when an organisation wishes to implement a quality management system for services.

11.4 Definition of Quality

The term quality has a certain elusive element to it. Pirsig (1989 : 187) possibly sums up this elusiveness accurately when he states: “Quality ... you know what it is, yet you don't know what it is. But that's self-contradictory. But some things are better than others, that is they have more quality. But when you try to say what quality is, apart from things that have it, it all goes poof! There's nothing to talk about. But if you can't say what quality is, how do you know what it is, or how do you know that it even exists? If no one knows what it is, then for all practical purposes it doesn't exist at all. But for all practical reasons it really does exist. What else are the grades based on? Why would people pay fortunes for some things, and throw others in the trash pile? Obviously, some things are better than others – but what's the betterness? So round and round you go, spinning wheels and nowhere finding any place to get traction. What the hell is quality? What is it?”

Writers have defined quality in various ways, from manufacturing based to transcendent. Figure 1.1 sets out some definitions which have been given.

Figure 1.1 Definitions of Quality

1 Manufacturing-based

“Quality [means] conformance to requirements”. Philip B Crosby

“Quality is the degree to which a specific product conforms to a design or specification” Harold L Gilmore

2 Customer-based

“Quality is fitness for use” J M Juran

“Quality is performance leadership in meeting customer
requirements by doing the right things right the first time”

“Quality is meeting customer expectations. The Quality improvement Process is a set of principles, policies, support structures and practices designed to continually improve the efficiency and effectiveness of our way of life”

“You achieve customer satisfaction when you sell merchandise that doesn’t come back and a customer who does”

3  Product-based

“Differences in quality amount to differences in the question of some desired ingredient or attribute”

“Quality refers to the amount of the unpriced attribute contained in each unit of the priced attribute”

4  Value-based

“Quality is the degree of excellence at an acceptable price and the control of variability at an acceptable cost”.

“Quality means best for certain customer conditions. These conditions are (a) the actual use and (b) the selling price of the products”

5  Transcendent

“Quality is neither mind nor matter, but a third entity independent of the other two … even though Quality cannot be denied, you know what it is”

“A condition of excellence implying fine quality as distinct from poor quality … Quality is achieving or reaching the highest standard as against being satisfied with the sloppy or fraudulent”


Perhaps the underlying message behind all the definitions can, in the words of Pirsig (1989: 253) be summarised as follows:

Quality is the response of an organism to its environment.

An assessment of quality will therefore, inherently, have to determine whether customer requirements are met. Any organisation will, in an evaluation of quality, have to answer questions
such as:

- are the needs and expectations of our customers met?; and
- how is our organisation responding to the changing needs and expectations of our customers?

In services, customers are more intimately involved in the service delivery process than in manufacturing processes. Consumer criteria for service quality are very important. In the case of a service the customer's judgement is as important than in the case of a manufactured product.

Quality control of a service entails watching a process unfold and evaluating it against the consumer's judgement. The only completely valid standard of comparison is the customer's level of satisfaction, which is a perception, something appreciably more slippery to measure than the physical dimensions of a product.

But consumers also judge service quality by taking aspects such as reliability, responsiveness, assurance and empathy into account.

### 1.1.5 INTRODUCING TOTAL QUALITY MANAGEMENT

To enable organisations to implement a systematic process of quality TQM has become increasingly popular. TQM is sometimes defined as creating an organisational culture committed to the continuous improvement of skills, teamwork, processes, product service quality and customer satisfaction. It is widely accepted that organisational culture is important for TQM to succeed. Personal commitment to systematic, continuous improvement needs to become an everyday matter. In this regard, concepts like the following have all become part of TQM:

- do it right the first time;
- be customer centered;
- make continuous improvements a way of life; and
- build teamwork and empowerment,

Benchmarking and TQM process improvement tools such as flowcharts, cause and effect management, pareto analysis, control charts, histograms, scatter diagrams and run charts have all become accepted methodologies to implement a TQM process.
Ceronio (1996: 130-131) mentions 11 areas within an organisation which require alignment when determining the requirements for TQM, namely:

1. Quality begins with delighting all customers;
2. The quality organisation has learnt how to listen to customers and helps customers to identify and articulate their needs;
3. The quality organisation leads customers (internal and external) into the future by being proactive by anticipating future needs;
4. Flawless, customer-pleasing products and services result from well-planned systems and processes that function faultlessly;
5. In a quality organisation, the vision, values, systems and procedures are consistent and complement each other;
6. Everyone in the quality organisation works in concert;
7. Teamwork in quality organisations is based on commitment to the customer and to continuous improvement;
8. In the quality organisation everyone knows their jobs;
9. The quality organisation uses data and a scientific approach to plan work, solve problems, make decisions and pursue improvements;
10. The quality organisation develops a working partnership with its suppliers and customers; and
11. The culture of the quality organisation supports and nourishes the improvement effort of every team and individual in the organisation under the visible, committed leadership of top management.

One of the leaders in the creation of more proactive work environments is W. Edwards Deming, who laid down 14 points for improving productivity and quality. The premise of Deming's ideas is that better quality eventually means more jobs. He believes that quality improvement is a powerful engine driving out waste and inefficiency and that everybody gains if quality improves. His philosophy is that customers always come first, that instead of blaming the person the system must be fixed and that informed decisions must be taken on the basis of hard data. The 14 points that constitute the core of Deming's management beliefs are set out below:

1. Constant purpose (strive for continuous improvement in product and service to remain competitive by innovation, research, constant improvement and maintenance).
(2) A new philosophy (management needs to awaken to the realities of a new economic age by demanding wiser use of all resources).

(3) Give up on quality by inspection (inspecting for faulty products is unnecessary if quality is built in in processes from the beginning).

(4) Avoid the constant search for lowest cost suppliers (build long term loyal and trusting relationships with single suppliers).

(5) Seek continuous improvement (constantly improve production processes and service for greater productivity at lower cost).

6. Train everyone (make sure people have a clear idea of how to do their jobs).

7. Provide real leadership (leading is more important than telling).

8. Drive fear out of the workplace (let people ask questions about why and how. This makes them more secure).

9. Promote team work (let departments work together).

10. Avoid slogans and targets (use control charts and other processes to give direction and encouragement).

11. Get rid of numerical quotas (he rejects the practice of management by objectives and advocates that quality methods should be concentrated on).

12. Remove barriers that stifle pride in workmanship (i.e. poor management, inadequate instructions, faulty equipment and pressure to achieve numerical goals).

13. Education and self-improvement are important (management and the workforce must be educated in new methods, including teamwork and statistical techniques).
14. Transformation of everyone's job (each level in the organisation is important for transformation to be effective).

(Deming 1986 : 23-96).

Consequently, TQM goes far beyond the philosophy and practices of quality assurance, i.e. assuring customers. It is a strategy which is concerned with changing the fundamental beliefs, values and attitudes of the organisation, harnessing the enthusiasm and participation by everyone, whether manufacturing or service orientated, towards an overall idea of “right first time”.

(Atkinson & Naden 1989 : 6)

According to Asbjorn (1998 : 1) TQM has three main elements:

1. Four principles for leadership, namely; customer focus, continuous improvement which is basically process oriented, total participation and societal learning.

2. A quality system and “system thinking” as a basis for quality management.

3. A toolbox for efficient and effective quality (process and product); control, assurance, improvement (continuous) and innovation (break through) processes, product and systems.

However, for TQM to be implemented effectively, management at all levels must be committed to the process. Effective implementation requires:

◊ focussing on needs of customers and employees;
◊ participation of all staff;
◊ that decisions made are based on facts; and
◊ continuous improvement.

Unless the organisation supports these principles, performance will suffer.

1.1.6 TQM UNDER ATTACK

The 1980's saw a phenomenal growth in the spread of TQM ideas and principles. But the 1990's have not been good to TQM. According to Choi & Behling (1997 : 1-10) recent surveys have
indicated that:

- only one third of firms surveyed believe that TQM made them more competitive;
- use of TQM by member firms of the American Electronic Association dipped from 86% in 1988 to 73% in 1991; and
- widely acclaimed TQM programmes have begun to falter.

It has also been said that:

- several quality management concepts present dangers rather than provide benefits to organisations because managers who focus too much on Business Re-Engineering (BRE), Just-in-Time (JIT), Balanced Score Card (BSC) and other three letter acronyms and have a tendency to implement quality by measurement (Grint 1997: 1);
- lack of visible improvements have lead organisations to question the value of TQM (Shin et al. 1998: 10);
- TQM is not synonymous with quality, i.e. quality is sacred, TQM not (Harari 1997: 1); and
- the high failure rate (60% to 67%) have made companies say that TQM is not delivering on its promises (Shin et al. 1998: 10).

1.1.7 NEVER UNDERESTIMATE THE ROLE OF MANAGEMENT

Central to the criticism of TOM lies the inability of management to deal with TOM properly. Although it is generally admitted that TOM can be an effective tool for organisational efficiency and quality, the reality is that managers are often incapable of:

- creating a TQM culture;
- involving all staff in the quality processes of the organisation;
- understanding that creating a quality system, using quality tools whether for measurement, quality improvement or design cannot, by itself, lead to quality improvement unless the tools are simple to use, adopted by staff and form part of an holistic drive towards better quality; and
- accepting that TQM is not a magic bullet which will give instantaneous results.

If TOM is to survive as a long-term strategy and not be regarded as just another management fad the role of management in TQM will have to be redefined and managers will have to have a clear understanding of their obligations and role for successful TOM implementation.
1.1.8 NEVER UNDERESTIMATE THE ROLE OF STAFF

It is, however, not only management which is important for successful implementation of TQM. Staff in the organisation is just as important. A culture of quality service must be developed in an organisation. When asking opinions about a company nothing seems to stir peoples' passions more than their dealings with employees. Whether it is an inattentive flight attendant or a clueless switchboard operator, the calibre of a firm's frontline personnel has a huge impact on its image. In service industries, almost by definition, helpful employees are the key to success.

In a manufacturing environment substantial time, effort and money goes into the planning of processes, purchasing the right equipment and maintaining and renewing it. In a service environment time, effort and money must be spent on staff development as this is, in fact, the "equipment" which is used to generate income. In a service environment management must therefore spend more time on developing and renewing human resources as the effective utilisation of these resources will increase the profitability of the service organisation.

Introducing a TQM system in a service organisation will not automatically lead to an improvement in service provision. The system, however, provides a basis against which performance can be measured.

The "tools and machines" which are used to implement the system and to "produce" the right service, are the people working in the organisation, including management. In a service orientated organisation substantial time and effort should be spent on staff development to ensure they are effective and efficient.

1.2 PROBLEM STATEMENT

1.2.1 SERVICES UNDER SIEGE

The world economy has become dominated by services. Currently the United States of America (USA) is undergoing its next wave of restructuring, this time in the service sector. Deregulation and foreign investment has meant that USA service organisations have been faced with increased competition. Critics have warned these organisations they must prepare for dramatic change and improve their productivity. Workers will have to become more productive and organisations will
have to respond to heightened competition through quality and productivity (Ivancevich et al. 1997: 450).

1.2.2 THE CURRENT STATUS OF TQM

TQM is no longer unequivocally accepted as the only solution to solve the quality problems of organisations. It is, in fact, regarded as a failure by many writers and organisations. If TQM is to survive as a sustainable management system, clear understanding must be gained of the reasons why TQM has such a high failure rate.

1.2.3 QUALITY SYSTEMS ARE OFTEN ONLY LINKED TO MANUFACTURING

Emphasis on quality was originally aimed at improving the competitive advantage of manufacturing concerns by developing systems which eliminated or reduced defects in products. The aim was to prevent such defects and the techniques which were developed were specifically aimed at preventing bad and sub-quality products reaching the public. Translating industrial techniques of quality control into the service industry idiom has not proved to be an easy task. In the USA an institution such as the Bank Marketing Association sought to bridge this gap when it created the Quality Focus Institute. Many service organisations believe that it is an enormous problem to improve service quality. But the reality is dawning that, as in the case of manufacturing concerns, systems must be developed by service related organisations to improve the quality of service.

1.2.4 DIFFICULTIES TO IMPLEMENT A SYSTEM

Many organisations falsely believe that it is difficult to implement a system of improved quality. Many are aware of the advantages of benchmarking and the tools which Deming have developed but find it extremely difficult to implement these processes into a service orientated organisation. Tools such as the International Standards Organisation (ISO) 9000 series developed by the ISO are seen as being difficult to implement and many organisations are not aware of the guidelines, such as ISO 9004-1 and ISO 9004-2, developed by the ISO to assist with the introduction of Quality Management Systems complying with the standards contained in ISO 9001, 9002 and 9003. Neither are they aware of the guidelines contained in the ISO 9000 : 2000, ISO 9001 : 2000 and ISO 9004 : 2000 set of standards published by ISO.
1.2.5 LACK OF MANAGEMENT AND STAFF COMMITMENT

It is generally accepted today that the drive towards quality must have a commitment at all layers in an organisation. More emphasis is placed on the chief executive of an organisation driving the thrust towards quality. Ongoing commitment of management is, however, a difficulty experienced by many organisations which endeavour to implement a quality system. As important, if not more, is a commitment of all staff towards quality. In many organisations lip service is rendered to service quality but very little of this becomes part of the actual conduct of employees. There have been moves towards more quantifiable measurement of outcomes and tighter management control. In addition, emphasis is being placed on employee empowerment. It has been suggested that there must be a thorough management commitment to empower employees to take greater responsibility for problem solving and decision making with some reduction in organisational hierarchy. Even though many organisations are introducing quality-improvement techniques the real quality issue of today, namely the empowering of a company's workforce, has been largely ignored. Approaches such as respecting people, customer service relations and teamwork have all been advocated, but even though adopted in many organisations, the rendering of quality services is still lacking in many such organisations.

1.2.6 POsing THE QUESTIONS

The question which is to be addressed in this study is whether a successful TQM system for services can be developed:

- without a clear understanding:
  - of the key elements of TQM;
  - that these elements form an holistic whole and that too much emphasis on systems and measurement, without taking into account the role of staff and their commitment, can be self destructive;
- without management redefining its role for the successful implementation of TQM;
- without more emphasis being placed by management on the design of services; and
- without more emphasis being placed on ensuring that delivery of services meet quality standards which inherently means that more emphasis must be placed by management on human resource development, training and self development.

The question is posed whether management rhetoric of successful TQM implementation is good enough.
Any TQM system for service must take into account that there are two vital stages in the provision of quality services, namely:

- the design of the services; and
- the delivery of the services.

To achieve these all needs of all stakeholders of the organisation must be met. Inherently, this implies a total commitment from management and staff to the quality objectives of the organisation, the development of proper processes to ensure proper design, the proper delivery of these services and assessment and evaluation with the view of taking corrective or preventative action. In all these cases the aim is to meet customer needs and thereby attaining organisational goals.

To ensure that customer needs are met, the design and the delivery of the service are important. Both these elements are influenced by human behaviour. For this reason, the development of a TQM system for services must take into account the human factor, more so than which is the case in a manufacturing environment.

The thrust of this study is therefore:

- to show that TQM rhetoric is not enough to ensure quality of services, but that management must understand its role in the process and move beyond rhetoric to a total commitment to TQM, understanding the principles involved, the challenges faced and adopting a management style which will lead to successful TQM implementation;
- to show that a successful TQM system for services should ensure that the services are so designed that they meet the needs of customers. In this regard, management at the highest level must be involved in the design of the services; and
- to show that the delivery process is influenced by human behaviour and that management must ensure that staff deliver according to specifications set out in the design. To ensure that this happens, staff must fully understand their role in the organisation, particularly their quality role. They can only, however, deliver quality services if they become quality people and make quality part of their own lives.

There rests a huge responsibility on management to ensure that services are designed to meet customer needs and that they are delivered in accordance with customer needs. Both these
require a commitment of management towards training, not only of staff, but also of management.

To ensure that there is a continuous process of quality design and quality delivery, quality and proper customer service must become part of the organisation's culture and the organisation must encourage staff and management to make quality part of their personal lives.

1.3 RESEARCH OBJECTIVES

The main objectives of this study are to:

- research the current status of TQM, discussing criticisms levelled against it;
- research the correct management approaches for successful TQM implementation;
- identify the changing face of services and to develop a new model to deliver maximum benefits to customers, which model takes into account the increasingly important role logistics will play in delivering quality services; and
- identify guidelines which must be taken to design a Quality Management System (QMS) and a quality service.

The secondary objectives are to:

- highlight the steps an organisation must take to empower employees and management to ensure they render quality services to customers;
- outline how organisations and staff can measure and assess the effectiveness of their quality efforts; and
- show that organisations and management must face the quality challenges of the future and may use Dell Computer Corporation as an example of a company which is prepared to meet such challenges.
1.4 RESEARCH METHODOLOGY

There are many articles and books written about service quality. In most cases, these articles and books:

- list the requirements for a quality system;
- list the advantages and disadvantages of TQM;
- point out that ISO 9000 is no longer a fad but a competitive advantage;
- deal with the methods to implement a quality system within an organisation;
- define the advantages of developing and empowering employees to become part of the TQM process; and
- highlight that proper design and delivery of services are important.

There is, however, a definite need to incorporate these principles and ideas of many writers into a format which can ensure that their combined wisdom is made available to a wider audience in a systematic manner. This thesis attempts to do that.

The writings of many experts have been analysed with the view of developing a blueprint for quality service design and provision as well as developing a set of principles to which management and a service system must comply. Recent articles and books dealing with current trends in quality management are discussed and current criticisms against TQM are analysed. Conclusions are drawn as to why TQM is failing in many organisations. Articles and writings are analysed to determine whether the fact that management does not understand its role in the successful implementation of TQM is indeed an important reason for TQM’s failure.

Modern trends in service delivery is analysed and from literature studies the conclusion is drawn that quality service marketing will in modern economies rely more on logistic management than in the past. A model for the design of services is developed taking into account research done by imminent writers in this regard. Recent writings are analysed to define trends in staff development needed to implement TQM successfully. The movement towards business excellence as an extension of pure TQM principles is analysed. Finally, Dell Computer Corporation is analysed and the conclusion is drawn that this highly successful company is implementing many of the principles propagated in this thesis. This includes a review of literature dealing with the company.
1.5 **IMPORTANCE/BENEFITS AND LIMITATIONS OF THE STUDY**

Benefits resulting from the study will be the following:

- current problems experienced with TQM are highlighted;
- the role of management in the TQM process is redefined;
- the benefit concept which has been an integral part of service provision is redefined in view of the advent of IT and e-commerce;
- guidelines for design of a quality service system and services, meeting the highest level of quality, are established;
- guidelines for quality delivering of services are established; and
- the quality practices of Dell Computer Corporation are discussed and compared with the conclusions of the study.

Literature often deals with specific aspects of quality in services, such as design and delivery, service management and service assessment. The literature on individual concepts is extensive, but literature integrating the various concepts into an holistic whole is limited. This acted as a constraint in literature research and extensive use of international publications was required to achieve the objectives of the study.

Although the study concentrates on the service environment, most of the principles discussed can apply to any organisation.

1.6 **STRUCTURE OF THE STUDY**

The study is structured to enable it to reach the defined objectives. The structure of the study follows a movement from gaining an understanding of TQM to developing design and delivery methods to ensure that stakeholder needs are met, highlighting the importance of training to ensure that this is achieved, while at the same time developing a personal self-assessment model to ensure that quality people render quality services.
The study follows the following format:

- **Chapter 1: Orientation**

- **Chapter 2: Total quality management in perspective**
The objective of this chapter is to determine why the implementation of TQM is failing in many organisations. The history of TQM is discussed. It is argued that for TQM to work management must:
  
  - adopt a leadership style which will help the organisation to implement TQM;
  - develop a management system which will help it to implement its TQM goals and objectives;
  - and
  - use tools and methods which can assist it to implement TQM.

The question is debated whether BRE and The Learning Organisation Approach (LOA) can add value to TQM implementation. The current approaches of TQM are discussed. There is a detailed discussion of the perception that TQM is failing. The perception that TQM is nothing else but another rhetorical management fad is explained and certain inherent flaws of TQM are discussed. Not securing employee commitment is discussed as another reason why TQM is failing in many organisations.

- **Chapter 3: Total Quality Management – the correct management approaches**
In this Chapter the challenges for managers to overcome the negative perceptions of TQM are discussed and solutions offered. The important role management plays in demonstrating it's commitment to meeting customer requirements for its services is discussed. It is pointed out that managers who wish to implement TQM successfully will have to develop a managerial style where they: adopt a developmental orientation; confront the TQM paradoxes; accept the reality of TQM and drop the rhetoric; implement TQM properly; develop people and remove their fears; develop a leadership style based on sound core values; adapt a LOA approach and become future oriented.

- **Chapter 4: The changing face of services in modern economies**
The objective of this chapter is to place the increasingly important role of services in modern economies in perspective. The historic characteristics of services are challenged and the conclusion is drawn that many of the assumptions about the characteristics of services can no longer be accepted. The reason for this is the increasingly important role of the internet and e-
commerce on service provision. It is argued that the Servuction model must be replaced with the Servtech model which takes into account the increasingly important role of technology. It is also argued that the 21st century service profit chain will have to a greater extent than in the past take into account that customer satisfaction will depend on speed of delivery. This will mean that logistics will become of greater importance than in the past.

Chapter 5: Designing a quality service system and quality services
The objective of this chapter is to develop a model for Total Quality System (TQS) design. It is argued that a quality service can only be designed if a proper quality management system is in place. For a quality management system to be introduced the organisation must meet a number of pre-designed requirements which are discussed in this chapter. Furthermore, it is argued that the development of the QMS must be based on project management principles. The principles for the proper design and delivery of a specific service are also discussed.

Chapter 6: Empowering employees and management
In this chapter, steps which must be taken by an organisation to ensure that its staff render quality services are discussed. It is argued that only properly empowered employees can render quality services. Organisations must empower employees not only through training but through true empowerment, in many cases relying on teams as a way to assist with empowerment. But organisations must also empower management to deal with rapidly changing circumstances. Organisations must give attention to problems solving techniques, regular monitoring and mentorship. Developing personal values and new skill sets (such as increased training in IT are all factors which lead to empowered employees.

Chapter 7: Assessing quality efforts
In this chapter, attention is given to the assessment of a service quality management system, including:

- Measurement analysis and improvement. The process for measuring the quality management system performance is identified.
- Processes for obtaining and monitoring information data and customer satisfaction. These include internal audits, the analysis of data and corrective and preventative action.
- Self-assessment. Self-assessment models developed by organisations such as the American Society of Quality Control which administers the Malcolm Baldrige National
Award and the South African Excellence Foundation, which administers the South African Excellence Model, are discussed.

Attention is also given to the personal excellence model as developed by Smit (Smit 1998: 115-138). Emphasis is placed on developing personal excellence to ensure that quality services are rendered, the premise being that only an excellent person can render an excellent service.

◊ Chapter 8: Conclusion – Facing the challenges

In this chapter the conclusions drawn from the previous chapters are summarised and final suggestions made. Attention is also given as to how Dell Computer Corporation has, to some extent, already incorporated many of the suggestions made in the study into its management style. Dell Computer Corporation has shown phenomenal growth over a period of 14 years from a small operation to the second largest IT company in the world. The company always relied on the concept of delivering products directly to the customers, cutting out the middleman. It recognised the importance of getting products to customers as quickly as possible. Today it does most of its trading using IT as a medium. The company is therefore using logistics and IT as an integral part of its strategy to reach customs and places emphasis on quality to gain a competitive advantage over competitors.
Chapter 2

Total Quality Management in Perspective

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TOTAL QUALITY MANAGEMENT: A STRATEGIC MANAGEMENT APPROACH

CHAPTER 2
TOTAL QUALITY MANAGEMENT IN PERSPECTIVE

SYNOPSIS

TQM has become very prominent in the late 20th century. A number of identifiable approaches to
TQM have developed, including:

- the TQM element approach;
- the Guru approach;
- the Organisation Exampler approach;
- the Japanese Total Quality approach; and
- the Price Criteria approach.

Constant with all these approaches is the central idea that quality means doing the right things
right, the first time. In this regard, the quality approach has evolved from a rejection rate approach
to a perfect approach.

For TQM to work, various concepts within the organisation must be aligned with each other. In the
last decade of the 20th century some disillusionment has developed with regard to total quality
management. A perception has developed that TQM is failing because:

- many regard it as another rhetorical management fad;
- TQM has certain inherent flaws within itself; and
- TQM aims to implement quality by measurement, not always securing employee
  commitment.

The reasons for these perceptions are discussed in this chapter.
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CHAPTER 2
TOTAL QUALITY MANAGEMENT IN PERSPECTIVE

2.1 INTRODUCTION

2.1.1 TQM's PROMINENCE IN LATE 20TH CENTURY
The last three decades of the twentieth century can possibly be regarded as the revolutionary phase of quality. During this stage the so-called quality gurus such as P B Grosby, W E Deming, C Ishikawa and JM Juran had a huge influence on quality thinking, quality development and quality awareness.

The quality concept has been around at least as long as Taylorism, which championed the attaining of quality through inspection (Taylor 1911). In fact, some writers argue that the New Lanark Mills operated by Robert Owens between 1799 and 1825 were operated under principles very similar to those of the fourteen points of W Edward Deming discussed in section 1.1.5 (Burns 1994).

2.1.2 IDENTIFIABLE APPROACHES TO TQM
Total quality management, as a concept, has achieved a prominent place in the minds of management in the late twentieth century. In the last decade alone, a large number of books have been published on TQM. According to Connor (1997: 3) there are, at this stage, several identifiable approaches to the TQM concept namely:

- the TQM element approach, in which organisations use specific methods or tools such as quality teams and statistical process control - typically in the absence of an overall plan or commitment to a TQM philosophy;

- the guru approach in which organisations embrace the teachings of one of the leading quality thinkers – for example, managers attend a seminar, learning about Deming's fourteen points, and begin work on implementing them in their own organisations;
the organisational exemplar approach, in which members of an organisation visit other organisations that are known for their success with TQM;

the Japanese total quality approach, in which organisations examine implementation strategies and techniques used by Japanese winners of the Deming price; and

the price criteria approach in which organisations use the evaluation criteria for the Deming price or the Baldrige Award to identify specific areas for improvement.

Detailed studies have been made of the gurus of TQM (see Cerionio 1996:45-126). The philosophies of some of the gurus are summarised in Table 2.1 below.

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<th>Juran’s Philosophy</th>
<th>Crosby’s Philosophy</th>
<th>Deming’s Philosophy</th>
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<td>1. Assign priority to projects</td>
<td>1. Management commitment</td>
<td>1. Create constancy of purpose for improvement of product and service quality</td>
<td>1. An important dimension of the quality of a product/service is the total loss generated by that produced for society</td>
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<td>2. Pareto analysis of symptoms</td>
<td>2. Quality improvement measurement</td>
<td>2. Adopt a new philosophy of refusing to allow defects</td>
<td>2. In a competitive environment, continual quality improvement and cost reduction are necessary for staying in business</td>
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<td>3. Theorise on causes of symptom</td>
<td>3. Quality measurement inspection and rely only on statistical control</td>
<td>3. Cease dependence on mass inspection and rely only on statistical control</td>
<td>3. Continual quality improvement includes continuous reduction in the variation of product performance characteristics about their target values</td>
</tr>
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<td>4. Test theories, collect and analyse data</td>
<td>4. Quality evaluation</td>
<td>4. Require supplies to provide statistical evidence of quality</td>
<td>4. The customer’s loss due to a service’s performance variation is approximately proportional to the square of the deviation of the performance characteristic from its target value</td>
</tr>
<tr>
<td>5. Narrow list of theories</td>
<td>5. Awareness</td>
<td>5. Constantly and forever improve</td>
<td>5. The final quality and cost of products, methods etc. are determined to a large extent by the engineering designs of the products/service and its process</td>
</tr>
<tr>
<td>6. Design experiment(s)</td>
<td>6. Corrective action</td>
<td>6. Train all employees</td>
<td>6. Performance variation can be reduced by exploiting the non-linear effects of the product or process parameters</td>
</tr>
<tr>
<td>7. Approve design, provide authority</td>
<td>7. Zero defects planning</td>
<td>7. Give all employees the proper tools to do the job right</td>
<td>7. Definition of quality products, methods, etc.</td>
</tr>
<tr>
<td>8. Conduct experiment, establish proof of cause</td>
<td>8. Quality education</td>
<td>8. Encourage communication and productivity</td>
<td>8. Crosby distils these fourteen points to four absolutes:</td>
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Source: Stamatis 1996: 16-17
2.1.3 THE ULTIMATE AIM OF TQM

In section 1.1.4 the point is made that the term quality has a certain elusive element to it. The definitions of quality have, inter alia, been manufacturing based, customer based, product based, value based and transcendent.

All the definitions of quality can possibly be summarised in one sentence “quality is when your customers come back and your products do not” (Naumann & Shannon 1992: 44).

Constant with all the approaches and with all the definitions is the central idea that quality means doing the right things right, the first time. To achieve this the TQM approach has developed.

TQM is an approach, the aim of which is to transform the way organisations work. To achieve this proponents use one of the approaches mentioned above or combinations of these approaches. The ultimate aim is: to do it perfectly (Connor 1997: 4).

TQM therefore goes far beyond the philosophy and practices of quality control and quality assurance. It is a strategy which is concerned with changing the fundamental beliefs, values and cultures of the organisation, harnessing the enthusiasm of, and participation by, everyone, whether manufacturing or service oriented, toward an overall idea of right first time. All actions must be focused in an enormous effort of total mobilisation in renewing the company’s philosophy, avoiding all imperfections and striving for continuous improvement (Ceronio 1996: 21).

In this chapter, attention is given to:
- the key elements of TQM including aligning a number of critical areas within an organisation (section 2.2);
- the reality that TQM is one of a number of approaches an organisation can adopt to cope with changing circumstances and that approaches such as LOA, BRE and mixtures of these with TQM is often adopted by organisations to cope with change (section 2.3);
- the reasons why TQM is failing in many organisations including that:
  ◦ it is regarded as a management fad;
  ◦ it has certain inherent flaws; and
  ◦ TQM implements quality measurement and does not secure employee commitment and in this process is regarded as another managerial fashion which is threatened to be drowned for a number of reasons (section 2.4);
- The correct management approach is suggested which is a mixture of TQM and LOA.
The challenge facing organisations is to recognise that TQM in itself cannot solve an organisation's management or quality problems. Recognition that TQM forms part of the solution and should be integrated into the organisation's management structure is important. This structure must take into account the realities of the market in which the organisation operates.

2.1.4 EVOLUTION OF QUALITY APPROACH

The principal aim of the original proponents of quality was to reduce the rejection rate of the number of articles produced by a machine. Some argued that a 2% rejection rate was acceptable and others a 1%. To a large extent these were rules of thumb. As the quality movement evolved the emphasis changed more to: doing it perfect.

The original approach based on rejections was therefore replaced with the argument that the only acceptable quality level is 100%. The two contrasting approaches are highlighted by Connor (1997: 5) as follows:

- The rejection rate approach: “You say that you only want 2% rejections? You realise, don't you, that we can give you 5% at a substantially lower unit price? Okay, we agree on 3%”.
- The perfect approach: “However, the quality movement teaches that our expectation was wrong, both in principle and in practice. Quality disciples argue that the only acceptable quality level is 100%. They warn that even if 99.9% quality is acceptable:
  - two million documents will be lost by the internal revenue services this year;
  - twelve babies will be given to the wrong parents each day;
  - two aeroplanes landing daily in Chicago's O'Hare Airport will crash;
  - 291 pacemaker operations will be performed incorrectly this year; and
  - 20 000 drug prescriptions will be written incorrectly in the next twelve months.”

2.2 THE KEY ELEMENTS FOR TOTAL QUALITY MANAGEMENT

2.2.1 THE HISTORIC ISO DEFINITION OF TQM

It is interesting to note that ISO 9000:2000, ISO 9001:2000 and ISO 9004:2000 contain no definition of TQM. The reason for this is unclear. ISO 8402 (which is to be replaced by ISO 9000:2000) did, however, define total quality management as a “management approach of an organisation centred on quality, based on the participation of all its members and aiming at long-
term success through customer satisfaction and benefits to all members of the organisation and to society”.

To achieve the key elements of:

- a management approach centred on quality;
- participation of all staff;
- customer satisfaction;
- benefits to staff; and
- benefit to society

an organisation must develop a system of practices, tools and training methods to create higher quality products and services for increased customer satisfaction in a rapidly changing world.

The question is: how can this be achieved? The answer is: a properly implemented TQM system. The organisation must then find the tools and systems to ensure that TQM works.

### 2.2.2 WHEN TQM WILL WORK

#### 2.2.2.1 INTER-LINKING TOOLS, PHILOSOPHY AND MANAGEMENT

Pouskouleli & Wheat (1992: 309) say TQM can be split into three groups which are classified as:

- the new tools;
- the new philosophy;
- the new style of management.

These are outlined in Figure 2.1.
For TQM to work all three groups must be inter-linked and interact extensively (Cerino 1996: 2-23).

Asbjorn (1998: 1-2) adopts virtually the same approach. He sees the three main elements of TQM as:

- the four principles for leadership;
- a quality system and system thinking; and
- a toolbox for efficient and effective quality

For TQM to work these three elements must, however, not be seen in isolation. They must be linked into one management system.

**Element 1 — four principles for leadership namely;**

- customer focus (both external and internal customers);
- continuous improvement (basically process orientated);
total participation (team work); and
societal learning (i.e. learning on several levels, namely the individual, the team and the company).

Element 2 – a quality system and system thinking as basis for quality management. Consequently:

a quality system must be developed and the organisation must inter-link processes within the system.

Element 3 – a toolbox for efficient and effective quality (process and product), namely:

control, assurance, improvement (continuous) and innovation (breakthrough) processes, products and systems.

The tools which are used are:

- a model (process) for problem solving;
- historic tools for problem solving, including statistical methods, i.e. process flowcharting, checksheets, histograms, scatter diagrams, stratification, pareto analysis, cause and effect analysis, force-field analysis, emphasis curve and control charts. To these can be added to so-called new tools, namely affinity diagram, interrelationship diagram, tree diagram, matrix diagram, matrix data analysis, process decision programme chart and arrow diagram.
- management tools including:
  - idealising;
  - benchmarking;
  - process (ownership) analysis;
  - work unit analysis; and
  - others developed by people working on solving all kinds of problems in industry.

For TQM to work the organisation must therefore:

adopt a leadership style which will help it implement TQM;
develop a management system which will help it implement its TQM goals and objectives; and
use tools and methods which can assist it to meet its objectives.
2.2.2.2 ALIGNING AREAS IN ORGANISATION

However, to achieve TQM (even if the three main groups are in place) the organisation must still align certain concepts with each other. Ceronio's view, referred to in section 1.1.5, that a number of areas in an organisation must be aligned, is reinforced by Shin et al. (1998: 2) who state that a number of criteria are critical for successful TQM implementation, namely:

- strong top management leadership and commitment;
- customer focus;
- employee involvement and empowerment;
- a focus on continuous improvement;
- supplier partnerships;
- the recognition of quality as a strategic issue in business planning;
- the use of statistical process control and statistical tools;
- product and service quality in design;
- performance measures focusing on quality;
- actions based on facts; and
- the new role of the quality department and quality specialist.

Ceronio focuses strongly on customer orientation and Shin et al. (1998: 2-8) place emphasis on implementation as a critical factor.

2.2.2.3 PROPER IMPLEMENTATION IS VITALLY IMPORTANT

Although all the areas mentioned by Ceronio and Shin are important, Shin et al. (1998: 2) make the point that simply adopting these principles will not guarantee success. They can create confusion unless they are properly implemented. Implementation is therefore vitally important. To ensure successful implementation of a total quality management programme the right organisational culture must be created, a proper quality infrastructure must be created while systems necessary to implement TQM must be adopted. Implementation must lead to total improvement. Individual programmes such as quality circles, worker involvement, employee empowerment, statistical process control, participative management, design of experiments, quality function development, failure mode and effect analysis, just-in-time, preventive maintenance and many more will not be effective if individually implemented. Multidimensional programmes are needed. "Like a recipe for a cake without baking instructions, a quality improvement program without an implementation strategy is unlikely to produce the desired results" (Stamatis 1996: 62).
2.3 APPROACHES TO COPE WITH CHANGING CIRCUMSTANCES

2.3.1 DISSATISFACTION WITH STATUS QUO

Managers of organisations face the reality of a continuous changing world. There is general acceptance that to survive, transformation is needed.

Dervitsiotis (1998 : 2) mentions three forces which encourage change, namely:

- a sufficient dissatisfaction with the status quo (or State A). This is caused by current performance levels (such as profit, quality and responsiveness), and their trends;
- a strong attraction towards moving to a more desirable condition (or State B). This is usually described in a vision statement about the attributes of the highly desired future, often in terms of goals and performance attributes relative to competitors; and
- the appeal of a well thought out strategy for realising the vision, (or State C), i.e. how to get from State A to State B.

Opposing the forces moving towards organisational change are factors such as:

- passive resistance often accompanied by cynicism found amongst workers who have been exposed to frequent management initiatives to change which were not properly implemented; and
- active resistance generated by those threatened by an anticipated re-distribution of political power resulting from a transition to a new state.

2.3.2 THE REACTION

Companies may then adopt various approaches to push organisational change through. Some of them can be:

- business process re-engineering;
- a learning organisation approach; or
- total quality management;
These are discussed in section 2.3.2.1 to 2.3.2.3 below.

2.3.2.1 BUSINESS RE-ENGINEERING

BRE has been defined as "The fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical measures of performance such as costs, quality, service and speed" (Dervitsiotis 1998:2).

Dervitsiotis (1998:3) argues that BRE's basic goal to bring about fast improvements limits the chances of enduring results for two reasons, namely:

- chances for improvement in processes through drastic restructuring, without a shared vision and sufficient participation of those in charge of implementing them and those effected by their impacts, reduce their long-term effectiveness; and
- the quest for improvements all too often result in superficial changes that leave deeper patterns untouched.

Dervitsiotis (1998:3) argues that these are the key reasons why BRE has not been dealt with as a viable alternative in Japan and many European countries. This is particularly the case in countries with a culture that values social harmony and respect for human resources as the reservoir of an organisation's communitive intelligence where there is a preference for smoother transition.

2.3.2.2 THE LEARNING ORGANISATION APPROACH

The leading work that has appeared on the Learning Organisation Approach is that of Peter Senge (1990). The basis of his argument is that practically all conventional management approaches since 1976 prevented the natural development and growth of adult individuals, work teams and organisations by creating environments that impede learning (Senge 1990:25). He argues that this not only prevents humans and organisations from developing to their full potential but is the cause of human suffering at work. These effects spill over to other business activities as well as personal relationships because without sufficient learning there is inadequate adaptations for survival and success in a rapidly changing environment.

Senge (1990:14) argues that learning organisations are those in which people:

- continuously expand their capacity to create the results they truly desire;
- continually learn how to learn together;
share common goals that are larger than individual goals; and
function together in extraordinary ways, complementing each other's strengths and compensating for each other's limitations as part of a great team.

Senge introduces a personal dimension into the organisation and regards these as different from the more familiar management disciplines such as accounting, market research, benchmarking and emulating other organisations.

According to Senge (1990: 57-272) there are five disciplines which form the basis of the learning organisation, namely:

**Discipline 1: Systems thinking**

This is, in Senge's view, the 5th discipline, which forms the cornerstone of the learning organisation. Systems are interconnected parts, which influence each other. Systems are the whole rather than the individual parts. An intervention in one part of the system will influence the other. It is a conceptual framework. Senge is a proponent of systems thinking which integrates all systems into a coherent body of theory and practice.

His argument is that management and staff must start thinking in a systems way. He argues that systems thinking enables management to understand the structure of the existing system better and that to bring about significant performance improvements it is important to know where in the system management interventions are likely to lead to results. By viewing the system as a whole those system parts can be identified which can be changed with limited effort and bring about maximum possible changes and benefits.

According to Senge (1990: 94-113) the two tools of systems thinking are:

- the system archetypes; and
- simulation modules.

**System archetypes** portray how certain variables interact using feedback-loops and how these impacts effect relevant performance criteria.
**Systems modelling simulations** employ computer based models for analysing the dynamic behaviour of systems by compressing events in time and space to gain an understanding of how various structural interventions play out in time.

**Discipline 2 : Personal mastery**

Disciplines 2 to 5 are the core disciplines on which to build a learning organisation. Senge (1990: 138-173) argues that an organisation's capacity for learning is influenced by that of its members. By continuously clarifying and deepening the vision of staff and management and focusing energies the learning organisation's spiritual foundation is formed. By developing the growth of their people, people with a high level of mastery are able to realise consistently the results that matter most deeply to them.

**Discipline 3 : Mental models**

The mental models of people (i.e. perceptions) influence how people understand the world. The foundation of this principle is that people must bring to the service their internal pictures of the world and scrutinise them vigorously.

Senge (1990: 174-204) is not alone in seeking this deeper meaning. Covey (1989: 18-23) argues that there is a fundamental difference between so-called personality and character ethics. He argues that the so-called personality ethics (i.e. personality growth, communication skills training, education in the field of influence and positive thinking) are secondary and not primary traits. What is required is a deeper insight, a basic goodness (a character ethic) and that people must make a paradigm shift to acquire a new level of thinking.

Senge (1990: 9) argues that the mental model discipline "starts with learning to bring out onto the surface our internal pictures of the world and hold them vigorously to scrutiny”. Covey (1989: 42) argues "we need a new level, a deeper level of thinking – a paradigm based on the principles that accurately describe the territory of effective human being – and interacting to solve these deep concerns. This new level of thinking is what Seven Habits of highly effective people is about. It is a principle centred, character based, inside-out approach to personal and interpersonal effectiveness”

**Discipline 4 : Building a shared vision**

Senge (1990: 205 – 232) argues that for an organisation to achieve sustained success it must have goals, values and a mission. Building a shared vision is the capacity to develop and hold a shared picture of the future the organisation wants to create. The organisation's leadership must
bind people together around a common identity and sense of destiny. The leader's vision must be translated into a shared vision that pushes the organisation to focus the action. There must be genuine commitment and an embracing of the vision rather than just a following thereof.

**Discipline 5 : Team Learning**

Senge (1990 : 233-272) argues that the collective intelligence of the team must exceed the intelligence of the individual members. Teams as a whole must learn and this enables them to produce extraordinary results. People must enter into genuine thinking together. The free flow of ideas must be developed and people must think as a group.

2.3.2.3 **TOTAL QUALITY MANAGEMENT**

A third approach an organisation can adopt to push organisational change is TQM. To enable the organisation to implement TQM it must take a number of steps, including:

2.3.2.3.1 **Aligning areas in organisations**

In sections 1.1.5 and 2.2.2.2 the areas within an organisation which require alignment when determining the requirements for TQM were discussed. It was mentioned that these forces must be aligned with each other to enable TQM to be developed and implemented.

2.3.2.3.2 **Create a TQM environment**

TQM is not a quick fix solution to problems. It requires an environment that encourages people to grow as individuals and learn to bring about small but continuous, and in some cases drastic or breakthrough, improvements. Change processes must be properly implemented.

Dervitsiotis (1998 : 3) summarises the key features of TQM as:

- a set of principles;
- a set of functions; and
- a set of techniques.

These are discussed in sections 2.3.2.3.2.1 to 2.3.2.3.2.3.

2.3.2.3.2.1 **TQM basic principle**

The conditions for TQM implementation is the commitment of management at all levels, starting from the top. To succeed it is necessary to:

- focus on needs of customers and employees;
insist on everyone's participation;
make decisions based on facts; and
aim for continuous improvements.

The organisation must support all these preferences and, if not, performance is likely to suffer.

2.3.2.3.2.2 Sound managerial functions must be implemented

To implement TQM a number of basic managerial functions need to be implemented. These include:

- quality planning, similar to budgeting. Here management aims to determine the needs and expectations of its customers and employees. They then proceed to design products, services and processes that generate the highest feasible degree of satisfaction. Basically, they base this on a value-to-price comparison with competitors. This function has lately been strengthened by the application of policy (goals) deployment and Quality Function Deployment (QFD) approaches that improve the integration and co-ordination of key business processes;
- quality control, comparable to cost control. Quality control are those procedures which are aimed at separating random or expected levels of variation from non-random ones which can then be attributed to special causes (such as poorly trained employees, defective parts etc.) An important objective is to identify weak links in critical business processes that can be removed to reduce further the range of expected or normal variations;
- quality improvement. Here management achieves the aim of achieving greater customer and employee satisfaction by conducting experiments that improve those features they value most;
- faster delivery times;
- sensitivity to customer needs; and
- delivering services more efficiently and effectively;

which are all aimed at trying to keep customers coming back. In this regard benchmarking has become a powerful approach by comparing the organisation with other competitors and best in class companies. The organisation will also endeavour to create conditions that result in better quality of work to keep employees well motivated, creative and loyal.

2.3.2.3.2.3 TQM basic tools

The contents of the toolbox as discussed above are used by management to carry out the quality functions more effectively. These tools are, as mentioned, grouped into three sets known as:
the tools of quality (such as Ishikawa diagram, control charts, Pareto diagram and scatter plots);
the new management tools of quality (such as affinity diagram, matrix diagram, tree diagram, arrow diagram and process decision diagram); and
the product planning tools (group interviews, questionnaire surveys, positioning analysis, concept checklist, table – type conceptualising, conjoint analysis and quality table).

2.3.3 SIMILARITIES AND DIFFERENCES BETWEEN TQM AND THE LEARNING ORGANISATION APPROACH

There are many similarities between the TQM and LOA, they both:

- aim to create new cultures in organisations and recognise the need to transform themselves;
- strive to have organisations develop the human resources of individuals and of groups to the fullest extent possible;
- focus on satisfying genuine needs and expectations of all stakeholders;
- insist on formulating and solving problems with information based on facts;
- emphasise the long term view rather than looking for a quick fix; and
- draw on vast reservoirs of knowledge from different scientific fields.

There are also some differences, the main of which are that:

- the learning organisation focuses on systems thinking and the analysis of issues through the use of system archetypes and simulation models;
- developing a shared vision is treated in more depth and more systematically in the LOA while TQM places more emphasis on leadership and suggesting more a push than a pull approach;
- employee participation is developed more simply in TQM than in the learning organisation; and
- the LOA provides greater depth and insight but also requires greater effort.

In Chapter 3 it is argued that the good elements of the LOA must be incorporated in total quality management to make it a better system. To a large extent this is already happening through the implementation of some of these principles in the new ISO 9000 – 2000 series of standards. This is discussed in more detail in Chapter 4.
2.4 TQM UNDER SIEGE

2.4.1 CRACKS ARE APPEARING

Oakland (1993: 22) defines TQM as "an approach to improving the competitiveness, effectiveness and flexibility of a whole organisation. It is essentially a way of planning, organising and understanding each activity and depends on each individual at each level. For an organisation to be truly effective, each part of it must work properly together towards the same goals, recognising that each person and each activity affects and in turn is affected by others. TQM is also a way of ridding peoples lives of wasted effort by bringing everyone into the processes of improvement, so that results are achieved in less time. The methods and techniques used in TQM can be applied throughout any organisation. They are equally useful in the manufacturing, public services, health care, education and hospitality industries. TQM needs to go around rapidly and become a way of life in many organisations".

Oakland's philosophy, like those of other TQM proponents, can be broken down in the following main components:

- There must be a commitment from the whole organisation, top to bottom, and quality policies must be put in place.
- A quality culture must be created or the organisation must change towards a quality culture.
- There must be effective leadership which include:
  - developing and publishing clear documented corporate beliefs and objectives – a mission statement;
  - developing clear and effective strategies and supporting plans for achieving the mission and objectives;
  - identifying the critical success factors and critical processes;
  - reviewing the management structure; and
  - empowerment – encouraging effective employee participation.

In other words, the aim is to achieve the highest attainable quality possible, which results in a better way to do business.
During the 1980’s TQM spread phenomenally. However, as in all management systems, critics have appeared. The pro and con proponents of TQM are now starting to line up against each other. The following extracts highlight the current controversy around TQM:

- "The nineteen nineties have not been good to TQM: A survey of 500 executives in US manufacturing and services firms indicated that only one third believed that TQM have made them more competitive. A survey of 100 other firms that have implemented quality programmes found that only one fifth believed that their programmes had a significant impact; a Medical Electronic Association survey indicated that use of TQM by member firms dropped from 86% in 1989 to 73% in 1991 and that 63% of the firms reported that TQM failed to reduce the defects by 10% or more, even though they had been in operation for almost 2½ years on average; McKinsey and Company found that two thirds of the TQM programmes it has examined simply ground to a halt because they failed to produce expected results" (Choi & Behling 1997: 1).

- "The phenomenal spread of total quality management has generated an ironic controversy. The controversy pits TQM advocates, who see it as an uniquely effective method for improving organisational performances, against opponents, who see it only as the latest of many organisational fads" (Zbaracki 1998: 1).

2.4.2 THE REASONS GIVEN FOR TQM's FAILURE

Many reasons have been given by a number of writers why many organisations and writers are arguing that TQM is failing.

The main reasons which have been identified are:

- **Reason 1** -
  - TQM is a rhetorical management fad;

- **Reason 2** -
  - TQM has certain inherent flaws in that it:
    - focuses peoples attention on internal processes rather than external results;
    - places too much emphasis on minimum standards;
    - develops its own cumbersome bureaucracy;
    - delegates quality to quality crazes;
does not require vertical reform;
does not demand changes in management compensation;
does not demand an entirely new relationship with outside partners;
appeals to fadism, egotism and quick fixism;
drains entrepreneurship from corporate culture; and
has no place for love.

Reason 3 -
- TQM implements quality by measurement not securing employee commitment. The result is that it is in danger of becoming another managerial fashion where the goal may be displaced by the means, namely quality by measurement.

These are discussed in 2.4.2.1 to 2.4.2.3.

2.4.2.1 A RHETORICAL MANAGEMENT FAD
Writers of management works mostly aim at preaching a renewal of business. In this process new management ideas are developed and are offered as solutions for business growth, business improvement and business results. Many writers have suggested that these are nothing else but management fads which come and go. From this process theories such as quality circles, just-in-time manufacturing, business re-engineering, T-groups and management by objectives and others have created expansive rhetoric which have been unmet by the reality of use. The question which can be asked is whether TQM is not just another management fad which will come and go.

Zbaracki (1998 : 2) wrestles with the question of how a reasonably well defined and established technical intervention like TQM can become an ambiguous and sometimes dubious intervention. Zbaracki (1998 : 2) argues that it is sometimes almost as if there are two versions of TQM:

diamond one TQM, a technical TQM, incorporates some fairly well defined organisational interventions that have clear rules for the use and analysis of information; and
diamond a second TQM, a rhetorical TQM, seems to carry a sort of rhetorical excess which many writers worry about. He observes that from the original statistical ideas of Deming and Juran the rhetorical TQM has exploded in to a broadly used, ambiguous term with unclear organisational implications – save that it presumably improves an organisation.
In a detailed study Zbaracki (1998) considered the adoption, use and retention of TQM in a variety of organisations to see how its institutional processes shape the technical reality of TQM. His article introduces a model of the evolving rhetoric and reality of TQM in five organisations to show how institutional forces can distort the technical reality of TQM. Using interviews, organisational documents and observations; he follows the social construction of TQM in these organisations and traces the relationship between the technical practices and rhetoric of TQM. The model shows that managers assume a rhetoric of success about TQM, use that rhetoric to develop their TQM programme and then filter their experiences to present their own rhetoric of success. Consequently the discourse on TQM develops an overly optimistic view of TQM.

The theory suggests that the rhetorical excess pervading TQM and similar fads follows from the tension between the true technical merit of the practice and the institutional reality of its use. TQM gains institutional value over time because it becomes the accepted way of doing things. Using TQM may provide an organisation with little technical benefit, but the claim to use TQM confers legitimacy on the organisation. Consequently managers will use the rhetorical TQM to gain legitimacy without affecting activities at the technical core of the organisation.

2.4.2.2 TQM HAS CERTAIN INHERENT FLAWS

Harari (1997: 1) argues that TQM often fails to meet corporate objectives due to certain inherent flaws. He argues that managers are beginning to realise TQM is not synonymous with quality. Quality is essential for organisational success and competitive advantage. But TQM is only one of many possible means to attain quality. In other words, quality is sacred, TQM is not. He argues that quality is about an unbending focus, passion, iron discipline and a way of life for all persons. TQM is about statistics, jargon, committees and quality departments. He proposes ten reasons why TQM often does not work, even in an organisational environment that desperately cries out for quality improvements.

Reason 1 – TQM focuses peoples' attention on internal processes rather than on external results

In his view managers/non-managers are required to become internally focused, even as all the action is happening externally. This, he says, defocuses managers' attention from consistently shifting perceptions and customer preferences as well as the market choices available to them. He argues that an award system such as the Baldrige Awards is actually counter-productive when it reinforces this internal preoccupation. He says it does so by allotting only two hundred and fifty or so possible points out of one thousand to the actual results of the firm's quality efforts while
the remainder are allotted to internal processes improvement. Internal process improvement is a good thing but if that is where managers focus their primary attention the firm becomes efficient but less responsive, flexible and interesting and therefore less effective.

**Reason 2 – TQM focuses on minimum standards**

Although zero defects and no rework efficiency are laudable goals, attaining this means to get to play in the arena but is no guarantee of success. TQM, according to him, seduces many people into believing that minimum standards define quality. In today's global economy quality also includes the capacity to offer customers things that add excitement, and add value to their lives. Quality means offering customers products, services and personal experiences with the company that they will find easy, useful, intriguing and even fun.

**Reason 3 – TQM develops its own cumbersome bureaucracy**

TQM programmes assume that quality is an orderly, sequential, linear and predictable process. Building such an orderly system eventually leads to building a bureaucracy around it. This has little to do with energetic, lithe, and market driven quality. In essence the system driving the quality effort becomes so cumbersome that it becomes expensive and eventually ineffective.

**Reason 4 – TQM delegates quality to quality crazes and efforts rather than to real people**

Quality cannot be delegated. It must be seen and lived by everyone on the payroll. It must be central to company strategy, operations and individual jobroles. Many TQM programs anoint somebody or some group within the company as the “grant pooh-bah” of quality.

Quality is a way to do business and he asks himself whether one needs a director or department in charge of the way to do business. If quality is the centre piece of doing business it becomes everyone’s responsibility and the cornerstone of strategy and operations, including budgeting. In essence he argues that organisations talk about real people and that empowered employees and informed and involved customers are crucial for the sake of quality interventions. According to him American computer and auto companies involve only 12% and 28% of their employees respectively in ideas suggestion. Customer complaints are considered of major or primary importance in only 19% of banks, 26% of hospitals and 26% of computer makers. In Germany and Japan 60% and 73% of the computer makers use customer complaints for shaping quality
interventions. According to him quality cannot be delegated. Commitment, ownership and involvement by real people at all levels is what characterised success stories like Motorola, Milliken, Federal Express and Harley Davidson. It was not TQM alone.

**Reason 5 — TQM does not demand radical reform**

An organisation weighted down with excess management layers, corporate staff and many functions will not become effective through TQM training. Effective quality improvements demand a flattening of structures, liberation of line management from corporate control and the breakdown of functional foxholes. He argues that efforts and disciplines that include outsiders like customers and suppliers must become the institutional norm. According to him TQM pays lip service to those issues but barely confronts them head on.

**Reason 6 — TQM does not demand changes in management compensation**

He argues that if quality indices become important determinants of management compensation then people really start taking quality seriously. However, in his view TQM generally divorces itself from compensation issues.

**Reason 7 — TQM does not demand an entirely new relationship with outside partners**

New relationships with suppliers, joint venture partners and other company business units are vitally important, as well as those with subcontractors and organisations and people to whom jobs are outsourced. With the need of fast, top quality turnaround work new non-adversarial non-legalistic relationships amongst partners become crucial for total quality. These relations are often based on concepts such as trust, honesty, inclusion, mutual support and candid non-legalistic expectations of both parties' responsibilities.

**Reason 8 — TQM appeals to fadism, egotism and quick fixism**

Although he admits that he might be harsh on TQM on this point he suggests that too many people who try to sell TQM have perhaps inadvertently appealed to these weak traits amongst managers.
Reason 9 — TQM drains entrepreneurship and innovation from corporate culture

According to him TQM programmes attempt to standardise and routinise the internal processes with carefully developed sets of measurements and methodology. Customer preferences and choices are constantly evolving and changing. Likewise, product and service offerings must be constantly evolving and changing too. Internal obsessions with warranties, zero defects, and do it right the first time routines are dangerous luxuries that often slow down new breakthrough developments in products and services which is the cornerstone of business success.

Organisations are faced with a paradox. On the one hand they must pursue constant improvement towards perfection in what they are doing now, but on the other hand they must encourage risk and tolerate errors in pursuit of the destruction of the status quo and the creation of the new. TQM only addresses the first and does not address the second part of the equation at all. He cites the Japanese scholar Ikujiro Nonaka who proposes that business success in the 1990's and beyond will be dependent on management’s ability to induce and amplify organisational chaos. He cites the example of Microsoft whose stock value is higher than that of either Boeing or General Motors even though its sales and physical assets are a fraction of theirs. The reason is because investors anticipate that Microsoft’s earnings will be higher and the reason they do so is that they know Microsoft consistently and creatively destroys its current offerings and replaces them with new products and features that customers will gobble up.

Reason 10 — TQM has no place for love

TQM attempts to make quality happen via an analytical, detached, sterile and mechanical path. What is often missing, according to him, is emotion itself. He asks himself the question “Where is the love of the product and the customer? Where is the joy of the pursuit of excellence? Where is the passion in the doing and the creating? Where is the fun in being here? Where is the thrill in accomplishment?” (Harari 1997: 8).

He summarises his concepts and arguments as follows: “To be sure, even traditional TQM can provide a genuine service when it gets people sensitised to the concept of quality, when it helps people get disciplined in the efforts to attain higher quality, when it offers people some pragmatic tools to help them in that process, and where it injects some commonality in language and goals into the company culture. But, when one strips away the hype what TQM really does it is, at best, a small part of quality, at worst a distraction from the real thing. And what is that real thing? As
customers, we know. We know when we experience real quality; we know which vendor provides the real thing and which one doesn't" (Harari 1997:9).

2.4.2.3 TQM IMPLEMENTS QUALITY BY MEASUREMENT AND DOES NOT SECURE EMPLOYEE COMMITMENT

Grint (1997:1) is of the opinion that several quality management concepts present dangers rather than provide benefits to an organisation. Managers that focus too much on tools such as TQM, BRE, JIT, BSC and other acronyms have the tendency to implement quality by measurement. This does not secure the commitment of employees at all levels because they are not involved in the process. In addition TQM does not measure all aspects of quality such as leadership skills or the ability to function properly in teams.

According to Grint (1997:2) all these management techniques are in danger of consuming themselves through a process in which the goal is displaced by the means, namely quality by measurement. While having no doubt that progress has been made towards total quality improvement through TQM and ISO 9000, Grint focuses on two sets of waves:

- waves of managerial fashion where he considers the various arguments for the growth of the quality movement; and
- waves of drowning where he explains where some of the dangers to the quality movement lurk.

2.4.2.3.1 Another wave of managerial fashion

Quoting Pascale (1990:20) Grint (1997:2) refers to all the major developments that have swept over management like waves crashing on to the beach since World War Two. Pascale (1990:20) makes the point that every year, on average, a new fashion emerges. Grint asks himself why there is this feast of fashions. There are five major different approaches to explaining all these continuous changes.

Wave 1: The rational idea approach

The first explanation is the simplest. People innovate because innovation works. In other words in a dynamic market economy the only way to stay marginally ahead is to generate some kind of competitive advantage through continuous innovation. In this way they focus less on the rationality of the idea.
Wave 2: The structural requirements approach

The second explanation considers the extent to which the explanation for change lies completely outside the remit or control of individuals or groups and falls squarely within the logical requirements of the situation which tends to be an economic structure. In this approach each management fashion appears as a wave that builds on its predecessor, retaining the progress made before, while discarding the weaknesses and extending the residual strengths. Management fashions can in part be explained by management's need to alter its control strategies to suit the conditions. These fashions therefore respond to the economy. American management theory, according to Grint, has generally been conceived to represent this rational development towards a more effective system over time. A proper model tends to divide management thinking into three modes namely:

- coercive;
- then shifting to economically and rationally utilitarian; and
- then shifting to normative,

in line with work changes.

A different approach is taken by Barley & Kunda (1992: 387) where the evolutionary pattern is replaced with a pendulum pattern as control shifts from normative to rational and back again across time. They consider the USA to, until then, have experienced five distinct patterns namely:

- industrial betterment (normative) from 1870 – 1900;
- scientific management (rational) from 1900 – 1923;
- human relations (normative) from 1923 – 1955;
- systems approaches (rational) from 1955 – 1980; and

The normative approach is rooted in securing the commitment of the employees while the rational approach is rooted in securing control over employees.

Managers must understand the structural forces that impinge on them and alter their methods and ideologies so that they are symmetrical with, and aligned to, the current state of affairs. He considers the rise in psychometric testing, BSC and the urge to measure whatever can be measured as the beginnings of a new rational (i.e. securing control over employees) wave. Those managers who adopt these approaches first at the beginning of the wave will, according to him, be likely to secure an early competitive advantage.
Wave 3: The charismatic approach
The third explanation for the rise of management fashions focuses more on the weaknesses of organisational leaders than the requirements of the environment. In this approach, leaders are inadequate to the task of steering their organisations through troubled times. Because of the unstable and increasingly competitive market managers tend to look behind them and tend to respond, not logically, but simply emotionally as they look for ideas or individuals to save them, rather than examining what the external situations suggest they should do. In this regard he refers to Tom Peters in action, where high levels of destabilisation are created amongst the audience, which unfreezes them. The promise of salvation is then offered if the participants agree to change, and finally the novelty of the new way is related back to the old ways so that the participants may refreeze the learning and the changes.

Wave 4: The distancing approach
Some change programs may provide the worn out manager with a new identity which is distanced from the previous one i.e. a return to something rather more exiting than that which they were used to. For this reason some of the change programmes are very popular. It gives senior managers the opportunity of maintaining, re-establishing or even reducing some distance between themselves and middle managers through an array of change programmes. This may lead to rival organisations vying for a position of leading edge over each other.

It is not the change program that is important but the idea of an innovative and powerful group of its leaders who have the ability to change direction as and when they please. Change programmes will therefore increase in velocity as status divisions between senior and middle manager decrease.

According to Grint (1997 : 5) it seems that the majority of change programmes of all variants fail. Both the cause and the consequence of this is the search for yet another change programme that will deliver the goods virtually overnight without organisations, or at least the senior managers, having to go through too much soul searching or organisational threat.

For this reason programmes such as TQM or Management by Objectives (MBO) are adopted, not because they may objectively be evaluated as good, but because they are fashionable ideas. As a result the managers accept the changes in the same light that they accept changes in fashion. They do not buy it to last forever but until fashion dictates that it should no longer be used they accept it. Their dedication to it is therefore temporary.
Wave 5: The institutional approach

Institutional theory suggests that organisational decision-makers often take decisions and actions based on the lead taken by others in the field. They start following each other. The normative influences on individuals are too great for most to resist. Where the organisations do not have visionary leaders they start following one another into the whirlwind of change because everyone else is doing it. This leads to an inherent tendency to decay.

2.4.2.3.2 Drowning by numbers

Just as there are a number of different ways of explaining the waves of change that crash over and into management there are equally diverse ways of considering the potential forms of drowning threatening those in the midst of change. The question which Grint (1997: 7) endeavours to answer, is whether compliance with the requirements of TQM or ISO 9000 poses a threat to the goal itself. In this regard he considers a number of drownings.

Drowning 1: Forced to be free

A critical touchstone of TQM is the involvement and the commitment of the workforce at all levels. Quality control in theory must be delegated to its lowest possible position which means that shopfloor workers or office workers are responsible for their own quality control. Everyone must therefore be fully committed to TQM. However, commitment is best achieved through ownership. In terms of TQM this means that it is fundamentally based on the principle that all employees own and are committed to the notion of self-responsibility for quality.

But the requirements of ISO 9000 and TQM do not require the employees to construct the metrics for monitoring. On the contrary, the metrics are developed by experts from above them or outside the organisation. They must be forced to be free, yet they must be required to conform for the system to work. The question which Grint asks himself, is whether, if commitment is best secured through ownership, a system of externally imposed standards can be the vehicle for securing this commitment.

Drowning 2: The uncertainty principle

There are various pairs of properties that cannot be measured accurately at the same time, notably the precision and velocity of a sub-atomic particle. This is similar to one of the most obvious, yet least appreciated, aspects of motivational schemes that occasionally work. If people are paid to concentrate on quality the quantity tends to drop and if they are paid by quantity the quality seems to drop.
The problem is that both are important but they appear to be mutually exclusive. The implication for management is that at work they measure those elements that are easily measured but not those that are difficult, such as:

- they measure quality standards of the manufactured product or customer satisfaction levels but tend to avoid measuring leadership skills or team working ability. Yet it may be that the more intangible issues hold the key to future success; and
- quality measurements can tell them whether they are meeting the required standards of today, but not whether this makes staying in business tomorrow any easier.

**Drowning 3: Pyramid Investment**

According to Grint (1997: 8) most of the literacy on quality improvement and indeed most managerial changes suggest that improvements are relatively pain free. Just as investing in a pyramid scheme suggests pain for some, the only certain thing about business improvement seems to be that success for some breeds failure for others. Many organisational "improvements" lead to job losses because the pyramid has no base. As a consequence of TQM and many other related developments, many supervisors, middle managers and quality department members now have a long and illustrious future behind them.

This argument is born out by McAbe & Wilkinson (1998: 1) where they criticise TQM because it was said to bring about unity, teamwork, autonomy and empowerment to the manufacturing industry. This did not necessarily happen because TQM utilises methods of organisational restructuring such as flattening management hierarchies, flexible working activities and process orientated approaches to work. This hierarchical imposition of redundancies and employment insecurity has negatively affected the effectiveness of TQM.

Creating or sustaining employee commitment which, at the same time, introduces job losses hardly seems conducive to creating a corporate-wide concern for quality where everyone would want to do things right the first time. Change programmes often come unstuck because they are essentially political and not rational movements. They are not designed to ensure that everyone wins but rather that some win and some lose. The consequence is inevitably a degree of resistance.
Drowning 4: Bureaucratic nautilus

If organisations apply the formal methods of auditing and quality control as embodied in TQM and ISO 9000 they will inevitably generate a more efficient organisation with a higher level of quality than organisations that run without these procedures. The future may then, however, become increasingly bureaucratised and efficient but the point of the efficiency may be lost in the maize of bureaucracy itself and in the myriad of procedures, experts, measures and systems designed to ensure maximum efficiency.

The problem is that the methods may gradually suffocate the goal, the means may become the end and the procedures may become the purpose. In one form TQM implies a debureaucratization of the workplace as its responsibility is decentralised to the person directly involved in the production or service. But this is overlain by an array of procedures and metrics that, by definition, redeploy a layer of bureaucracy. In Weber's nightmare future organisations are extremely efficient at auditing themselves but why they do this is a mystery, because their very purpose has become obscure.

Harari (1997) and Grint (1997) therefore agree that:

- TQM can impose cumbersome bureaucracies;
- there is perception that there is no love in TQM, leading to staff uncertainties and even opposition;
- TQM may appeal to fadism (i.e. it may only be another wave of managerial fashions); and
- entrepreneurship and innovation is removed from corporate culture (employees are "forced to be free", but have, in essence, very little freedom).

Their perception, that it may only be another management fad, is reinforced by Zbaracki (1998) who makes the point that management rhetoric may, in fact, reduce TQM to just another management fad.

These criticisms are obviously valid and TQM proponents will have to take notice of them. The question which they must answer is whether management has, to date, not been using the wrong approach and has reduced a sound concept to a fad, not because the concept is not sound, but because they lack the knowledge and skill to implement it correctly. This is dealt with in Chapter 3 in more detail.
2.5 THE CORRECT APPROACH

It is only natural that any management system will have its proponents and its antagonists. The problem is whether TQM must be thrown out of the window purely because antagonism is developing towards it.

The question which will be discussed in the rest of this thesis is how the implementation of TQM can be refined by developing a management system which can meet both the demands of quality and the expectation of the people who staff organisations.

This requires balancing the demands of the organisation with those of its staff. It demands a much greater insight into the role of management and the development of the people within the organisation to ensure sustainable growth.

Studies such as those conducted by Easton & Jarrell (1998 : 1) have, according to them, conclusively proven that organisations which implement TQM experienced long-term performance improvement. According to them the results of investigating 108 organisations that began TQM implementation between 1981 and 1991 clearly indicate that performance, measured by both accounting variables and stock returns, has improved for firms adopting TQM. The improvement is constant to standards for firms with more advanced TQM system. According to them, data does not support the hypothesis that downsizing could explain the improvement in performance.

The challenge is to find reasons why TQM works in some organisations and not in others. The arguments advanced by Shin et al. (1998 : 1-7) and others which conclusively prove that there is a high failure rate (60% to 67%) quoted in the literature, has made many companies believe that TQM has not been delivering on its promises.

In the rest of this study those elements of TQM on which greater emphasis must be placed will be discussed, highlighting the critical role of management, not only in the development of new management systems and procedures but in the development of all the people in the organisation.
2.6 CONCLUSION

TQM has become very prominent in the last three decades of the 20th century. As it spread its influence various approaches to TQM developed, including the TQM element approach, the guru approach, the organisational exemplar approach, the Japanese total quality approach, the price criteria approach and many others.

All these approaches are aimed at bringing about a change in the fundamental beliefs, values and cultures of the organisation.

To achieve the above objectives organisations use quality control tools and develop philosophies and new styles of management. These are normally the result of dissatisfaction with the status quo which then leads to approaches being adopted to change the status quo, whether they be BRE, LOA, TQM or a mixture of them.

Notwithstanding exhaustive efforts to introduce TQM and many success stories a perception is developing that TQM is failing. For this there are many reasons, particularly that it is just another management fad, it is cumbersome, has no place for love and many others.

Organisations wishing to implement TQM must be aware of these realities and must develop a management system which does not only talk about TQM but finds ways to make it work. Ultimately management must drive the process and accept responsibility for its success or failure. This requires a new management style, recognition of sound principles for service design, empowering all staff and taking effective steps to assess impact of the organisation on its customers. All these factors are dealt with in the rest of this thesis.
TOTAL QUALITY MANAGEMENT: A STRATEGIC MANAGEMENT APPROACH

CHAPTER 3

TOTAL QUALITY MANAGEMENT – CORRECT MANAGEMENT APPROACHES

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3.3 THE ISO APPROACH
3.4 CONCLUSION
TQM currently faces huge challenges. A perception has developed that TQM does not always work.

For TQM to work, management at all levels must be totally involved in the process and must provide effective leadership. In this regard, management must adopt a number of approaches:

- a developmental orientation;
- manage the paradoxes in the TQM environment;
- be realistic and not rely on rhetoric;
- implement TQM properly;
- recognise the importance of people within the TQM process;
- provide effective leadership;
- adopt a mixture of LOA, TQM and Core Value Deployment (CVD); and
- look at the future and anticipate change.

Managers must realise that there is a great responsibility on them to provide effective leadership within a TQM environment. In this regard, the establishment of core values, which are aimed at making the organisation better, is vitally important. This implies that managers must make these core values part of their personalities, in the absence of which, staff will perceive a non-commitment to excellence.
TOTAL QUALITY MANAGEMENT : A STRATEGIC MANAGEMENT APPROACH

CHAPTER 3

TOTAL QUALITY MANAGEMENT – CORRECT MANAGEMENT APPROACHES

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TOTAL QUALITY MANAGEMENT - CORRECT MANAGEMENT APPROACHES

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3.1 INTRODUCTION

In Chapter 2 the problems currently experienced within the TQM field were discussed. There is no doubt that there are many challenges facing TQM today. The proverbial honeymoon is over for TQM and it currently faces huge challenges.

TQM has many good elements such as that it:

- requires top management leadership and commitment;
- focuses on the customer;
- propagates employee involvement and empowerment;
- focuses on continuous improvement;
- propagates supplier partnerships;
- recognises quality as a strategic management approach;
- uses statistical tools to measure performance;
- provides that design must lead to product and service quality;
- introduces performance measures focusing on quality; and
- says decisions must be based on facts.

However, notwithstanding these good theories behind TQM, managers are, as mentioned in Chapter 2, beginning to realise that TQM is not synonymous with quality. While everybody agrees that quality is essential for organisational success, competitive advantage and survival, managers are starting to question the role of TQM in meeting the challenges facing modern organisations.

It is therefore only logical that magazines, newspapers and academic journals will start publishing reports on the failure of TQM. While many companies have demonstrated improvement in attaining high quality and business performance, others have either abandoned or reduced their efforts towards TQM programmes.
In Chapter 2, various reasons for TQM's failure are discussed. But some writers and academics also argue that failures are sometimes attributed to TQM which is in reality not TQM. Becker (1993 : 30-34) argues that Motorola, Xerox, Chicago Faucet, Southern Pacific and other companies with successful TQM programmes are doing something right, something which is called TQM. Those who fail are doing something wrong. He argues that what appears to be failures of TQM are experienced by those who do other things, but call them TQM.

Other writers contend that the problems come from the oversell of TQM and that many managers were disappointed because their hopes were too high. Doyle (1992 : 12-19) argues that a lot of problems people experience result from unrealistic expectations. People expect to gain in a year or two what it took some of the leading Japanese companies thirty years to achieve.

Another possible explanation is that management has failed in its duty to implement TQM properly, i.e. that management has not provided effective leadership.

Choi & Behling (1997 : 1-12) in their research found that top manager attitudes towards time, goals and customers differ from firm to firm and that these differences yield distinctly different approaches to TQM. These approaches, in turn, influence TQM's chances of success.

Many other writers have also come to the conclusion that the role of top management in the implementation of TQM is vital for its possible success or failure. In this chapter an endeavour is made to identify those approaches which are vital for successful implementation of TQM.

3.2 TQM PRINCIPLES – CORRECT MANAGEMENT APPROACHES

For TQM to work management must adopt a number of approaches. These approaches are sometimes difficult to make part of a management style. TQM is no quick fix solution for organisational prosperity and management must accept that proper implementation requires commitment, planning and honesty.

In this chapter it is argued that managers tend to talk and think about TQM without often really understanding what TQM is about. This leads to a rhetoric of success without real proof of success. Management must therefore move away from rhetoric to a true understanding of the
efforts involved. Management must understand that successful TQM implementation requires a life long commitment.

Eight management approaches are important for proper TQM implementation. These are summarised in Table 1 below and discussed in sections 3.2.1 to 3.2.8 below.

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Develop people
1. Recognise importance of staff
2. Motivate staff
3. Recognise the people factors which can negatively impact on TQM
4. Give attention to the human costs of TQM
5. Train staff
6. Present the true picture

Provide effective leadership
1. Leadership preparation
2. Establish core values
3. Build core values into people
4. Delegate, educate, train and combine with core values
5. Enable people to make right decisions
6. Communicate a core value system
7. Have faith
8. Forgive honest mistakes

Adopt a mixture of LOA, TQM and CVD
Integrate approaches into management system
A more flexible system

Look at the future and anticipate change
Anticipate future changes
Become future oriented

Source: Own compilation

3.2.1 APPROACH 1 – ADOPT A DEVELOPMENTAL ORIENTATION

Choi & Behling (1997: 1-12) identify three main orientations of top managers. In the study they selected USA suppliers of components to automobile manufacturers because TQM has had a profound effect on that industry. They selected two companies each from power train, body parts and interior parts suppliers where annual sales per employee ranged from $100 000 to $150 000. All these companies had implemented some TQM practices. They interviewed about fifteen people, including both managers and employees, in each company.

The positions of the managers included presidents, vice presidents, general managers, plant managers and similar names while employees interviewed included engineers, quality control personnel, line leaders and senior line workers. The interviews with top managers focused on their feelings towards, and beliefs about, implementation of TQM related methods, whereas the interviews with employees probed for information about the actual implementation of TQM practices in these companies.

The orientations of the top managers at the six companies fell into three categories namely:
The developmental orientation where managers consider TQM primarily as a tool for growing the firm's business. These managers are fully aware of the interrelatedness amongst different TQM activities.

The practical orientation where managers consider customers strong and demanding. They believe that doing exactly what customers require is the best way to succeed in today's business world.

The defensive orientation where managers focus on protecting the firm from unreasonable demands by customers whom they consider necessary evils to be kept at arm's length rather than to be co-operated with.

These three categories are discussed in section 3.2.1.1 to 3.2.1.3 below.

3.2.1.1 THE DEVELOPMENTAL ORIENTATION

These managers are not content with satisfying their current customers. They try to transform their organisation into one of the best in the business. They believe that they must compete against the best and regard TQM as essential for the firm's growth. They make employee education a key component of the company. These managers recognise the need to integrate the various TQM techniques and believe that for one person to work all people must work. The managers are future focused and they see customers as partners in a co-operative relationship. They believe in open dialogue between the firm and its customers.

3.2.1.2 THE PRACTICAL ORIENTATION

The practical orientation concentrates on identifying and managing responses to customers' immediate needs. These managers use TQM as a tool for reducing rejection rates and improving customer satisfaction but TQM is not clearly related to a larger vision of future growth or excellence. To some extent they implement TQM processes because they have to do so to meet customer requirements. Their approach is more reactive while the developmental orientation is more proactive.

Obviously these managers focus more on the present because they endeavour to meet current needs of customers as and when they change. Although these managers are customer orientated they are, in fact, placing too much emphasis on the customer and they view customers as superior in both their knowledge and their business practices. Therefore the customers lead and the suppliers follow.
In the developmental orientation an equal partnership is sought and in the practical orientation a leader-follower relationship is sought, i.e. “customers demand and we conform”. These companies adopt TQM because of demands from their customers and not as part of a programme to achieve future excellence.

3.2.1.3 THE DEFENSIVE ORIENTATION
Managers operating under the defensive orientation are resentful, even hostile toward customers. They adopt TQM because their customers require it but unlike their practical counterparts, they do so grudgingly. In the practical orientation the supplier will jump to conform to clients’ or customers’ needs but in the defensive orientation there is a reluctance to implement TQM or to make other changes. There seem to be a half-hearted approach to the implementation of TQM and managers have no real commitment to TQM as a process, or quality as a goal. TQM is therefore adopted in a largely superficial way.

These managers are normally bitter about past dealings with their customers and are suspicious about their customers. They tend to be past orientated. They see their company as trying to survive in a dangerous environment with hostile customers. They are preoccupied with past problems and they attempt to broaden the company’s customer base in an attempt to reduce its dependence on single customers.

They view customers as unreasonable and threatening.

3.2.1.4 ADOPT THE DEVELOPMENTAL ORIENTATION
The study of Choi & Behling (1997 : 1-12) reveals a clear relation between the orientation of top managers and the likelihood that their firms have an active TQM programme. The companies with the developmental orientation adopt more TQM related practices than the practical and defensive orientated companies. They found that the company which introduces one or more new TQM practices every year, goes beyond fadism to a long term commitment.

For the various management orientations success means the following:

- defensive manager – if a demanding customer can be kept of the firm’s back it will mean that TQM is a success;
- the practical manager - success will mean making improvements in response to customers’ wishes that will be reflected in indexes of customer satisfaction; and
developmental manager – success will occur only when they are able to use TQM to move the firm to an higher level of performance. They believe that from this perspective TQM leads to long term success only when top managers operate from the developmental orientation.

Choi & Behling (1997: 9) believe that the problems with TQM do not originate entirely in the use of poor substitutes sold under the TQM label or from managers with overly high expectations or mishandling of TQM implementation. They suggest that the source of the problem may be found in top managers’ orientations and they believe that winning TQM programmes can occur only where top managers move beyond defensive and practical orientations to embrace a developmental orientation.

Doing this is not easy because:

- it is not always easy to develop a partnership with difficult customers. But endeavouring to meet customers needs by merely going through the motion of TQM is not a long term solution;
- managers may have to move beyond the practical orientation and need to do more than to respond to customer needs. This, in essence, goes against the suggestions made by many authors and commentators that the prime objective of management must be to respond to customer desires. For some managers a practical orientation is already a radical step forward and if they are now asked to go even further it makes the step all the more radical. The reality is, however, that if organisations only tend to meet customer needs, aspects such as innovation, new designs and others may be neglected which could lead to a loss of a competitive advantage; and
- organisations will have to co-operate more closely with both their suppliers and their customers and will have to involve their suppliers in decisions regarding the design and the manufacturing of products and services.

In the developmental orientation the focus is the future, the main managerial concern is mutual growth and the image of the customer is that of a partner.

A developmental manager will:

- worry about the possibility that close relationships with a major customer will sour because partnerships with customers are needed to grow businesses;
if he/she must agree to a major customer’s request for changed procedures, take steps to improve his/her firm to make it more competitive;

- when he/she discusses a customer try to ensure that nothing happens to sour the long-term relationship with a customer;

- when he/she makes business decisions, do so with a desire for the firm to grow in the future;

- when he/she thinks of major customers regard them as equal partners with whom they must work together to solve problems; and

- when a major customer requests information, try and understand why it is making the request in the hope of learning something that will make the firm more effective.

In the developmental approach the organisation therefore embraces the customer, by making him/her its partner, with the aim of stimulating organisational growth. See Figure 3.1 below.

**Figure 3.1 DEVELOPMENTAL APPROACH**

Because the aim is to stimulate organisational growth through partnerships, the organisation is anticipating changes and takes steps to cope with them. It reduces the risk of Grint’s second drowning (2.4.2.3.2 Chapter 2). At the same time, this manager will not only focus on internal processes, but also on customers and overcome this flaw referred to by Harari (2.4.2.2 Chapter 2).
3.2.2 APPROACH 2 – MANAGE THE PARADOXES IN THE TQM ENVIRONMENT

Thompson (1998: 1) argues that the introduction of TQM in organisations often give rise to paradoxes as managers and employees are compelled to adjust to new modes of operation which may contradict the principles they had adhered to in the past. By understanding the paradoxes that come to the fore in a total quality environment the focus of management is sharpened on the elements that create a culture dedicated to quality.

3.2.2.1 PARADOX 1 – SEEK DIVERSITY BUT BUILD A SHARED VISION

In TQM the use of teams is considered very important. One of the core values of TQM is the importance of team focus and participation. TQM relies on the diversity of ideas, backgrounds, etc. to help teams make the right decision.

At the same time the organisation wants to be customer focused and wants to work as a focused entity to achieve this. Management must therefore overcome Grint’s Drowning One (see 2.4.2.3.2 Chapter 2).

Leaders must match the challenges of diversity with those of cohesiveness. According to Thompson one possible response is to consider diversity and a common philosophy as different end points on the same continuum. The leader must admit that increased diversity weakens an organisation’s ability to build a shared vision or that a shared vision can only be accomplished through compromising the degree of diversity.

There is however an alternative view namely to consider diversity and common vision as two different constructs and not end points on the same continuum. Hence an organisation can have diversity and a shared vision. This is the correct approach.

All persons in the organisation must believe in the goals of the organisation, share its common vision and regard customers as important. These beliefs are vital for customer satisfaction. But neither must the organisation allow there to be dissenters of the reality that diverse views are necessary for the long-term survival of the organisation. Leaders must seek out those employees who share the visions of the organisation and the insights from their diverse backgrounds for the common good of the organisation.
3.2.2.2 PARADOX 2 – ENCOURAGE CREATIVITY BUT BE CONSISTENT IN EVERYTHING

In a TQM environment creative ideas are important. Customers, suppliers and staff are, in theory, encouraged to give inputs to changes of processes, service and product designs and to suggest new ideas for products or services. However, at the same time customers expect consistency in the products and services they receive. Terms such as non-compliance and reduction of variations are all considered important.

A question that can be asked is whether this is a paradox or not. Managers must realise that there is a distinction between operational components of a job, which are the normal activities which are associated with an individual's task and the second dimension, which is generating ideas to improve the organisation including the employee's own job. Innovation is often concerned with problem solving and continuous improvement (i.e. ways to meet standards more efficiently) and this requires highly creative and innovative ideas.

Thompson (1998 : 3-4) argues that leaders and followers must realise that there are two distinct dimensions to each task, namely: the operational component and the generation of ideas. Therefore creativity must be encouraged. However, it requires a future orientated thought process in managers. To some extent the defensive or tactical orientated manager discussed in section 3.2.1 will find this extremely difficult to cope with. It is the future orientated manager who will be able to cope with this aspect more easily. At the same time this manager will realise that TQM does not need to stifle entrepreneurship but can, in fact, harness it to achieve better results. In this way, the argument of Harari that TOM stifles entrepreneurship is overcome (2.4.2.2).

3.2.2.3 PARADOX 3 – FOCUS ON CONTINUOUS PROCESS IMPROVEMENT BUT MAKE BREAK-THROUGH CHANGE AN IMPORTANT PART OF THE JOB

Continuous process improvement is important in TQM. By definition this stresses the need to constantly consider how to make a process or product faster, cheaper and more reliable. However, the company must also look at new technologies and new methodologies which will enable it to improve and invent methodologies which can meet customer needs.

The problem which arises in TQM is that where the company is involved in a process of continuous improvement it does not want to take revolutionary steps to improve methodologies but rather make changes as and when they are required. It keeps the organisation focused on customer needs. This is the typical practical approach which was described in paragraph 3.2.1.2 above.
The manager must understand that even though the company is involved in a continuous improvement environment it must facilitate break-through changes.

Management must realise that this paradox is not really a paradox. The organisation needs both break-through and incremental changes and the continuous process improvement philosophy must be the avenue for both.

Managers must therefore provide a culture which encourages both break-through and continuous process improvement.

3.2.2.4 PARADOX 4 - USE AUTONOMOUS WORK GROUPS TO ENHANCE PERFORMANCE BUT ENSURE CAREFUL AND UNIFORM CONTROL OF PRODUCT AND SERVICE QUALITY

If employees have greater control in a process or department they feel the strongest sense of ownership in the finished product and they are more likely to find creative solutions to meet performance and goals and to show greater commitment to their goals. This is another reason why teams are at the core of any total quality approach.

However, a total quality environment demands a high degree of reliability and consistency in performance which means more control and monitoring. In the case of the service industry the way customers are treated is very important and this forces an insistence on a set of standard behaviours for all employees.

This is one of the main reasons why a quality system, with its accompanied procedures, often form part of a total quality management process. Procedures are developed for the various tasks and assessments and auditing is done on a regular basis to compare performance to standards.

This is a real paradox. The concepts of control and autonomy are clearly in opposition to each other. But both are important. According to Thompson (1998: 6) reconciling this paradox requires a high degree of leadership skill. The leader must focus on finding clear indicators of performance that still provide reliability and consistency while allowing employees discretion in how they reach their performance goals. He proposes that employees must be given increasing autonomy but with maximum contact with their leaders. The leader assumes the role of a facilitator while effectively monitoring the processes. In this case the leader provides support, gets feedback and
through the process of monitoring not only monitors performance but in fact makes it a form of recognition which is important for motivation.

3.2.2.5 PARADOX 5 – BUILD A WORK TEAM BUT WELCOME CONFLICT WHEN CRITICALLY ANALYSING IDEAS

The use of teams in a quality environment is regarded as important. However, many writers have recently been criticising the team concept. The issue is not deploying teams but deploying effective teams which is the central idea in TQM. In this regard the team must be cohesive and must be able to perform critical analysis.

If teams are too cohesive, the value of group decision-making decreases. An effective group must be one that shares different viewpoints and challenges the ideas of each other. This must however be done without producing destructive conflicts and the loss of cohesiveness.

The manager must ensure that conflict, should it result, assumes a positive dimension. This can be done if the team is built on a foundation of mutual respect and focuses on issues not on personalities. The conflict will occur as team members examine issues, and find solutions, but the leader must ensure that it does not focus on individual related issues. There must be a focus on the team's output and processes. The team must also review its processes as it proceeds on a project. It must in fact encourage critical analysis of what has happened and suggest improvements.

3.2.2.6 PARADOX 6 - SET REALISTIC YET CHALLENGING GOALS FOR MAXIMUM PERFORMANCE BUT USE STRETCHED TARGETS TO IMPROVE PERFORMANCE

It is generally accepted that setting goals lead to higher levels of performance than not setting goals but it is also generally accepted that goals must be realistic. The paradox lies in the fact that if this is so, employees may feel that stretched targets are unrealistic and abandon efforts to achieve them.

Employees will only buy into stretched goals if they:

- are given higher levels of autonomy;
- have greater control over how the work is done;
- can avoid the lengthy review processes necessary in most change approaches; and
are given access to the information they need, when they need it and how they need it.

According to Thompson (1998: 8-9) leaders must handle this paradox on two levels:

- they set challenging but realistic goals for normal operational performance and continuous process improvement; and
- they set stretched goals to help them achieve break-through changes.

The managers and leaders must manage the process and give encouragement by giving more autonomy and more control to teams where they set stretched goals.

**3.2.2.7 PARADOX SEVEN – REWARD TEAM EFFORT BUT CREATE A HIGH PERFORMANCE CLIMATE FOR INDIVIDUALS**

Organisations often use teams to get employees involved in more than their individual tasks and to focus more on the goals of the organisation. By rewarding team effort they focus individual effort more towards common goals. The organisation must, however, ensure that team rewards do not stifle individual efforts and must recognise superior individual performance while rewarding group performance.

Any organisation needs persons with high levels of performance with respect to their basic tasks and their creativity in providing ideas for quality improvement. But it also needs teams that are more than simply a collection of individuals and who can work together to achieve common goals.

The leader must balance both dimensions carefully. The manager must assess how well an individual works within the group. He must identify the loafers and the heros (i.e. he must balance the results of the reward structure to focus on group output and on individual output). The leader must focus on the individual’s contributions to the team process as one component of that person’s performance evaluation. The leader therefore looks at:

- his/her specific job performance;
- the productivity of the team of which the individual is a part; and
- how that individual contributed to the team’s efforts.
3.2.2.8 BRINGING PURPOSE TO THE PARADOXES

According to Thompson (1998 : 11) the first three paradoxes relate to creating the culture of the work environment. By seeking diversity, building a shared vision, encouraging creativity, maintaining a consistent focus and encouraging break-through and continuous process improvement the organisation creates a culture in which quality is the central concern.

The other paradoxes centre on building a responsive team environment. A cohesive team must also be able to critically analyse ideas if it wants to remain effective. If stretched goals are set it can lead to dramatic results if the necessary environment is there to support its efforts.

At the same time an environment must be created and maintained that supports performance. This is done by reinforcing the team's activities, individual productivity and the processes that are important to effective team work. This involves an assessment of each individual's contribution to the team's progress.

Figure 3.2 below summarises the paradoxes in tabular form.

Figure 3.2 MANAGING PARADOXES

Paradoxes 1 to 3 – Creating a quality culture

<table>
<thead>
<tr>
<th>Diversity</th>
<th>Cohesiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ideas</td>
<td>Customer focus</td>
</tr>
<tr>
<td>Backgrounds</td>
<td>Goals</td>
</tr>
<tr>
<td></td>
<td>Shared visions</td>
</tr>
</tbody>
</table>

We all work together

BUT

We respect each others' ideas
2. Creativity

Inputs encouraged to:
- Change processes;
- Change services;
- Change designs.

Consistency

Consistent
- Products: Reduce non-compliance
- Services: Reduce variations

Leader

Control operational components
- BUT
  Generate ideas for improvement

3. Break-through changes

Seek break-through changes

Continuous improvement

Make changes as and when required

Leader

Make incremental changes
- BUT
  Encourage break-through changes
4. **Enhance performance**
   - Autonomous groups
     - Creative solutions
     - Greater commitment
   - Leader
   - Find indicators of performance that provide reliability
   - BUT
   - Allow employees discretion on how they reach performance goals

5. **Team**
   - Cohesive
   - Leader
   - Critical analysis
     - Share viewpoints
     - Challenge ideas
   - Accept conflict
   - BUT
   - Let it assume positive dimension

---

**Paradoxes 4 to 7 – Building a responsive team environment**

**Uniform control**
- Reliability & consistency
  - Control
  - Monitoring
  - Procedures
  - Auditing
Successful team managers and leaders will therefore be the ones who recognise the paradoxes and, who as part of their management style, manage the paradoxes.
3.2.3 APPROACH THREE – BE REALISTIC AND DO NOT RELY ON RHETORIC

Writers such as Deming and Juran use statistical tools as methods to measure quality and from this technical TQM has exploded into a broadly used, ambiguous term with unclear organisational implications apart from that it presumably improves an organisation (rhetorical TQM). The institutional forces start distorting the technical reality of TQM. The reason for this is that managers use the rhetoric of TQM to develop their TQM programme and then filter their experiences to present their own rhetoric of success. Consequently the discussion on TQM develops an overly optimistic view of TQM.

The model of Zbaracki (1998 : 1) demonstrates how individual actions and discourses shape TQM and fuel institutional forces. The argument of Zbaracki is that institutional processes shape the technical reality of TQM. The institutional theory describes a process whereby the symbolic value of something like TQM ultimately supplants its technical value.

Selznick (1957 : 17) stated the general thrust of the institutional argument in his statement that “to institutionalise is to infuse with value beyond the technical requirements of the task at hand”. The theory suggests that rhetorical excesses pervading TQM follow from the tensions between the true technical merits of the practice and the institutional reality of its use. TQM gains institutional value over time because it becomes the accepted way of doing things.

Zbaracki’s argument is that using TQM may provide an organisation with little technical benefits although the claim to use TQM confirms legitimacy to the organisation. Managers will therefore use the rhetorical TQM to gain legitimacy without effecting activities at the technical core of the organisation. Zbaracki studied five organisations, particularly the relationship between what people say - the rhetoric of TQM use – and what people do – the reality of TQM use. He defines rhetoric as the managers stated claims in accounts of TQM and reality as the specific elements of TQM in practice. But he grounds that reality in a set of specific technical practices such as statistical process control, data analysis tools and idea generation tools like brainstorming.

From his studies Zbaracki developed an evolutionary model of rhetoric and reality. His model describes the process that begins as the first organisational members encounter TQM. It identifies the origins of TQM as it enters the organisations through the rhetoric of various managers and TQM experts. The rhetoric simultaneously shapes the actions of people and sustains their beliefs in TQM as they learn about it. People then experience TQM through training programs, TQM
teams and TQM approaches. Sometimes TQM works; often it does not. After they try TQM, however, people ignore the failures and select the best stories to tell. TQM then goes out of the organisation as rhetoric of success stories from those experiences.

Zbaracki’s model has two major components:

- Component 1 is the evolutionary process of variation, selection and retention that describes how TQM changes an organisation; and
- Component 2 of the process model is the combination of rhetoric and reality at each stage of variation, selection and retention.

3.2.3.1 VARIATION

The variation process begins when the organisation or members of the organisation encounter issues dictating that the organisation needs to change. These cues can be from the demand side i.e. from customers or the public at large who complain or express concern about the organisation’s performance. Or the cues can be from the supply side where members of the organisation for example attend a seminar or hear about TQM working in another organisation.

3.2.3.1.1 Rhetoric

At this stage people will start talking about TQM. They start using TQM terms and they start talking about successes in similar organisations.

3.2.3.1.2 Reality

Some forces now start driving out technical TQM, e.g. ignorance. Managers do not understand the elements of TQM. They see TQM as a simple program without having a clear understanding of the implications of TQM and sophisticated elements such as statistical tools. This leads to intimidation, which is another force acting against technical TQM. They start ignoring the more difficult issues and start looking for simpler solutions.

3.2.3.2 SELECTION

During the selection process the managers who only shortly before accepted the value of TQM must now convince others of its value. They can begin this by generating rhetoric.
To implement the process they:

- establish TQM structures (i.e. quality co-ordinator, quality manager, quality council and a quality department);
- create training programmes; and
- set up teams to solve quality problems.

### 3.2.3.2.1 Rhetoric

The managers become TQM advocates. They seek evidence that it works. They announce their commitment to TQM, they bring in vision and mission statements and they start describing TQM success stories. Some scepticism may now start developing in the organisation where staff might question the commitment of the managers.

### 3.2.3.2 Reality

Managers create a number of forces to encourage technical TQM. They get TQM experts to help, they expose people to TQM methods. However, they often adopt a superfluous strategy. There is:

- an inability to grasp the complexities of TQM which prevent managers from designing an effective program. They understand TQM as a general concept as well as the basic elements of TQM and develop a basic idea how to implement TQM;
- intimidation. Managers act as TQM advocates and construct TQM training programmes but often employees generally ignore the training. They often choose training that is almost completely theoretical and employees feel assaulted by the technical nature of the training;
- a lack of integration with existing organisational practices both at managerial level and employee level. Because the managers do not understand the true principles of what they are doing there is an inability to integrate the various strategies into a holistic whole. Managers often do not use TQM themselves. They see it as a new way to work, not for themselves, but for others. Employees find it difficult to integrate TQM problem solving processes into their daily tasks. They see it as outside their department identity. The new TQM processes also feel cumbersome.

### 3.2.3.3 Retention

During retention the rhetoric begins to divert within the organisation because the experiences people have with TQM shape new understanding and beliefs about TQM. Various people in the organisation can at that stage have various views about whether TQM is working or not. Many
people in the organisation have some TQM experience and given that the experiences differ, the perceptions diverge. The reality now shapes the rhetoric.

3.2.3.3.1  **Rhetoric**
The rhetoric members use depend on their experiences with TQM. Employees feed successes to upper level managers and exclude the failures. Upper level managers receive distorted evidence that confirm their beliefs that TQM works. Others in the organisation develop less enthusiastic views of TQM because of what they experience at other levels.

3.2.3.3.2  **Reality**
The reality of TOM can now be based on the set of outcomes arising from TQM teams. If the outcomes are successful the members might be quite pleased. If they fail members can lose confidence in the TOM process. A second reality is the tools that the team members use and discuss. The question is whether these tools are rhetoric of TQM such as TOM problem solving processes or whether the more statistical tools such as the seven basics of TQM are used. Zbaracki found that as the tools grow more technical the use of the tools diminish.

3.2.3.4  **RETURN: BEGIN THE CYCLE AGAIN**
And the end of the retention process the rhetoric changes to what the organisation has done. Yet TQM at that stage might barely have begin to effect the behaviour of organisational members.

3.2.3.4.1  **Rhetoric**
External and internal forces can state a rhetoric of success. Pressure from the environment now leads managers to describe TQM experiences in their organisations. Generally they start showcasing their achievements. Ignorance of managers might mean that they lack the ability to evaluate TQM successes accurately. They have also made an increasing commitment to TQM and must now legitimise this. Managers therefore use their conformity to increase legitimacy. Most of the outlets for such legitimacy generally have little to do with the organisation’s base of legitimacy as defined by the technical and institutional environments.

3.2.3.4.2  **Reality**
The technical reality now faces two new forces that drive out the technical TQM:

- The first force is the organisation’s struggle to integrate TQM with existing practices. Participants may interpret TQM tasks as separate from the rest of their work.
The second force against the technical reality is staff turnover in the organisation. Staff and management might be changing continuously. New staff might have missed out on the training programme and there is no commitment in the organisation to adopt a continuous training process while new managers might enter the organisation who have little if any experience of TQM. The whole effort starts sizzling out.

3.2.3.5 THE RIGHT APPROACH

The question is, how does management overcome these immense difficulties which are reality and which organisations often do not want to admit.

Management must accept the reality that TQM requires more than rhetoric while also accepting that rhetoric exists.

The organisation must understand that there will always be rhetoric. Rhetoric is used, in many cases, as a confidence booster by managers and staff to convince themselves that what they are doing is correct. Per se this approach must not be criticised too heavily. It must be accepted that it exists but the task of management is to move beyond the rhetoric into reality. Management must face the reality that TQM cannot be talked into an organisation but that it must be implemented over a period of time following soundly established principles. They must not underestimate the complexities of organisational rhetoric and must face even unintended consequences. They must accept that the audience they face will all introduce their perceptions and their experiences into TQM implementation. Managers must not use rhetoric as a screen behind which they hide. Rhetoric, if used as a motivational tool by managers who truly believe in what they are doing and who are prepared to lead the way, can be a tool which can be used to the advantage of the organisation.

Managers must accept that TQM, at its very core, requires certain technical processes which are vitally important in giving management the information they need. These tools must be used in such a way that they give the organisation what it wants. The tools which are used must be integrated into the organisational structure and must be used by managers as a genuine tool for continuous improvement.

Managers will have to realise that just as TQM is a process of continuous improvement, an investment will, on a continuous basis, have to be made in training of staff and management to ensure that the system does not grind to a halt.
There has to be a continuous awareness in the organisation that it must move beyond rhetoric into accepting the practicalities of the challenges which TQM presents. It is only the reality of the steps taken and not the rhetoric which will ensure sustainable implementation.

3.2.4 APPROACH FOUR – IMPLEMENT TQM PROPERLY

Shin et al. (1998: 1) ask the question whether the failure of TQM is not the result of the failure of management to establish proper systems for the implementation thereof. They argue that it is generally accepted that when TQM has failed, it is not because there was a basic flaw in the principles of TQM, but because an effective system was not created for TQM implementation. In this regard managers must, according to Shin et al. (1998: 2-7), learn the following lessons:

Lesson 1 – Know thyself
Companies must clearly understand what TQM really means for them before they start a TQM journey. They suggest that an organisation asks itself the following questions:

- what is TQM?
- why is TQM necessary?
- what are the areas in need of significant improvement?
- how should we use TQM tools, techniques and practices and when should we use them?
- how do we define success?
- on what measures are success based?
- what are the target performance levels in the areas of financial performance, customer satisfaction, employee satisfaction and quality performance?; and
- are these numerical targets concrete, realistic and achievable?

Performance must therefore be measured against the company’s own concrete TQM goals and continuous feedback should be used to monitor the progress of the plan.

They propose that the organisation must know exactly what it is, what it needs and what it wants. There must be a self-audit or a self-assessment to identify weaknesses and strengths.

Lesson 2 – Create a culture that is conducive to, and supportive of, TQM implementation
The organisation must create a culture conducive to the establishment and continual improvement of quality. Quoting Bound et al. (1994) Shin et al. (1998: 3) suggest that the following principles
be considered for the support of a quality culture:

- the importance of determining what customers' values are as opposed to what management thinks they are;
- a customer versus an organisational focus;
- a focus on optimising organisational performance rather than maximising functional end results;
- the importance of experimentation for knowledge and openness to new information;
- acceptance of mistakes that lead to organisational learning;
- recognition of the importance of continuous improvement versus working to specification or adherence to the status quo;
- recognition that performance improvement comes from process and system improvement and not just improving people;
- willingness by managers to seek out root causes of problems; and
- understanding that continuous improvement is demanded at every level of the organisation.

Shin et al. (1998: 2-3) believe in an approach where system improvement and people improvement go hand in hand. Obviously this is the correct approach as a system or people alone can not, in the end, lead to TQM. TQM requires integration of both approaches.

Lesson 3 — TQM implementation should be clearly aligned with the company’s strategic priorities, competitive environment and goals

Many writers have mentioned that a problem associated with TQM is the alignment of TQM with other management techniques in the organisation. TQM should become part of an integral management plan.

Lesson 4 — Understand the necessary time and effort needed

As mentioned earlier TQM is not a quick fix solution. TQM requires time and effort and can only be implemented if managers realise this. It is a lifelong process, which needs continuous commitment from management and staff.

Lesson 5 — TQM implementation should be unique to each organisation

Each organisation is a living organism. Each organisation has its unique culture and its unique problems and goals. Any implementation of a TQM package within an organisation must take this into account. TQM implementation should be unique to each company. Some organisations will
concentrate on the development of people; others on systems; others on customer satisfaction; others on processes; and others on cost reductions.

Although a TQM program requires the integration of all these aspects organisations may, initially in any event, concentrate on those which are the most important to them at that moment of time.

**Lesson 6 — Adopt a holistic approach**

Any manager or management team who is implementing a TQM strategy must realise that TQM is a broadly based philosophy and strategy and that all departments, disciplines and people should be organised and managed to generate a synergistic effect. The various activities and systems must be integrated into each other and barriers between departments must be broken down.

**Lesson 7 — Total quality management places emphasis on the word total**

The organisation must realise that the word “total” includes all activities at all levels within the organisation. It also means total participation, total commitment and total responsibility of everyone in the organisation.

The organisation must really understand its strengths and weaknesses to deal with quality related issues.

**Lesson 8 — Understand that TQM is not a magic bullet for quality**

Managers must realise TQM is not a destination but a journey requiring long term commitment to improvement.

TQM can be a valuable vehicle which companies can use to achieve excellence in business performance. Management must however understand all the key principles of TQM and how to implement it effectively before they blame TQM for the failure of any half-hearted TQM implementation strategies. An organisation must tailor its approach to TQM by taking into account its unique strengths and weaknesses. In implementing TQM it must take a long-term view and realise that success will only be achieved over a period of time.

Management must also understand:

- why they need TQM and how TQM tools must be used;
- that a quality culture must be created in the organisation;
that TQM must be aligned with the organisation's strategic priorities and goals;
that time and effort will be needed;
there must be synergy of efforts; and
all activities and levels must form part of the effort.

TQM can therefore, by implication, never be a quick fix solution. It is a process which is developed over time by a committed management team who live what they preach and test their rhetoric against the realities in their organisation. To do this honestly requires integrity at all levels within the organisation.

3.2.5 APPROACH 5 — DEVELOP PEOPLE

There is no doubt that the human factor in the implementation of any management programme whether TQM, BPR, JIT, MBO, Management by Walking Around (MBWA) or any other management style are all concerned with people. Organisations, in most cases, die or rise as result of the way that they deploy and use their people. People in organisations have attitudes, behaviours, perceptions, personal motivations and many other attributes which influence their personal behaviour. Ultimately the way an organisation uses its people will be determinant of its success or failure.

Ultimately the only way the organisation can influence the way its people think is through:

- providing training to its staff;
- establishing a culture in the organisation which is conducive to change and excellence; and
- management living what they preach.

Managers must realise that people get used to a comfort zone. They often prefer the status quo to prevail. People must be convinced that there is a need for change. Feelings of stakeholders and people can never be perfectly aligned but they must be understood and managed. In this process communication is vitally important. The human dimension in TQM is important.

The rhetoric of TQM is that service quality and product quality must be improved. People working in the organisation must, however, experience TQM positively. To achieve this management must recognise the factors discussed in 3.2.5.1 to 3.2.5.6 below.
3.2.5.1 RECOGNISE THE IMPORTANCE OF PEOPLE

According to Connor (1997: 4) members of the quality movement make two sets of assumptions that are important:

- There must be a strong emphasis on statistical control procedures; and
- People are critical to accomplish quality objectives.

He quotes a number of typical assertions in this regard:

- "improve communications — to understand better how things look to the workers" (Juran & Gryna 1980: 147);
- "institute a vigorous program of education and training" (Deming 1982: 47);
- "give full reign to human capabilities and draw out each individual's infinite potential" (Ishikawa 1984: 4);
- "generate a culture built on respect for the individual, display consistency in policy and purpose, provide and encourage education for all, and lay out a clear opportunity for growth" (Crosby 1992: 34); and
- "continually invest in human resources; involve all employees" (Masujima 1993).

Connor (1997: 4) argues that the quality movement tries to integrate these assertions with a number of assumptions about how people can be motivated to work energetically and intelligently toward achieving organisational purposes, all of which centre around the idea that people want to contribute. He states that the following beliefs lie at the heart of the quality movement:

- people are innately good;
- people want to experience meaning in their work;
- people experience meaning when they make a significant and worthwhile contribution to the organisation's purpose;
- people respond positively to a culture of trust;
- human contribution is maximised through teams rather than individual effort;
- teams are central to quality; and
- people do what they care about.

In essence he states that the quality movement assumes that people are important and they want to contribute.
3.2.5.2 MOTIVATE PEOPLE

Connor (1997: 6) believes that all other ideas of quality other than to do perfect work are merely reminders of what writers have called "management by new names". He believes that the quality movement reminds management of two key principles of human motivation, namely:

Reminder 1 - People want to experience meaning in and from their work

Many management writers have made it a fundamental principle of organisational theory that people care about their work and its significance. Employees who experience meaningfulness from their work are more likely to enjoy high internal motivation and high job satisfaction, to exhibit less absenteeism and turn-over and to do high quality work (Hackman et al. 1975: 242 – 256).

The quality movement also emphasises the notion of empowerment. In this regard the general idea seems to be the people are empowered “to the degree that they understand what is expected of them; they are given the ability to meet those expectations; and they are given an incentive, either intrinsic or extrinsic, to do so. It follows then, that they are empowered to translate their understanding into goal-accomplishing behaviour” (Conger & Kanungo 1988: 478 – 479). This definition implies that people are truly empowered if they can assert their own organisational interests and rights. Empowerment therefore reflects the context in which employees work and not merely their psychological or emotional states.

This is, however, easier said than done. Managers must eliminate the we-they relationship and create a condition of trust, free decision making, the right to fail and a much less authoritarian management style. Many managers are totally intolerant of the idea of freedom of failing because this, in essence, is a paradox with a basic TQM demand namely continuous improvement where very little tolerance is allowed for the freedom to fail. According to Connor (1997: 6), if the quality movement is to have truly wide-spread success, it must convince managers to see the merits of the prospect that there must be less control and more freedom. They must learn that managing is not controlling but unfortunately their egos and fears all too often make it impossible for them to let go of power.

Reminder 2 - Teams are key to organisational effectiveness

The TQM movement places top importance on teams and team decision making (Connor 1997: 7). This is seen as a key to successful leadership behaviour within a TQM organisation. The idea of teams and the importance of them is not new. This was discussed as early as 1960 by
McGregor (1960: 232–235). He included in his description of team-building the following features:

- The atmosphere is one in which people are involved and interested.
- The task or objective is well understood and accepted by the members.
- Most decisions are reached by a kind of consensus in which it is clear that everybody is in general agreement and willing to go along.
- When action is taken, clear assignments are made and accepted.
- People are free in expressing their feelings as well as their ideas, both on the problem and on the group's operations.

Connor (1997: 7) is of the opinion that quality literature seems to regard the creation and development of teams as a straightforward, almost mechanical task. He believes that Deming treated team-building superficially by focusing not on how to create the team but rather on results a team can achieve. He quotes the following paragraph from Deming: “Teams composed of people in design, engineering, production and sales can accomplish important improvements in design of products, services and quality and reduction of cost.” (Deming 1982: 36).

Connor (1997: 8) is of the view that team building is a complex undertaking with many factors at play. The forming of teams is complex and the quality movement’s commitment to team building would be more credible if there is as much discussion about how teams can be developed to manage conflict, elicit ideas and commitment and offer their members meaningful opportunities to contribute, as there is about statistical process control procedures.

### 3.2.5.3 RECOGNISE THE PEOPLE FACTORS WHICH CAN NEGATIVELY IMPACT ON TQM

Connor (1997: 9-11) sites four negative people factors which can impact on TQM, namely:

#### 3.2.5.3.1 Middle managers: egos and fears

There is often opposition of middle managers to TQM. To some extent this is not surprising. The quality movement implies that services should be delivered by self managed teams with control built directly into design. Connor is of the view that middle managers derive their power from their control of information. Organisations were once designed around the presumption that the exercise of judgement should be passed up the managerial ranks, that activities should be simplified, standardised and controlled from above and that administrative functions should be
delegated to staff specialists. Middle managers therefore retain power by deliberately withholding information. This is a real problem because middle managers are vitally important to most organisations. They often possess the expertise, knowledge, skills and experience within the organisation. They cannot be pushed aside. TQM is about flattening hierarchies and by eliminating layers of middle managers which, in the words of Connor, produce a kind of organisational amnesia which often leads to inappropriate responses.

3.2.5.3.2 Motivating employees
The second negative is that most organisations do not motivate their employees sufficiently. Although organisations often, on a continuous basis, send employees on motivational courses, both employees and organisations often do not get the results they want.

3.2.5.3.3 Trivial employees participation
The third negative consequence of TQM, according to Connor, is that although champions of the quality movement emphasise the importance of employee participation this often does not happen.

Many writers have made the point that ultimate decisions about organisational effectiveness tend to be made by top management. According to Connor the question is: who decides what decisions must be taken where? Who decides on the limits of participation?

3.2.5.3.4 Coercive teams
Wieseltier (1993: 21) argues that TQM is a totalising theory. His point is that self-managing teams can be incredibly coercive even if they are practising so-called participatory democracy. The team becomes a coercive force and it may lead to a kind of team-based tyranny. Non-team players have to become re-educated or even have to leave the organisation. According to Connor the classic idea of human perfection has inspired some of the 20th century's worst excesses. He argues that once we start talking about transforming individuals to a higher existence, we should be a little nervous.

That, however, is precisely what Deming (1993: 95) claims TQM is all about when he states: "The first step is transformation of the individual. This transformation is discontinuous. It comes from understanding of the system of profound knowledge. The individual, transformed, will perceive new meaning to his life, to events, to numbers, to interactions amongst people. Once the individual understands the system of profound knowledge, he will apply its principles in every kind of relationship with other people. He will have a basis for judgement of his own decisions and for
transformations of the organisations he belongs to. The individual, once transformed, will: set an example, be a good listener, but will not compromise, continually teach other people, help people to pull away from their current practice and beliefs and move into new philosophy without feeling of guilt about the past. The word metanoia is more suitable than transformation. Metanoia is a Greek word which means penitence, repentance, re-orientations of one's way of life and spiritual conversion."

This ultimate aim of a team is scary to people who have experienced the excesses committed in the last half of the twentieth century under dogmas which sound very familiar to what Deming preaches.

3.2.5.4 GIVE ATTENTION TO THE HUMAN COSTS OF TQM

3.2.5.4.1 Look at the price people pay to improve

The question which Connor (1997: 13) asks himself is why the human costs of TQM have not received more attention? It is possibly because TQM enthusiasts really do not care about the people who do the work but care only about the customers, process improvement, cycle times and performance. They view people only as a means to an end.

While there is no doubt that TQM may improve productivity in many organisations these gains may come at a price. The price paid will to a large extent depend on the way TQM is implemented. Managers must look at the human side of TQM in much more detail and will have to regard people just as important as quality. Managers can, on their own, contribute nothing of value to their organisations' customers or clients. They create value in so far as they give service providers and frontline workers the ability to do their jobs.

For this reason organisations will have to remove negative perceptions of TQM by removing the element of fear.

3.2.5.4.2 Treat people correctly

People will, in the process of implementing TQM, have to be treated right. According to Connor (1997: 14) the right things to do are:

- top management is responsible for initiating and supporting a vision of the total quality culture;
- this vision is clarified and communicated to the remainder of the organisation in multiple ways;
systems that allow upward and lateral communication are developed;
TQM training is provided to all employees, and top management shows active support for such training;
employee involvement or participation programmes are in place;
autonomous work groups are not required, but processes that bring multiple perspectives to bear on quality issues are imperative;
employees are empowered to make quality based decisions at their discretion;
performance overviews are refocused from an evaluation of past performance to an emphasis on what management can do to assist employees in their future job related quality efforts;
compensation systems reflect team-related quality contributions, including mastery of additional skills;
non-financial recognition systems at both the individual and work group levels reinforce both small wins and big victories in the quest for total quality;
systems allow employees at all levels to make known their concerns, ideas and reactions to quality initiatives;
safety and health issues are addressed proactively not reactively;
employee recruitment, selection, promotion and career development all reflect the new realities of managing and working in an TQM environment; and
while assisting others to implement processes is support of TQM, the human resource professional does not loose sight of the necessity to manage the human resource function under the same precepts.

3.2.5.4.3 Address negative consequences
In this process it is necessary that the negative consequences experienced by staff in the implementation of TQM, as discussed in Chapter 2, such as staff redundancies, retrenchments and redeployment be addressed. If a perception develops amongst staff that the ultimate aim of TQM is to reduce staff by making an organisation more efficient then the human costs of TQM might, ultimately, lead to the failure of TQM. TQM is about making an organisation more effective but also more future orientated. In this process it utilises one of its greatest assets, namely its people to assist it to become future focused. To enable it to achieve this employees must see that they are truly part of the organisation. This requires a huge effort from management. All too long management have been so embroiled in their own fears, their own ambitions and their own in-fighting that they have neglected their primary duty which is to manage their organisation correctly. This implies that they guide those who look at them as their leaders towards achieving a better life, not only within the organisation, but as human beings.
3.2.5.4 Accept human responsibilities

The question which management must ask itself is whether managers can talk about implementing a TQM system if staff focus is not an inherent part of their own personal being. The questions which they can ask themselves include:

- Are their managers people focused?
- Are they really interested in their people?
- Are they interested in developing their people?
- Do they understand the fears of employees?
- Do they understand their own fears?
- Do they see people as machines who need no tuning and refinement and maintenance to develop them further?

Management will have to realise that their reputations stretch further than the bottom line but also depend on true empathy for those working for them. This does not mean forgiving mistakes and accepting low standards, but giving guidance through leading by example.

3.2.5.5 TRAIN STAFF

3.2.5.5.1 Support Training

The true TQM orientated manager realises that substantial time and effort has to be spent on the development of staff.

Managers have to accept that if they want effective TQM employees must be properly empowered.

However, according to Cunningham et al. (1996: 143-154) “empowerment fails to give employees much in the way of increased power and influence - these initiatives do not offer a great increase in the degree of discretions – and all organisations point towards a proportion of their workforce failing to co-operate. The reason for this is that management often fails to support even the limited form of empowerment that is on offer”.

3.2.5.5.2 Focus the training – ask what you what you want to achieve

McAbe & Wilkinson (1998: 1) in their study investigated a medium-sized bank which implemented TQM. In this case the organisation decided to implement TQM because it needed a vehicle to harness its knowledge, skills and energy to establish total quality in the 1990’s and regarded TQM
as that vehicle. It wanted to implement TQM for all the right reasons, namely: to become more competitive, to meet customer needs and utilise the potential of all staff.

Training was the key element within the programme. Senior management's direct involvement in the program was limited. Staff and managers were put through training programmes but in retrospect it was felt that too much emphasis was put on training management while staff should have been the central focus. In retrospect the training was also inadequate in providing the in-depth awareness of quality that staff actually needed. It was also deemed inadequate in more qualitative terms as it was seen as patronising and paternalistic in the sense that management were trained in the technical use of flowcharts while staff were offered simplistic accounts of what quality meant.

Eventually all the staff were trained in quality concepts and the use of quality techniques such as process mapping, brainstorming, the importance of putting the customer first, doing things right the first time and the importance of the internal customer. Quality co-ordinators were appointed who identified examples of best practices in their areas. Many of the staff were initially very fired-up about the training but after the initial enthusiasm things tended to trail off. There was a common perception that once you were on the training course there was not really much after that.

The whole TQM effort eventually lost momentum. The bank invested significant amounts in training but it failed to provide infrastructural support for TQM or any co-ordinated drive as to what quality should mean within branches. The head of quality explained it as follows: "We won an award for the training, and we came back and put our boxes of books that we learned on the shelf, and many of us did not do anything – that was the weakest part of the consultancy in the education part – how do you turn this into change? How do you turn this into improvement? How do you know you have improved? They (the consultants) did not do that. The only thing I can say in their defence was that we had them off-site as quickly as possible because they were costing us a fortune, and we realised that we could do the training ourselves" (McAbe & Wilkinson 1998 : 7).

This attitude to training is one experienced in many organisations. Training is often done for the sake of training. There is no preparedness on organisations' part to really:

- identify their training needs;
- identify the needs of individuals as far as training is concerned;
- invest capital in the training of individuals; and
create a long-term and sustainable training programme which introduces life long learning in the lives of the employees.

3.2.5.5.3 **Accept training is important**

After many years of dealing with organisations it becomes clear to many focused and idealistic trainers that managers are often prepared to spend large sums of money on management improvement programmes, including teambuilding exercises through golf-weekends, adventure tours and other forms of so-called teambuilding exercises while, if they must invest a similar amount on the training of twenty or thirty staff members, the training budget is suddenly not adequate. This self-centred and selfish approach to training leads to a situation that people who really desperately need training do not get it. The time is past that management can hide behind reasons why training should not be done.

One of the reasons why there may be a lack of training commitment on the side of management might arise from the organisation's culture and senior management's commitment and their assumptions regarding the nature of their organisations.

3.2.5.5.4 **Overcome resistance to training**

In some organisations there is a resistance to training and to change. There is often conflict between management and staff which leads to a vicious cycle. Management see the unions and staff as detrimental to the wellbeing of the organisation and see training as a non-productive exercise not leading to the results they want. Unions see management as antagonistic towards their demands and, in some cases, are suspicious of training because they see it as a method management adopts to influence union members.

In other cases organisations might resist the influences that shape organisations.

Instead of management and staff being trained to cope with such influences, they ignore them, ultimately leading to an inability to cope with such influences. In some organisations management might, although expressing support for TQM, not want to let go of existing methods of control. Weaker managers may perceive training of staff as a threat to their own security and undermining personal control.
Present the True Picture

Senior management must realise that staff continuously test what is expected from them against the picture senior management present. If there is no real commitment from senior management then there will be no commitment from staff. If there is no genuine commitment to training from senior management, staff will see the training they go on as just another course.

The difficulty that was experienced in the case studies of McAbe was that the organisation, after implementation of TQM, embarked on a program of organisational restructuring which inherently meant that the branch network was downsized and jobs were lost. Not only was there no real responsibility given to staff but they were also losing their jobs. In an environment like that it is highly unlikely that TQM will work.

Quality processes, in such a case, are more aimed about managing redundancies and redundancies may even be seen as not being incompatible with TQM.

McAbe therefore propagates that staff experiences of TQM, restructuring and redundancies should be considered in accounts of TQM. They are critical to understanding the implementations of TQM and provide a valuable corrector to the managerial voices which dominate the TQM accounts.

Any manager involved in TQM must take into account that development of people is necessary but must also take into account that this can be undermined if there is an underlying fear that people may lose jobs. If there is a perception that TQM leads to efficiency which will ultimately lead to job losses then all the training in the world will not make TQM effective as the uncertainties caused in such an environment will lead to insecurity and staff unhappiness. In such a case employees can not thrive and prosper under TQM.

The organisation wishing to implement TQM must therefore clearly define its reasons. If its reason is a genuine effort to meet customer needs, empower employees, improve efficiency, look at the future and management is absolutely committed to this process then they should lead by example and make staff, through training programmes, able to reach the objectives and goals of the organisation.

If staff experiences TQM as a loss of jobs, uncertainties, lack of empowerment, lack of management commitment and no future vision, then TQM will simply be inconsistent with the real experiences. If the future vision of giving customer service is replaced by one of cost cutting then
the message of TQM can be drowned by concern with survival. TQM may then temporarily succeed to disguise these differences but will eventually be overcome by the many problems.

3.2.6 APPROACH 6 – PROVIDE EFFECTIVE LEADERSHIP

Managers are an integral part of the life of an organisation. The aim of quality improvement activities are to retain customers by providing benefits to them and in the process, ensure that all stakeholders get a fair return for their capital, effort and goods supplied to the organisations. For this management must accept responsibility.

However, managers must realise that management must not only manage but must also provide effective leadership. Cook (1998: 1) states that an effective leader is the manager who is able to:

- establish visions and goals for the organisation. This makes the organisation future orientated and represents future characteristics of the organisation necessary to fulfil its mission, given the environment in which it operates;
- establish values and missions. A leader is that person who can establish core values which are shared by most of the people in the group and tend to shape group behaviour;
- establish saliency of culture. This is the extent to which management can set a clear direction and set of expectations, policies and values which are clearly communicated to each member;
- establish socialisation, i.e. transforming people from outsiders to group members;
- encourage team work, i.e. using the diverse skills and interactions and co-operation of team members to achieve organisational outcomes;
- communicate, i.e. interacting with staff members including providing them with feedback;
- empower, i.e. changing the management and distribution of power in a particular cultural content.

To enable an organisation to successfully integrate all these elements. Leaders require professional knowledge and skills and objective leadership and must use the technical and financial resources as well as the capacity and autonomy of the organisation to their best advantage.

The role of the leader is to create an environment in which these elements can work together. One of the methods the leader can use is that of shared governance. Totten & Scott (1993 : 28–32) define shared governance as a concept developed in response to an identified need for staff to have more control over the institutional working environment. Common to both TQM and shared
governance is the involvement of staff in the organisation to bring about change. This approach requires a decentralised management style.

3.2.6.1 QUALITIES OF A GOOD QUALITY LEADER

3.2.6.1.1 Leadership preparation
One of the characteristics of a good leader is a leader who prepares future leaders to take over when he/she leaves an organisation. Aspiring leaders must be enabled to develop themselves. The best way to do this is to give such people the opportunity to gain practical experience and to rehearse areas of strengths. Leadership must therefore focus on providing an environment in which this can happen. According to Cook (1998: 3) future leadership preparation must expose leaders to reflection and enquiry as continuous operation modes. Leaders must be adaptable and proactive if they are to offer successful professional leadership to others.

According to Cook (1998: 3) there are two main aspects to leadership learning, namely:

- the professional functional area in which a manager is operating. In this regard the manager must stay in touch with developments in his/her specialist area. Continuous professional development must be encouraged; and
- acquiring an initial understanding of the principles, practices and competencies of management and then applying that knowledge and building/modifying behaviours by interpreting own experiences and that of colleagues and researchers who have codified, extrapolated or interpreted the experiences of others. This requires both the updating of professional knowledge and the development of management knowledge, skills and attitudes. An effective manager is one who can combine sensitivity with good management learning. Obviously sensitivity is, in many cases, an inherent trait of the manager. Some managers are more sensitive to people's needs than others. There is no doubt that the sensitive manager will focus more on the needs of his/her employees and will listen better than the non-sensitive manager. Managers must be sensitised to the needs and expectations of their organisations, teams and groups and must learn to listen to these experiences.

3.2.6.1.2 Establish core values
An organisation must have core values. The effective leader is the leader who understands that an organisation must have certain core values which are central to its beliefs. Good core values can include trust, respect, responsibility and fairness. The effective manager is one who can
deploy core values together with concepts such as competencies and goals. Dahlgaard et al. (1998: 1 - Article 1) say if an organisation wants to strive towards business excellence, management requires a profound understanding of so-called core values (intangibles) and their relation to the traditional tangibles (goals and core competencies).

The reality is that in many organisations core values are not clearly identified and management tends to focus more on those competencies which are needed for business excellence.

Using the Bible as its base Dahlgaard et al. (1998: 1 - Article 1) argue that a “profound leadership system” consists of two elements namely:

- core values; and
- competence sub-systems.

The core values are those values which are consistently part of the organisation. Using the flood of Noah as an example they argue that the root problem was that the core values were corrupt beyond redemption. The systematic implementation of these core values led to unacceptable results. In an organisation inherently bad core values such as gender and ethnic bias, sexual harassment, intolerance, dishonesty, disloyalty, arrogance and selfishness can be referred to as corporate killers. A systematic movement towards corporate destruction by application of wrong mental modes will eventually lead to the demise of the organisation.

Babylon’s well known tower failed to learn from Noah’s experience. In this case pride in their own competence lead the people of Babylon to build a monument to themselves which they hoped would weld them together rather than to build and organisation founded on solid core values. Clarity of communication and common aims were powerful but the purpose of building the tower was rooted in wrong mental models or core values. In an organisation clear communication and unity of purpose are critical enablers of business excellence but they must be built on a foundation of solid core values rather than on the quicksand of self interest.

The argument of Dahlgaard et al. (1998 - Article 1) is therefore that even if in an organisation common aims, communication and other factors are in place but the core value system is corrupt the people will inevitably begin to decipher the invisible mindsets or guiding principles on which the core values are based. If they are questionable the organisation will start to disintegrate.
The argument is often made that if you want people to work towards a common purpose they must have a common language or interpretation. However, people must also have core values which are both understood and accepted throughout the organisation. In modern organisations people often use the same words but they apply inconsistent interpretations.

The lesson from this for managers is that if they are basically dishonest, then their core values will be sensed by their staff and their efforts, however technically sound, will not yield the results they wish for.

3.2.6.1.3 **Build core values into people**
A leader with sound core values has the necessary raw materials on which leadership styles of future leaders can be build. One of the most important aims of a leader is to build core values into people so that they may clearly differentiate right from wrong. The only leader who can do this is a leader who made those core values an inherent part of himself/herself. Consequently the greatest leader in an organisation is the leader living the core values which he/she inherently believes in and builds on. "In its most full expression such differentiation results in an conscious choice to do what is right. Such expression requires us to give away which is sacred to us, our trust. This will in itself lighten the burden of the leader and distribute both the responsibility and the privilege of leadership - a necessary step towards systematic leadership" Dahlgaard *et al.* (1998: 3 – Article 1).

3.2.6.1.4 **Delegate, educate, train and combine with core values**
A good leader is also the one who can delegate, educate and train. The result will then be that quality is built into people. These are necessary conditions for the modern concept of empowerment which is often talked about but rarely understood. This is vitally important for a country such as South Africa going through transformation in political, economic and social life. Its leaders, whether political, religious, economic or business must realise that their most important task is to build core values into people. Unfortunately the perception is currently developing that its leaders lack moral and valid core values themselves. The question which can be asked is whether, in a society such as South Africa which is in transformation, the perception that leaders lack valid core values will not eventually lead to a total state of political, economic and religious anarchy. The honest leader is that person that has the ability to differentiate between right and wrong. Such differentiation extends beyond the recognition of the distinction between the two to the will and wisdom to do what is right. In the organisation the leader who has the ability to make the right
decision based on the right core values is the one who ultimately gains acceptance and recognition of his staff and is the leader who can implement a TQM system.

3.2.6.1.5 **Enable people to make right decisions**

TQM in all its diverse facets can only, ultimately, work if it is driven by leaders with the right core values. To accomplish this throughout an organisation the core values sub-system must be thoroughly developed and practised. For empowerment to be a reality people must also be clearly cognisant of the opportunity to exercise freedom of choice, which can only happen in a fully practised leadership system. But preparation and competency to do right must be provided as well.

Again this is an issue which is of vital importance to South Africa in its current state of development. Empowerment is often seen as empowering a few at the cost of the many or as mere window dressing. This is an inherently dishonest approach. Leaders can only develop people if they prepare those people to do their jobs correctly and if those people have the competency to do it right. Competency and excellence, in the current South Africa scenario, seem to be put on the back burner. The problem is that empowerment is seen as a black/white issue and not as an empowerment issue. Ultimately an organisation can only survive if it has empowered people, i.e. people who:

- have the ability to clearly differentiate right from wrong and to make a conscious choice to do what is right;
- have the right educational and training background;
- have the opportunity to exercise freedom of choice;
- are prepared for their leadership role; and
- are competent.

Empowering people on this level requires dedicated resources for education and training. The emphasis of training and education efforts must be to teach trainees core values and improve competencies. By giving this to people, power is built into them, and by building power into people, a ship of leaders is built and many leaders are created who can work together toward a common goal.
Communicate a shared core value system

Although each person operates separately there should arise one mind and this is reliant on clear consistent communication of a common (shared) core value system. Paraphrasing 1 Corinthians 12 verses 12 to 27 Dahlgaard et al. (1998 : 4 – Article 1) illustrate the point as follow: “Our organisation has many parts, but the many parts make up only one organisation when they are all put together. Each of us is a part of the one organisation. Some of us are engineers, some are production operators, some are in marketing and some are administrators. But our common aim has joined us all together into one organisation. Yes, the organisation has many parts not just one part. If an engineer says: I am not part of the production system because I am not a producer that does not make her any less a part of the organisation and hence the production system. And what would they think if they heard an operator say: I am not part of the organisation because I am only a producer and not an engineer? Would that make him any less a part of the organisation? Suppose the whole organisation were engineers then how would you produce? Or if your whole organisation were just one big production group. How could you market anything? What a strange thing an organisation would be if it had only one part! So there are many parts, but still there is only one organisation.”

According to Dahlgaard et al. (1998 : 5 – Article 1) the core values such as respect, openness, listening, trust, fairness, responsibility and love, are to be found in both the Bible and Japanese training packages on human motivation. It is their belief that these core values are important to any organisation travelling the road to business excellence and must be defused into all members of the organisation. The deployment of these intangibles must receive the same attention as deployment of the traditional tangibles such as goals and competencies in the strategic planning progress.

Edgeman & Dahlgaard (1998:) confirm the view of Dahlgaard et al. (1998 – Article 1) and believe that the development of leadership excellence requires the incorporation of core values into management planning. These values, which include emphatic listening, trust, empowerment and mutual respect help communication between individuals and teams and increase the organisation's overall efficiency and business performance.

Systematic leadership requires profound consciousness where, though each person operates separately, there arises one mind, where they are all one unit, yet with each person retaining his/her self-awareness.
3.2.6.1.7 **Have faith**

The true leader is the leader who:

- has faith that the individuals or teams confronted by alternative causes of action will correctly differentiate and choose to pursue the right cause; and
- has confidence in the competence of individuals or teams to successfully negotiate that cause.

The leader who does not have this faith in individuals has possibly been unable to build a system of core values and competencies into his staff. This confidence can only be acquired if the right personnel recruitment policies were followed, the right training was given and staff was professionally developed. The issue in a country such as South Africa is whether current recruitment policies based on issues such as colour and not competency makes the leader comfortable with these vitally important elements. While it cannot be argued that only people with the right technical background have the necessary core values it can also not be denied that lack of competencies, skills and experience will make it extremely difficult for the core value leader to do his/her task effectively. The core value leader must have the freedom to implement his/her value system in the way he/she deems best. Because this is a conscious choice to do what is right the true core value leader will, in any event, make the right choices irrespective of colour, breed, sex or religion.

Profound trust demands empowerment and distributes leadership through the infusing of core values and competency into people and through people more broadly into the organisation. The result is an empowered organisation composed of empowered people. It must however be accepted that this will occur gradually since the leaders’ promises must be creditable and leaders throughout the organisation must be aware of his promises.

3.2.6.1.8 **Forgive honest mistakes**

According to Edgeman & Dahlgaard (1998: 2) empowerment will be illusory unless supported by another core value, namely the willingness to forgive honest mistakes. Such willingness depends on empathy. This requires people throughout the organisation to have core values which are intrinsic motivators for listening. Failure to listen, according to Edgeman & Dahlgaard, is an indicator of a culture lacking in mutual respect and can result from lack of a core value for listening, lack of competencies which enable listening or lack of habits which support the practice of listening.
In chapter 7 the criteria of the South African Excellence Foundation’s (SAEF) Business Excellence Award and the Malcolm Baldrige Award are examined. Examination of the criteria for these awards indicate areas in which leaders and leadership are assessed and which move towards core value development and deployment.

### 3.2.7 APPROACH SEVEN - ADOPT A MIXTURE OF LOA, TQM & CVD

If the organisation adopts Senge’s learning organisation philosophy it will first have to go through a phase of preparing top and middle management in the basic disciplines of systems thinking, personal mastery, mental models, building a shared vision and team learning. This is a slow process which can not be implemented overnight. In many cases an organisation may be under pressure to transform itself to meet competitive threats and must then, if it wants to select the LOA ask itself whether it will be able to reach the desired state in the time frame imposed by the realities of its competitive environment.

To a large extent adopting the LOA requires the core values which were discussed in section 3.2.6 above. Ideally a linkage between the learning organisation approach, the TQM approach and the CVD approach is the best. TQM is a patient process as is the LOA. Core value deployment cannot be reached overnight. TQM, LOA and CVD can, to a large extent, compliment each other in the organisation’s quest for organisational excellence.

The underlying principle is that of proper core value deployment. If this is in place the organisation can adopt TQM and LOA as methods to reach business excellence. Together all these approaches can implement a trifocal performance improvement strategy aiming simultaneously for short term and long term improvement and competitive advantage, while building their strengths on valid core value deployment.

These approaches should be used concurrently.

Leaders must on a continuous basis settle core value systems in the organisation, develop competencies and skills and delegate responsibilities within a sound core value system. While this is in process, TQM principles and learning organisation approaches must be implemented intensively at the top management level.
TQM principles and tools are normally more easily simulated by middle managers and employees to bring about short term improvements. These are essential because they help to sustain confidence and maintain momentum.

At the same time the organisation develops and rewards its human resources to reach their full potential, as individuals in their personal lives and as employees.

3.2.8 APPROACH EIGHT - LOOK AT THE FUTURE AND ANTICIPATE CHANGE

The economic environment does not remain stable for long. Many successful companies tend to stick too long to the same strategies ignoring the strong undercurrents that constantly change the condition of competition.

Organisations must continuously innovate to cope with the ever-increasing complexity of the business environment.

The effective manager must take specific steps to gain an insight about the competitive environment of the future. According to Dervitsiotis (1998 : 3) there are several ways in which a company can gain better insight and prepare itself for future competitive space. These are:

- Developing foresight from subtle economic, technological and demographic trends. In this case the organisation can identify a 20 to 30 year horizon, for example to identify the convergence of computer and telecommunication technologies.
- The early identification and management of important paradoxes in the environment i.e. the need to be global and local, to reconcile the needs for effective leadership with adequate empowerment and all the other paradoxes discussed in paragraph 3.2.2 above.
- Identifying cultural forces in a society which may shape the needs of future customers and the types of products most likely to satisfy them. In this case management tries to identify the most likely features of future competitive trends based on cultural trends that are more durable and predictable than fads.
- Scenario analysis – in this case management images alternatively futures for its environment and proceeds to evaluate its strategic options in terms of needed products markets and new investments.
Managers must realise that they must anticipate the need to change. In this regard Dervitsiotis (1998: 3) states: "A more promising path for doing this is a shift to a new TQM orientation that focus on the strategic dimensions of an organisation's existence. This is outward looking, focused on as yet uncharted territory in terms of new products and markets. Those that jump the curve in time, will be in a position to take advantage of new opportunities; otherwise, leadership will pass to those aiming to improve their strategic position through quality decisions in selecting the right things to do and doing these right."

Dervitsiotis (1998: 4) argues that organisations in the new TQM approach must anticipate the needs of tomorrow's customers and have the skills to develop the products that they will demand. Rather than reducing the cost of negative quality (i.e. defective tangible outputs) a new TQM orientation must have the goal of reducing defective decisions i.e. failures of new product introductions and/or selection of the wrong market to secure leadership or a large market share. Dervitsiotis therefore argues that TQM must move towards quality strategic decision making instead of only concentrating on improving the cost of poor quality. An organisation can save millions off wasted investment in misdirected research if it carefully considers the implications of its decisions before it takes them.

Managers must become more future orientated and must, in a new TQM orientation, have the goal to reduce defective decisions. In this regard they must:

◊ make quality strategic planning decisions – this will be determined by the choices of strategic goals in terms of future products and markets the organisation will compete with in order to survive and grow. By choosing the right things to do an organisation, according to Dervitsiotis, assures its effectiveness; and
◊ have good strategic implementation – i.e. doing right things right. The right implementation approaches will therefore have to be adopted.

To ensure an effective transformation management will have to avoid a number of common mistakes that result in poor quality strategic decisions which include:

◊ a lack of future foresight;
◊ a lack of stretched goals;
◊ neglecting building core competencies for new product and process innovations;
◊ poor utilisation of resources, especially human resources; and
◊ ineffective competitive strategies.
3.3 THE ISO APPROACH

The ISO approach has always placed the responsibility for implementation for proper quality systems on management. In determining whether an organisation is following an approach which justifies ISO certification, management has a number of responsibilities. Paragraph 5 of ISO 9001:2000 places the following responsibilities on management:

- **Paragraph 5.1: Management commitment**
  In terms of this management must provide evidence of its commitment to the development and improvement of the quality system by:
  - communicating to the organisation the importance of meeting customer as well as regulatory and legal requirements;
  - establishing the quality policy and quality objectives;
  - conducting management reviews; and
  - insuring the availability of the necessary resources.

- **Paragraph 5.2: Customer focus**
  Customer's needs and expectations must be determined, converted into requirements and be fulfilled with the main aim of achieving customer satisfaction.

- **Paragraph 5.3: Quality policy**
  Management must lay down a quality policy which:
  - is appropriate to the purposes of the organisation;
  - includes a commitment to meeting requirements and continuous improvements;
  - provides a framework for establishing and reviewing quality objectives;
  - is communicated and understood at the appropriate levels in the organisation; and
  - is reviewed for continuing suitability.

- **Paragraph 5.4: Planning**
  Management is responsible for:
  - establishing quality objectives;
  - identifying resources needed to achieve the quality objectives and plan them.
Paragraph 5.5: Administration
The responsibility for the administration of the quality management systems is placed on management. This includes the appointment of a management representative, communication between the various levels and functions regarding the processes of the quality management system, establishing and maintaining a quality manual and the control of all documents and records required for the quality management system.

Paragraph 5.6: Management review
Management is central in the control and implementation of a quality management system. Obviously ISO 9000 adopts an objective view of the role of management. TQM is aimed at insuring that the aims of quality, including those of ISO 9000, were applied.

3.4 CONCLUSION
Chapter 2 highlighted the fact that much criticism against TQM revolves around the fact that it is often regarded as just another management fad. The reality which management of all organisations who strive towards quality and business excellence must accept is that the ultimate responsibility for its success depends on them. To ensure that this happens they must adopt a number of approaches and integrate all these approaches into their management style, namely:

- a developmental orientation;
- recognise and manage the paradoxes contained in TQM;
- be realistic and do not rely on rhetoric;
- implement TQM properly;
- develop people;
- provide effective leadership;
- adopt what is the best from LOA, TQM and CUD; and
- anticipate change

Management must ultimately accept the responsibility for the success or failure of their organisation. They are appointed to lead - they bear the responsibility. That is why they are there.
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In modern economies services are playing an increasingly important role.

The biggest challenge facing service organisations is to become more customer orientated and to continuously meet customer needs. To achieve this, service organisations must adopt a management style called service management. Part of service management is to manage the interaction between service personnel and customers. At the same time the organisation must manage the invisible organisation which is responsible for the design of the services and the environment in which the services are provided, while controlling the logistics which are responsible for delivering products or services to customers.

The advent of IT means that many service organisations will have to place more attention on logistics to ensure that products or services reach customers quickly after they have been ordered. Continued growth can only be achieved through customer loyalty but with the advent of IT organisations find it increasingly difficult to retain customers because of the accessibility of choices made available to customers. Retention plans to reduce customer defections will become more important. The customer is going to move more to centre stage than in the past. In this regard, organisations will have to reduce the gap between consumer expectations and the perceived service the organisation provides. The only way to achieve this is to provide a quality service.
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CHAPTER 4
THE CHANGING FACE OF SERVICES IN MODERN ECONOMIES

4.1 INTRODUCTION

There can be no doubt that the service component of modern economies is becoming increasingly important. However, the face of services in modern economies is changing. Great emphasis has, in the past, been placed on the interaction between suppliers of services and customers during the delivery process of services. It has been repeatedly stated that most services fail at this point because of the difficulty to control such interaction as result of human factors, which play a big role during such interactions.

A question which is going to be increasingly asked is whether this element is going to be as important in the future. The advent of modern IT systems is leading to decreased interaction between staff and customers and in the future more emphasis will have to be placed on logistic support because delivery mechanisms are going to change. The rendering of quality services in the future will not only depend on adapting management styles to become truly TQM oriented, but increasing focus will have to be placed on integrating IT and logistics into TQM. TQM will, in future, have to face the challenges of rapid changes in the business environments as a result of rapid changes in IT. The challenges facing management are going to be increasingly volatile, which will make it all the more important for managers not to talk TQM but to live it and to rapidly change systems and procedures to meet rapidly changing circumstances.

In this chapter, attention is given to the changing face of services and the challenges it poses to management. Attention is given to the importance of services in modern economies, the historical face of the services and how this face is going to change in future. The increased role of logistics in future service delivery is highlighted as this will help to meet the challenge of future service delivery.

The chapter follows the following format:
The chapter is divided into 5 main sections, namely:
- Services in modern economies (section 4.2);
The historic face of services (section 4.3);
The service organisation of the future (section 4.4);
The future role of logistics (section 4.5); and
Meeting future service challenges (section 4.6).

Section 4.2 (Services in modern economies) deals with:
- The importance of services in modern economies;
- Challenges facing service organisations; and
- The important role humans play in service organisations.
These aspects are dealt with in sections 4.2.1 to 4.2.3

Section 4.3 (The historic face of services) deals with:
- The characteristics of services;
- The Servuction model;
- The historic implications of the Servuction model, including the historic characteristics of services and highlights the fact that with IT advancements these characteristics no longer are universally acceptable.
These aspects are dealt with in sections 4.3.1 to 4.3.2

Section 4.4 (The service organisation of the future) deals with:
- The development of the Servtech model;
- The changing characteristics of the service profit chain, placing emphasis on customer retention; and
- Making service quality improvement a top priority
These aspects are dealt with in sections 4.4.1 to 4.4.4.

Section 4.5 (The future role of logistics) deals with:
- The important role logistics will play in future, particularly in the rapid movement of goods and services

Section 4.6 (Meeting the future service challenge) deals with:
- The challenges management face to ensure efficient service processes
4.2 SERVICES IN MODERN ECONOMIES

4.2.1 IMPORTANCE OF SERVICES IN MODERN ECONOMIES

Services are part of every aspect of human life today. People use:

- restaurants;
- attorneys, doctors, accountants, stock brokers, dentists and insurance brokers;
- IT services;
- Telecommunication services;
- cinemas and swimming pools;
- banks and financial institutions;
- the services of organisations to keep their motor vehicles, washing machines, TVs and other appliances running; and
- many more.

Economic growth in the 20th century has fuelled the growth of the service industry. People are increasingly spending money on getting services rendered for them rather than to do it themselves. The result has been a phenomenal growth in service industries in the late 20th century. All the developed economies today have large service sectors and many firms, particularly in the IT and financial services field, export services to countries throughout the world.

While services grew, manufacturing declined. In 1970, manufacturing accounted for 26% of the USA’s GDP, but in 1991, it only accounted for 21%. In Germany manufacturing as a percentage of GDP fell from 41% in 1970 to 28% in 1991. In Japan the figures showed a drop from 36% to 29% in the same period (Bateson 1995: 5). As the service industry grew, it absorbed some of the jobs shed by traditional industries such as agriculture, mining and manufacturing.

In reality, services is a greater percentage of GDP than statistics show, the reason being that many goods producing companies have, within their structure, a large service component. If the people employed in this part of manufacturing or goods producing organisations are added, the number of people employed in the service industry is much higher than statistics show.

Human capital is replacing physical capital as an important source of investment. Ginzberg & Vojta (1981: 31-39) state that "Americans must unshackle themselves from the notion that goods alone can constitute wealth, whereas services are non-productive and ephemeral. At the same
time, they should act on Adam Smith's understanding that the wealth of the nation depends on the skill, the dexterity and knowledge of its people. Inherent in this is the message that the wealth of countries and organisations of the 21st century are going to depend on the investment which they make in the skill and knowledge of their people.

Other than manufacturing organisations where machines do most of the jobs, in the service economy, people are the machines which produce wealth. In this process they use other machines such as computers, but the driving force behind the machines, is people skills. The unfortunate reality is that only those people with the highest degree of skill can prosper in such an environment. For this reason the service organisations of the 21st century will have to invest huge amounts of capital in the skills of their people. Only those organisations who are prepared to do this, will survive the challenges of the 21st century. The type of skills required is, with the huge impact of IT, going to change rapidly and may very well change more to IT based skills, web design and logistics than the historically accepted personal interface skills associated with service provision.

4.2.2 THE CHALLENGES FACING SERVICE ORGANISATIONS

The challenge facing many organisations is how they can become more customer-oriented. Central to customer orientation is meeting customer needs. "Service organisations must adopt a management style, aptly called service management, which has as its bedrock the ideals, principles and philosophy of management on which to base an effective service/quality improvement effort. It is about a new way of thinking, managing and taking action called service management" (Collier 1994 : 28). Management must adopt new ways of thinking and it must take action, based on the principles of service management. Management must package in-time information services, with tangible attributes (i.e. a consumer benefit package must be offered). By doing this the organisation can gain a competitive advantage. Quality management practises must become an accepted part of the life of the service organisation. According to Beaumont et al. (1997 : 2) quality management practises can include aspects such as:

- top management leadership;
- the role of the quality department;
- training;
- product and service design;
- supply quality management;
- process management;
- quality data reporting; and
employee relations.

According to Collier (1994) management achieves this process by:

- giving clear leadership at the top and at all levels in an organisation;
- integrating all activities for effective planning and deployment processes;
- collecting, analysing and using data for control and improvement;
- creatively involving all people in an organisation;
- focusing on the understanding of customer needs and expectations as well as customers' perceptions of performance; and
- controlling and continuously improving processes in the total management system to achieve this.

In the case of a service organisation service rendering normally fails at the interface between the customer and the service provider. Management must therefore place emphasis on doing the right things right and to achieve this, staff must know what is right and they must know how to do it right.

This can only be done if a management system is developed which places emphasis on training staff on what is right and how things must be done right.

**4.2.3 HUMANS – THE FACE OF THE SERVICE ORGANISATION**

Humans are often the face of the service organisation and they are the ones who provide excellent service.

Services differ from manufactured goods or products in that, in most cases, there is interaction between the customer and the service provider when the service is rendered. In many cases the actual "production" of the service takes place in the presence of the customer. Typical examples are when a doctor examines a patient, when a tax consultant advises a client, or when a patron watches a film in a cinema. Although there might have been some behind-the-scene activities, the service which the customer sees, is rendered in the presence of the customer. This customer/service provider interface activity will, in the near future, undergo dramatic changes. The service provider of the future will, in all probability, have much less customer/service provider human interaction because of the rapid advance of the Internet and associated services. This is discussed in detail in paragraph 4.4 below.
Those rendering the service, are, in most cases, expected to render an excellent service and they are often caught between the organisation on the one hand and the customer on the other hand. They are expected to cope with all the ensuing conflicts which result from this contact. In many cases, those rendering the service are lower paid employees (cashiers, receptionists, counter persons etc.) with little career prospects.

For that reason service jobs have in many cases, extremely high staff turnovers. The costs of hiring and training new sales assistants, cashiers and other service providers are, in many cases, very high and for this reason, service rendering requires from management, not only proper design of the services but also the management of contact personnel.

Service organisations face huge challenges which are in many cases more problematic to solve than in the case of manufacturing operations. In manufacturing operations machines can be tuned, serviced and replaced where they do not cope adequately with the demands of the product. In service organisations, this is easier said than done. People, by their very nature, cannot be tuned to the demands of the service job unless substantial resources, such as time, money and effort are spent on training and human development.

It is accepted practice in manufacturing organisations to budget for repairs and maintenance, and this is often brought into the budget as a percentage of the income of the organisation. This is an accepted and non-debatable item when budgets are presented. In the case of service organisations, the maintenance of human “machines” can only be achieved through training, but the training budget is, in many cases, placed at the lower end of expenses and, is one of the first items which is cut, when budgets need to be cut to meet profit targets.

Such an attitude is unacceptable in view of the fact that the service component of the economy and of organisations is continuously growing. However, there is often not an inherent, non-debatable commitment from management to increase training budgets.

The management of contact personnel of an organisation has a direct bearing on the outcomes experienced by customers of the service organisation and must be managed within a quality system developed by the service organisation.
4.3 THE HISTORIC FACE OF SERVICES

4.3.1 CHARACTERISTICS OF SERVICES

Zeithaml et al. (1985: 57-71) list four common factors that characterise all services, namely:

- **Intangibility**
  Services are intangible because they are performances, rather than objects and they cannot be touched or seen in the same manner as goods. They are experienced and consumer judgements about them tend to be more subjective than objective;

- **Inseparability of production and consumption**
  Goods are first produced, then sold and then consumed. Services are often sold, produced, and consumed simultaneously. Although a service in many cases may be produced and consumed at the same time (i.e. the cashier produces the service of checking the products bought by a customer) that does not mean that a large amount of work has not gone into the design of the service process. Design must therefore be separated from production and consumption and much time must be spent on the design of the service process;

- **Heterogeneity**
  There is potential for variability in the performance of services and there may be a lack of consistency which cannot be eliminated as easily as in the case of manufactured products;

- **Perishability**
  Services cannot be saved and cannot be stored.

4.3.2 THE SERVUCATION MODEL

Products, whether they are goods or services, normally deliver a bundle of benefits to the consumer.

For this reason the so-called benefit concept has become important in most articles and books dealing with marketing. The consumer, when he/she purchases a product/service, in fact, purchases an experience which is created by that particular product or service. The customer wishes this experience to be beneficial to him/her and the product or service therefore delivers a bundle of benefits to the consumer, through the experiences of the consumer.

In the case of goods, this benefit package normally comes together with the actual goods delivered and is lost once the goods or products are consumed or used. In the case of services, however, these benefits can come from a number of sources at the same time.
This has lead to the development of the Servuction service model of Langeard & Eiglier (Langeard et al. 1981: 81-104), reproduced in Bateson (1995: 11) and set out in Figure 4.1 below.

**Figure 4.1 SERVUCTION SERVICE MODEL**


In figure 4.1, the service is broken into two parts, namely:

- that which is visible to the consumer; and
- that which is invisible to the consumer.

Obviously the visible part of the organisation will be influenced by the invisible part and vice versa. In this regard the kitchen of a restaurant (which may be invisible) will influence the visible (food placed on table of customer) part of the organisation. Similarly the invisible design part of a quality management system will influence the visible rendering of the services.

The visible part of the organisation is broken down into two parts, namely:

- the physical environment in which the service is rendered; and
- the contact personnel rendering the service.
The model suggests that customer A who is purchasing the service can also be effected by
customer B who may be in contact with the service organisation at the same time. This can be
best illustrated in a restaurant where rowdy behaviour of customers at other tables can affect other
customers in the restaurant.
Bateson suggests that the benefits package is derived from an interactive process of experiences.
The visible components of the organisation are supported by the invisible components that provide
the administration and maintenance of the physical facilities and at the same time, because
services are often delivered to groups of customers, benefits are derived from interaction with
other customers.
Bateson's contention is that the whole of the Servuction system creates the experience, and the
experience, in turn, creates the benefit to the consumer.

4.3.3 THE HISTORIC IMPLICATIONS OF THE SERVUCTON
SERVICE MODEL

Bateson (1995: 11-17) lists a number of conclusions, resulting from the Servuction service model
which are of direct importance to the problems of service marketing namely:

- services cannot be inventoried;
- services are time dependent;
- services are place dependent;
- consumers are always involved in the factory;
- changes in the factory, means changes in consumer behaviour;
- changes in the benefit concept, means changes in the factory;
- everyone and everything that comes into contact with the consumer is delivering the service;
- contact people are products; and
- services cannot be quality controlled at the "factory gate."

However, this general concept of the implications of models such as the Servuction service model
can no longer be accepted in total. The reason for this is that the advance of IT, particularly the
internet, renders many of the statements which were previously made as to the implications of
service delivery, particularly the importance of customer/service personnel interaction, no longer as
relevant or as important as was previously said. This applies to most of the historical conclusions
drawn from models such as Servuction. The process identified by Bateson will change, or different
solutions that will be offered. In a short period of five years, Bateson's conclusions may no longer be totally relevant. For example:

4.3.3.1 services cannot be inventoried

The general consensus in the past was that services cannot be inventoried because they are produced and consumed at the same time i.e. the consumer is part of the system. Most services were historically consumed at the point of production. This is still true in many cases, but is no longer a universal truth. An air flight ticket can now be purchased via the Internet. In the purchase transaction, personal interaction between the client and the service provider personnel is eliminated. The Internet is "storing" the service and it is then consumed. However, there is then a further element with consumption and personal production occurring simultaneously. The person buying the air ticket will fly and the in-flight service will be produced and consumed during the flight.

The service continues up to the point of after sales service, but part of the service is "stored" with little, or no, personal contact. In the air flight ticket example the following process occurs:

<table>
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<th>Development of IT System</th>
<th>Production</th>
<th>Personal Contact</th>
<th>Consumption</th>
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<tr>
<td></td>
<td>Organisation</td>
<td>No</td>
<td>-</td>
</tr>
<tr>
<td>Purchase transaction</td>
<td>PC</td>
<td>No</td>
<td>Purchaser</td>
</tr>
<tr>
<td>In flight service</td>
<td>Personnel</td>
<td>Yes</td>
<td>Purchaser</td>
</tr>
<tr>
<td>After sale service</td>
<td>Personnel</td>
<td>Yes</td>
<td>Purchaser</td>
</tr>
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</table>

More situations are developing where services consumption is totally separated from service production. In the very near future, households will purchase household products via the Internet without making any contact with service personnel. It will be delivered and packed into pre-programmed storage spaces which will automatically record reduction of stock and automatically re-order without the product and service deliverer and the customer even seeing each other. The same applies to simple processes such as pizza deliveries. Currently, the pizza maker is in the situation that he/she does not know what the demand will be on Friday evening. Pizzas must be made and delivered as and when they are ordered. With the advent of the Internet, such makers will in the future be able to plan better. Consumers can, on a Monday for example, place their orders for the following Friday, which is then stored on the data bank of the pizza maker and on Friday morning the pizza maker can already determine what orders must be executed on Friday.
evening. The service is therefore effectively inventoried and placed “in stock”. A situation may very well develop in the future where on demand orders can become the exception, more than the rule.

Service provision such as auction services, vehicle sales and many others via the Internet will, in future, become an accepted way of life, and the service deliverer will inventory these items via IT, and will make them available via the Internet. They will be purchased as and when needed and replaced as and when they are purchased.

4.3.3.2 SERVICES ARE TIME DEPENDENT
Historically it was assumed that services cannot be planned ahead. For example, motor vehicle owners need a service such as that provided by the Automobile Association which must be delivered when asked for. Obviously, this still applies today. But this can change. Maintenance plans for vehicles etc. in which equipment and vehicles must be maintained according to a predetermined set of rules and standards, will become more the norm than the exception. The more these types of plans are implemented, the less the likelihood there may be for “on demand” services.

Services such as public transport which suffer from high on demand peaks and low on demand troughs may in future be less problematic with introduction of flexible working hours and the development of transport systems which run on a continuous basis.

4.3.3.3 SERVICES ARE PLACE DEPENDENT
As recent as the late 1990’s the place where the service experience took place was largely dependent on the consumer. With the advent of the Internet, this is no longer necessarily the case. The service organisation can now use the Internet to provide the service instead of having a large number of locations. It can apply to organisations which lend themselves to use of IT, such as national auctions via the Internet, sale of products which are not place-bound etc. Even in the case of food outlets such as McDonalds, the reality is that these will, to a much larger extent than before, be franchised, and that local distributors will implement local solutions in their territories, which may to a very large extent, rely on the Internet.
4.3.3.4 CONSUMERS ARE ALWAYS INVOLVED IN THE FACTORY

It was historically believed that consumers are always an integral part of the service process and that their participation may be either active or passive but that their role cannot be ignored. It was therefore believed that:

- if the factory was changed, consumer behaviour had to be changed;
- if the benefit concept was changed, the factory had to change;
- everyone who comes into contact with the consumer is delivering the service; and
- everything that comes into contact with the consumers, is delivering the service.

(Bateson 1995: 14-15)

This statement can no longer be accepted as universally true. The behaviour of the consumer may in future very well be based on the technology which is available to the consumer more than the change in the factory (the consumers may not even be aware of change in the factory). The factory will place more importance on the logistics to get the service to the consumer after initial contact between consumer and the factory. The benefit concept will depend on the power of IT and how that can be harnessed to the benefit of the factory while direct contact with the consumer may become limited. The relationship between the consumer and the factory will become more impersonal and they will, in fact, be separated from each other.

4.3.3.5 CHANGES IN THE FACTORY MEANS CHANGES IN CONSUMER BEHAVIOUR

It is still true that the changes which are made to the visible part of the service firm and which are apparent to the consumer, may affect his/her decision-making and purchase processes. In future aspects such as web page design, accessibility to web pages, information contained in web pages and ease of movement within web pages, may very well influence and alter consumer behaviour. Modern first world economies are on an IT roller-coaster. Younger generations are changing their behaviour and are becoming IT friendly. The proliferation in e-commerce activities and Internet applications cannot be ignored by the modern service provider and have huge implications on the historically developed service delivery models. Organisations such as banks (where products such as automatic tellers are substituting personal service) have already altered customer behaviour. As the pressure to use technology builds up consumer behaviour will change further. It will no longer be a question of voluntary change, but forced change because of circumstances rather than out of free will.
4.3.3.6 **CHANGES IN THE BENEFIT CONCEPT MEANS CHANGES IN THE FACTORY**

Obviously, this still holds true. If the package of benefits offered to clients changes, it means that the service provider must change its specifications for service design and service offerings. These changes may not always be obvious to the consumer who may only see the final service. In many cases, the customer will still be involved in the factory (i.e. where the service is rendered). Typical examples are hairdressers where the customer is part of the production process. But again, the design of the service may become more important. There are already computerised programmes showing people exactly how they will look with a specific type of hairstyle, before the hairdresser actually cuts their hair. This design is part of the invisible service to the customer but may very well affect the customer’s behaviour. I.e. the more advanced, colourful and the better the design of the system is, the better the chance that the customer will purchase the service. The service organisation will therefore have to harness IT’s power to influence decision making processes of the customer.

4.3.3.7 **EVERYONE AND EVERYTHING THAT COMES INTO CONTACT WITH THE CONSUMER IS DELIVERING THE SERVICE**

Historically there were many contact points between customers and personnel of organisations i.e. telephonists, enquiry clerks, couriers, cashiers etc. were all part of the contact process. In future the personal contact points will diminish rather than increase. More enquiries will be made via IT and less through direct contact. This will mean a re-think on personnel planning in service organisations as well as the type of training required for staff.

4.3.3.8 **CONTACT PEOPLE ARE PRODUCTS**

Historically, customers were part of the service delivery process and so were contact personnel. This still holds true in many cases. Contact personnel are not objects. Because they are human, they exhibit variances which cannot be controlled by the service process. This is a reality that the service provider must take into account.

The nature of contact may, however, in future, change. The contact between customer and organisation will often be more impersonal. To ensure a competitive advantage the contact which is delivered, via IT or otherwise, must be so good that the customer will wish to purchase a particular service or product.

4.3.3.9 **SERVICES CANNOT BE QUALITY CONTROLLED AT THE FACTORY GATE**

One of the greatest problems historically in the service industry is the fact that consumption and production often occurs as the same time. The service organisation finds it extremely difficult to
control staff behaviour. If something goes wrong during service provision, it is virtually impossible for the service provider to institute quality control. In other words, it is virtually impossible, by definition for a service to achieve 100% perfect quality on an ongoing basis, because of the human element that forms part of the production of the service. However, as technology develops and as less reliance is placed on the interface interaction between personnel and customers, the challenge to the service provider will be to increase the chance of 100% service delivery.

4.4 THE SERVICE ORGANISATION OF THE FUTURE

4.4.1 DEVELOPING A NEW MODEL

As pointed out, IT is going to have profound effects on the service organisation of the future. The Servuction model will be complimented by the future Servtech model which is set out in Figure 4.2 below:

![Figure 4.2 THE FUTURE SERVTECH MODEL - THE SERVTECH SYSTEM](image)

Source: Own compilation
The challenge for organisations will be to combine personal contact with IT and e-commerce and to promote logistical support systems which can meet customer expectations.

While the pure Servuction service model will still apply to those cases where production and consumption of the service occur at the same time, it will increasingly be substituted or complimented by the Servtech model. Customers may, in many cases, act in isolation of each other and the service provider, but will be influenced by technology, e.g. access, speed etc. offered by Internet Service Providers. Personal relationships will be vitally important in the limited cases where personal contact is made.

The visible part of the service will be more IT based, i.e. programmes, services provided by Internet Service Providers (i.e. speed, accessibility etc.) and web page design and will be combined with personal contact where applicable. The interaction with other customers will be limited to the extent by which they affect the service provided to other customers (i.e. too many users using the same site at the same time).

The implications of the Servtech model on service organisations are immense. Big investments will have to be made in IT and the design of systems to ensure that the ultimate service is properly delivered, including more emphasis on training of IT specialists and bigger investments in hardware and software. Training will, for example, refocus from secretarial type training to web site development, development of databases and integration into other software packages. In addition huge sums of money will have to be invested in those people who make contact with customers. Contact personnel will have to be highly trained. Call centre operators will, for example, have to be organisational specialists who will have to be able to provide immediate information on virtually all aspects of the organisation to customers.

Increased attention will have to be given to logistical design. The customer will, once a service or product is purchased, insist on speedy delivery. The design process will have to take this into account and would have to give particular attention on finding ways to get the product/service to the customer as quickly as possible. Logistics will, therefore, become increasingly important.

There is an increasing awareness that growth of IT and e-commerce will have profound implications for service delivery. According to Beeld (2000 : 6), e-commerce will increase in value from R2,289 billion in 1998 to between R10 500 and R14 000 billion in 2003. According to the
article speakers at the 37th congress of the International Advertising Agency Association however emphasised that, notwithstanding this phenomenal growth the value of personal contact must never be underestimated. Because reputation, relationships and image cannot be easily duplicated (as is the case with e-commerce services) these will become increasingly valuable and will become the foundation of the new economy.

4.4.2 CHANGING THE SERVICE PROFIT CHAIN

4.4.2.1 FOCUSSING ON IMPROVED PROFITABILITY

The organisation can only remain profitable if it continuously focus on its customers and provide benefits to them. The result of these efforts should be improved profitability. It is a fact that one of the best ways to improve profitability is to provide a better service to customers than competitors. To achieve this, front line workers (who will have to be specialists), IT and customer needs must be the centre of management concern. “Successful service managers pay attention to the factors that drive profitability in this new service paradigm: investment in people, technology that supports front line workers, revamped recruiting and training practices and compensation linked to performance for employees at every level. And they express a vision of leadership in terms rarely heard in corporate America: An organisation’s “Patina of spirituality”, the “importance of the mundane.” (Heskett et al. 1994 : 165-174), reproduced in Bateson (1995 : 419-428)). The crux of the argument is that the new economics of service will require innovative measurement techniques. These techniques will calibrate the impact of employee satisfaction, loyalty and productivity on the value of products and services delivered so that managers can build customer satisfaction and loyalty and assess the corresponding impact on profitability and growth. The aim of a good service profit chain is therefore to increase revenue growth and profitability.
4.4.2.2 THE CURRENT SERVICE PROFIT CHAIN

Heskett et al. (1994: 165-174) developed the service profit chain reproduced in Bateson (1995: 420) which is set out in Figure 4.3 below:

Figure 4.3: THE SERVICE PROFIT CHAIN

The proposition is that revenue growth is a chain achieved through customer loyalty which is a direct result of customer satisfaction which, in turn, is influenced by the services provided to the customer. Value is created by satisfied, loyal and productive employees. Employee satisfaction in turn depends on good internal, high quality, support services which enable employees to deliver results to customers.

4.4.2.3 THE FUTURE PROFIT CHAIN

The organisation of the 21st century will have to place increased emphasis on employee development as technology will, per se, enable potential customers to scan available services to a much greater extent than was the case in the past. Historically, the person who wished to purchase a particular service either knew of a service provider through having used that service

provider or being told about that service provider by other customers of the service provider or such a service provider having been convenient. However, with the growth of advanced IT applications, it is going to become increasingly easier for the customer to scan “the web” and to evaluate the offerings of services on the web page presentation made to him or her. In addition references may be obtained from current users who might be attached to the data bases of such service providers. Customer loyalty in future is going to become increasingly difficult to maintain and service organisations will have to take this into account in their planning. Strenuous efforts will have to be made to retain customers through:

- highly trained specialists who will have to use limited personal contact opportunities with customers, to maximum effect,

- sophisticated IT systems which will enable customers to access information as quickly as possible; and,

- logistic support systems to ensure that purchased products/services reach customers as quickly as possible.
The service profit chain of the 21st century might, therefore, very well look like the one shown in Figure 4.4 below:

The 21st century service profit chain differs from the historical service profit chain, in that customer satisfaction will now depend on a large number of aspects which were not included in the previous models. Many organisations will be offering virtually the same services which may lead to customer satisfaction and organisations will have to seek something special. Even though a good
service may be provided and the customer perceives the service to be good, the customer will have many choices available through the use of IT. Other service providers who, on the face of it offer a better services may have a better chance to render further services to a customer than the current good service provider. In essence the 21st Century service profit chain will work as follows:

- Revenue growth will, as in the past, be influenced by customer loyalty which will be the direct result of customer satisfaction.
- Customer satisfaction will, however, be influenced by service offerings such as web page design, availability of high speed access, linkages with service providers, download abilities of software, easy customising of software downloaded to customers, and the supplier of services linking his services efficiently and effectively with support service providers such as high speed delivery of products. Logistical design to improve high speed delivery is going to become vitally important. At the same time personal contact will have to be of the highest standards. Service offerings using technology, logistics and personal contact effectively is going to lead to customer satisfaction.
- External service value (i.e. the quality of the product or service including delivery time etc.), will be created by loyal, productive, adaptable and high integrity staff. Organisations will have to retain highly trained staff.
- Internal quality will drive employee satisfaction. The quality of the internal services such as the availability and upgrading of IT hardware and software, the freedom of employees to make decisions within their jobs, employee empowerment, employee recognition and reward systems, proper selection of employees in which merit should be the most important factor, development of employees through continuous training, making tools available to employees to improve service to customers and workplace design will all drive employee satisfaction.

4.4.2.4 LEADERSHIP AND THE PROFIT CHAIN

Underpinning the 21st Century profit chain is good leadership. The service organisation of the 21st century is going to face the reality that:

- services are going to be rendered in a highly competitive world where entry barriers for new competitors might be relatively low because of increased affordability of IT;
- services are going to be rendered in an impersonal world where contact with the customer might be drastically reduced. Currently, one of the big advantages of a customer-orientated service organisation is the fact that it can add value, and gain a competitive

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advantage, through concentrating on better delivery of service, including better interaction between customer and organisation;

- the service organisation of the future will work within a more impersonal customer/organisational relationship. It will have to place increased emphasis on adding value through the better utilisation of information, combining this with improved service delivery through better use of sub-contractors, including sub-contractors which come in direct contact with the customer (when, where applicable delivery of the physical product forms part of the service) and using highly trained and professional personnel in contact situations;

- staff within the service organisation will have to focus totally on customer satisfaction, but without necessarily having direct contact with the customer. This turns the historic concept of what is required from service staff on its head in that increasing numbers of staff within the service organisation might have limited contact with customers. They must however, remain customer-focused. For these reasons, the organisation which is future orientated, and which anticipates changes in customer behaviour in view of what is happening in the IT field, is going to be the winning organisation. In this process management might feel that because they are working in an increasingly impersonal environment they may distance them from their customers. This will be a grave mistake. Management will have to realise that customer satisfaction will have to be achieved through a combination of IT, e-commerce, logistics and highly effective and professional contact; and

- the core value system of the organisation, namely satisfying its internal and external customers through a deep-rooted quality belief system is going to become increasingly important as the use of technology increases. It can in fact, grow nearer to its customer base, and may use non-interface contacts as a method to grow relationships by:

  - downloading information to customer computers;
  - supplying information about products and the organisation; and
  - placing more emphasis on CVD.

Core values will become increasingly important because integrity and honesty in the design process, in the commitment to customers, in the commitment of staff and in striving towards quality, might be the one factor which distinguishes one organisation from the other. As customers become more isolated from organisations, then those organisations which can offer the safety net of CVD to customers, might be the ones which retain customers.
4.4.3 RETAINING CUSTOMERS

Customer retention is going to be vitally important for 21st Century organisations. With the advance of IT customers’ choices are going to increase dramatically. People will be able to surf the net looking for new offerings and will quickly forget even the best service and may even be prepared to experiment with new offerings. Organisations will therefore have to take active steps to reduce defections of customers.

It has been calculated that it costs up to three to five times less to keep customers than to get new ones (Bateson 1995: 457). First world populations are becoming increasingly stagnant and there are less new customers to go around. The traditional belief has been that existing customers must be retained as far as possible, particularly because of increases in competition. According to Bateson (1995: 455) factors contributing to increased competition include:

- derivative parity and lack of differential advantages of goods and services on the market;
- deregulated industries that now must compete for customers in the open market; and
- accessible market information that is available to more firms thereby minimising informational advantages amongst competing firms.

An organisation must adopt strategies to retain customers. These strategies can include:

- adopting strategies to reduce customer defections;
- designing customer retention plans;
- placing the customer in the centre; and
- providing desirable, rather than adequate, service.

These strategies are discussed in sections 4.4.3.1 to 4.4.3.4 below:

4.4.3.1 ADOPT STRATEGIES TO REDUCE CUSTOMER DEFECTIONS

Organisations must adopt strategies to reduce customer defection and the term defection management, which has its roots in TQM management, has arisen. Defection management is a systematic process that actively attempts to retain customers before they defect. It involves tracking the reasons why customers defect and utilising this information to improve the service delivery system continuously – thereby reducing further defections (Bateson 1995: 460). Where in the service manufacturing environment the term “zero defects” is often used, the term zero defections is important in the service environment. To improve this the company must adopt a defection management process which involves creating a zero defection culture within the firm and
in this process everyone in the organisation must understand that zero defections is a primary goal of the organisation. All employees must understand the importance of retaining customers and also the benefits of reducing defections. Employees must be trained in defection management (i.e. gathering information about customers, knowing what to do with the information, how to react on the information and encouraging employees to respond to the information).

Bateson (1995 : 461) suggests that a critical step within the defection management process is to tie incentives to defection rates. If the firm truly values reducing defections, then a reward structure must be in place which reinforces customer retention. The retention of customers is going to become increasingly more difficult in the future, because of the wide range of offerings which will be made available to potential customers via the Internet. Companies will therefore have to focus their attention on exactly those things which customers value. MBNA America, a Delaware based credit card company embarked on a process to satisfy and keep each and every customer. The company gathered feedback from defecting customers and acted on the information, adjusting products and processes regularly. As quality improved, fewer customers had a reason to leave, and eight years after it started with the process, MBNA’s defection rate is one of the lowest in the industry. Five percent of its customers leaves each year, which is half the average rate for the rest of the industry. Although this sounds like a small difference, it translates into huge earnings. Without making any acquisitions, MBNA’s industry ranking went from 38 to 4 and profits increased 16-fold (Reichheld & Sasser 1990 : 106). They make the point that if companies want to manage defections adequately they must put mechanisms in place to find customers who have ended their relationship with the company, or about to end it, and listen to what the defectors, or about-to-be defectors, are telling them. By listening to such defectors, insight is gathered and can provide a view of the business which is unavailable to those on the inside. Such feedback tends to be concrete and specific and provide immediate information to the organisation on aspects such as underpricing by competitors, change in merchandising patterns, which service quality investments should be improved.

4.4.3.2 DESIGN A CUSTOMER RETENTION PLAN
A customer retention plan must be designed and four steps are suggested by De Souza (1992 : 24) in designing a retention strategy:

- Measure customer retention – customer retention must be measured in order for it to be managed.
- Interview former customers – talk to former customers to determine whether they defected as a result of price, product or service.
- Analyse complaint and service data – complaint data can be a gold mine for the analyst who wants to identify problems that caused customer defections.
- Identify switching barriers – a good retention strategy, must move beyond problem to solution. It should also identify barriers that will prevent a customer from switching to a competitor even one who is perceived as offering a better product at a lower price. This can be particularly important for organisations competing in an increasingly IT based market. Internet and IT solutions can be offered which draw customers into the organisation's net and keep them there. De Souza suggests that organisations must look at practices which are further afield than their own industry and borrow and make adjustments to meet their specific needs.

The organisation must realise that for every complaint an organisation receives, there are many dissatisfied customers who did not take the time to complain. Only those customers who complain provide the firm with the opportunity to recover from the service failure, but many customers do not complain at all. The organisation must aim to recover from service failures and to impress customers in the process.

Customers can complain for many reasons such as:

- service delivery failures;
- inadequate responses to customer needs by employees;
- unwanted and unsolicited employee actions; and
- many others.

A firm who wants to implement a proper service recovery strategy must develop the ability to listen and learn from complaints and must develop recovery strategies within the organisation and create a culture in which these strategies are used.

Gilly et al. (1991 : 295 – 322) offer an information processing model of the complaint information flow within an organisation.

Figure 4.5 presents a model of how information about complaints is processed that draws upon an extensive organisational information processing model.
The organisation must therefore manage the complaint from the moment it is received until the result is fed back to the customer. At the same time, organisation members must realise that the chain cannot be broken and that there must be feedback to the organisation. The culture in the organisation must be to handle complaints and not to run away from them.

4.4.3.3 PLACE THE CUSTOMER IN THE CENTRE

The customer must always remain the focus of all service activities. Service organisations might have to adapt the ways they reach customers, they retain customers and the services they render. At all times, the customer must, however, remain the focal point of service activities. In essence, the service organisation must:

- understand the service customer;
- understand the service operation itself;
- understand the service worker;
- value the service experience; and
- implement effective marketing strategies.

The service organisation must take active steps to ensure that it understands its customers. In this regard a number of factors are important.
FACTOR 1

Understand consumer behaviour - consumers normally go through three stages in a purchase process, namely:

- The pre-purchase stage – this refers to all activities before the acquisition of the service. It normally starts when an individual realises a need or a problem. This person then seeks a solution and searches for information to solve his/her problem.

- The consumption stage – once a decision is taken to buy a certain service, this decision is accompanied by a set of expectations about the performance of the service. As mentioned earlier, the consumer or customer buys a set of benefits and this often involves a sequence of personal interactions. All these interpersonal, impersonal, human environment and non-human environment interactions lead to the service experience which is required. The service organisation must endeavour to influence the perception of the customer during the process of delivery.

- The post-purchase evaluation stage – customer satisfaction is the key outcome of the marketing process. The organisation must create customer satisfaction. Consumers evaluate services by comparing the services they perceive they receive with their expectations.

The service organisation must therefore:

* offer solutions;
* influence perceptions positively during service delivery; and
* create satisfaction by meeting expectations.

FACTOR 2

Narrow the gap between management perception and customer expectations - Parasuraman et al. (1985: 41-50), developed a conceptual model of service quality. This model had a huge impact on service delivery thinking in subsequent years. In their study, Parasuraman et al. identified a number of gaps that exist regarding management perceptions of service quality and the tasks associated with service delivery to consumers. From this, they developed the so-called service quality model set out in Figure 4.6 below.
GAP 1 Consumer expectation – management perception gap

In their study Parasuraman et al. (1985 : 41) found that discrepancies between executive perceptions, and consumer expectations exist which means that management of service firms may not always understand what features connote high quality to consumers in advance, what features a service must have in order to meet consumer needs and what levels of performance of those features are needed to deliver high quality service. This means that service marketers may not always understand what consumers expect in a service. This gap between consumer expectations and management perceptions of those expectations have an impact on the consumers evaluation of service quality.
GAP 2 Management perception – service quality specification gap
Many organisations find it extremely difficult to match or exceed consumer expectations. Reasons for this are numerous, such as:
- difficulties in establishing specifications to deliver quick responses consistently; and
- lack of trained service personnel, fluctuations in demand, absence of total management commitment to service quality and market conditions, all may result in a discrepancy between management perceptions of consumer expectations and the actual specifications established for a service. Obviously, this will affect service quality from the consumer's viewpoint.

GAP 3 Service quality specifications - service delivery gap
Organisations may establish guidelines for the performance of services and to treat consumers correctly but may still not yet achieve high quality service performance. This is particularly so with contact personnel and the difficulties experienced to ensure that they give consistently good service.

GAP 4 Service delivery – external communications gap
Advertising and other communication can affect consumer expectations. If these expectations play a major role in consumer expectations of service quality the firm must be certain not to promise more in communications, than it can deliver in reality.

GAP 5 Expected service - perceived service gap
The organisation must endeavour to make the gap between expected service and perceived service as small as possible. It must provide service that is at least equal or better than the expectations of customers.

The provider of services can therefore experience certain gaps namely;
- a gap between its perceptions of what consumers expect and what consumers really expect. This gap will have an impact on the consumers evaluations of quality;
- a gap between management perception of what consumers expect of a service and what the organisation can deliver (i.e. a gap between expectations and actual specifications) which will also affect service quality from the consumer's viewpoint;
- a gap between service quality specifications (even if they are soundly developed) and actual service delivery. This can also affect service quality from the consumer's viewpoint; and
a gap between actual service delivery and external communication (e.g. advertising promises) about the service. This can also affect service quality from the consumer's viewpoint.

Accordingly, the quality a consumer perceives in a service is a function of the magnitude and direction of the gap between the expected service and the perceived service.

◊ FACTOR 3
Recognise what influences service quality evaluation. Parasuraman et al. (1985 : 41-50), using the insights gained from their study, then developed a model of service quality, as perceived by consumers. Service quality, as perceived by the consumer, depends on the size and direction of Gap 5, which, in turn, depends on the nature of the gaps associated with the design, marketing and delivery of the service.

From their study, Parasuraman et al. (1985 : 41-50) came to the conclusion that regardless of the type of service, consumers basically use similar criteria in evaluating service quality and that they seem to fall into ten clear categories which are labelled service quality determinants. These are set out in Figure 4.7 below.

FIGURE 4.7 DETERMINANTS OF PERCEIVED SERVICE QUALITY

Determinants Of Service Quality
1. Access
2. Communication
3. Competence
4. Courtesy
5. Credibility
6. Reliability
7. Responsiveness
8. Security
9. Tangibles
10. Understanding/Knowing the customer

Word-of-mouth
Personal needs
Past experience
Expected service
Perceived service
Perceived service quality

The consumer's view of consumer quality is shown in the upper part of figure 4.6 and more detailed in figure 4.7. Figure 4.7 indicates that perceived service quality is a result of the consumers' comparison of expected service with perceived service.

According to Parasuraman et al. (1985: 41-50) consumers typically rely on experience properties (i.e. attributes which can only be discerned after purchase or during consumption) when evaluating service quality. Perceived service quality exists along a continuum ranging from ideal quality to totally unacceptable quality. Perceived service quality stems from customers' comparisons of what they wish to receive from firms and what they perceive actual service performance to be. In other words, perceived service quality is viewed as a degree in the direction of discrepancy between customers' perceptions and desires. In a further study conducted by the Parasuraman team (Zeithaml et al. 1993: 1-12), they termed this standard of expectation the desired service, which is defined as the level of service the customer hopes to receive.

4.4.3.4 ADEQUATE SERVICE VERSES DESIRED SERVICE
Although customers hope to realise their service desires, they recognise that this is not always possible. They hold onto another lower level of expectation for the threshold of acceptable service. This, Zeithaml et al. (1993: 1-12) termed adequate service i.e. the level of service the customer will accept. The focus groups investigated by Zeithaml et al. (1993: 1-12) consistently showed that customers' views of what a service should be exist at two levels, namely:

- a desired level; and
- an adequate level.

There is therefore a zone of tolerance between desired serve and adequate service. This zone of tolerance may vary across customers and may even expand or contract within the same customer. The desired service level is less subject to change than the adequate service level.

4.4.3.5 FACTORS WHICH INFLUENCE DESIRED SERVICE
Zeithaml et al. (1993: 1-12) found that the level of desired service depends on enduring service intensifiers and personal needs (see Figure 4.8).
Enduring service intensifiers are individual factors that lead the customer to a heightened sensitivity to service. One of these factors is derived service expectations where the customers' expectations are driven by another party, for example, where service employees depend on others to serve their own customers. Another enduring service intensifier is personal service philosophy which is the customers' underlying generic attitude about the meaning of service and the proper conduct of service providers.
Personal needs are those conditions which are essential to the physical or psychological well-being of the customer and is the second factor that shapes desired service.

**FACTORS WHICH INFLUENCE LEVELS OF ADEQUATE SERVICE**

According to Zeithaml *et al.* (1993: 1-12) the customers' levels of adequate service is influenced by five factors, namely transitory service intensifiers, perceived service alternatives, self perceived service roles, situational factors and predicted service. These factors will widen or narrow the gap between desired service and adequate service, depending on circumstances and are briefly discussed below.

- **Transitory Service Intensifiers**
  They are normally temporary, taking into account short term individual factors that lead customers to a heightened sensitivity of service (i.e. personal emergency situations where the customer strongly needs service and perceives that the company ought to be able to respond quickly e.g. insurance of a vehicle or other property where customers judge the acts of the insurance company accordingly). In this case, the level of adequate service will increase and the zone of tolerance will narrow.

- **Perceived Service Alternatives**
  These are customers' perceptions of the degree to which they obtain better service through providers other than the focal company. These customers have several service providers to choose from, or if they can provide the service for themselves, their levels of adequate service may be higher. A customer's perception that service alternatives exists raises the level of adequate service and narrows the zone of tolerance.

- **The customer's self perceived service role**
  This is the customer's perceptions of the degree to which they themselves influence the level of service they receive. If the provision of service depends critically on customer participation, their expectations are partly shared by how well they believe they are performing their own roles. The customers' zone of tolerance will obviously expand when they think they are not fulfilling their roles.

- **Situational factors**
  These can also influence levels of adequate service. Factors that affect a large number of people at one time, would likely lower service expectations. After a natural disaster customers may
recognise that insurance companies may, for example, be inundated with a demand for their services, which may lower expectations of adequate service and expand zone of tolerance.

Predicted service

This is the level of service customers believe they are likely to get. The predicted service is influenced by implicit service promises, word-of-mouth and past experience.

Figure 4.9 illustrates the critical difference between customer satisfaction and perceived quality assessment that results from the different standards of comparison used by customers performing these assessments. Customer satisfaction/ dissatisfaction results from a comparison between predicted service and perceived service.

Parasuraman et al. (1985 : 41-50) refer to this latter comparison as Gap 5 in their model of service quality. Zeithaml et al. (1993 : 1-12 ) call the comparison between desired service and perceived
service (perceived service quality Gap 5a) the perceived service superiority gap. The comparison between adequate service and perceived service is called the perceived service adequacy gap. The smaller the gap between desired service and perceived service, the higher the perceived service superiority of the firm. The smaller the gap between adequate service and perceived service, the higher the perceived adequacy service of the firm. The two perceived quality assessments replace gap 5 in the service quality model. Zeithaml et al. therefore propose that two types of service quality assessments are made by consumers, namely: perceived service superiority which results from a comparison between desired service and perceived service and perceived service adequacy, which results from a comparison between adequate service and perceived service.

Customer satisfaction is distinct from service quality assessments in that satisfaction results from a comparison between predicted service and perceived service.

In figure 4.8 it is shown that predicted service is influenced by a number of elements. Explicit service promises and word-of-mouth are based on external information while past experience is based on an internal search factor. In general it can be said that the higher the level of explicit service promises, the higher the level of the desired service and predicted service. The same applies to implicit service promises and positive word-of-mouth communication. If a person had positive past experience with the service, then there is a positive relationship between levels of past experiences with the service and the level of desired services and predicted services.

4.4.4 IMPROVING SERVICE QUALITY

In a thorough study conducted by the Parasuraman team (Berry et al. 1994 : 32 – 52) a number of lessons are presented which the writers believe are essential in improving service quality, namely:

- Lesson 1: Listening. The writers make the point that spending wisely to improve service comes from continuous learning about expectations and perceptions of customers and non-customers. Companies need to instil an ongoing service assessment process, that provides timely and relevant data that managers can become accustomed to for using in decision-making.

- Lesson 2: Reliability. Surveys rate reliability as the single most important feature in judging service quality. According to the writers reliability is the core of quality service. Little else matters to customers when service has been unreliable. The firm cannot
afford to make frequent mistakes in delivery and not keeping its promises, as customers lose confidence in the firm's ability to do what it promises dependably and accurately. Friendliness from staff and sincere apologies do not compensate for unreliable service.

Lesson 3: Basic service. Related to the lesson of reliability is the lesson of basic service. According to the writers, service customers want the basics — they expect fundamentals, not fanciness; performance, not empty promises. Normally, customer expectations are not extravagant and all they expect is that the service must do what was promised in the most simple manner as possible.

Lesson 4: Service design. Like reliable service, delivering the basic service customers expect, depends in part on how well various elements function together through the service system. The elements include:

- the people who perform the specific services in the service chain;
- the equipment that supports these performances; and
- the environment in which the services are performed;

The design of the system is, however, also important.

According to the writers it is in the details that service system designs are often flawed (e.g. clothing store dressing rooms with only one hook or no hooks instead of a minimum of two hooks required for the taking off and trying on of clothing). One way of overcoming this problem is service mapping as a way to improve service design. This is discussed in more detail in Chapter 5.

Lesson 5: Recovery. As mentioned earlier in this chapter the organisation must implement recovery strategies to cope with service failures. If a problem arises it must be resolved.

Lesson 6: Surprising customers. Although reliability is the most important dimension in meeting customer service expectations, the process dimensions such as assurance, empathy and tangibles during the service delivery process are important in exceeding customer service expectations. Customers assume that companies are
reliable and they are supposed to provide the service they promised to provide. Customers can however, be surprised with uncommon swiftness, courtesy, competence, commitment or understanding.

Lesson 7: Fair play. The writers found that fairness underlies all the customers’ expectations. Because services are intangible it heightens customer’s sensitivity to fairness issues. Obviously the organisation can only deliver fairly if there is an underlying core value system which encourages such activities. Service companies must make special effort to be fair and to demonstrate fairness. One way to do this is the so-called service guarantee.

Lesson 8: Teamwork. Teamwork can be an important dynamic to sustain service motivation to serve. Co-workers can support each other and, together, achieve the desired service. The organisation must spend time in team building, particularly in a service environment. This is discussed in more detail in Chapter 6.

Lesson 9: Employee research. Employees must be encouraged to assess internal and external service provisioning. They have unique insight because they often deal directly with customers while management do not. Employees experience the company’s service delivery system day after day. They see more than customers see and they also see it from a different angle. Employee research must therefore be encouraged.

Lesson 10: Servant leadership. The view of the writers is that delivering excellent service requires a special form of leadership, which they call servant leadership. According to them, servant leaders serve the servers, inspiring and enabling them to achieve. Such leaders fundamentally believe in the capacity of people to achieve, viewing their own role as setting a direction and standard of excellence and giving people the tools and freedom to perform. To a large extent this philosophy conforms with that discussed in chapter 3 where it is stated that a good core value leader is a leader who can empower and trust. It is only the core value leader who trusts employees and believes that they can make the right decisions in various circumstances. The following paragraph is an interesting quote from the writers: "We do not have hard data to support our belief that servant leadership is the engine that moves organisations toward service excellence. Yet, ten years studying the subject of
service quality convinces us it is so. Interviews with staff at Lakeland Regional Medical Centre – from senior management to CARE personnel - are indicative of the evidence we have accumulated on the importance of service leadership in service improvement. Members of the Patient Focussed Development team – a middle management group responsible for helping to drive Lakeland's restructuring, were asked to identify the keys to their efforts' success. One member answered: “Top management role modelled it for us. They spent a lot of time developing the vision and working it out.” Another member responded: “Management has relinquished control and power. They know that we know what to do.” A third member added: “Management provided the education to support a change. They articulated what the restructuring was and was not.” Without the energising vision of leadership, without the direction, inspiration and support the direct investments in service improvement – in technology, systems, training and research, for example – do not produce full benefits” (Bateson 1995 : 614).

There is no doubt that leadership is vitally important in the design and rendering of quality services.

4.5 THE FUTURE ROLE OF LOGISTICS

As indicated in section 4.3.3 the historical implications of the Servuction service model can no longer be unequivocally accepted. It was pointed out that:

- part of services can now be inventoried;
- part of the service process and provision of services are no longer time dependant;
- services are no longer necessarily place dependant;
- with the advent of the Internet, the interaction between consumer and service provider may in many cases no longer be very personal;
- IT and the proper use thereof, may in future influence consumer behaviour strongly and customer loyalty will no longer be retained by purely giving a good service because of the wide range of choices which will be available to consumers;
- the design of the service may use the power of IT to influence consumer decision making;
- contact between consumer and service deliverer may diminish; and
development of IT may result in less interaction between personnel and customers.

In section 4.4.1 the Servtech Model was introduced. It was pointed out that logistics is going to become increasingly important for the future service organisation. The service organisation of the future, or the service arm of the manufacturing organisation will, once there is general acceptance that contact with customers will increasingly be through IT, have to find ways of getting the product or service to the customer as quickly as possible once the customer has made a decision to purchase the product.

Logistics is going to become one of the most important parts of service delivery. Where in the past much attention was given to controlling the interaction between customer and service provider or manufacturer, the future service will also focus more on how to get the service or product to the customer as quickly as possible. In the past this did not pose a problem because the purchaser of a product normally purchased the product at the place where it was on offer, or via telephone from a place not far from a purchaser. In the case of services the purchase mostly took place at the same time as the delivery of the service. With the advent of I.T. the issue of distance will become largely irrelevant as the purchasers of a product or a service will purchase their products/services from a place which may literally be thousands of kilometres away from their locations. However, the purchaser will expect the product to be delivered to him/her as quickly as possible. Obviously, this is going to be particularly important to organisations offering a product, as they will now have to make delivery of the product a critical part of their service process.

More time will have to be spent by organisations on finding ways to get the product/service to the consumer as quickly as possible. Until now, this has been a largely untouched part of service discussions but commentators and writers are starting to recognise the substantial implications of this process in future. An interesting quote is that of Pittendrigh (2000:1) “Waar vernuf gaan nodig wees, is nie in die bou van webwerwe nie, maar in die toepassing van die besigheid–tot–besigheid (B2B) logistiek wat met die uitvoer van bestellings, beskikbaarheid van voorrade en betalings gepaard gaan.”

The organisation will have to understand that a well developed web page which grabs the attention of readers, may have immense implications on the logistic capabilities of the organisation to meet a sudden surge in demand. Not only may there be implications on the delivery of products, but there may be effects on availability of stock, which in turn may have effects on where central warehouses must be situated and how stock can move out of those warehouses to destinations as
quickly as possible. The organisation will face the reality that it might not be able to forecast demands for products and stock as accurately as in the past and will therefore have to put logistical measures in place where suppliers of products, which would normally be stocked in warehouses, can move the products directly to customers without them having to be held in stock by the organisation.

4.6 MEETING THE FUTURE SERVICE CHALLENGE

The question the 20th century service deliverer will have to answer is:

- How can it design a service which:
  - Is customer orientated;
  - Is customer friendly, taking into account that there might be less personal contact with the customer?

In this regard, management will have to give attention to all those aspects highlighted in the 21st Century service product chain as set out in figure 4.4. Company growth and profitability will ultimately depend on whether the service is perceived to be a quality service by the customer. In this regard customer satisfaction is going to be achieved through proper service design, including logistical design. Obviously where a product is delivered, the product will have to meet customer expectations, but a perception will have to be there that the service underpinning a product is what the customer expects. The organisation will have to accept that the zone of tolerance between design and adequate service must be made as small as possible. Organisations will have to deliver on explicit service promises and will continuously have to maintain high levels of service to ensure that present experiences do no detract from past experiences. At the same time, organisations will have to ensure that they meet, as far as possible, the personal needs of their consumers.

To achieve this service organisations will have to be more innovative.

Senge (1990 : 6-12) believes that five “component technologies” are gradually converting organisations into innovative learning organisations. These five component technologies are:

- Systems thinking - i.e. you can only understand the system by contemplating the whole.
Personal mastery – the discipline of continually clarifying and deepening personal reason, focusing energies, developing patience and seeing reality objectively.

Mental models – i.e. learning to service and challenge mental models.

Building a shared vision – i.e. the capacity to hold a shared picture of a future we seek to create.

Team learning - i.e. the ability to enter into genuine thinking together.

Senge is of the view that the five disciplines must develop as an ensemble. This is why he believes that systems-thinking is the fifth discipline. In his words “It is the discipline that integrates the disciplines, fusing them into a coherent body of theory and practice. It keeps them from being separate gimmicks or the latest organisational change fads. Without a systematic orientation, there is no motivation to look at how the disciplines interrelate. By enhancing each of the other disciplines, it continuously reminds of the whole can exceed sum of its parts” (Senge 1990 : 12).

The quality and learning organisations of the future will become more system orientated and will place emphasis on designing systems which take into account their own realities and the challenges of the environment in which they operate. Much thought will have to go into the design of the service system and the design of services supporting a Servtech environment.

4.7 CONCLUSION

In modern economies the service component is becoming increasingly important. In most countries, the service component of GDP is growing faster than the manufacturing component of GDP. Service organisations face many challenges. The greatest challenge facing the service organisation is to manage the interaction between the customer and service personnel. The human face of the service organisation is vitally important.

Historically, models such as the Servuction model have made a distinction between those services which are visible to the consumer and those which are invisible and in this regard have given certain characteristics to services. With the advent of IT, the historical characteristics of services can no longer be universally accepted. Parts of services can now be inventoried and are becoming less time and place dependent.

In future more people will be purchasing products and services via the Internet and through e-commerce. This will place great strain on organisations to deliver their products or services to customers as quickly as possible and will become an increasingly important part of customer
satisfaction. The future service organisations will have to place greater emphasis on logistics than in the past. The 21st Century service profit chain will have to take this reality into account.

Leadership will become more important and will have to be actively involved in the process to retain customers through strategies to reduce customer defections. Customer retention plans will have to be developed more actively than in the past with the customer always being placed in the centre of these plans.

Organisations will have to understand consumer behaviour better than in the past and will have to take active steps to narrow the gap between management perceptions of good service and consumer expectations.

Continuous steps will have to be taken to improve service quality such as:
- listening,
- reliability;
- providing a basic service;
- designing a proper service system and services;
- implementing service recovery strategies;
- surprising customers;
- being fair;
- teamwork;
- employer research; and
- service leadership

There is going to be increased pressure on management to integrate traditional TQM concepts into IT and logistic design. Time frames are going to be increasingly tight and managers will no longer have the time to talk about quality but will have to make its principles part of every decision making. Rhetoric and theories will have to be replaced by reality, including continuous awareness of the pitfalls and challenges facing TQM. IT and logistics design will have to place the customer in the centre, will have to be user friendly and ultimately serve the customer. Service oriented organisations using the huge advantages IT and proper logistical support can offer them in terms of effectiveness, and with the aim of exceeding customer expectations, will be the winners in tomorrow’s world.
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TQM currently faces huge challenges. A perception has developed that TQM does not always work.

For TQM to work, management at all levels must be totally involved in the process and must provide effective leadership. In this regard, management must adopt a number of approaches:

- a developmental orientation;
- manage the paradoxes in the TQM environment;
- be realistic and not rely on rhetoric;
- implement TQM properly;
- recognise the importance of people within the TQM process;
- provide effective leadership;
- adopt a mixture of LOA, TQM and Core Value Deployment (CVD); and
- look at the future and anticipate change.

Managers must realise that there is a great responsibility on them to provide effective leadership within a TQM environment. In this regard, the establishment of core values, which are aimed at making the organisation better, is vitally important. This implies that managers must make these core values part of their personalities, in the absence of which, staff will perceive a non-commitment to excellence.
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CHAPTER 3
TOTAL QUALITY MANAGEMENT – CORRECT MANAGEMENT APPROACHES

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TOTAL QUALITY MANAGEMENT – CORRECT MANAGEMENT APPROACHES

3.1 INTRODUCTION

In Chapter 2 the problems currently experienced within the TQM field were discussed. There is no doubt that there are many challenges facing TQM today. The proverbial honeymoon is over for TQM and it currently faces huge challenges.

TQM has many good elements such as that it:

- requires top management leadership and commitment;
- focuses on the customer;
- propagates employee involvement and empowerment;
- focuses on continuous improvement;
- propagates supplier partnerships;
- recognises quality as a strategic management approach;
- uses statistical tools to measure performance;
- provides that design must lead to product and service quality;
- introduces performance measures focussing on quality; and
- says decisions must be based on facts.

However, notwithstanding these good theories behind TQM, managers are, as mentioned in Chapter 2, beginning to realise that TQM is not synonymous with quality. While everybody agrees that quality is essential for organisational success, competitive advantage and survival, managers are starting to question the role of TQM in meeting the challenges facing modern organisations.

It is therefore only logical that magazines, newspapers and academic journals will start publishing reports on the failure of TQM. While many companies have demonstrated improvement in attaining high quality and business performance, others have either abandoned or reduced their efforts towards TQM programmes.
In Chapter 2, various reasons for TQM's failure are discussed. But some writers and academics also argue that failures are sometimes attributed to TQM which is in reality not TQM. Becker (1993 : 30-34) argues that Motorola, Zerox, Chicago Faucet, Southern Pacific and other companies with successful TQM programmes are doing something right, something which is called TQM. Those who fail are doing something wrong. He argues that what appears to be failures of TQM are experienced by those who do other things, but call them TQM.

Other writers contend that the problems come from the oversell of TQM and that many managers were disappointed because their hopes were too high. Doyle (1992 : 12-19) argues that a lot of problems people experience result from unrealistic expectations. People expect to gain in a year or two what it took some of the leading Japanese companies thirty years to achieve.

Another possible explanation is that management has failed in its duty to implement TQM properly, i.e. that management has not provided effective leadership.

Choi & Behling (1997 : 1-12) in their research found that top manager attitudes towards time, goals and customers differ from firm to firm and that these differences yield distinctly different approaches to TQM. These approaches, in turn, influence TQM's chances of success.

Many other writers have also come to the conclusion that the role of top management in the implementation of TQM is vital for its possible success or failure. In this chapter an endeavour is made to identify those approaches which are vital for successful implementation of TQM.

### 3.2 TQM PRINCIPLES – CORRECT MANAGEMENT APPROACHES

For TQM to work management must adopt a number of approaches. These approaches are sometimes difficult to make part of a management style. TQM is no quick fix solution for organisational prosperity and management must accept that proper implementation requires commitment, planning and honesty.

In this chapter it is argued that managers tend to talk and think about TQM without often really understanding what TQM is about. This leads to a rhetoric of success without real proof of success. Management must therefore move away from rhetoric to a true understanding of the
efforts involved. Management must understand that successful TQM implementation requires a life long commitment.

Eight management approaches are important for proper TQM implementation. These are summarised in Table 1 below and discussed in sections 3.2.1 to 3.2.8 below.

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A quality service can only be designed if an organisation has a quality service system (QSS) in place. In putting a QSS in place, the organisation must:
- consider those factors which can impact on the quality service system;
- base the design on sound and tested principles;
- use the correct design approach such as a project management approach.

Once the QSS is in place, the organisation can design quality services. The design of a quality service must take certain factors into account, namely:

- The marketing process in which the organisation must consider those market factors which can impact on the service.
- The actual design process in which the organisation takes steps to design a service which will meet customer requirements and will not impact negatively on other services or its QSS.
- The delivering of the service in which the organisation considers those factors which impact on the actual delivery of the service including the fact that those delivering the service are in most cases humans who react differently in different circumstances and that the recipients of the service also have an impact on the delivering of the service.

Measures must be put in place to ensure these factors are controlled.
TOTAL QUALITY MANAGEMENT: A STRATEGIC MANAGEMENT APPROACH

CHAPTER 5

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5.1 INTRODUCTION

TQM, whether in the service business, or any other business, ultimately depends on management commitment. In this thesis the following facts have so far been highlighted:

- Perception of TQM’s failure is often not the fault of TQM but the failure of management to understand its complexities and management’s attempts to offer it as a quick fix solution.
- Management must no longer talk about TQM but must face its challenges, paradoxes and realities.
- Services are changing rapidly and IT and logistic support is going to become increasingly important.

In this chapter, attention is given to how a service must be designed taking into account the above challenges and realities.

The challenge facing every service organisation is to implement services which work. To implement a workable service, the organisation must spend substantial time and effort on the design of such a service.

Before a service can be designed the organisation must put a QSS in place. There are two distinct requirements for quality services, namely:

- designing a QSS; and
- designing a quality service

This chapter is therefore divided into two main sections, namely:

- Designing a QSS, which must take into account pre-design requirements, be based on tested principles such as ISO 9000 and must be based on sound design principles. (Dealt with in section 5.2).
Designing a quality service. This must take into account three important factors, namely the marketing process, the actual design and the delivery process. (Dealt with in section 5.3).

5.2 DESIGNING A QUALITY SERVICE SYSTEM

The service organisation must understand the environment in which it operates. It can only design a proper QSS if it understands each and every process in the market in which it operates.

In the development of a QSS, three distinct stages must be identified, and addressed, before the process is concluded, namely;
- consider pre-design requirements;
- base the design on sound and tested principles, such as those contained in ISO 9000; and
- use the correct design approach.

These are dealt with in paragraphs 5.2.1 to 5.2.3 below.

5.2.1 CONSIDER PRE-DESIGN REQUIREMENTS

The service organisation must, before it develops a QSS, understand the factors which can play a part in, or may influence, the development of QSS. A number of factors must be taken into account before the QSS is designed. These are the following:
- make a commitment;
- gain profound knowledge;
- set a strategic service vision;
- focus on the future;
- understand the process;
- understand the service operation;
- establish service levels;
- define the service delivery cycle;
- involve customers;
- understand the service worker;
- choose a champion to co-ordinate quality efforts;
- decentralise quality control;
- give more freedom; and
- plan the implementation
These are discussed in sections 5.2.1.1 to 5.2.1.14

5.2.1.1 MAKE A COMMITMENT

In chapter 2, various reasons were discussed why TQM has failed and why there is a perception that TQM is still failing. Ultimately, the reasons for TQM failure lie with management. In chapter 3, a number of approaches were proposed including the adoption of the developmental orientation, the ability to manage the inherent paradoxes found in TQM, not relying on rhetoric but being realistic, implementing TQM properly, developing people and training them, providing effective leadership, adopting a mixture of LOA, TQM and CVD and looking at the future. It was mentioned that it is vitally important that TQM be implemented properly. This can only be done if proper leadership is provided by management. To implement TQM properly the organisation must:

- know its own strengths and weaknesses;
- create a TQM culture;
- align TQM with organisational strategies;
- spend time and effort;
- adapt TQM requirements to its own unique requirements;
- adopt a holistic approach;
- adopt a total approach; and
- not regard TQM as the magic bullet for quality.

In short, before designing a QSS, management must make a total commitment to the process.

5.2.1.2 GAIN PROFOUND KNOWLEDGE

Deming's 14 famous points often form the foundation for TQM development and implementation to enable the organisation to meet its long term business plans and goals. According to Rienzo (1993 : 19 – 29) in Deming's view, insightful management hinges on the application of an awareness process he labelled as profound knowledge, which consists of four components:

- Appreciation for a system – a system is defined as a series of functions or activities within an organisation that work together for the benefit of the organisation. For it to function effectively, there must be a clear aim, communicated to everyone and capable of affecting system operation. Managers must optimise systems and can use flow diagrams to help them understand what they are attempting to optimise.

- Theory of variation – systems are most efficiently optimised by concentrating on activities as far upstream as possible. Employees must have an understanding of
variation and Deming insists that managers have some means of distinguishing between changes in the process occurring at random compared with changes resulting from some special causes effecting the process. Statistical methods can help provide that distinction.

Theory of knowledge - Deming is convinced that hard work and best efforts are necessary, though not sufficient conditions, for achieving quality or satisfying a market. He argues that many shortcomings of American business do not result from a lack of effort, but from a lack of knowledgeable theory concerning the subject matter that businesses attempt to manage.

Psychology - psychology provides insight into human relationships and the ways in which people respond to circumstances in their lives. Deming is concerned about a knowledge of psychology in management because he sees current norms squeezing out workers' self-esteem and self-respect. For this he recommends eliminating a number of common management techniques that he believes are destructive such as merit systems, incentive pay for individuals based on performance, problem report and resolution, work standards which rob people of pride of workmanship and management by numbers e.g. "Do it, I don't care how, just do it." These are set out in Table 5.1 below.

<table>
<thead>
<tr>
<th>TABLE 5.1 FAULTY MANAGEMENT PRACTICES AND SUGGESTIONS FOR IMPROVEMENT</th>
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<tr>
<td><strong>FAULTY PRACTICE</strong></td>
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<tr>
<td><em>Skills only required</em></td>
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<tr>
<td>1 Management of outcomes with immediate action when figures deviate from expectations or standards.</td>
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<tr>
<td>2 The so-called merit system - actually a destroyer of people.</td>
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<tr>
<td>3 Incentive pay for individuals - pay based on performance. The incentive is numbers, not quality.</td>
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<td>4 Problem report and resolution. This technique often results in tampering, making things worse.</td>
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<tr>
<td>5 Work standards (quota and time standards) rob people of pride of workmanship and shut off any possibility of obtaining valid data to improve process.</td>
</tr>
<tr>
<td>6 MBN - Management by Numbers (&quot;Do it, I don't care how, just do it.&quot;)</td>
</tr>
<tr>
<td><strong>BETTER PRACTICE</strong></td>
</tr>
<tr>
<td><em>Theory of management required</em></td>
</tr>
<tr>
<td>1 Work on the system to reduce failure at the source. Avoid tampering. Instead, distinguish by appropriate techniques between special causes and common causes.</td>
</tr>
<tr>
<td>2 Institute leadership. Reward co-operation.</td>
</tr>
<tr>
<td>3 Put all people on regular systems of pay. Provide leadership.</td>
</tr>
<tr>
<td>4 Study the system. Learn methods to minimise net economic loss.</td>
</tr>
<tr>
<td>5 Provide leadership. Everyone is entitled to pride of workmanship.</td>
</tr>
<tr>
<td>6 Improve the system to get better results in the future</td>
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</table>

Source: Bateson 1995: 626.
Deming believes that profound knowledge is crucial to the long-term operation of business because each component brings essential insight into optimisation of the organisation as a holistic entity. "Appreciation for a system minimises the damaging effects of sub-optimisation in which one part of a company performs well at the expense of the business system. Theory of variation provides for recognising a stable system in statistical control. Management is predicting and rational prediction is possible only with processes in statistical control. Deming in fact rejects the contention that major threats in business result from lack of effort; they result instead from not knowing what to do. Theory of knowledge tells us what to do. Psychology helps get everyone in the organisation involved in its improvement" (Rienzo 1993: 19 – 29, reproduced in Bateson 1995: 625). The aim of profound knowledge is optimum performance. Deming’s famous 14 points provide a method to develop and implement profound knowledge in business and guide long term business plans and goals.

The organisation wishing to introduce a QSS must, before it designs its services, take cognisance of Deming’s 14 points referred to in section 1.1.5 of Chapter 1.

The 14 principles of Deming can play a vital role in proper QSS implementation. It establishes a code of conduct or a value system that provides a frame of reference within which management can design and implement QSS. There can be no quick fix but it is a lifelong process which organisations must actively work on. Management must adopt all the strategies which were discussed in chapter 2. There must be a heightened awareness similar to Deming’s value of profound knowledge to achieve this. Managers cannot operate in a knowledge vacuum but must operate in a knowledge environment that only they themselves can create. Lifelong learning applies not only to staff but to managers and it is only those managers which make such a commitment which can ultimately drive a successful QSS process.

In chapter 4 the Servtech model is developed. It is pointed out that IT and logistics are going to become increasingly important for 21st century service organisations. Taking this into account it is proposed that three more principles should be added to Deming’s 14 principles, namely:

- Adapt to changing circumstances
- Management and staff must continuously anticipate changes in the work environment and must, while endeavouring to offer excellent service to existing customers, anticipate future
changes and start taking steps to cope with such changes. The focus must therefore not only be internal, including coping with current situations, but also be external, including anticipating future changes and taking steps to adapt to them.

- Adapt to the demands and challenges of IT
Management must accept the reality that rapid strides in IT offers new opportunities but also requires adaptations to existing theories. There must be a heightened awareness of the challenges of advancing technology, and that this may inevitably lead to discarding well accepted theories and substituting them with new ones.

- Acknowledge the importance of logistics
The designer of the service must place top priority on finding solutions to the demands for quick response times, information feed, inventory control and must design logistical systems which can offer such solutions.

5.2.1.3 SET A STRATEGIC SERVICE VISION

A strategic service vision consists of four elements, namely:

- a target market (who is our intended customer?);
- a service concept (what are the most important elements of our service from the customer's perspective?);
- a competitive strategy (how will we differentiate ourselves from our competitors?); and
- a service delivery system (how will we provide this differentiated service?)

The vision must be built into the pre-design process as this will ultimately have an effect on the process.

5.2.1.4 FOCUS ON THE FUTURE

The successful organisation of the future will be the one that can adapt very quickly to changing circumstances. In section 2.4.2.2 in Chapter 2, it is stated that one of the criticisms against TQM is the fact that it becomes too inward looking and that it doesn't anticipate and focus on changes happening outside the organisation. If the organisation gets too involved in internal processes and procedures, then it might, for the moment, remain effective but it will also be effectively out of business in the future. Martensen (1998 : 1) makes the point that a successful product development programme needs to create a company culture that is closely linked to new product
strategies. She identifies the following factors as having a positive influence on a product (service) development culture, namely:

- assigning the best managers;
- supporting entrepreneurial behaviour;
- compensating managers consistent with long term goals;
- setting the process as an investment rather than an expense.

She argues that it is top managers who must lead risk-taking and accept the uncertainty of profit generation from new products (services). Top managers must realise the much higher risk involved with new-to-the-market products or services compared to modifications or improvements of existing products. The same principle applies to system development. While it cannot be argued that a system must be allowed to develop out of control it must be accepted that flexibility must be built into the system.

5.2.1.5 UNDERSTAND THE PROCESS

The service manager who wishes to develop a proper QSS must understand the whole process of consumer marketing, from consumer behaviour to service delivery. Bateson (1995: 29-39) lists a number of consumer attributes that the service manager must take into account.

He/she must understand:

- The service consumer. It is important that the service deliverer understands the service consumer, including the stages in the purchase process, i.e. the pre-purchase, consumption and post-purchase stage.

- The consumer as a risk taker. A central theory which has developed is that consumer behaviour involves risk in the sense that any action of a consumer will produce consequences that he/she cannot anticipate with any certainty, some of which are likely to be unpleasant. Kaplan et al. (1974: 287 – 291) identify four different kinds of outcomes namely, performance, financial, physical and social. Performance risk relates to the idea that an item or service purchased will not perform the task for which it was purchased. Financial risk assumes there may be financial costs if the purchase goes wrong or fails to operate. Physical risk of a purchase can emerge if something goes wrong and injuries are inflicted on the purchaser. The social risk suggests that there might be a loss of
personal social status associated with the particular purchase i.e. a fear that one's peer group will act negatively. For example "Who bought this?!". The consumer will take steps to reduce the risk by being brand loyal, accepting word-of-mouth references and accepting the views of opinion leaders.

The consumer as a rational mathematician. Consumers compute their preference for the service by combining the scores of the product on each individual attribute. When making a decision whether to use a specific airline carrier, attributes such as safety, time of flight, type of aircraft, flight time and cabin crew are all considered and given certain weights, even if this is done subconsciously. Therefore, if a person attaches a particular importance to safety and a specific aircraft carrier has a bad safety record, such a person will not use that airline.

The consumer as a searcher for control. Because of the fact that service, production and consumption often happen at the interface and interaction between the customer and the service provider employee, the consumer may wish to control the situation. On the other hand, the service provider may wish to control the service experience and may not wish to give the consumer too much control. The service provider must handle this conflict as sympathetically as possible. Professionals such as attorneys, accountants or doctors, often assume that, simply because they are doing a good job, their clients will be happy. The patient of the doctor, may, in the meantime, be frantic from lack of information. Such professionals must realise that they do not forfeit control by giving information.

The consumer as an actor within a script. In the service encounter customers perform roles which are defined as a set of behavioural patterns learned through experience and communication to be performed by an individual in certain social interactions in order to attain maximum effectiveness in goal accomplishments. Their satisfaction is a function of role congruence i.e. whether or not, inactive behaviours by customers and staff are consistent with the expected roles. This focuses on the post-purchase phase of the service encounter and because this is a two-way interaction, role congruence is expected to impact on the customer as well as on the service provider. The satisfaction of both parties is likely when the customer and the service provider enact behaviours consistent with each other's role expectations. Service designers must therefore design roles for the service encounter that are acceptable, are able to fulfil the needs of both customers and service providers and the communication of these roles to both the customer and the
employees so that both of them have a realistic perception of their own role as well as that as their partners' in interactions.

5.2.1.6 UNDERSTAND THE SERVICE OPERATION
The service manager must understand the service operation, the various departments and processes within the operation and how to put it all together.

5.2.1.7 ESTABLISH SERVICE LEVELS
The organisation must decide on the core service (the essential set of services) it must provide just to participate in its market. However, it must also identify those peripheral services that facilitate and assist the core services or are expected features of the service bundle. The core service of a restaurant is to provide good food and value for money. Its peripheral services include toilet facilities, entertainment, atmosphere and the actual facilities such as tables, chairs, décor etc.

5.2.1.8 DEFINE THE SERVICE DELIVERY CYCLE
The organisation must identify the service delivery cycle and the back-office support system. The organisation must identify those areas where there is face-to-face, phone or IT contact between the firm and its customers, and the back-office support (or design) system needed to ensure that such contacts are to the advantage of the organisation. The emphasis has historically been on the encounter as the core output function but, as discussed in section 4.4, more emphasis will in future be placed on the development of the service product and its delivery to the customers.

5.2.1.9 INVOLVE CUSTOMERS
A basic requirement of TQM is that quality begins with, or is based upon, the customer (Stank et al. 1997: 2). According to Stank et al. one of the primary roles customers play in business relationships is to supply information for the trading partners. Communication from customers can help smooth daily business activities, facilitate planning and reduce problems. Thus, listening to customers is typically part of TQM programmes. A common way to measure the level of customer satisfaction is to determine the difference between expected or desired quality levels and the quality level actually achieved (see section 4.4.3.3).

According to Ermer & Kniper (1998: 586), meeting the desires of the customer is important in any design, but especially so in service design because of the personal nature of providing a service. If a service is delivered improperly the customer may take the non-quality service as an insult.
Furthermore, the customer is on the receiving end of the service where typically the service designers are not. According to them, typical customer desires in the service setting, include:

- consistency of service;
- courtesy and availability of employees;
- timeliness of service;
- service flexibility;
- service affordability; and
- employee commitment.

These six customer desires are introduced into the quality function deployment process.

Once the customers' requirements are heard they must be matched with a quantifiable measure. Customer requirements express what the customer expects whereas service measurers determine how those expectations can be measured. The organisation must implement strategies to effectively measure the services rendered. In the process, the organisation must, as far as possible, determine the desires of the customer as far as the service is concerned.

Before designing a QSS the organisation must gain a profound insight into the organisation, the services it offers, make a total commitment to the process, put processes in place to ensure that the designed system will work (including a more informal approach) and involve its customers in the process.

5.2.1.10 UNDERSTAND THE SERVICE WORKER
The service designer must understand the importance of contact personnel, the role which stress might play in contact situations and must be able to develop processes which can manage the customer – personnel contact interface.

5.2.1.11 CHOOSE A CHAMPION TO CO-ORDINATE QUALITY EFFORTS
According to Martensen (1998 : 1) it is vitally important that top management commit to, and be involved in, the process of service and product development. A top manager should be responsible to plan, direct and co-ordinate the new service process. Such a person should have:

- leadership qualities;
- strong people motivating skills;
solid people handling skills with experience in working effectively with various functional departments;
analytical abilities and be a risk taker;
entrepreneurial instincts and a good intuition;
the ability to encourage product and service champions;
a vision and a positive mental mindset;
the confidence and respect of his/her peers;
personal credibility with top management; and
understanding of, and be sensitive to, the internal culture of the organisation and the divisions.

This leader must act as a source of inspiration and motivation.

This person must be elevated far above the role of the quality department which is found in many organisations and which drives the quality system implementation.

5.2.1.12 DECENTRALISE QUALITY CONTROL
Many writers argue that a centralised quality department is necessary for successful TQM implementation. A better approach is that there is a central quality champion who manages the process and that each department is responsible for its own quality procedures such as auditing.

No single department can drive quality in the organisation. Quality must become part of the culture of the organisation and each department within the organisation, from financial, marketing, administration and production must develop and nurture its own quality culture. No quality manager sitting in a central quality department can know each and every department in the organisation or can possess the skills to drive quality in all departments. The drive for quality must come from the departments themselves. Within each department, simple quality management systems must be designed with the ultimate responsibility for co-ordinating the efforts resting with a champion within the organisation who possesses all the management skills referred to above. This person must have the insight and the knowledge to accept that there are experts in the various departments who know what they are doing and must provide the guiding hand which integrates the systems of the various departments into one holistic whole.

The factory will still have its quality controllers, because they are important. However, in other departments the departments as a whole should assume responsibility for their own quality.
People must take ownership of their departments and what happens in their departments. This cannot be delegated to a person sitting outside the department.

The unique leader will be the one who will co-ordinate, drive and guide the process and who will win the confidence of the quality leaders in the various departments, through his/her profound knowledge and understanding of the organisation and its ultimate aims. This person shall therefore, by necessity, hold a senior position in the organisation, and should, ultimately report directly to the Chief Executive Officer (CEO) of the organisation.

The quality department, as seen in its historic context, can never fulfil such a role. Within each department the responsibility of the participants in the team have to be clearly expressed. This should raise the motivation level of the team members. Good communication is essential for the infusing of quality principles and methods into each and every department of the organisation, for the development of new systems within each department and for the ultimate development of new services for the organisation.

**5.2.1.13 GIVE MORE FREEDOM**

Current quality wisdom has, to a large extent been driven by the requirements of ISO 9000, which proposes that involved, and in many cases, difficult to implement, change procedures must be adopted if there are changes within a quality system. This is one of the big reasons why there is a proliferation of procedures within an ISO 9000 system which often lead people to ignore the system because it is just too difficult to implement. Within a department, and as long as the changes in the department do not affect the rest of the organisation, there should be complete freedom for the department to implement and to document changes in departmental procedures.

The quality driver will be the one who should ultimately decide whether these changes have an effect on the rest of the organisation and, if they do not, then they should at least improve the effectiveness of the department. These changes should be made without involved change procedures being adopted.

**5.2.1.14 PLAN THE IMPLEMENTATION**

Pfeifer et al. (1998: 1) assert that customer orientation does not finish when the service or product reaches the end customer: True customers orientation is the ability to think beyond the end customer to the requirements of the customer’s market and the customer’s customer. “One must see through the eyes of the customer, to ensure success. That applies both to internal and
external customers in the processing industry and to their end users" (Pfeifer et al. 1998: 1). They make the point that high flop rates in the development of new products, along with lengthening development times and cost as a result of increasing product and service complexity are forcing companies to re-think their policies and emphasis is placed on more effective and more efficient development processes. More time must be spent on the planning phase because this plays an important part in the level of quality achieved. Rather anticipate future flops and sort them out in plan stage than wait for the flop itself. The organisation must, in the early development phase, recognise and exploit potential for costs reduction, rather than wait for the cost to spiral out of control when the product or service is delivered.

5.2.2 BASE THE DESIGN OF THE QSS ON SOUND PRINCIPLES, SUCH AS THOSE CONTAINED IN ISO 9000

ISO 9000 can play an important role in guiding the organisation which wishes to implement a QSS. This section discusses these guidelines and is divided into:

- The importance of ISO 9000 (section 5.2.2.1).
- The need for a system (section 5.2.2.2).
- The way to use ISO 9000 (section 5.2.2.3).
- Using ISO 9000 for guidance (section 5.2.2.4).
- The fundamentals of a QSS per ISO 9000 (section 5.2.2.5).
- Using ISO/DIS 9004 as a guideline to implement a QSS (section 5.2.2.6).

5.2.2.1 THE IMPORTANCE OF ISO 9000

Although recent literature shows a shift towards strategic quality orientation, management is confronted with the challenge of converting strategic visions into practical realities. Many see registration with the ISO as a standard for measuring an organisation's commitment to world-wide quality. The number of organisations in the USA registered with ISO 9000 increased from 279 at the end of 1992 to 3165 at the end of 1994. This interest in the ISO series standard is pervasive in many countries such as the United Kingdom (UK) and is used extensively in organisations within the European community. Many writers believe that organisations with products in the health, safety or environment sectors may soon be prohibited from trade in Europe, without ISO 9000 certification (Czuchry et al. 1997: 877).

5.2.2.2 THE NEED FOR A SYSTEM

Staff, in most cases, need a system according to which they can work. A properly implemented system also provides assurance to the customer of the organisation that it has procedures in place
which will ensure that customer needs are met. ISO 9000 provides guidelines for such a system. Customers are interested in the maintenance of quality levels and want assurance that the product or service they are buying truly meets the quality standards they were initially offered.

Because of this requirement, manufacturers and the providers of services have to give attention to the quality of their product or service. Consumers want some form of assurance that the service they get meets their requirements. Manufacturers sit with the problem that many modern day products are extremely difficult to assemble and, in many cases, make use of high technology components. The chances for faults creeping into products and incorrect or faulty components, or components not meeting specific requirements, being assembled into other products, are extremely large. Customers are aware of this and want assurance that this will be limited. Conformance to a system such as ISO 9000, provides such assurance.

Service providers have the problem that service rendering often fails at the interaction phase between customer and supplier, the result being that the customer's perception is that bad service is given. To limit this possibility a quality system based on criteria which are internationally accepted, can be of help. Again ISO 9000 can offer such help.

The modern European economies have a potential market place of 350 to 400 million people and in the USA there is a potential market of 250 million people. Selling into these markets therefore becomes extremely competitive for organisations and this means an increased reliance on internationally agreed quality procedures and recommendations in order to get a foothold in these markets. This is where ISO 9000 becomes important.

Many organisations manufacture products or render services which are sold in many countries all over the world. To ensure their survival and also to ensure that consumers get what they need, the drive towards an internationally accepted quality system, therefore, became inevitable.

5.2.2.3 THE WAY TO USE ISO 9000

Suppliers of products or services can elect to use the ISO 9000 family in either a management motivated or stakeholder motivated way. The stakeholder motivated approach is the predominant practise in many nations and industry/economic centres. In that case, the supplier initially implements a quality system in response to immediate demands by customers or stakeholders. The effort is therefore driven by external stakeholders with the supplier's management reacting to the demands of the stakeholders.

The management motivated approach normally results when the supplier's own management initiates the effort in anticipation of emerging marketplace needs. Because it is then management driven, management tends to adopt the various parts of ISO 9004.

The better approach is obviously the management motivated approach. In this case, the organisation will incorporate the applicable standards of ISO 9004, or any of the other standards, into a management system which is developed as a written document, ensuring that management and staff and all other stakeholders can determine the quality policies and objectives of the organisation.

5.2.2.4 USING ISO 9000 FOR GUIDANCE


The service organisation must ensure that a quality service is provided to the customer. Service rendering normally fails at the interface between the customer and the service provider. Such an interface can consist of direct contact between the customer and an employee of the service provider or contact between the customer and the service provider via an electronic media such as the Internet. Because the service provider has difficulty controlling the actions of staff at the interface stage between customers and the organisation, many studies have been conducted to provide guidance to organisations on how they can limit the possibilities of things go wrong at this
vital stage in the service rendering process. With the advent of e-commerce attention is increasingly being given on how electronic media can assist organisations to provide accurate and interesting information to customers with the view of enticing them to use the services of the organisation.

The ultimate aim of all these efforts is to provide a service to the customer which is:

- of benefit to the customer;
- effective;
- leads to customer loyalty; and
- leads to a fair return for all stakeholders of the organisation.

Emphasis is in most cases placed on doing things right the first time.

This can only be achieved if a systematic and planned approach is adopted by management. ISO 9000: 2000, 9001: 2000, 9004: 2000 and 9004-2 can provide guidance in this regard. One of the criticisms of the existing ISO 9000 series was that it is, to some extent, cumbersome and that there is duplication in the various standards and guidelines.

The draft ISO 9000: 2000 series of standards consists of three primary standards supported by a number of technical reports. The three primary standards envisaged are:

- ISO 9000: 2000 — quality management systems — fundamentals and vocabulary;
- ISO 9001: 2000 — quality management systems — requirements; and,

The current ISO 8402 will become the future ISO 9000 while ISO 9001, ISO 9002 and ISO 9003 will be consolidated in a single revised ISO 9001 standard. ISO 9004-1 will be replaced by ISO 9004: 2000.

The revised ISO 9004: 2000 is not an implementation guide to the revised ISO 9001. It is based on the same quality management principles as ISO 9001 and is to assist an organisation in establishing and improving its quality management system. The focus of this standard is for improving the processes of an organisation in order to enhance performance. It is however, not a
guideline to ISO 9001 which may be used for certification purposes. ISO 9001 : 2000 and 9004 : 2000 can be used independently. ISO 9004 : 2000 gives guidance on a wider range of objectives of a quality management system to improve an organisation's overall performance and is not intended for certification or contractual use.

5.2.2.5 THE FUNDAMENTALS OF A QSS PER ISO 9000

Paragraph 3 of ISO 9000 : 2000 lists a number of fundamental principles which must be incorporated into the development of a Quality Management System (and by implication a QSS). These are the following:

5.2.2.5.1  
**Fundamental 1 - Understand the rationale for a QMS**

The aim of all organisations should be to offer products which satisfy customers. This is the prime reason why organisations adopt quality systems. A QMS (QSS) approach encourages organisations to analyse customer requirements, define the processes that contribute to the achievement of a product which is acceptable to the customer and keep these processes under control. It provides a framework for continual improvement, provides confidence to the organisation and its customers and it is able to provide products that consistently fulfil requirements. The QSS should therefore follow a logical and systematic approach.

5.2.2.5.2  
**Fundamental 2 – Distinguish between the requirements For Quality Management Systems and requirements for products**

Requirements for products/services can either be specified by customers or by the organisation and are normally contained in technical specifications while requirements for a QMS are specified in ISO 9001 : 2000. These are generic and applicable to all organisations. ISO 9001 : 2000 does not establish requirements for products.

5.2.2.5.3  
**Fundamental 3 – Adopt a QMS approach**

According to ISO 9000 : 2000, the following steps should be contained in the development and implementing of a QMS (QSS), namely:

- determine the needs and expectations of the customer;
- establish the quality policy and quality objectives of the organisation;
- determine the processes and responsibilities necessary to attain quality objectives;
- establish measures for the effectiveness of each process towards attaining the quality objectives;
- apply the measures to determine the current effectiveness of each process;
- determine means of preventing non-conformities and eliminating their causes;
- look for opportunities to improve the effectiveness and efficiency of processes;
- determine and prioritise those improvements which can provide optimum results;
- plan the strategies, processes and resources to deliver the identified improvement;
- implement the plan;
- monitor the effects of the improvement;
- assess the results against the expected outcome; and
- review the improvement activities to determine appropriate follow-up actions.

To achieve the above results, the organisation must achieve unity of purpose. This places responsibility on management to achieve it.

5.2.2.5.4 **Fundamental 4 – Adopt a process approach**

Any activity that receives inputs and converts them to outputs can be considered as a process. The organisation which wants to function effectively, must identify and manage the various interlinked processes. The international standard encourages the adoption of the process approach to manage an organisation. This is set out in Figure 5.1.

**FIGURE 5.1 CONTINUAL IMPROVEMENT OF QUALITY MANAGEMENT SYSTEM**

5.2.2.5.5 **Fundamental 5 – Understand the purpose and benefits of establishing a quality policy and objectives**

A quality policy and quality objectives are established to provide a focus to direct the organisation. The aim is to assist the organisation to achieve the intended results. The quality policy (i.e. the overall objectives of an organisation related to quality as expressed by top management), provides a framework for establishing and reviewing quality objectives (i.e. what is sought, or aimed for in relation to quality). The quality objectives must therefore be consistent with the quality of the organisation. The objectives must be incorporated into every aspect of the system.

5.2.2.5.6 **Fundamental 6 - Understand the role of top management within the QMS (QSS)**

Paragraph 3.6 of ISO 9000 : 2000 highlights the role of top management within the QMS. It suggests that top management adopt a number of quality principles as bases for its role, namely:

- Top management is given the task to establish the quality policy and objectives of the organisation.
- Ensuring focus on customer requirements and those of other interested parties.
- Ensuring that appropriate processes are implemented to enable customer requirements to be fulfilled.
- Ensuring that an effective QMS is established, implemented and maintained.
- Ensuring the availability of necessary resources, including people, infrastructure, work environment, information, suppliers and partnerships, natural resources and finance.
- Comparing the achieved results against the quality objectives set.
- Deciding on actions regarding the quality policy and quality objectives.
- Deciding on actions for improvement.

5.2.2.5.7 **Fundamental 7 – Accept that documentation is very important**

Paragraph 3.7 of ISO 9000 : 2000 specifies that a QMS must be properly documented, including:

- documents that provide consistent information, both internally and externally about the organisation’s quality management system, commonly known as quality manuals;
- documents that describe how the quality management system is applied to a specified product, project or contract, normally known as quality plan;
- documents that provide consistent information about how to perform activities, normally known as procedures; and
- documents that provide objective evidence of activities performed, or results achieved, normally referred to as records.

5.2.2.5.8 **Fundamental 8 – Continuously evaluate QMS (QSS)**

Paragraph 3.8 of ISO 9000: 2000 states that all quality management systems must be evaluated. In this regard an organisation can adopt a number of strategies such as auditing, reviewing quality management systems and self-assessment.

5.2.2.5.9 **Fundamental 9 – Take steps to continuously improve the QMS (QSS)**

Paragraph 3.9 of ISO 9000: 2000 suggests the organisation must take actions to enhance the features and characteristics of products and/or to increase the effectiveness and efficiency of processes used to produce and deliver them. Such actions include:

- defining, measuring and analysing the existing situation;
- establishing objectives for improvement;
- searching for possible solutions;
- evaluating these solutions;
- implementing the selected solutions;
- measuring, verifying and analysing results of the implementation; and
- formalising changes.

5.2.2.5.10 **Fundamental 10 – Accept that statistical techniques are important**

Statistical techniques can help in understanding variability. A large number of statistical techniques can be used to assist the organisation to determine whether there is compliance or non-compliance with quality standards.

5.2.2.5.11 **Fundamental 11 – Integrate QMS with other management systems**

Paragraph 3.11 of ISO 9000: 2000 makes the point that the quality management system is that part of the organisation’s management system that focuses on the achievement of outputs in relation to the quality objectives to satisfy the needs, expectations and requirements of all interested parties. These objectives compliment other objectives of the organisation and the various parts of the management systems can be integrated into a single management system using common elements.
5.2.5.12  **Fundamental 12 – Accept the relationship between QMS (QSS) and organisational excellence models**

Paragraphs 3.12 of ISO 9000: 2000 highlights the fact that the approaches of the ISO 9000 family of standards and the organisational excellence models are based on a number of common principles.

ISO 9004 : 2000 gives detailed guidelines on all the above principles and can be of invaluable assistance to the organisation which wishes to develop a QSS.

5.2.3  **ADOPT THE CORRECT DESIGN APPROACH**

The organisation which wishes to introduce a TQS must follow a systematic approach. In this regard it can use a project management approach and can also seek guidance from ISO 10006.

5.2.3.1  **THE PROJECT MANAGEMENT APPROACH**

Stamatis (1996 : 64 – 73) draws a relationship between project management and total quality systems which, by implication, includes a QSS. Following the argument that organisations must adopt a method for company-wide implementation if they want the desired final product, Stamatis is of the opinion that the methods by which companies implement their strategies for improved quality are more important than the complete list of ingredients. He suggests that for a quality programme to be implemented a project management approach must be instituted throughout the organisation. This is recommended because it involves cross-functional and multi-disciplined people in implementing the project. Quality is viewed as just another project.

The strengths for implementing TQS according to Stamatis (1996 : 63) are that they:

- energise the organisation with quality awareness;
- change the culture of the organisation;
- define the scope of the commitment to the organisation as a whole;
- identify key processes and product variables;
- implement statistical process control;
- incorporate process improvement activities in the organisation; and
- assess quality improvement in the organisation.

The organisation must invest resources in a high performance project team which can perform at a level of excellence far beyond that of a quality department and can serve as a source of ideas and inspiration for others. Quality implementation is seen as a burst function because it allows the
whole organisation to actively participate towards achieving a common goal. This burst function is set out in Figure 5.2 below.

**FIGURE 5.2 BURST FUNCTION**

<table>
<thead>
<tr>
<th>Total Organisation</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing</td>
<td>TQS</td>
</tr>
<tr>
<td>Engineering</td>
<td>Customer satisfaction</td>
</tr>
<tr>
<td>Purchasing</td>
<td>Employee involvement</td>
</tr>
<tr>
<td>Scheduling</td>
<td>Continual improvement</td>
</tr>
<tr>
<td>Production</td>
<td>Cost reduction</td>
</tr>
<tr>
<td>Quality</td>
<td>Best in class</td>
</tr>
<tr>
<td>Packaging</td>
<td>Develop quality systems</td>
</tr>
<tr>
<td>Shipping</td>
<td>Develop value enhancements</td>
</tr>
<tr>
<td>Financial</td>
<td>Develop teams</td>
</tr>
<tr>
<td>Management Info</td>
<td>Promote employee empowerment</td>
</tr>
<tr>
<td>Systems</td>
<td></td>
</tr>
<tr>
<td>Administration</td>
<td></td>
</tr>
</tbody>
</table>


TQS, according to Stamatis, is the core of the organisation and the pegs called TQS are in fact the connecting points for all the levels in the organisation.

TQS provides certain characteristics which project management must facilitate, such as:

- shared vision, mission, goal and common purpose;
- visionary leadership;
- efficient use of resources;
- well defined and managed boundaries;
- optimum flexibility;
- effective teamwork;
- customer focus;
- effective renewal processes;
- emphasis on learning, development, achieving and support orientated work cultures; and
- effective performance and evaluation.

According to Stamatis (1996: 68) true quality commitment in the organisation involves the “plan-do-check(study)-act (PDC(s)-a) cycle”. Total quality management uses these principles for effective project management. Stamatis develops a model for total quality management in relation to the PDC(s) cycle and ties the implementation steps of TQS to the phases of project management. This is set out in Figure 5.3.
FIGURE 5.3 THE RELATIONSHIP OF PROCESS IMPROVEMENT TO TQS AND PROJECT MANAGEMENT

The Process Improvement

**TQS**

- **PLAN**
  - State goals
  - Describe process flow
  - Define desired changes in customers

- **DO**
  - Identify potential causes of quality problems
  - Identify process measures
  - Establish data collection procedures
  - Collect and analyse data
  - Determine type of process causes

- **CHECK**
  - Select causes
  - Develop changes for common causes
  - Implement on trial basis

- **ACT**
  - Evaluate effects and changes
  - Take action on special causes
  - Standardise & Document
  - Monitor process
  - Continue cycle

**PM**

- Phase 1:
  - Step 1
  - Step 2
  - Step 3

- Phase 2:
  - Step 4

- Phase 3:
  - Step 5

- Phase 4:
  - Step 6
  - Step 7

According to Stamatis, project management can help in the implementation process because it focuses on the project. A project has a beginning and an end and is carried out to meet established goals within specific costs, schedules and quality objectives. The organisation will retain its quality philosophy which has a start but no end, but within the quality philosophy has certain quality projects. Obviously, the quality objective will initially be to develop a quality management system for the organisation. In this case, the organisation will develop the system according to certain guidelines, e.g. those contained in ISO 9004: 2000 and ISO 9004-2, and will lay down its overall philosophies and procedures. However, as part of this, the organisation will lay down its policies with regard to the marketing, design and delivery of each service. The broad procedures for marketing, design and delivery of services will form part of this holistic quality plan.

From time to time, new services might however, need to be developed. Each of these, if Stamatis’ approach is followed, will be a specific project and will be designed according to project management procedures.

Each project, whether development of the overall quality management system, or the development of specific services, have a finite life-span and resources will be allocated towards this for a specific time. In this regard, the following phases is adopted:

- **Defining the project**: i.e. the project will be clarified, it will be defined and result objectives will be set. The desirable needs will be listed, alternatives will be discussed and evaluated and a course of action will be chosen.

- **Planning the project**: In this phase, the following may be addressed:
  - establish project objective and choose the strategy for achieving the objective;
  - break the project down into small steps;
  - determine performance standards;
  - determine time requirements;
  - determine the sequence for the implementation;
  - design a cost budget;
  - decide who is going to do what;
  - determine appropriate training;
  - develop policies and procedures.
implementing the plan:

- The entire project is co-ordinated on an ongoing basis. This includes monitoring work in progress, negotiating changes, providing feedback and making sure corrective action plans exist; and

- completing the project: the goal of the project is to obtain management acceptance of the project result.

This model has certain inherent strengths in that it does not take anything away from the organisation’s commitment to quality. It does however, lay down a procedure which must be followed for each project. This forms part of the overall quality management system of the organisation and in it the control mechanisms to assess performance of a specific service are set out.

5.2.3.2 LOOKING AT ISO 10006 FOR GUIDANCE

The project management approach as suggested by Stamatis is a sound approach. ISO 10006 contains valuable guidelines in this regard. If the development of a quality management system, or a specific service within the quality management system, is regarded as a project with a definite start and a definite end then the project management processes suggested by ISO 10006 can also act as guidelines.

ISO 10006 breaks a project down into a number of processes, each of which must be managed. These processes are:

- **The strategic process**
  - The strategic process is a direction setting process that organises and manages the realisation of the other project processes. The following concepts are important:
    - satisfaction of the customers’ and other stakeholders’ stated and implied needs is paramount;
    - project objectives - project objectives must be defined;
    - there must be a focus on the quality of both processes and products to meet the project objectives;
    - management is responsible for creating an environment for quality; and
    - management is responsible for continual improvement.
Interdependency management processes

ISO 10006 states that projects consist of processes and that an action in one of these usually affects others. These interdependencies must be managed by the project manager. The following interdependency management processes are identified:

- project initiation and project plan development;
- interaction management;
- change management; and
- closure

Scope related processes

A number of scope related processes are identified namely:

- concept development;
- scope development and control;
- activity definition; and
- activity control

Time related processes

These processes are aimed at determining dependencies and the duration of activities and to ensure timely completion of the project. They are the following:

- activity dependency planning;
- estimation of duration;
- scheduled development; and
- schedule control.

Cost related processes

These processes aim to forecast and manage the project costs and to ensure that the project is completed within budget constraints and are the following:

- cost estimation,
- budgeting; and
- cost control.
Resource related processes
These processes are aimed at planning and controlling resources. They are the following:
- resource planning; and
- resource control

Personnel related processes
These are aimed at creating an environment in which people can contribute effectively and efficiently to the project and are the following:
- definition of project organisational structure;
- staff allocation; and
- team development.

Communication related processes
These processes aim to facilitate the exchange of information necessary for the project. They include the following:
- communication planning;
- information management; and
- communication control.

Risk related processes
Every project has certain risks inherent to it. These risks must be minimised. Risk related processes include the following:
- risk identification;
- risk assessment;
- risk response development; and
- risk control.

Purchasing related processes
These processes deal with the purchase, acquisition or procurement of products obtained for the project and are the following:
- purchase planning and control;
- documentation of requirements;
- evaluation of sub-contractors; and
- contract control.
Obviously, ISO 10006 is important for both the design of the quality management system and the design of a specific service or product under such a system. The organisation wishing to implement a quality management system should draw from the guidelines contained in ISO 10006.

5.2.4 DESIGNING A QUALITY SERVICE SYSTEM – SUMMARY

The process for the design of a QSS can be summarised as follows:

- Before designing a QSS the organisation must consider a number of pre-design requirements which include understanding the service process, the service operation and the service worker. The organisation must, in addition, make a commitment to the process, gain knowledge, know what is required, plan the implementation, choose a champion, decentralise quality control, give freedom, focus on the future, set a strategic service vision, establish service levels, define the same cycle and involve customers.
- In the design of a system, the guidelines contained in the various parts of ISO 9000 can be used. Cognisance must be taken of the fundamental requirements for a QSS as well as the requirements contained in ISO 9004:2000 and ISO 9004-2.
- A project management approach must be adapted to implement a QSS.

Figure 5.4 summarises the design elements of a QSS.

**FIGURE 5.4 DESIGNING A QSS: THE PROCESS**

<table>
<thead>
<tr>
<th>Pre-design stage</th>
<th>Design Fundamentals</th>
<th>The Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Make a commitment</td>
<td>- A logical system</td>
<td>- Project management</td>
</tr>
<tr>
<td>- Gain profound knowledge</td>
<td>- Incorporate specific requirements</td>
<td>* Define project</td>
</tr>
<tr>
<td>- Set a strategic service vision</td>
<td>- Follow a QMS approach</td>
<td>* Plan project</td>
</tr>
<tr>
<td>- Focus on the future</td>
<td>- Adopt a process approach</td>
<td>* Implement</td>
</tr>
<tr>
<td>- Involve customers</td>
<td>- Incorporate objectives into processes</td>
<td>* Complete</td>
</tr>
<tr>
<td>- Understand the process</td>
<td>- Involve top management</td>
<td></td>
</tr>
<tr>
<td>- Understand the service organisation</td>
<td>- Document properly</td>
<td></td>
</tr>
<tr>
<td>- Establish service levels</td>
<td>- Evaluate continuously</td>
<td></td>
</tr>
<tr>
<td>- Define service delivery cycle</td>
<td>- Improve continuously</td>
<td></td>
</tr>
<tr>
<td>- Understand service workers</td>
<td>- Adopt statistical techniques</td>
<td></td>
</tr>
<tr>
<td>- Choose a champion</td>
<td>- Adopt business excellence approach</td>
<td></td>
</tr>
<tr>
<td>- Decentralise quality control</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Give more freedom</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Implement</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Own Compilation
5.3 DESIGNING A QUALITY SERVICE

When designing a service a number of important factors must be taken into consideration. These are:

- A quality service requires a QSS.
- Market demands must be taken into account.
- The service must be properly designed.
- Flowchart the service designed.
- Take into account the impact of physical surroundings.
- Take into account the effects of new services on current services and the service system.
- Control the delivery process.

These are dealt with in sections 5.3.1 to 5.3.7 below.

5.3.1 A QUALITY SERVICE REQUIRES A QSS

A prerequisite for a quality service is a QSS to operate in. For a service to function properly the organisation must have a QSS. The QSS creates the environment in which individual services must be designed and delivered. Obviously the parameters of the QSS will expand or contract according to the needs of the operation and the dictations of the market place. But it must always be in place to define the principles, and establish the guidelines, to which individual services must comply. Figure 5.5 below illustrates this concept.

FIGURE 5.5 QUALITY SERVICES WITHIN THE QSS

PARAMETERS AS LAID DOWN BY QSS

SERVICES

Source: Own compilation
Quality services follow the ebb and flow of the QSS but remain within established and defined boundaries.

Although the services are designed and developed within the holistic QSS, individual design must also meet certain requirements.

Clause 6 of ISO 9004-2 highlights four operational elements, which are important for a service quality system. They are:

- the marketing process;
- the design process;
- the delivery process; and
- service performance analysis and improvement.

When designing a service the service design must take these factors into account. A service is provided and delivered in a specific market and it is important that the service designer take the market into account when he/she designs the service.

But the service designer must also take into account delivery processes as these will impact on the design. Ultimately design includes service design and service delivery design with the aim of meeting customer needs.

Figure 5.6 illustrates these imperatives.

**FIGURE 5.6 SERVICE AND DELIVERY DESIGN: MEETING CUSTOMER NEEDS**

![Diagram of service and delivery design](source: Own compilation)
The organisation, when designing a service, must incorporate into the design process delivery design processes as well. The aim is to ensure that the service is delivered in such a way that it meets customer expectations. It must meet the demands of its market. To do this it must be properly designed (including delivery design) and properly delivered. These elements are discussed in sections 5.3.2 to 5.3.4 below.

5.3.2 TAKE INTO ACCOUNT WHAT THE MARKET DEMANDS

When designing a service, the organisation must take into account the market in which it operates. Most service firms have broad ranges of alternatives available to them when they compete in the marketplace.

The service organisation must create an economically viable service formula on which to build. Users of services prefer a simple straight-forward service. The organisation should therefore have a highly focused strategy built on a tightly defined target segment, a clearly defined benefit concept, a highly focused Servuction or Servtech system and a clear service image (Bateson 1995 : 396). The organisation must ensure that the bundle of benefits received by the customer benefit the customer. A clearly defined benefit concept allows the correct amount of focus to be directed to the Servuction system. The same applies to the Servtech system.

A service firm does not need to have many catchment areas to be competitive. What the organisation must do, even if it has a fixed market or catchment area, is to:

- retain customers;
- recover from service failures and capitalise on them;
- create the highest level of service quality; and
- become customer focused;
- take steps to compete for reach;
- take steps to compete for geography; and
- meet the needs of the market.

These are dealt with in section 5.3.2.1 to 5.3.2.7.
5.3.2.1 RETAIN CUSTOMERS

Part of an organisation's retention strategy can be a recovery strategy. By focusing on retention marketing, marketing costs are effectively reduced and the organisation starts focusing on a zero defection culture.

ISO 9004-2 places the responsibility to promote the need and demand for a service on management. To retain customers management should establish procedures for planning and implementing market activities which include:

- the establishment of customer needs and expectations relevant to the services offered;
- devising complimentary services;
- devising competitive activities and performances;
- review of legislation;
- analysis and review of customer requirements;
- consultation with all affected service organisation functions to confirm their commitment and ability to meet service quality requirements;
- ongoing research to examine changing market needs; and
- the application of quality control.

In cases where explicit obligations to customers are expressed e.g. warranties, these must be properly recorded and should be referred to in the service brief which defines customer needs and the service organisation's capabilities as a set of requirements and instructions that form the basis for the design of a service.

Management must also establish procedures for planning, organising and implementing the service and, where applicable, its withdrawal. This includes ensuring that all necessary resources, facilities and technical support are available according to the time scales for each process contributing to the service launch. Service requirements and service delivery requirements must each contain explicit provision for safety aspects, potential liabilities and appropriate means to minimise risks to personnel, customers and environment.

Advertising for a service should reflect a service specification and take account of the customer's perception of the quality of the service provided.
5.3.2.2 RECOVER FROM SERVICE FAILURES
By focusing on service failures recovery, the organisation learns to listen to its customers. By focusing on quality the organisation identifies the service quality gaps referred to in section 4.4.3.3 and takes steps to narrow the gaps as far as possible. The organisation focuses on adopting a LOA and implements Deming’s 14 points as far as practically possible.

By focusing on the customer the organisation settles a customer orientation culture within the organisation. It, in essence, develops structures, systems and people to implement this core value strategy.

Obviously service firms can compete for market share by broadening the range of services they offer. In this strategy the service organisation capitalises on its reputation and on its knowledge of its customers in order to sell other services. The service firm can also increase its share in the market by broadening the range of segments it serves.

5.3.2.3 CREATE HIGHEST LEVEL OF SERVICE QUALITY
The organisation must, as a top priority, build a reputation in the market that it delivers a quality service. Every step it takes and every action it does must confirm this commitment. Management and staff must be uncompromising in this regard. A QSS or QMS must be in place and management must have an unwavering commitment to quality.

5.3.2.4 BECOME CUSTOMER FOCUSED
Throughout this thesis it has been highlighted that organisations must be totally customer focused. The design of the service must meet this aim.

5.3.2.5 TAKE STEPS TO COMPETE FOR REACH
The organisation may want people to travel to its fixed sites, (e.g. hotels, tourist attractions and restaurants). The organisation’s problem is to convince people to travel to its destination even if the distance is quite long. Some firms will create a “destination” i.e. they offer something so unique that people are prepared to travel.

5.3.2.6 TAKE STEPS TO COMPETE FOR GEOGRAPHY
In many cases, the service formula cannot be patented and if the firm wants to expand rapidly, it must do so by expanding to as many sites as quickly as possible. Obviously many organisations cannot cope with such a situation because they do not have the infrastructure or the financial
resources to do so. For this reason, one of the most common ways is to do so is via franchising. Franchising is becoming increasingly popular, but before doing this the firm which wishes to expand must have a success formula and must be successful in the area where it operates. It cannot use franchising as a method of becoming successful. It must already have a proven success record.

Whatever strategy is adopted organisations must remain focused. Many organisations which have expanded too quickly have defocused and are currently returning to their roots by refocusing. If the organisation wishes to expand, it must remain focused on its target market. Alternatively it can focus on a specific service in specific regions within specific sectors and in other regions on other sectors. It can however, not offer too broad a range of services within the same locality, unless people are available with the necessary skills to ensure that it is done effectively.

5.3.2.7 MEET THE NEEDS OF THE MARKET
The design of services will be influenced by the market. The services designed will have to meet the demands and expectations of the market place. This is demonstrated in Figure 5.7 below.
FIGURE 5.7 TAKING INTO ACCOUNT MARKET NEEDS WHEN DESIGNING SERVICES

THE MARKET

The expected service offered
Who is the target market?
What are needs of market?
Recover from service failure

DESIGN

Design the service
Design processes to identify the target
Design processes to identify changes in requirements
Design processes to meet needs
Design complimentary services
Design processes to ensure whole organisation meets customer needs
Design specifications for service

Quality
Reach
Compete for geography

Design QSS
Design a unique feature
Design a franchise network or some other distribution network

Source: Own Compilation
5.3.3 DESIGN THE SERVICE (INCLUDING DELIVERY DESIGN) PROPERLY

A service, like a product, must be properly designed. However, the design and implementation of new services is a poorly understood process (Tax & Stuart 1997: 1). According to the writers “the limited prior research has been characterised by the adoption of models which fail to consider important aspects of service planning, notably the impact that a new service may have on an existing service system”.

When designing a service, a number of important aspects must be considered namely:
- accept the importance of proper design;
- service design must be integrated with delivery design;
- involve employees in design of services; and
- deal with uncertainties.

These are dealt with in section 5.3.3.1 to 5.3.3.4 below.

5.3.3.1 ACCEPT THE IMPORTANCE OF PROPER DESIGN

ISO 9004-2 distinguishes between the design and delivery of services. It is however extremely difficult to separate them from each other. This is an important difference between the design of a product and the design of a service.

In a manufacturing environment substantial time, effort and money is normally spent on designing the product. In a service organisation the product is the service. This service cannot just be rendered. It must be designed in such a manner that it continuously meets customer needs.

Proper design of the service is vitally important. In many cases the design of the service might not be observed by the customer but, notwithstanding this, the service must be properly designed. Service specifications must be developed which define the services to be provided. Management should assign responsibilities for service design and those who design the services must be aware of their responsibilities. This includes proper planning, specifying products and services to be procured for the service delivery process; implementing design reviews; validating the service delivery process; and updating service specifications.

A service specification should contain a complete and precise statement of the service to be provided. Ramaswamy (1996: 13) states that the service design process ensures that a level of performance is delivered that consistently meets customers’ expectations (i.e. stability and
responsibility). To achieve this, it must be systematically designed and methodologically managed.

### 5.3.3.2 SERVICE DESIGN MUST BE INTEGRATED WITH DELIVERY DESIGN

Service delivery is a vital part of service provision. The design of the service must take this reality into account. The organisation must therefore also design the delivery process. The design of delivery processes is an integral part of the design process. This includes designing processes to control the interaction between service provider and customers. If this interaction is not properly controlled the advantages of proper design might be lost because the customer might only remember the service delivery failure.

The design process deals with the elements which are planned into the service (including the design of the delivery process) while the actual delivery process is the way in which it is delivered. According to Ramaswamy (1996: 15) successful organisations are those who can integrate these two elements successfully.

Service delivery specifications should contain service delivery procedures describing the methods to be used in the service delivery process. The service delivery process normally occurs at the interface between the customer and the organisation while the service design process occurs out of sight of the customer. During the design stage attention is given to designing the service so that it will meet customer expectations. The delivery process must ensure that the service, as delivered, meet expectations. Figure 5.8 sets out these two stages in the service cycle.
Although Ramaswamy distinguishes between service design and delivery, the service designer must not only design processes relating to product (service), facilities, operations and customer service, but must also design processes which will ensure that, during the delivery process, heterogeneous services are offered.

Both service delivery and service design will impact on the customer's perception of the quality of the service provided. Because encounters with the customer normally occur during the delivery process the organisation designing the delivery of the service must ensure that both these processes are controlled to minimise non-conformity to specifications. However, because
circumstances cannot always be the same the delivery process must ensure that the person delivering the service can cope with changing circumstances. This is acknowledged by Ramaswamy when he states:

"Each service encounter brings new customers. The perceived performance of the service can be influenced by the circumstances of the service encounter. The challenge faced by the service manager is to contain the extent of variability in the delivery of the services so that the performance levels of the processes are generally predictable, but still maintain the flexibility to deal with special cases and individual situations" (Ramaswamy 1996 : 16).

In designing the service, the organisation can develop checklists and methods to control the processes which are involved in the design and delivery of the service. The only real way to ensure that there is little or no variability in the delivery of the service is to continuously train those people involved in the delivery of the service. The organisation must therefore blend two fundamentally dissimilar concepts. It requires the integration of the generic with the individual, the expected with the spontaneous, the tangible with the intangible. Neither good design or good delivery alone is adequate – although, depending on the service situation, one or the other component may be the predominant determinant of customer satisfaction.

Ramaswamy (1996 : 18) lists five important principles which he believes must be incorporated into the design and delivery processes, namely:

- involve customers in all stages of the design process;
- determine specifications from customers, not internally or from previous designs;
- determine technical aspects of design from customer provided specifications;
- use a multi-functional team to design the service; and
- test design in the market place.

These principles form part of both the service design process and the process of managing the services, the latter which concentrates on the delivery of services.

Figure 5.9 sets out the stages in these two processes.
The design process and the service management process will include aspects such as ensuring that proper products/services are purchased (inferior products may affect service delivery), quality control is designed as an integral part of marketing design and procedures and new and modified services undergo validation to ensure that they are fully developed and meet the needs of customers. No changes in design of services must be allowed unless properly documented while specific steps must be taken to determine whether customers are happy with the service delivered.
Non-conforming services must be identified as quickly as possible and the necessary corrective action take. To achieve this, data must be collected and analysed. Modern statistical methods can assist in gaining a better understanding of customer needs. A programme for continuous improvement of service quality must be introduced by the organisation.

ISO 9004-2 makes a point that the process of designing a service involves converting the service brief into specifications for both the service and its delivery and control while reflecting the organisation’s aims, policies and costs. The service specification defines the service to be provided, whereas a service delivery specification, defines the means and methods used to deliver the service. The quality control specification defines the procedures for evaluating and controlling the service and service delivery characteristics.

5.3.3.3 INVOLVE EMPLOYEES IN DESIGN OF SERVICES

Services differ from products in that they are intangible, there is simultaneous production and consumption in many cases, and in many cases, there is customer participation in production. This is where employee participation is high. Writers such as Schneider & Bowen (1984 : 82 – 101) propose that there should be employee involvement in the design, development and implementation (DDI) of new services.

Schneider & Bowen make a number of propositions, namely:

- Proposition 1: The more employees are involved in service as defined by the service tube, the more important it is to involve them in the DDI of new services.
- Proposition 2: Employee involvement in DDI of new services should focus not only on the service, per se, but on the organisational or contextual issues required for supporting delivery of the service to customers.
- Proposition 3: Involvement of employees in new service DDI should focus more on development and implementation than on design.
- Proposition 4: Involvement of employees in new service DDI will help ensure that new services will reflect an ethic of service, as well as an ethic of efficiency.
- Proposition 5: In the DDI of new services, organisations should treat their employees as if they were highly valued customers.
- Proposition 6: New service DDI can be facilitated by thinking of customers as employees.
Of interest is proposition 3 that states that employees in new service DDI should focus more on development and implementation than on design. Participation of employees should capitalise on the expertise of the participants. The top management of the organisation should identify the financial and market forces requiring or dictating the essential design of the new services. Once the nature a the new service has been specified, employees can be valuable as aides in the development and implementation.

5.3.3.4 DEAL WITH UNCERTAINTIES

Because the customer is, in many cases, part of the production process the organisation faces the reality that it is not always certain on how customers are going to react to a service.

Larsson & Bowen (1989: 219 – 233) developed a framework for the design and co-ordination of service interdependencies. This is set out in Figure 5.10 below:

FIGURE 5.10 A FRAMEWORK FOR THE DESIGN AND CO-ORDINATION OF SERVICE INTERDEPENDENCIES

<table>
<thead>
<tr>
<th>Input Uncertainty</th>
<th>Interdependence Patterns</th>
<th>Portfolios of Co-ordination Mechanisms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contingent upon:</td>
<td>First Match</td>
<td>Second Match</td>
</tr>
<tr>
<td>Diversity of demand</td>
<td>Division of work:</td>
<td>- Different mechanisms</td>
</tr>
<tr>
<td>Customer disposition to participate</td>
<td>Front-office employees</td>
<td>- Main focus of portfolio</td>
</tr>
<tr>
<td></td>
<td>Back-office employees</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Customers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Customised vs.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>standardised inter-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>dependencies</td>
<td></td>
</tr>
</tbody>
</table>


Differing conditions of input uncertainty are matched with alternative interdependence patterns, which in turn, are matched to different co-ordination mechanisms consistent with the contingency framework of the organisational literature on co-ordination.

Service operations have many uncertainties, the most important being uncertainties about the customer. Customers make inputs in the deployment of the service and customer-induced input uncertainty equals the organisation's incomplete information about, what, where and how customer
input is going to be processed to produce desired outcomes. In a service environment, customers have a diversity of demands and they have the tendency to participate in the performance of the service. They present the service organisation with incomplete information regarding what is to be serviced, what are the desired outcomes or what actions they should contribute towards service co-production.

The design of service operations can be viewed in terms of different interdependence patterns consisting of a division of service work between employees and customers and customisation versus standardisation of service actions and interdependency. According to Larsson & Bowen (1989 : 219-233), the design of service production includes the division of work, not only amongst employees but also between employees and customers. There is therefore not only a division between front and back office work but also in the front office between the customer and the employee.

The organisation must take into the account these uncertainties and must:

- **Match input uncertainty and interdependence patterns**

There are a number of ways that the organisation can match different conditions of input uncertainty with different designs of interdependence patterns:

- The higher the demand diversity the greater the need for customisation rather than standardisation.

- The less the customer disposition to participate the more work can be shifted from customers to service employees and the more can be shifted to more efficient operations in the back office.

- The more the customer disposition to participate the greater the amount of work that can be shifted to the customer.

Normally divisions between front and back offices can be expected to accompany standardised service designs matching low demand diversity.

Figure 5.11 shows how the two contingencies governing input uncertainty, namely diversity of demand and customer disposition to participate, can create four distinct conditions of input uncertainty.
The conclusions that can be drawn from Figure 5.11 are the following:

Quadrant 1: In situations of high customer disposition to participate and low diversity of demand, the bulk of the workload can be placed on customers if they have adequate ability and are clear about their roles.

Quadrant 2: If customers have highly unique problems (i.e. high demand diversity) then it can be expected that they will be less price sensitive and will want expertise for customised solutions to their problems.
Quadrant 3: High diversity of demand can also be accompanied by low customer disposition to participate (i.e. unique services which are purchased for convenience, customers prefer to have others perform the service for them).

Quadrant 4: This is where there is low demand diversity and low customer disposition to participate. In this case most of the work can be allocated to efficient back office operations.

The person designing a service must determine exactly what the role of the customer is in the process. If the customer is going to have a high input in the actual delivery of the service, then processes must be put in place to ensure that the staff or the process dealing with the customer can handle this. This applies to both face to face situations and where software is used to satisfy customer needs.

- **Match service interdependence patterns and co-ordination mechanisms**

Organisations must use multiple strategies (i.e. co-ordination mechanisms) to achieve concerted action. These strategies should not interfere with one another too much but must compliment each other as much as possible. Service organisations have a need to co-ordinate the input of participating customers. To enable the service organisation to do this, organisations need, according to Larsson & Bowen (1989: 219-233), reproduced in Bateson (1995: 101-107) to influence the scripts which customers follow as a mechanism for co-ordinating customer participation. Cues can be given to customers on what to do. For example, McDonald’s put bins in their restaurants which give the cue to the customers that they must empty their trays into the dustbins after they have eaten.

Larsson & Bowen (1989: 219-233), reproduced in Bateson (1995: 113-114) come to the conclusion that the design of service production matches input uncertainty as follows:

- **Proposition 1a**: The higher the demand diversity, the higher the degree of customisation.
- **Proposition 1b**: The higher the customer disposition to participate, the greater the amount of service work shifted to the customer. The lower the customer disposition to participate, the greater the amount of work shifted to back office employees.
- **Proposition 1c**: The higher the demand diversity, the greater the amount of service work shifted to front office employees in interaction with either the customer or back office employees depending on the customer’s disposition to participate.
Proposition 1d: The lower the demand diversity is, the more the separation in service designs between front and back office.

Proposition 2: Service organisations that design their service production according to proposition 1 is more effective, than those service organisations that do not, all other things being constant.

Proposition 3a: The more complex the interdependence pattern (closer to the upper right hand corner in Figure 5.11), the more non-programme mechanisms are utilised and vice versa.

Proposition 3b: The more standardised the design service, the more decoupled the coordination between front and back offices and vice versa.

Proposition 3c: Back office activities are primarily co-ordinated by programme mechanisms, whereas front office activities are more co-ordinated by non-programme mechanisms.

Proposition 3d: The emphasis on the co-ordination portfolio (i.e. main co-ordinator effort) follows the main locus of the interdependence of the service design (indicated in Figure 5.11).

Proposition 4: Service organisations that match their interdependence patterns with their co-ordination patters, according to proposition 3 are more effective than those who do not, all other things being constant.

Proposition 5: Service organisations match both their design of the interdependence patterns to face conditions of input uncertainty and their selection of co-ordination portfolios according to propositions 1 and 3 (indicated by Figure 5.11).

Proposition 6: Service organisations with the overall match between design and co-ordination according to proposition 5 are more effective than those without, all other things being constant.

5.3.4 FLOW CHART NEW SERVICE DESIGN

Organisations must understand that there is a difference between the so-called back office and front office functions in the service provision line.

The visible part of the operation's process with which the consumer interacts, has to be supported by an invisible process. Both must, however, be designed.

One of the most commonly used operations management techniques is flow charting. A service organisation must flow chart its service operations because this gives clarity of purpose to the organisation and enables it to define exactly how the process, including the actual delivery of the service, is going to work. It provides a check on the logical flow of the whole process. A flow
chart makes it immediately apparent if a task is being performed out of sequence. By identifying the different steps, it is relatively easy to identify the potential capacity bottlenecks. When service designers develop a new product, they will draw a distinction between so-called back room and front room operations and will draw a line of visibility between back office and front office operations.

A typical example is contained in Figure 5.12 below.

**FIGURE 5.12 LINE OF VISIBILITY IN A FLORSIT SHOP**

![Diagram of line of visibility in a florsit shop](image)


What must however be remembered is that underpinning the actual delivery of the service as set out in Figure 5.12 above, is a process very much dependent on logistics to ensure that the containers and the flowers are there when the purchaser wants to buy flowers. For this reason, the process has an added dimension, which in most cases will be a back room process underpinning the service offering. Figure 5.13 sets out the additional dimension to this service process.
The logistic process behind the actual delivery of the service is an integral part of the designing process. In the simple example set out in Figure 5.13 above, there is a set of logistic arrangements (designed in the back room) which ensure that the customer gets the flowers he/she wants. This involves aspects such as selection (i.e. colours, taking into account fashion trends, "life" of the flowers, ordering to ensure maximum life in the shop, receiving, checking, placing these goods in inventory and checking on a continuous basis whether the flowers, for example, are still fresh and removing them and the logistics to delivery the flowers. The design of services must include the logistical process from beginning to end. Some writers pay much attention to the actual design, delivery and input of customers without placing enough emphasis on the underpinning logistics which is needed to ensure that the service is properly delivered. The design process does not only entail design and delivery, but also logistics.
5.3.5 TAKE INTO ACCOUNT THE IMPACT OF PHYSICAL SURROUNDINGS

The designer of service must take the impact of the physical surroundings in which the service is going to be delivered into account. A self-service environment, such as a supermarket, or a self-service clothing store, requires certain design inputs which must favourably reflect on the customer. In this regard, aspects such as change room facilities in clothing stores, accessibility to clothes, enough space, merchandising (i.e. same type of clothes or manufacturer displayed together) are all important. In addition, the organisation must ensure that there is quick access to cashiers, and the cashier system must be efficient and effective. The physical environment can influence the behaviour of customers and staff and this is particularly apparent for service businesses such as hotels, restaurants, banks, professional offices, retail stores, hospitals etc. Because the service is generally produced and consumed simultaneously, the consumer often experiences the total service within the firm's physical facility.

In the case of the Servtech model, the customer will, for example, experience the web page used by the organisation to draw the customer into a purchase of the services or goods offered by the organisation. This physical environment is going to influence the customer and aspects such as graphic design, easy movement in the web page and the way the text is presented, are all going to influence the possible purchase decision of the customer. The physical environment of a firm gives cues about the firm's capabilities and quality. The physical environment can be very influential in communicating the firm's image and purpose to its potential customers. Bitner (1992: 57 – 71) comments that given behaviours are influenced by the physical setting in which it occurs, and that environmental psychologists suggest that individuals react to places with two general and opposite forms of behaviour, namely approach and avoidance. The organisation wants to encourage approach behaviours and the ability of customers and employees to carry out their plans while at the same time discouraging avoidance behaviour.

The service provider must take into account the reality that the environment in which the service is offered can influence the delivery of the services and environmental design is an integral part of service design.
5.3.6 TAKE INTO ACCOUNT THE EFFECTS OF NEW SERVICES ON CURRENT SERVICES AND THE SERVICE SYSTEM

The design and implementation of new services is a poorly understood process. Limited prior research has been characterised by the adoption of models which failed to consider important aspects of service planning, notable the impact that the new service may have on the existing service system (Tax & Stuart 1997 : 1). Tax & Stuart make the point that typical service firms incur a 25% - 30% penalty cost as a result of poor quality. The prevention of service failure, resulting to a large extent from design excellence, is the most effective and efficient route to attending higher levels of quality and customer satisfaction.

Tax & Stuart (1997 : 3) argue that the historic classification of services such as core (directly provide customer benefits), or peripheral (support or improve a core service), or multi-site (new sites providing the same service to the same customer segment), multi-segment (using the same site and service but attracting new customer segments), or multi-service (adding new services to the same site for the existing customer base), rather than focusing on the service system, is a limitation of such classifications. New services, in their view, should be defined in terms of the extent of change to the existing service system because services are essentially a series of interactions between participants, processes and physical elements. Any change to the service system that requires different competencies from the existing operation, must, in their view, be considered a new service. These competencies must be analysed along three separate dimensions namely:

- The degree in which the new process is fundamentally different from the existing process, including the consideration of the extent of change in customisation and technology required;
- The degree in which the skills and knowledge of new service participants are different than for the existing service. This has implications for selecting, training and reward of existing staff and changes in customer characteristics such as the benefits which they are seeking and their role in the service production; and,
- The degree in which the physical facilities, layout, flow of people, physical surrounding, required space and ambience of the new service are fundamentally different from those required for the existing service.

To this must be added the degree to which the logistics involved in delivering this service to the customer are fundamentally different from those required for the existing service.
Tax and Stuart (1997: 1-37) conducted three studies of new service introductions through existing service systems. One of the case studies dealt with a nationally franchised operator of coffee and donut retail outlets. The company managed over 1100 stores with expansion plans of 20% for the following year. Customers typically purchased a coffee and donut and consumed the goods within the store (40%) or bought the products as take-aways.

The organisation stocked a variety of pre-made donuts and customers selected their choice. The process for customers involved joining a line, placing an order with the cashier who also took payment. The entire process took about one minute. Their customers remained in the premises for approximately ten minutes. Users were predominantly blue collar and male and most of the sales occurred in the morning.

Market research identified soup and sandwiches for the lunch market as a viable opportunity to take advantage of available capacity.

The company then decided to introduce new sandwich and soup products. The sandwich products were pre-assembled about two hours prior to the anticipated noon rush and the soup was made using existing kitchen facilities. However, customer reaction to the service was disappointing. The lunch customers were predominantly office and clerical workers, middle class and female. They however complained about the pre-assembled sandwiches. The company decided to modify the service by making the sandwiches fresh and to customers’ specifications. However, the task time was now longer and coffee and donut customers started complaining about waiting up to six minutes to get served while previously it took only one minute.

To correct the situation, the firm made a series of service design changes. Orders taken were restricted to the cashier, an electronic cash register was installed to convey the necessary ordered information to the sandwich maker in a timely manner, tray rails were installed and customers were required to move between work stations when previously the service personnel did all the movement. The service stores developed two parallel but distinct processes. The surrounding physical facilities had to be changed because additional food preparation and eating space was needed to handle the lunch crowd. More parking space had to be added.

The clear implication from the case studies is that even seemingly minor changes had a dramatic impact on the service system. To help diagnose the nature and degree of changes, Tax & Stuart (1997: 12-20) developed pre-service assessment templates, one each for processes, participants and physical facilities. These are set out in Tables 5.2 to 5.4.
<table>
<thead>
<tr>
<th>Process Issue</th>
<th>Current Service Donuts</th>
<th>New Service Sandwiches</th>
<th>Extent of change Low</th>
<th>High</th>
<th>Cross Impact Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process Variety</td>
<td>Limited frying</td>
<td>Limited</td>
<td>1 2 3 4 5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Process Type</td>
<td>Batch fryer</td>
<td>Assembly</td>
<td>1 2 3 4 5</td>
<td></td>
<td>Employee training; stock management; Back room processes</td>
</tr>
<tr>
<td>Degree of customisation</td>
<td>None</td>
<td>High - customer specify</td>
<td>1 2 3 4 5</td>
<td></td>
<td>Service contact high</td>
</tr>
<tr>
<td>Task Times</td>
<td>30 seconds</td>
<td>3 minutes</td>
<td>1 2 3 4 5</td>
<td></td>
<td>Task specialisation; waiting times</td>
</tr>
<tr>
<td>Total Process Time</td>
<td>30 minutes</td>
<td>3 minutes</td>
<td>1 2 3 4 5</td>
<td></td>
<td>Stock management</td>
</tr>
<tr>
<td>Back Room Processes</td>
<td>Complete production process</td>
<td>Raw material only</td>
<td>1 2 3 4 5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Front Room Processes</td>
<td>Ordering and payments</td>
<td>Order, sandwich construction and payment</td>
<td>1 2 3 4 5</td>
<td></td>
<td>Customer sees service; Cleanliness</td>
</tr>
<tr>
<td>Inventory</td>
<td>Raw materials, WIP, finished goods</td>
<td>Raw materials only</td>
<td>1 2 3 4 5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technology</td>
<td>Simple</td>
<td>Modest</td>
<td>1 2 3 4 5</td>
<td></td>
<td>Training; modification to facilities</td>
</tr>
<tr>
<td>Customer Contact Points</td>
<td>Cashier</td>
<td>Cashier and sandwich preparation</td>
<td>1 2 3 4 5</td>
<td></td>
<td>Customer waits</td>
</tr>
<tr>
<td>Customer Contact Time</td>
<td>&lt;1 minute</td>
<td>3 minutes</td>
<td>1 2 3 4 5</td>
<td></td>
<td>Employee training</td>
</tr>
<tr>
<td>Customer Throughput Time</td>
<td>Take away – 3 min Eat – 5 min</td>
<td>Take away – 5 min Eat – 30 min</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>Space required; layout facilities</td>
</tr>
<tr>
<td>Service Wait</td>
<td>Predictable</td>
<td>Unpredictable</td>
<td>1 2 3 4 5</td>
<td></td>
<td>Space</td>
</tr>
</tbody>
</table>

### TABLE 5.3 ASSESSING SERVICE SYSTEM AND SYSTEM DIFFERENCES: PARTICIPANTS

<table>
<thead>
<tr>
<th>Process Issue</th>
<th>Current Service</th>
<th>New Service</th>
<th>Extent of change</th>
<th>Cross Impact Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>1 Customers</td>
<td></td>
<td></td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
<tr>
<td>1.1 Customer</td>
<td>Mostly male, blue collar, smoker</td>
<td>Mixed, office workers, non-smoking</td>
<td></td>
<td></td>
</tr>
<tr>
<td>characteristics</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.2 Customer</td>
<td>Order</td>
<td>Specify customisation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>involvement</td>
<td></td>
<td></td>
<td>1 2 3 4 5</td>
<td>Customer training</td>
</tr>
<tr>
<td>1.3 Customer</td>
<td>None</td>
<td>Order procedure; Queue system</td>
<td></td>
<td></td>
</tr>
<tr>
<td>training</td>
<td></td>
<td></td>
<td>1 2 3 4 5</td>
<td>Signage required</td>
</tr>
<tr>
<td>1.4 Customer</td>
<td>Simple order</td>
<td>More complex specify</td>
<td></td>
<td></td>
</tr>
<tr>
<td>communication</td>
<td></td>
<td></td>
<td>1 2 3 4 5</td>
<td>Employee communication</td>
</tr>
<tr>
<td>2 Service Personnel</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>High school</td>
<td>High school</td>
<td>1 2 3 4 5</td>
<td>-</td>
</tr>
<tr>
<td>Skill level</td>
<td>Order taking</td>
<td>Listen</td>
<td>1 2 3 4 5</td>
<td>-</td>
</tr>
<tr>
<td>Responsibility</td>
<td>Limited – take order, filling</td>
<td>Limited – taking order, filling</td>
<td>1 2 3 4 5</td>
<td>-</td>
</tr>
<tr>
<td>Teamwork</td>
<td>Not necessary</td>
<td>Link between order taken and sandwich maker</td>
<td>1 2 3 4 5</td>
<td>Computer technology required</td>
</tr>
<tr>
<td>Training</td>
<td>Minimal</td>
<td>Sandwich preparation dealing with customer health</td>
<td>1 2 3 4 5</td>
<td>-</td>
</tr>
<tr>
<td>Compensation</td>
<td>Hourly</td>
<td>Hourly – by job</td>
<td>1 2 3 4 5</td>
<td>-</td>
</tr>
<tr>
<td>Recruitment</td>
<td>Local</td>
<td>Local</td>
<td>1 2 3 4 5</td>
<td>-</td>
</tr>
<tr>
<td>Selection Criteria</td>
<td>Friendliness</td>
<td>Friendliness, speed, learning</td>
<td>1 2 3 4 5</td>
<td>Process Time</td>
</tr>
<tr>
<td>Task specialisation</td>
<td>Low</td>
<td>Moderate</td>
<td>1 2 3 4 5</td>
<td>Training</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Process Issue</th>
<th>Existing Service</th>
<th>New Service</th>
<th>Extent of change</th>
<th>Cross Impact Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Ambient conditions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Air quality</td>
<td>Relatively high percentage smokers</td>
<td>Preference smoke free</td>
<td>4 5</td>
<td>Better verification; reorganise layout</td>
</tr>
<tr>
<td>Odour</td>
<td>Coffee &amp; donut</td>
<td>No new odours</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td>Noise</td>
<td>Low</td>
<td>Low</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td>Cleanliness</td>
<td>Medium</td>
<td>High</td>
<td>5</td>
<td>Increase frequency of table cleanliness</td>
</tr>
<tr>
<td>2 Space function</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Layout</td>
<td>Space for order placement; tables</td>
<td>Additional space; sandwich production materials; line for sandwich orders</td>
<td>4 5</td>
<td>Reorganise</td>
</tr>
<tr>
<td>Equipment</td>
<td>Cash register; coffee and donut equipment</td>
<td>Additional technology to communicate orders</td>
<td>3 5</td>
<td>Technology</td>
</tr>
<tr>
<td>Furnishings</td>
<td>Tables and chairs</td>
<td>Upgrade</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td>Inside Space</td>
<td>Currently sufficient</td>
<td>More space</td>
<td>5</td>
<td>New stores bigger</td>
</tr>
<tr>
<td>Outside Space</td>
<td>Short term parking</td>
<td>Also longer term</td>
<td>5</td>
<td>New stores bigger</td>
</tr>
<tr>
<td>Ideal Locations</td>
<td>Accessible to vehicle traffic</td>
<td>Close to office buildings</td>
<td>5</td>
<td>New outlets – more parking</td>
</tr>
<tr>
<td>3 Signs/Symbols</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Signs</td>
<td>Coffee and donut prices</td>
<td>Lunch combination, queuing directions</td>
<td>3 5</td>
<td>Re-assess location strategy</td>
</tr>
<tr>
<td>Style of Décor</td>
<td>Utilitarian</td>
<td>Modern, airy, bright</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td>Personal Artefacts</td>
<td>Basic uniform</td>
<td>Rubber gloves, aprons</td>
<td>5</td>
<td>Customer compatibility</td>
</tr>
</tbody>
</table>

Tax & Stuart (1997: 12-20), therefore, assess the impact of the new service on the existing service system. This assessment is divided into three broad categories, namely processes, participants and physical facilities.

This methodology can be a valuable guide for any organisation wishing to introduce a new service, whatever its nature may be. By defining the process issues, both for the current service and for the new service, the organisation is able to determine the extent of change that will be involved, will have to address those changes which are identified and will have to give specific attention to changes which require a high extent of change. At the same time, the organisation addresses those issues which impact on other processes within the organisation.

The same applies to assessing the role of participants in a current service and a new service. These participants include both customers and service personnel. The higher the extent of change, the more important it is for the organisation to address these issues thoroughly.

By assessing the impact on the physical facilities, the organisation identifies the impact a new service will have on existing facilities.

All organisations should use a similar approach when new services are developed and should adapt the contents of Tables 5.2 to 5.4 to their particular situations.

In many cases, changes to services can also impact on logistical design of the organisation. Suppose, in the above example, the organisation decided to deliver both the donuts and the sandwiches to customers. The new service, namely delivery of the products, will impact heavily on the existing service system of the organisation. There would be a high extent of change in delivery and possibly even in technology. Customer contact time will change dramatically. Table 5.5 sets out what would happen if this new service is introduced.
<table>
<thead>
<tr>
<th>Process Issue</th>
<th>New Service Delivering Products</th>
<th>Extent of change</th>
<th>Cross Impact Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Process variety</td>
<td>Food preparation - same</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Delivery</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Process type</td>
<td>Food preparation - same</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Delivery</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Degree of customisation</td>
<td>Products – same</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>High – to each customer</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Task times – making delivery</td>
<td>As before</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>30 minutes</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Total process time</td>
<td>As before – making Delivery</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Back room processes</td>
<td>As before</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Front room processes</td>
<td>Receive order</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Make delivery</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Inventory</td>
<td>As before</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Technology</td>
<td>Advanced</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Customer contact point</td>
<td>On delivery</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Customer contact time</td>
<td>2 minutes</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Customer throughput time</td>
<td>Total wait period 30 minutes</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>No throughput</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Service wait</td>
<td>Unpredictable</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: Own compilation
In the case of the participants, the introduction of this new service will also impact on both customers and on staff. Table 5.6, sets out those factors which will affect participants.

**TABLE 5.6**  ASSESSING SERVICE SYSTEM AND SERVICE DIFFERENCES:

<table>
<thead>
<tr>
<th>Process Issue</th>
<th>New Service</th>
<th>Extent of Change</th>
<th>Cross Impact Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low</td>
<td>High</td>
<td></td>
</tr>
<tr>
<td>1 Customers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer characteristics</td>
<td>Immaterial</td>
<td>1 2 3 4 5</td>
<td>-</td>
</tr>
<tr>
<td>Customer involvement</td>
<td>Order and specify customisation</td>
<td>1 2 3 4 5</td>
<td>-</td>
</tr>
<tr>
<td>Customer training</td>
<td>Know products</td>
<td>1 2 3 4 5</td>
<td>Get menus to customers</td>
</tr>
<tr>
<td>Customer communication</td>
<td>Addresses, specify service</td>
<td>1 2 3 4 5</td>
<td>Leave menus on delivery</td>
</tr>
<tr>
<td>2 Service personnel</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>High school, driver's licence</td>
<td>1 2 3 4 5</td>
<td>-</td>
</tr>
<tr>
<td>Skill level – order taking</td>
<td>As before and describing products</td>
<td>1 2 3 4 5</td>
<td>Cash control mechanisms</td>
</tr>
<tr>
<td>Deliveries</td>
<td>Geography, personal contact, money control</td>
<td>1 2 3 4 5</td>
<td>Check licences, knowledge of area</td>
</tr>
<tr>
<td>Responsibility</td>
<td>Great - delivery</td>
<td>1 2 3 4 5</td>
<td>Computer technology required</td>
</tr>
<tr>
<td>Teamwork</td>
<td>Link between organisation and customers</td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
<tr>
<td>Training</td>
<td>Dealing with customers</td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
<tr>
<td>Compensation</td>
<td>Per delivery</td>
<td>1 2 3 4 5</td>
<td>Computer system</td>
</tr>
<tr>
<td>Recruitment</td>
<td>Local</td>
<td>1 2 3 4 5</td>
<td>-</td>
</tr>
<tr>
<td>Selection criteria</td>
<td>Friendliness, licence, vehicle</td>
<td>1 2 3 4 5</td>
<td>Drivers license, Road worthy vehicle</td>
</tr>
<tr>
<td>Task specialisation</td>
<td>Moderate</td>
<td>1 2 3 4 5</td>
<td>Training</td>
</tr>
</tbody>
</table>

Source : Own compilation
Customers will now order via the telephone, internet etc. and the greatest impact will be, on those aspects which deal with the delivery of the products. Technology will have an impact on the organisation while the impact on the store itself will be limited.

In the case of physical facilities, the impact will be very little unless the customer base of the business changes totally from in-store service to delivery.

The organisation which introduces a new service must take into account the compatibility of the existing service with the new service, whether it be the physical facilities, processes, customer mix or in the delivery of the product which requires integrated planning.

According the Tax & Stuart (1997: 23-28), the following steps should be taken in this regard:

**Step 1** – Conduct an audit of the firm’s original service system including processes, physical facilities and participants. To this should be added logistics. Elements of service marketing, human resource management and logistic design provide a guide for conducting a comprehensive evaluation of the processes, physical facilities, participants and logistic dimensions of an organisation’s service system. These elements can then be entered into the service system assessment framework developed in Tables 5.2 to 5.6 above. The central issues to be addressed in Step 1 are an examination of:

- The characteristics and roles of current customers;
- The benefits provided to customers;
- The processes used to deliver the service;
- The skills, capabilities and personality traits of the service participants;
- The physical facilities; and,
- The logistics involved in delivering the service

**Step 2** – Assess the new service concept from a market perspective. This step assesses the new service design from the traditional marketing perspective including whether the users of the new service are likely to be new to the firm or will the service appeal to current customers. Questions that should be asked are: What combination of features should be offered? What price should be charged? How should the service be delivered? How quickly can the service ensure that the product/service reaches the customer?
Step 3 – Assess the new service design from the perspective of processes.
The service assessment approach identified in Table 5.2 used in conjunction with service blue printing provides a means of examining the critical elements of the new service processes.

Step 4 – Assess the new service design from the perspective of participants.
The approach presented in Table 5.3 can be used in tandem with service blue prints to help assess the participant requirements of the new service, including the preparation of job descriptions, selection criteria, operational systems, training programmes and compensation schemes. This can indicate whether there is a considerable change in the role of staff which may have lead to overall human resource practices.

Step 5 – Assess the issue of design from the perspective of physical facilities.
The physical facility aspect of the service system, as presented in Table 5.4 should be examined. In this regard, the designers must consider how the physical environment influences customer and employee responses and behaviours including physical environment, participant relationships such as ambient conditions, space, symbols and artefacts.

Step 6 – Assess the new service design from the perspective of logistics.
The organisation must identify the differences between existing and current logistical systems needed to get the product to the customer as quickly as possible. The impact of logistical changes for all processes and participants, as presented in Tables 5.5 and 5.6, must be considered and processes must be put in place which will ensure that the product gets to the customer as quickly as possible.

Step 7 – Assess the impact of integrated service systems on the original and new service in each of the key service dimensions.
This step recognises the cross impact that the new service will have on the existing service system and vice versa. The technique which may be used is known as quality function deployment (QFD) which provides a comprehensive mechanism for addressing the inter-relationships between desired customers driven service attributes and the system, that is processes, service personnel, physical facilities and logistics required to achieve performance objectives. In QFD the organisation accepts that key design decisions are driven by the customers but the planning process encourages discussions among human resource departments, operational department and market decision makers to understand the implications of the decisions on both service system attributes and customer benefits. This process identifies the potential impacts on, for
example, staff planning requirements, store layout, customer participation in service production and logistics in delivering the product.

In QFD customer requirements are translated into a specific quality design for a service. Three matrixes are used for this purpose:

**Matrix 1** - Customer desires versus service measures. This defines how customer services are going to be measured when the service is introduced. In this matrix the voice of the customer is heard and acted on. This serves as the basis for the design of the service. Typical service desires include:

- consistency of service;
- courtesy;
- availability of employees;
- timeliness of service;
- service flexibility;
- service affordability; and
- employee commitment.

(Ermer & Kniper 1998 : 3).

These are assigned an importance rating from 1 to 5. Customer requirements must, in turn, be matched with a quantifiable measure i.e. customer requirements express 'what' the customer expects and service measures determine 'how' those expectations can be measured.

**Matrix 2** – Relates the important service measures (carried over from Matrix 1), as the 'whats' and service design characteristics as the 'how's'. This answers the question 'If these are what should be measured, how should the service be designed and built to optimise these measures?' A few general design characteristics are:

- proper equipment;
- proper training;
- team work;
- appearance; and
- quality design tools.

**Matrix 3** – Manages service quality by detailing the service design characteristics for daily quality management. Each service design characteristic is matched with one or more daily quality management techniques.
Step 8 — Assess the capability of the firm to manage the changes involved and identify strategic options available for service recommendation.

This step recognises that the risk arising from service system changes may require firms to reconsider their strategic options. Firms must evaluate their existing capabilities or capabilities that can be acquired reasonably and match the specifications of the combined service systems. Firms must also assess their organisational capacity to handle the change.

By adopting the approach that changes to any element of the existing system represents a new service.

**5.3.7 CONTROL THE DELIVERY PROCESS**

A number of factors are vital in the service delivery process. As mentioned a number of times, the person to person encounter between buyer and seller is very important. Pure service situations are characterised by a higher degree of person to person interaction.

A number of factors are important for service delivery. These are discussed in 5.3.7.1 to 5.3.7.2 below.

**5.3.7.1 CREATE A CLIMATE FOR A STRONG SERVICE ORIENTATION**

The organisation must create the right climate within the organisation to ensure that a strong service orientation becomes part of the organisation. The results of a study conducted by Schneider (Schneider 1980 : 52 – 65) in a financial institution conclusively proved that when branch employees perceive a strong service orientation in their branch, the customers of those branches report, not only that they receive genuine superior service, but that specific facets of service are handled in a superior manner. Employees themselves experience less negative consequences at work when their branch has an enthusiastic orientation to service. The conclusion of the study was that employees and customers of service organisations will each experience positive outcomes when the organisation operates within a customer service orientation. This results in superior service practises and procedures observable by customers and seem to fit employee views of the appropriate style for dealing with customers.

The duty is on management to ensure that a service orientated environment is created in the organisation.
5.3.7.2 STRIVE TOWARDS ZERO DEFECTS

Chase and Stewart (1994: 35 – 44) address the question of how an organisation can achieve zero defects in a day to day provision of services. They suggest that a concept borrowed from manufacturing, namely fail-safing can be applied systematically to services to achieve this goal. The ideal of fail-safing is to prevent the inevitable mistake from turning into a defect. Processes must be created to ensure they can withstand the effects of factors beyond the service provider’s control. This requires the ability to discriminate good from bad and it aims to govern factors within the service provider’s control and strives to extend the scope of control to outside factors.

Service fail-safing must account for the customer’s activities as well as those of the producer. Customer errors can directly affect the service outcome and must be fail-safed if the service is to be defect free. These services also evolve, through multiple forms of interactions between the service company and its customer, and might even occur at different locations.

Fail-safe methods must be set up for interactions conducted directly by phone, mail and standalone technology like an automatic teller machine (ATM) or a web site. Shigeo Shingo (Chase & Stewart 1994 : 35-44) articulated the basic concept of Poka-Yokes (automatic devices or methods) and names a number of services where Poka-Yokes have been suggested or are in use.

Errors in service can be divided into server errors and customer errors. Service errors can in turn be classified as errors in the task, the treatment or the tangible aspects of the service. Customer errors can be classified as errors in the preparation for the encounter, the encounter or the resolution of the encounter.

The first step is to fail-safe the server by using a couple of Poka-Yokes such as:

* Task Poka-Yokes: Task errors are those which occur in the service function. For example people not doing work properly, doing the wrong work or doing it too slowly.

Poka-Yokes devices to detect and avoid task errors should be developed, such as:
- appropriate measuring tools;
- coded tags on cargoes to identify the order and arrival of vehicles; and
- trace for residual instruments which have indentation for each instrument.
Treatment Poka Yokes: Treatment errors occur in the contact between the server and the customer such as lack of professional behaviour. Poka Yokes which can be developed to detect and avoid treatment errors are:

- Signal Poka-Yokes: Signals such as eye contact to acknowledge a customer’s presence, not putting hands in pockets and reading non-verbal negative cues should be developed.

Tangible Poka-Yokes: Tangibles areas are those physical elements of the server which should be controlled, such as dirty working rooms, incorrect accounts etc. Poka-Yokes that prevent such tangible errors are: clean facilities and uniforms, controlling noise and odours and spell checks in software programmes, checking reports, checking drafts etc.

The second step is to fail-safe the customer. The organisation must also endeavour to fail-safe the customer by using Poka-Yokes such as:

- Preparation Poka-Yokes: Organisations can take steps to ensure prevention of customer preparation errors e.g. dress codes on invitations, reminders about appointments, software messages and emails sent to customers on how to use a specific service.

- Encounter Poka-Yokes: Customer errors dealing during encounters can be due to inattention, misunderstanding or simply a memory lapse. Poka-Yokes devises that warn and control customer actions include changes to configure waiting lines; airport check-in counters so passengers can check the size of their luggage, and signals at ATMs for customers to remove their cards.

- Resolution Poka-Yokes: Customer may also make errors at the resolution stage of the service encounter. Poka-Yokes to prevent this include trays to return trash which is found in restaurants such as McDonalds and Kentucky Fried Chicken.

The first step in fail-safeing is to review each stage of the service process and to identify where and when failures occur. If a mistake is detected the source must be found. The formal step is then to build a fail-safe system to block each mistake from turning into a defect.

Obviously, such an approach requires a huge commitment from the organisation but if it wishes to render an excellent service it must implement procedures to do so.
5.3.8 SUMMARISING THE DESIGN PROCESS

The design of a quality service is summarised in Figure 5.14 below.

FIGURE 5.14 THE DESIGN AND DELIVERY OF SERVICES: A HOLISTIC APPROACH

Market Demands
Retain customers, recover from service failures, create highest level service quality, become customer focussed, take steps to compete for reach, take steps to compete for geography

Service requirements
Service performance standard
Customer expectations
Customer experience with service

Design Requirements
Accept importance of design, integrate design with delivery design, involve employees, deal with uncertainties

Service Design
Product design
Facilities design
Service operations process design
Customer service process design
IT design (back room)

Service delivery design
Design service encounter environment
Personal behaviour
Delivery processes (logistics)
IT design (delivery)

Flow chart
Impact on other services and QSS

Stable reproducible service performance

Quality service delivery
Customer/Provider interaction
Service encounter environment
Provider behaviour
Speed of delivery

Individualistic, heterogeneous service delivery

Source: Own compilation
Figure 5.14 differs from Ramaswamy's model (section 5.3.3.2) in that:

- The fact that the design must happen within a QSS is highlighted;
- Market demands which lead to service requirements and customer expectations are highlighted. These demands must be incorporated into service design and delivery design requirements;
- The design requirements which must be incorporated into service (product design) and delivery design are highlighted;
- A clear distinction is made between general service design and delivery design. Specific attention is given to each factor and IT design is incorporated on both sides with logistic design added in service delivery design. Flow charting is suggested as a methodology for design and it is highlighted that the impact on other services and the QSS must be taken into account during the design process; and
- Actual service delivery, as the ultimate goal, is highlighted. Quality delivery is therefore the ultimate aim of the design process.

5.4 CONCLUSION

Any organisation that wishes to develop quality services, must understand that the service must fit into a quality service system. Designing a service in a vacuum without clear parameters as contained in a quality service system cannot ensure a quality service.

To design a quality service system involves a process which focuses on gaining a clear understanding of the organisation, its strengths and weaknesses and the market in which it operates. Before designing a quality service system the organisation must ensure that it meets a number of pre-service design requirements the aims of which are to let the organisation focus on its market and its own organisational strengths and weaknesses.

The quality service system which is developed must take into account the reality of the market in which the organisation operates and the strengths and weaknesses of the organisation itself. It must then design the quality service system according to soundly tested principles and must use the correct design approach. Guidelines such as those contained in ISO 10006 and in studies, using the combined knowledge of quality management experts throughout the world, and the organisation can be used. The organisation does not need to reinvent the wheel to establish new
parameters in which to design the service. The organisation can use guidelines such as those contained in ISO 10006 and adapt them to its specific requirements. It is important that the organisation understands that it must use a logical approach to design a quality service system or a service and the project management approach presents the best solution in this regard.

Once a QSS is in place, the organisation can look at the design of the service itself. When designing a specific service, the organisation must do so within the QSS which has been developed and in the design of the service must take into account the impact which the marketing process, the design and the delivery process will have on the QSS. The organisation must, when designing the service, focus on its market. It must decide whether it wants to compete for reach, for market share or for geography and must take steps to maintain customers. It must search out the service to be developed and must take into account the effect that new services will have on the current services and QSS of the organisation.

In delivering the service, the organisation must take the reality into account that delivery of services is influenced by the deliverers of the service and customers and must put mechanisms into place which can prevent defects.

There can be no doubt that service design is a difficult and meticulous process. No service organisation should lay claim to TQM unless it understands this very important part of TQM and implements proper design principles into its QSS and into the design of services. Far too often firms propagate TQM and do not give attention to each and every aspect, which can impact on the customer, including the design of the QSS and the service itself.

If this is the case then there is TQM rhetoric but no true TQM.
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Current TQM wisdom has it that employee empowerment and teamwork is a vitally important ingredient for the successful implementation of TQM.

The reality is, however, that no clarity has to date been achieved on exactly what is meant by empowerment. Some writers regard it as a radical transformation of power from management to employees while others, through various studies, indicate that although this might be the theory, this is not happening in practice. Some writers indicate that employees in fact prefer to work under the guidance of management and that they expect respect and honesty from managers more than empowerment.

While accepting that teamwork is important and teams can help an organisation meet TQM challenges, writers are also pointing out that teams are not always the answer to TQM problems because of team tyranny and because of the fact that many workers find it extremely difficult to work in a team environment.

The challenges for organisations in the 21st century will be to empower employees, not necessarily by giving them authority, but through a process of continuous training and mentorship. This will lead to empowered employees and will not be an artificial transfer of power but an earned one. This will enable management to implement the principles of CVD as they will have a trained and receptive audience who can grasp current realities.

It is, however, not only employees that will have to be empowered but also management. Management will find the 21st century extremely challenging and leaders will have to be trained by other leaders to cope with these continuous changes. This will be a continuous process.
CHAPTER 6
EMPOWERING EMPLOYEES AND MANAGEMENT

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6.1 INTRODUCTION

In this thesis, frequent reference has been made to the reality that a quality service can only be provided by well-trained staff.

In section 1.1.5, it was noted that TQM is sometimes defined as creating an organisational culture committed to the continuous improvement of skills, teamwork, processes, products, service quality and customer satisfaction. To ensure that this happens, the organisation must embark on a process of continuous training to ensure continuous improvement of skills. Principle six of Deming’s fourteen Management beliefs states that everyone in the organisation must be trained to ensure that all people in the organisation have a clear idea of how to do their jobs.

6.1.1 SERVICES AND EMPOWERMENT

There can be no doubt that the organisation which makes the provision of quality services part of its culture and introduces it to every facet of the organisation’s life can gain a competitive advantage over organisations which do not have such philosophies. The quality organisation will always place the customer in the centre of all its activities and will endeavour to provide exceptional services or products to customers. To achieve this it needs well trained staff to provide services to customers.

Organisations must accept that management alone cannot implement quality successfully. Staff in the organisation is just as important. In section 1.1.8 it was noted that a culture of quality service must be developed in an organisation. To ensure such a culture time, effort and resources must be spent on staff development. The question which arises, however, is whether training alone will ensure that the organisation will, on a continuous basis, supply quality services to customers. This raises the issue whether staff must not also be empowered. It also raises the question of what is meant by an empowered employee. The organisation must balance the demands of the
organisation with those of its staff. To achieve this, the organisation must take into account the demands of management and of staff.

In section 3.2.5 it was highlighted that managers must develop the people in the organisation. Development includes training and empowerment, not only of staff, but also of management.

Empowered management:
- adopts a developmental orientation;
- manages the TQM paradoxes;
- is realistic and does not rely on rhetoric to reach quality goals;
- can implement TQM properly;
- develops staff without fear and ensures that staff experience meaning in and from their work;
- treats staff fairly;
- builds teams;
- trains staff properly to achieve the objectives of the organisation and accepts that training is vitally important for the organisation to reach its objectives; and
- provides effective leadership including CVD.

To achieve CVD, the manager must be able to trust. The manager can only trust people who will be able to do the job according to the standards set by management. By implication, this means empowered employees.

An empowered employee:
- satisfies customers by understanding their needs and is prepared to provide them with an exceptional service or product;
- faces the challenges of modern economies and is prepared to invest in him/herself to ensure that he/she can meet continuous changes in such challenges;
- becomes part of a professional team and sees his/her contribution as a vital part of the organisation's success;
- thinks on his/her feet with the purpose of meeting the challenges of changing circumstances; and
- retains customers and regards the loss of any customer as a reflection on his/her personal abilities.
6.1.2 SERVICE ORGANISATIONS RELY ON PEOPLE

The quality service organisation will ensure that management and staff are so trained and empowered that they meet the challenges facing modern organisations.

In this study, extensive attention has so far been given to:
- current TQM approaches and the perception that TQM is failing;
- the responsibility of management to overcome the negative perceptions of TQM and the management approaches they can adopt to ensure that TQM works;
- the changing face of services in modern economies, particularly the emphasis being placed on the speed of delivery and logistics; and
- proper design of the quality service system and services.

In this chapter, attention is given to the steps the organisation must take to ensure that the staff of the organisation cope with the challenges discussed in the previous chapters. Services are, in most cases, delivered and designed by people. Only properly trained and empowered staff and management will be able to design and deliver quality services and cope with rapidly changing economic circumstances. People are therefore vitally important for proper service delivery, because they are important, the organisation must empower both management and staff to provide proper service.

This chapter deals with the following aspects:
- empowering staff and the role of teams in this regard; and
- empowering management.

These aspects are dealt with in sections 6.2 and 6.3 below.

6.2 EMPOWERING STAFF

6.2.1 TQM AND EMPOWERMENT

According to Wilkinson et al. (1997 : ), TQM is based on three fundamental principles, namely:
- customer orientation;
- process orientation; and
- continuous improvement.
The most effective means of improvement is to use the people who actually do the job to identify and implement appropriate changes. To achieve this, organisations either use hard tools (such as statistical process control methods and others), or soft tools which places more importance on areas (such as increase in the customer orientation of the organisation, training, teamwork, employee participation and culture change). Empowerment fits squarely into the soft approach.

Moon & Swaffin-Smith (1998 : 1), argue that successful TQM implementation comprises the following elements:
- careful planning and execution of the process;
- middle-management involvement from the outset;
- targeting of quick, tangible results; and
- constant employee communication, involvement and recognition.

Critical to successful implementation is the empowerment of staff.

Customers, processes and employees are the three legs of the TQM stool. But the employee leg is often described as the one most weakly addressed.

6.2.2 THE MEANING OF EMPOWERMENT IN THE TQM CONTEXT

According to Moon & Swaffin-Smith (1998 : 1), empowerment does not mean communication through systems such as team briefings, but involvement. Involvement is more than just the exchange of information. It is the gradual but radical delegation of control to those closest to the process itself.

Within a pure TQM definition, empowerment means delegation of control to those closest to the process itself. This definition of empowerment is accepted by many writers as being part of the TQM process. However the question arising is whether the theory of empowerment is met by the practice. Wilkinson et al. (1997 : 6) observe that, in theory, one might expect that employee participation under TQM would translate into increased training on quality and problem solving, increased top-down communication of company plans and performance via team briefings, increased bottom-up communication of suggestions for improvement, the creation of task based work teams (which monitor their own work performance and implement continuous improvement) and the setting up of cross-functional teams to handle particular problems. Empirical research indicates that this idealised model of TQM is difficult to find in practice. Managers often claim that employees are empowered but, in most cases, add "as long as they check with me first".

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Wilkinson et al. suggest that although managers stress the empowerment aspect, the employees found that much of the emphasis was on control "empowerment". The degree of participation offered by TQM is strictly within an agenda set by management and certainly does not extend to significant power sharing or participation in higher level decisions.

The message of the article of Wilkinson et al. (1997 : 1 - 19) is that, for empowerment to be meaningful, it must reflect a genuine shift in the focus of power. The limited nature of involvement under TQM leads to the question as to whether empowerment has really occurred.

6.2.3 EMPOWERMENT AND THE GURUS

The earlier quality gurus such as Deming and Juran were fairly circumspect about the nature of employee involvement under TQM. They were more concerned with management action and behaviour. The fundamental quality problem, in their view, was to get the systems right. Management therefore had to address the underlying problem of getting the systems right. Although mention was made of training, it was only later writers who started propagating that workers must take control of the day to day decisions affecting their own work. Their argument is that as employees take on more responsibility and accountability, the scope of their work is enhanced, skill levels rise and the work environment, morale and motivation all improve (Wilkinson et al. 1997 : 7). Wilkinson et al. point out that critics have argued that with its emphasis on reducing variation and tighter managerial control of the production process, TQM is simply an extension of scientific management and in fact often intensifies work and increases managerial surveillance and control. Although there is the rhetoric of empowerment, there is no true empowerment.

6.2.4 EMPOWERMENT – THEORY AND PRACTICE

6.2.4.1 EMPOWERMENT IN THEORY

6.2.4.1.1 Empowerment according to various writers

According to Wilkinson et al. (1997 : 7), employee involvement is an elastic and multi-dimensional concept. The participative structure of TQM is, in their view, made up of three separate but integrated elements namely:

- the educative element;
- changes in the work process itself; and
the various teams that are set up to tackle specific, or ongoing, problems.

The educative element is concerned with increasing customer awareness within an organisation, informing employees of product and market conditions and the importance of each individuals contribution to the quality of the final product.

Changes in the work processes include removing inspectors from the production line as workers take on the responsibility of authority, or at a more advanced level, may involve the more significant restructuring of work units into cells and/or the creation of semi-autonomous work groups.

The various teams set up to solve problems can take the form of quality circles, quality action teams, problem solving groups and other team activities.

The aim must, in Moon & Swaffin-Smith’s (1998 : 2), opinion be that the empowered must have authority, responsibility and accountability; the skill, experience and understanding of task requirements; motivation, commitment, confidence, a willing attitude and an environment which does not hinder the transfer of ownership. Empowerment is therefore the voluntary transfer of a task or situation to an individual or group having the ability and willingness appropriate to that situation.

According to Connor (1997 : 6), a strong notion of the quality movement is that people care desperately about the meaning of their work and its significance. Quoting various writers, he states that the quality movement asserts that employees who experience meaningfulness from their work are more likely to enjoy high internal work motivation and high job satisfaction, to exhibit less absenteeism and turnover and to do high quality work. In terms of TQM, it means that people are empowered to translate their understanding into goal accomplishing behaviour. Connor asserts that some organisational theorists describe empowerment as a psychological mindset which comprises several dimensions namely:

- the fit between one's job and personal values;
- the belief that one has the necessary knowledge, skills and so forth to perform a job or task well; and
- the belief that one can make a difference with respect to organisational outcomes.
According to Connor (1997: 6), this description refers to the condition of empowerment as a mindset but it also implies that being empowered is more than a state of mind. Rather it suggests that the truly empowered can actually assert their own organisational interests and rights. Empowerment therefore reflects the context in which employees work and not merely their psychological or emotional states. Supervisory style, reward systems and job designs all affect (positively or negatively) employee empowerment and therefore their contributions. According to Connor, the quality movement reminds top management in organisations and agencies to make sure that work context promotes empowerment.

6.2.4.1.2 **Empowerment in the broader context**

Oakland & Oakland (1998: 1) state that management today recognises that it has never been more important to focus on effectively managing their people so that they are motivated and committed to delivering quality products and services. According to them there is a link between satisfied employees who deliver services and products that lead to exceptional levels of customer satisfaction and business results.

A review of books, papers, journal articles, case studies and quality award submissions indicate that best practice people management activities found in role model organisations are:
- communication;
- encouraging employee commitment and participation;
- empowerment;
- training and development; and
- teams and teamwork.

These are discussed in sections 6.2.4.1.2.1 to 6.2.4.1.2.5 below.

6.2.4.1.2.1 Communication

Effective communication should be two-way and regular and should include customers, employees, shareholders, financial communities and the general public. Two-way communication (ie. face to face), between management and employees is an important factor in establishing employee trust and the feeling of being valued.

6.2.4.1.2.2 Encouraging employee commitment and participation

Employees should be encouraged to participate in organisational goals and objectives and should be committed to the process. All employees should be involved in systematic and continuous
improvement plans throughout the organisation. Some ways listed by Oakland & Oakland (1998 : 2) to achieve this are work teams, involvement in continuous improvement activities, training in customer and supplier models, training in problem-solving techniques and training in basic statistical analysis.

6.2.4.1.2.3 Empowerment
According to Oakland & Oakland (1998 : 2), successful organisations empower their employees. However, employees can only be empowered if they care, have authority and the appropriate skills. Organisations try and achieve empowerment by involving employees in setting their own goals and judging their own performance, encouraging employees to take ownership of their actions, encouraging employees to identify with the organisation and to become shareholders.

6.2.4.1.2.4 Training and development
Organisations must invest in people. This requires a commitment to training. Successful organisations tend to be the ones who spend a substantial percentage of their pay roll on education and training. The modern trend seems to be to encourage employees to diversify their abilities. Taylor & Parkinson (1998 : 345) discuss the rationale and approach to Investors In People (IIP) which was launched in Britain in 1991. The four principles of IIP are:

- commitment from the top to develop all employees in line with business objectives;
- planning and regular review of the needs for training and development of all employees;
- action to be ongoing to train and develop individuals not just when they are recruited but throughout their employment; and
- evaluation of investment in training and development.

Organisations must spend substantial time and effort on developing their staff to maximum potential.

6.2.4.1.2.5 Teams and teamwork
According to Oakland & Oakland (1998 : 2), organisations which report superior business results place great emphasis on the value of people working together in teams. Successful organisations tend to use cross-functional teams where almost every employee belongs to at least one team, ranging from managers on quality steering teams, operators on quality improvement teams to fully empowered self-directed work teams. Cross-functional teams are used to address the entire process. According to Oakland & Oakland (1998 : 3), “it is clear that, in people management
terms, successful organisations share a fundamental philosophy, they value and trust their employees”. Fundamental to this is the belief that people basically want to do a good job and that if a proper environment is provided, they will do so. Organisations must therefore take advantage of peoples’ latent abilities.

The use of teams is a common principle found in TQM. The support for teams and empowerment can be found in many writings. According to Korukonda et al. (1999 : 29), TQM’s emphasis on teams and empowerment is hailed as a radical departure from a traditional paradigm based on efficiency, authority, hierarchical control and creation of profits for shareholders. Quoting various writers they state that employee empowerment is considered to facilitate self control, liberation of minds and the creation of problem solving skills. Teams are similarly assumed to facilitate elimination of cross-functional barriers and to provide better co-ordination. According to Connor (1997 : 6-7), the quality movement reminds management of two key principles of human motivation, namely:
- people want to experience meaning in and from their work; and
- teams are key to organisational effectiveness.

He states that this is a well-travelled principle of human relations management. The basic idea is that individual contributions to accomplishing organisation purposes are enhanced through systematic and sustained co-operation with others. Teams are therefore key vehicles to goals accomplishment and are seen as a key to successful leadership behaviour within a TQM organisation.

Oakland & Oakland (1997 : 4) are of the view that if the above steps are implemented, it will lead to both employee and customer satisfaction. According to them, employee perceptions can have an impact on customer satisfaction. In chapter 7 below, it is asserted that organisations must assess whether their customers are extremely happy with their performance. Organisations must have an intense customer centred focus which is communicated to, and involves, employees at all levels. Employees must be coached to tailor their performance in an atmosphere of shared responsibility and as part of a never-ending quest. Satisfied customers will ultimately lead to improved business results.
6.2.4.2 EMPOWERMENT IN PRACTICE

6.2.4.2.1 Empowerment and increased control

Wilkinson et al. (1997: 1) state that there is a basic ambiguity in TQM in that, while managers seek the commitment and co-operation of their employees, increased control over the work process is a cornerstone of TQM. TQM entails a demolition of responsibilities initially held by management to the level of team leader or operator. In many cases this however does not lead to autonomy but rather an increasing (and increasingly taxing) set of tasks which are closely monitored and strictly controlled, so that subordination of the worker to the capitalist is more complete.

Table 6.1 sets out the contrasting perspectives of TQM

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<thead>
<tr>
<th>BOUQUETS</th>
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<td>Education</td>
<td>Indoctrination</td>
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<tr>
<td>Empowerment</td>
<td>Emasculation</td>
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<td>Liberation</td>
<td>Controlling</td>
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<td>Delaying</td>
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<td>Teamwork</td>
<td>Peer group pressure</td>
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<td>Post-fordism</td>
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<td>Blame free culture</td>
<td>Identification or error</td>
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<td>Commitment</td>
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In their study, Wilkinson et al. (1996: 5-12) discuss how middle managers, employees and trade unions can use the quality banner in their own interests and so gain some benefits from otherwise potentially threatening changes to working practices and management style:

Middle Management

Although TQM theory suggests that it changes the role of middle managers from holders of expert power to facilitators, the removal of expert power is perceived as a significant threat by many middle managers which may lead to resistance to the introduction of TQM, Wilkinson et al. (1997: 9) feel that it is not all negative for the middle manager. They argue that middle managers
may even feel more influence and involvement and that they may feel that they gain influence over
decisions that affect their work. The middle manager can even become the spokesperson for the
customer and may enrol quality for this purpose.

Employees
Listing various studies Wilkinson et al. (1997: 10) found that TQM leads to work intensification and
increased monitoring. To gain acceptance, supportive employees will depend upon trust in
management and the perceived benefits to themselves. Management style appears to be one of
the main factors in determining employee reaction. If TQM is perceived to be a tool for
management to reduce the workforce, then little support for TQM will be found amongst
employees.

Unions
If management wants to use TQM as a way to build high trust or a partnership relationship, then
Wilkinson et al. (1997: 11) found that unions may co-operate with initiatives. The key to union
support is the full involvement of union representatives in the TQM process. This gives unions the
potential to influence the process in a way that is more beneficial to themselves.

6.2.4.2.2 Employee experience
McAbe & Wilkinson (1998: 12) state that an hierarchical imposition of redundancies and
employment insecurity will negatively affect the effectiveness of TQM. If management uses TQM
as a tool to justify redundancies, it will meet resistance from staff. No steps to empower, or even
teambuilding, will in the long run be credible if the ultimate aim is job insecurity and redundancies.
Staff experiences of TQM, if based on redundancies, will be negative. If staff experience
bureaucracy and hierarchy, then perceptions of TQM will also be negative (McAbe & Wilkinson
1998: 12). McAbe & Wilkinson (1998: 12) state the following: “For employees this new way of
understanding the world was far from convincing because, before it could even begin to take hold,
it was contradicted by management’s imposition of change and redundancies. For some, TQM
was simply inconsistent with their lived experience of work which is, and continues to be,
categorised by hierarchy and bureaucracy. Branch management in particular found TQM’s claim
to empower difficult to swallow when responsibility was taken away from them”.

For employees to be committed to the process, they must experience job satisfaction (which can
only be achieved if there is job security) and they must trust the organisation.
Service employees must experience TQM in all its true facets. Bettencourt & Brown (1997 : 39) make the point that excellent service providers emphasise fairness in their relationships with their employees as a precursor to customer satisfaction. They strive to treat employees with respect and dignity while promoting fairness in their compensation, rules and interactions. According to them, workplace fairness refers to employee perceptions of the rightness of outcomes, procedures and interactions within the firm. Fairness is a fundamental characteristic of effective exchange relationships since it assures employees that they will receive the deserved reward for their efforts and contributions to the organisation. Fairness in promotion and raises ensure employees that exceptional service delivery will be recognised and rewarded by the firm, even if only in the long run. The fairness of pay administration is also a factor of employee co-operation. In addition they found that fairness of job supervision is a significant positive predictor of all contact employees' pro-social behaviour. Organisations can therefore not talk TQM without implementing it in all its facets.

Service workers must experience empowerment in a positive light. Nucifora (2000 : 1) argues that employees who deal directly with customers must be given the freedom and authority to break the rules when the situation demands. They must be empowered to take the responsibility for solving the problems themselves and must provide customers with an easy channel to voice their thoughts. He states that one of the common generic elements in all of the United State's top service providers is a willingness to allow interfacing staff to break the rules when it comes to addressing a problem or complaint. Employees are encouraged to be saboteurs as long as the sabotage makes sense and results in a happy customer. They must have a clear understanding that the best time to deal with a complaint is while the complaint is happening. He propagates that, like fighter pilots, they must make instantaneous decisions.

For this to happen, employees must be empowered to take responsibility for solving problems themselves and they must be taught to resist the urge to pass them along to somebody higher up. This takes time and involves the risk that the complaint will be sucked into the corporate black hole, never to be resolved.

He argues that America has become a nation of pussy footers and that they have encouraged staff to behave like wimps. Employees must be empowered to buck the consequences, to take a stand, to let them know that they can never to wrong by doing right for the customer.
In theory Nucifora’s arguments are sound. The reality, however, is that the organisation which wants to adopt such an approach will have to spend extensive time and effort on the development and training of their staff to ensure that they can handle such complaints and, in fact, think on their feet.

6.2.4.2.3 Bias in favour of teams

Korukonda et al. (1999: 29) argue that the central role afforded to teams does not seem to be grounded in rigorous theory or empirical evidence. In a sense they argue that this criticism is endemic to the overall TQM philosophy. The concept of employee empowerment is considered crucial to total quality on three grounds namely:

- empowerment involves providing better information and skills and delegating authority to the non-managerial employees so they can perform more tasks and perform them better;
- self-control as opposed to management control; and
- empowerment results in employee satisfaction which is needed to provide customer satisfaction and continuous improvement.

According to them, when analysed in terms of a value and belief system, the move from an individualistic ethic to a collective ethic underlies much of the argument in favour of teams in TQM. They do however, question the feasibility of such a transition in capitalistic countries like the United States, Canada, Australia, Germany and the United Kingdom. The focus of responsibility of Americans is, for example, highly individualistic and personal characteristics and achievement are highly important to them. They argue that in the long run, in economies proceeding towards an individualist ethic, a simultaneous move towards a collectivist ethic seems untenable. In such an environment, teams can not only be expected to perform poorly, but also lead to conflict and frustration.

They further note that proponents of TQM seem to assume a strong correlation between satisfaction and performance whereas available evidence in management literature suggests only a modest relationship (Korukonda et al. 1999: 4).

They question whether empowerment really liberates employees. An organisation is defined as a goal directed, boundary maintaining, activity system, and based on this it stands to reason that personal interests are subordinated to organisational interests in formal organisations (Korukonda et al. 1999: 4). It is a reality that teams are not “empowered” in a generalised manner to do whatever they would like to do including, for example, practices that would have a detrimental
effect on productivity. They argue that in this sense, empowerment, restricted as it is, to pre-determined directions is neither empowering nor liberating. In many real life cases empowerment translates to nothing more than the delegation of additional duties to employees.

As far as teams are concerned, they stress that there is evidence to suggest that some individuals who are competitive and hard driving are prone to stress and frustration in a team environment and the TQM’s recipe that the teams function as a coherent role ignores the fundamental fact that teams are comprised of people, each with his/her self interest in mind, willing to play favourites and power games to pursue these interests.

In section 3.2.5.3.4 of this study, it is stated that teams can lead to a kind of team-based tyranny and that Deming’s arguments in support of teams are in fact scary because they can lead to a form of team tyranny. This reality can not be wished away and teams must be carefully managed.

According to Korukonda et al. (1999 : 8) the examination of all these issues and controversies reveals that the argument for teams and empowerment in TQM is neither clear nor straightforward. These TQM precepts are based on faith, dictum and anecdotal evidence rather than sound theory or hard empirical evidence.

Edwards et al. (1998 : 1), after having studied six organisations, come to the conclusion that favourable views on quality by employees were the strongest, and not the weakest, where the monitoring of workers was most intense. This supports the disciplined worker thesis that quality is most accepted where there is a controlled work environment. What is important to workers is high job security and a co-operative relationship with trade unions. In this regard, they come to the conclusion that there is a growing acceptance that quality management means neither extreme empowerment nor straight intensification of work loads. Quoting various studies, they argue that employee involvement under TQM seems to be tightly constrained but that there is also an enlargement of discretion and that work effort is not necessarily intensified.

6.2.5 THE CORRECT APPROACH

While there can be no doubt that employees must be empowered to deal with their day to day activities in the most professional way possible, there can also be no doubt that empowerment should be in the best interests of the organisation and employees and must be positively experienced by employees and the organisation. Ultimately, however, the test is whether actions taken are in the best interests of the organisation. Management cannot expect employees to take
decisions in a vacuum. Clear guidelines must be established according to which employees can take decisions and it is important that these decisions must be monitored on a regular basis. Management must determine which decisions should be taken as part of the normal job of employees and in this regard they must be given the freedom to exercise this discretion. Management must place assessment procedures in place which ensure that these actions are regularly monitored and assessed. The greatest responsibility of management is to ensure that employees take the right decisions. This is a fundamental principle of CVD. Management must have faith in the ability of employees to take the right decisions. This can only be achieved if management trains and mentors employees on a continuous basis to enable them to take right decisions. If there is no commitment on management's part to this process, then management will not be able to empower employees and this will ultimately lead to dissatisfaction in employee ranks. To ensure that employees function properly, management must accept the basic principles of CVD and must assume their leadership role in this regard. This requires a huge commitment on management's side to accept training and mentoring as a continuous part of business processes in the organisation and to spend time, not only on training, but also on mentoring.

Teams must be used with circumspection and management must be aware of the possible dangers which lie in using teams. The role of teams must be clearly identified and teams must never be used as a substitution for management responsibility. Team interests must be balanced with that of the organisation's and must be harnessed in a positive way.

Ceronio (1996 : 309-348) did a detailed dealing study of empowerment of teams. Ceronio (1996 : 311) makes the point that the overriding economic aim is "the creation of maximum sustainable wealth". Quoting various writers he comes to the conclusion that a prerequisite for this is the development of human potential with strong values and commitment (Ceronio 1996 : 312).

Ceronio (1996 : 313-314) argues that there must be a broader focus on wealth creation as this allows management to recognise its key contribution towards enriching the employees, shareholders and community as servant to the market. This puts emphasis on leadership and empowerment because it makes logical sense to uplift partners in wealth creation to adulthood and maturity.

Quoting from a study of the Chamber of Mines Ceronio (1996 : 315) notes that trust in management was held or withheld on the basis of whether management was seen to have an
interest in employee welfare and whether this interest was demonstrated by the quality of management's attention to employee grievances and problems.

Ceronio (1996: 324) then addresses the empowerment teams concept, which he, in many ways sees as an organisational glasnost. He defines an empowered team as a group of interdependent highly trained employees who are responsible for managing themselves and the work they do in a "whole" work process. They set their own goals, in co-operation with management, the team plans to achieve those goals and for their work to be accomplished. According to Ceronio (1996: 326-328) there are a number of right and wrong reasons to convert to teams.

The right reasons are:

- TQM efforts and employee involvement processes have shown the power of teamwork;
- Empowered teams give greater flexibility in responding to customers and markets;
- Empowered teams help employees focus on value added activities; and
- The need for stronger management employee partnerships

The wrong reasons are:

- Organisational downsizing and empowered teams can help cope with personnel shortfalls;
- Autocratic instruction from top management;
- A belief that people are already empowered and that some small changes can lead to empowered teams; and
- Transition to empower teams to undermine unionisation.

Ceronio (1996: 332) notes that for empowerment to work a proper plan must be developed. The critical elements needed to empower a team, namely accountability, measures, boundaries and feedback, must all be addressed in such a plan.

Management must clearly understand the implications of adopting team approaches in the organisation and must adopt them for the right reasons. Management must accept that teams can only function effectively if mentorship becomes part of the team focus, not only of staff but also of managers.
Training of staff will in future not be done purely for training's sake. Organisations will have to be much more focused on their training and will have to ensure that training meets their specific requirements. Organisations will have to ensure that their investment in people give them the highest possible dividend. In this thesis it has been pointed out that the knowledgeable worker of the future is going to be highly in demand and the organisation will have to ensure that the training it gives actually increases the knowledge base of employees.

In designing training, the organisation will have to take into account the following aspects:
- the changing environment in which services are offered;
- the special skills required from service workers; and
- the challenges facing service organisations and countries.

These are dealt with in sections 6.3.1 to 6.3.3 below.

### 6.3.1 THE CHANGING FACE OF SERVICES

In this study it has been pointed out that:
- there is, in future, going to be less personal contact between the organisation and its customers;
- the contact opportunities will have to be utilised to maximum effect which will mean that special skills will be involved in the contact process;
- IT is going to play an increasingly important role;
- logistics is going to become increasingly important;
- design specialists will have to be involved in the design of services;
- employees will have to make skills requirements a life-long process;
- employees will have to focus on the retention of customers; and
- knowledgeable employees are going to be at a high premium

To ensure that the organisation copes with these challenges, training within the organisation will have to focus on ensuring that all service workers become highly effective and specialised. The effect of this is that the in-demand service worker of the future will be a highly trained specialist whether in customer care, IT, logistics or any other part of the service rendering process. Unfortunate as it may be, this will mean that there will no longer be place for untrained people in
service organisations. Web page design, IT specialisation, customer care and product/service knowledge will replace the typing, office administration and secretarial skills of the past.

Contact personnel will have to know the products of organisations and the services they offer and will have to have a much wider general knowledge, including knowledge of economic trends and organisational objectives to ensure that customers are kept up to date with what is happening in the organisation. As pointed out in chapter 7 below, customers are no longer demanding good service but exceptional service. This will mean that employees will have to be trained to become totally customer focused. The implications for this in the training environment is that generic courses are going to be replaced by customer focussed, specialised courses and training will have to focus more on the specific needs of organisations.

6.3.2 THE SKILLS REQUIRED

To ensure that staff meet changing circumstances, the following skills will have to be acquired:

- specialist skills in relation to staff's fields of speciality;
- in-depth training on customer centred processes. This does not mean the so-called customer care courses which are offered by so many organisations but specific training and processes to ensure that customers are always placed in the centre; and
- CVD educative principles. This means organisations will have to spend time and effort on mentorship.

CVD will have to become the focus of the organisation's leadership. Training, per se, will no longer meet the requirements of organisations. Employees will have to be trained on the educative aspect of CVD. Organisations will have to implement mentorship programmes where staff members will, on a continuous basis, have to acquire knowledge from experienced leaders and managers within the organisation. This will have to focus on:

- assisting the organisation to meet its vision;
- improving communication abilities of staff and implementing processes to ensure that this happens;
- helping staff to become customer focused and to make it a way of life; and
- ensuring staff make the right decisions.

When CVD was discussed in chapter 3, it was pointed out that CVD requires trust from management's side. Management can only trust when they deal with empowered employees. Empowered employees means technically qualified employees and people who have the
necessary abilities to make the right judgements. These abilities cannot be caned into them but must be acquired through continuous processes of mentorship, getting to know what the organisation is about and what it wants to achieve.

Training will become a process and no longer a quick-fix solution.

6.3.3 THE CHALLENGES FACING ORGANISATIONS AND COUNTRIES

Organisations will have to accept that they will have to be much more flexible than in the past. Rapidly changing circumstances will mean that training programmes will have, by necessity, to be adapted virtually continuously. No rigidity will be acceptable. Technical training will have to be combined with practical technical applications. Updating of and continuous changes in training programmes, highlighting changes in the environment in which the organisation operates and how to cope with this will become an accepted way of life.

The question arises whether the South African Qualifications Authority (SAQA) as established by the South African Qualifications Authority Act No. 58 of 1995 and the Sector Education and Training Authorities (SETA) established in terms of the Skills Development Act No. 97 of 1998 and various bodies, such as the Standards Generating Bodies (SGB), Education and Training Quality Assurance Body (ETQA) and National Standards Body (NSB) established in terms of the various acts, will be able to cope with such rapidly changing demands. The SGB's which are being established to generate standards are, at this stage, notwithstanding the fact that training levies have already been imposed on South African companies, in most cases, barely, if at all, functional.

If SETA's and SGB's are going to impose rigid standards, cast them in iron and not change them continuously (which seems highly unlikely) training in South Africa is heading for a major disaster. Criticism is already being levied against the bureaucratic nature of the legislation governing skills development in South Africa (Daniels 2000 : 1). Companies will be faced with the reality that they can either train according to standards developed by the SGB's and the SETA's to enable them to claim back a portion of the training levies which they have contributed, or alternatively ignore the bureaucratic jungle and develop their own programmes to meet the challenges of the new economic order thus making SETA's a token thing (Daniels 2000 : 2), accepting that they cannot claim back any part of their training levies. Obviously such a decision means the duplication of training funding. At this stage this is already happening. An example is given by Haffajee (2000 : 1) where a training provider stopped training 150 apprentices because it had not received
funding from the relevant SETA and would only continue training if manufacturers paid it directly. They balked because they had paid levies to SA Revenue Services.

Other firms may take the view that they meet legislative demands by paying training levies but decide to do their own training free of the restrictions and conditions imposed by the various bodies, setting their own standards according to their own needs.

Should the prescriptions imposed by SAQA, the SETA's and the SGB's become cumbersome, not taking into account rapidly changing circumstances and not continuously staying ahead of changing requirements, this decision will have to be taken by organisations. The possibility that rigidly imposed standards, without continuous adaptations, taking into account rapidly changing circumstances, will mean that organisations will continuously be behind competitors in other parts of the world, cannot be ignored. In such a case, one of the most vital elements to make South African companies world-leaders, namely the rapid, continuous and up-to-date development of its human resources, is going to be lacking. If the current performance of SAQA is taken into account, this is a real possibility.

6.4 EMPOWERING MANAGEMENT

Throughout this thesis, the role of management in TQM has been highlighted. It has been emphasised that there rests a huge responsibility on management to ensure that quality becomes part of the culture of an organisation. In many writings, much attention is given to the empowerment and training of employees and very little to the empowerment and training of management. Many managers do go on courses but the question which does arise is how relevant the training is. Management training must enable managers to cope with rapidly changing circumstances and should focus on the development of skills to do so. The following principles should be taken into account.

6.4.1 WHY MANAGEMENT EMPOWERMENT IS NEEDED

As was stated on a number of occasions in this thesis, managers are ultimately responsible for the successful implementation of TQM. It cannot be assumed that they have all the skills necessary in this regard and they must be empowered and trained to ensure that they and their organisation are totally committed to TQM and quality in general. Management must accept that they must display a genuine willingness to learn. Wil Foppen (Chowdhury 1999 : 162) contends that a management
programme which takes itself serious will be keen to foster social competency and proficiency in intellectual analysis. In addition, managers should have extensive knowledge of organisations and must, above all, be able to analyse them. Training programmes must aim to enable managers to acquire competencies to make maximum use of their experiences.

Managers operate in an uncertain future and must cope with many business predictions, some of which may come true and some of which may not come true. One thing however is certain and that is that there is going to be continuous change and managers must prepare themselves today to respond to tomorrow. According to Ulrich (Chowdhury 1999: 236-239), there are six drivers which will have a profound impact on how organisations operate, and individuals behave, in future, namely:

- Global
  The recognition is dawning that managers are managing in a global village. Special organisations will have to acquire global leverage and awareness. Global leverage will enable lessons in product design, marketing and distribution in one country to be adopted around the world and global awareness will enable organisations to adopt products and services to local conditions and cultures.

- Technology
  As mentioned in this thesis, IT is going to have a profound effect on how organisations function. Technology will enable people to be connected quicker and those who possess it will have a distinct advantage over those who do not. Management will have to cope with this reality.

- Speed
  As mentioned in chapter 4, speed and logistics are going to become very important. Product life cycles will shorten and decisions will be taken quicker. This will require that people take decisions much quicker and that shorter cycle times will be involved in most processes.

- Customisation
  The consumer is going to move more to the centre of organisations' focus. More and more organisations will use customisation as a way to gain a competitive advantage. In addition, employee customisation is going to occur more frequently.

- Intellectual capital/knowledge workers
  In many organisations the intellectual capital and the knowledge which their workers possess will become a critical asset. Organisations will have to continuously assess
knowledge and ideas and employees will have to become much more adaptable than in the past.

- Profitable growth
  Only the fittest will survive and firms which do not meet financial goals will fail.

Management will have to focus more on capability than on structures. In fact, capability will become the norm for future organisations. Organisations will have to invest heavily into human/intellectual capital and the intellectual capital within a firm will become a critical factor to assess whether the firm is going to survive or not. A question which can be raised is whether the current tendency in South African business to appoint people, not on merit, but on political and race factors is not flying in the face of what is happening in the rest of the world. South Africa will have to face the reality that if it is not prepared to work on merit and nurture its intellectual capital, it cannot survive in the long run. South Africa must be one of the few countries in the world which allows much of its investment in human capital to leave its shores without blinking an eye, in fact sometimes, creating the impression that it welcomes this. With more and more emphasis being placed on nurturing human capital, such an attitude fills a person with despair.

In addition, management will have to accept that life-long learning, both for managers and for staff generally, with the purpose of generating ideas will become increasingly important. A collective mind-set will have to be imported into the organisation. Management will have to clearly identify strategies and employees will have to understand and accept these strategies. Organisations will also have to accept accountability to investors, customers and employees for their actions.

According to Ulrich (Chowdhury 1999: 246-249), individuals will be expected to think and behave differently. They will be required to be flexible, committed to learning, boundary-less and able to join and work in teams in the organisations for which they work. In this regard, they will have to deal with five issues and respond to five questions, namely:

- Self reliance: How do I assume responsibility for my own career?
- Resilience: What is the life cycle of my knowledge? How do I stay current?
- Results: Who are the recipients of my work and what value do I add to them?
- Relationships: Who cares about me and who do I care about? and
- Resolve: What do I want to do and what is my identity?

Managers will have to answer these questions on a continuous basis and ensure that the employees ask and answer the same questions.
6.4.2 REQUIREMENTS FOR AN EMPOWERED MANAGER

In this thesis, a number of requirements for a empowered manager have been mentioned such as:
- developmental orientation;
- being able to manage the paradoxes in the TQM environment;
- be realistic and not rely on rhetoric;
- implement TQM properly;
- recognise the importance of people within the TQM process;
- provide effective leadership;
- adopt a mixture of LOA; TQM and CVD; and
- look at the future and anticipate change

In addition to these management approaches which deal specifically with TQM, managers will have to be empowered in a number of other approaches which are discussed in paragraphs 6.4.2.1 to 6.4.2.8 below:

6.4.2.1 BECOME AN EDU LEADER

According to Chowdhury (1999 : 1) 21st Century leaders will become more multi-skilled than the their 20th century predecessors. According to Levine (Chowdhury 1999 : 83) the 21st century leader is going to be a value-based educational leader. According to him, the most admired individual will be defined as an edu-leader: "A person, driven by core values will build trusting relationships through effective communication. By the nature of these skills, they are focused on moving people and organisations forward by teaching and increasing the competency of their employees". The edu-leader will be guided by the following principles:
- From career driven to core value driven
  CVD was discussed in detail in section 3.2.6 of this thesis. CVD is going to become increasingly important for 21st century managers.
- From chaos driven to process driven
  Products and services are moving from being sold to being bought and according to Levine (Chowbury 1999 : 83) leaders will have to encourage people to continuously be in a state of creativity and flexibility. However, this process will have to be managed to prevent chaos developing.
- From technology driven to relationship driven
  As mentioned in section 4.4.1, IT is going to become increasingly important. Direct interaction is going to be more limited and will have to be incredibly effective when it occurs. IT can be harnessed by effective leaders as a vehicle to increase the amount of
data shared with their staff and they can improve relationships by providing timely and good information.

- From information gathering to distilling and sharing information
  Organisations will have to develop processes to share information.

- From me to we
  CVD requires organisations and managers to abandon themselves to people who can do things they can't do. According to Levine (Chowdhury 1999: 90), “the new criteria for assessing the strength of an organisation will be in the area of quality results obtained through people”. Management will have to harness the skills of those working for them and will have to encourage the development of skills, learning and openness.

  Dahlgaard et al. (1998: 1 — Article 1) define a profound leadership system as consisting of two sub-systems: the core value system and the competence sub-system, of which the core value sub-system is the most important. According to Dahlgaard et al. (1998: 2 — Article 2) a learning point from old Chinese/Japanese characters for profit is that if you really want excellent business results then you have to build trust between shareholders and leaders, between leaders themselves, between leaders and employees and between the company and its external shareholders (customers, society and suppliers). This can only happen if there is a balanced strategy where the organisation and its shareholders work as partners in a winning partnership. This requires core values such as honesty, integrity and fairness. The leader must understand there is a relationship between competencies, trust and core values. An example of such a relationship is the policy deployment process which is the organisation’s deployment of policies/goals), so that the result is a sharing of goals, including a shared vision. Without a shared vision policy deployment will fail.

  The leader of the future will understand that, in this process, he/she must make a paradigm shift from me to we. Dahlgaard et al. (July 1998: 3 - Article 2) give the following quotations from Matsushita Konosuke, the founder of the biggest consumer electronics company, Matsushita Electronica, in Japan. “Gradually I came to believe that my mission was to do the best I could to grow as a person so that I could exert a positive influence on the people around me and share the joy of life with them. I wanted to contribute something to society through my own small endeavour. I want simply to point out for each of us to appreciate the wonders of being human. As long as we are honest, curious and above all grateful, we will be receptive to the marvellous things that happen in our lives. An entrepreneur’s greatest pleasure lies in being able to satisfy his customer’s needs, and
he ought to be grateful for every opportunity to do so. My approach is intuitive, and my knowledge is experimental. But my instinct, and perhaps my conscience, dictated to me that I should trust my employees if I expected them to trust me. I must have full confidence in their ability to learn and their potential for personal growth. Only then the employees have full faith in my managerial competence and personal integrity. Corporate operations must be rationalised to the maximum, but we should never forget that it is the people who should come first - their personal growth and well-being, both material and spiritual.

- From product focus to people focus
Organisations will have to compete to attract and retain the best talent available in the marketplace. "Those companies that will win in the marketplace tomorrow will successfully attract the best global talent. A company's ability to respond and add value to professional relationships will depend on attracting high calibre employees and developing an integrative and supportive workforce" Levine (Chowdhury 1999 : 91).

- From leader to edu-leader
Farren (Chowdhury 1999: 99) argues that leaders of the 21st century will be teachers and developers of knowledge workers. In this study, frequent mention is made to the fact that leaders will in future become mentors. Working with mentors short circuits the many false starts and dead ends experienced by the learner and speeds up learning.

- Cope with globalisation
Managers of the future will have to respond quickly to different markets by adapting products, services and processes to local requirements. While it is accepted that globalisation will always entail risk, the key is how quickly organisations can react to dramatic changes. According to Chowdhury (1999 : 9), to create consistent growth and wealth in this volatile atmosphere, management must:
  - study local culture, local markets and local competition;
  - prepare a business model that effectively serves the market needs;
  - select the right strategic local partner or group with the best local market knowledge;
  - encourage employees by maintaining local values; and
  - introduce new and innovative products with local flavour
6.4.2.2 USE TALENTED PEOPLE AND CHOOSE RIGHT

According to Chowdhury (1999: 10), the most valuable commodity in business is not technology or capital but people. According to him, the driving force behind the 21st Century organisation will be its people. The successful organisation of the 21st century will invest in talents, attract talents, keep talents, manage talents and identify talents. Organisations will strive towards collective genius and this can only occur if the right members are in their collective. According to Hill (Chowdhury 1999: 51) a significant portion of leaders' time will be spent on locating, assessing, attracting, and, where necessary, developing the needed talent. A recurrent theme is that leaders look for people who show the potential to be leaders themselves. The challenge for management will be to unleash and harness the collective genius. Leaders will have to be taught how to harness the collective genius. According to Hill (Chowdhury 1999: 52) four conflicting tensions or paradoxes at the heart of the process of collective genius will have to be understood, accepted and, as much as possible, be balanced, namely:

- embrace individual differences and collective identity and goals;
- foster support and confrontation among members of the collective;
- focus on performance and learning and development; and
- balance the leader's authority and the discretion and autonomy of the members of the collective

6.4.2.3 DEVELOP LEADERS

Senge & Käuper (Chowdhury 1999: 186), argue that a fundamental re-thinking on what is meant by leadership must take place. As long as management clings to the notion that a leader means top manager and strong leadership means powerful executives, the perpetual search for the hero CEO will continue. The alternative is to re-establish the notion that the leader is someone who steps ahead, who has the courage, capability and credibility to inspire change at many levels. The challenge for organisations will be to find those leaders who truly believe in CVD and who live it. These persons will have to be nurtured and developed.

6.4.2.4 LOOK AT THE FUTURE AND BACK

According to Kouzes & Posner (Chowdhury 1999: 17), the capacity to look ahead and look back is critical to learning and leadership. According to them, the Janusain leader pauses and asks: "What have I learnt about leadership throughout my career that will serve me well into the future? What have we collectively learnt about leadership that we can teach others so that they can benefit
from our experience?" According to them, a number of fundamental lessons have been learnt which must be used by the leader of the 21st century, namely:

- credibility is the foundation of leadership;
- leadership is everyone's business;
- challenge is the opportunity for greatness;
- leaders focus on the future;
- leaders are team players;
- the legacy you leave is the life you lead;
- caring is at the heart of leadership; and
- believing you can make a difference, makes the difference

The implications of these lessons for the 21st century leader are:

- To be a leader one must first engage in the process of self discovery.
- The leaders in all people must be liberated.
- Leaders will have to teach leaders throughout the organisation and they must reach inside the organisation and release the capacity in everyone to excel.
- Leaders will make things happen.
- Leaders will keep their eyes focused on the summit and their minds concentrated on getting there.
- Leaders will have to strengthen the bond between themselves and their staff, will have to get to know them and will have to spend time with them.
- Leaders will have to pay attention to what they do and will be judged on how they spend their time, how they react to critical incidents, the stories they tell, the questions they ask, the language and symbols they choose and the measures they use.
- True leaders will be those ones who show their appreciation, acknowledgement and praise.
- Leaders will truly believe that they can make a difference.

6.4.2.5 HARNESS THE POWER OF IT

In this study, it has on a number of occasions been stated that IT is going to become increasingly important in the future. Even though IT is going to become important, it will not replace the need for human interaction. Dainty & Anderson (Chowdhury 1999: 113), argue that if an organisation believes that technology will replace the need for human interaction it will do so at its own peril. Managerial roles will continue to be characterised by interaction and contact with people during the working day but this may be very brief. Organisations will have to ensure that the information they
receive is valid, positive and beneficial to the organisation as a whole. IT skills will therefore have
to be harnessed to improve communication and not to break it down.

6.4.2.6 CREATE VALUE
According to Ghoshal et al. (Chowdhury 1999 : 121) future successful managers will have to
create value for society and value for people and will have to build shared destiny relationships.
Organisations will have to spend more time to ensure that such value is created. Organisations
will have to add value for employees through continuous skills updating to ensure that they can
remain employable. By building shared destiny relationships the company focuses on value
creation.

6.4.2.7 BE FLEXIBLE
Prahalad (Chowdhury 1999: 141) argues that firms with long traditions will have to forget old ways
to do business and will have to learn the new. Four keys themes will have to be addressed in the
21st century namely:
- Managing cultural and intellectual diversity
  As multi-national firms increase their investment in emerging markets, sensitivity to culture
  will gain prominence. Top management will have to articulate a vision of where their
  industries are going and will have to form partnerships with other firms which might have
different skills.
- Managing volatility
  Globalisation exposes firms and businesses to increased volatility. Managing global
  logistics will become a critical force of competitive differentiation.
- Managing the role of the internet
  As mentioned on a couple of occasions in this thesis, the increased role of the internet
  means the power is shifting to the consumer which inherently means increased
  personalisation. Managers will have to come to terms with the importance of logistics.
- Managing new and emerging customer segments
  Markets such as China, India and Brazil are opening up for Western firms. But these
  markets may demand a fundamentally different type of capability. Organisations will have
to determine how they can meet different needs in these countries.

6.4.2.8 FIND OPPORTUNITIES
According to Lorange (Cowdhury (1999 : 151), ultra rapid growth will be the key to shape
management processes in the next century. An implication of this is that there will be added
emphasis on finding new business opportunities. Management will have to ensure that staff learn quickly, are adaptable and can be grouped together in teams and visionary leadership will have to be encouraged.

6.4.3 EMPOWERED MANAGERS – THE CHALLENGE

There can be no doubt that management in the 21st century is going to undergo dramatic changes. Managers will, on a continuous basis, have to be trained and empowered to deal with these rapidly changing circumstances. The days are past where managers believe that to be trained in teambuilding exercises, in customer care, in quality, in production management and many other management training fads, can lead to true empowerment. Organisations will have to identify the environment in which they operate, will have to get to know it and will have to adopt their training practices to meet the challenges of the environment in which they operate.

A holistic view will have to be taken of the challenges of the future, the influences which IT and customer knowledge will have on the organisation and learning programmes will have to be developed to meet these challenges.

The ultimate aim of these programmes will have to be to ensure that management, on a continuous basis, adapt to changing circumstances. This will mean a process of continuous and life long learning focused on achieving the objectives of the organisation.

6.5 CONCLUSION

Traditional TQM wisdom is that employee empowerment and teams are vital for successful TQM implementation. No clear definition has however been given of what is meant by empowerment and the inherent paradoxes between individual employee empowerment and management control to ensure that the system works properly have not been satisfactorily addressed. Many claims have been made that empowerment leads to improved quality but very little empirical evidence of this has been produced.

Empowering teams is regarded as important but the reality is that empowered teams can lead to team tyranny and that many people find it extremely difficult to operate within teams.
The challenge to management in the 21st century is to manage these paradoxes. Recent writings indicate that employees prefer job security, job satisfaction and organisational respect to dogmatic empowerment. Management must empower staff and the best way to do this is to lead by example, show the necessary respect and appreciation and not use TQM as a road to redundancies. Organisations must also clearly define their empowerment objectives. Empowered employees are normally trained employees and CVD can only be effectively brought about if management empowers, through a continuous process of teaching and mentorship, those who must become the target of empowerment to cope with the demands of the organisation.

It is however not only staff that must be trained. Organisations will have to step up efforts to train management and to empower them to cope with the demands of the 21st century. The 21st century will, through the rapid use of IT, flood managers with information and opportunities. Management will have to adopt new management styles to cope with the challenges posed. This they will only be able to do if leaders train other leaders and if leaders use their years of experience to the advantage of new leaders. Leaders of the future will be future orientated, will grasp opportunities faster and will have to add value to their environment, customers and staff. CVD is going to be a vitally important ingredient for leadership in the 21st century.
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Organisations implementing TQM must, on a regular basis, assess the effects of their quality efforts. They must also assess the effectiveness of management, the systems in the organisation and the satisfaction of customers with their products, services and staff. To ensure maximum effectiveness organisations can use the traditional tools which have been used to solve quality related problems in the service industry, such as problem solving techniques, graphs and charts, statistical process control, control charts and a customer satisfaction index (CSI).

Organisations must accept that the CSI of the future must measure exceptional customer satisfaction and not merely customer satisfaction. Organisations must also, on a regular basis, assess the impact of their quality systems through formal quality audits. In addition, organisations must implement organisational self assessment by using tools such as the business excellence model (BEM) developed by the South African Excellence Foundation (SAEF).

By using such a tool, the organisation adopts a much wider assessment approach than merely conducting surveys of customers and formal audits. It assesses each and every part of all its activities in depth. But organisations must encourage employees to make assessment part of their own behaviour patterns as this adds a personal dimension to assessment. This requires a commitment to mentorship from the organisation.
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7.1 INTRODUCTION

An organisation may improve itself by adopting certain approaches with the view of becoming perfect. One of the approaches which it can adopt to transform itself is to adopt the principles of TQM, which is a strategy concerned with changing the fundamental beliefs, values and cultures of the organisation, harnessing the enthusiasm of, and participation by, everyone, whether manufacturing or services oriented toward an overall idea of right first time. All actions must be focussed in an enormous effort of total mobilisation in renewing the company's philosophy, avoiding all imperfections and striving for continuous improvement (Ceronio 1996: 21).

To achieve this objective the organisation must not only talk about TQM, but must realise that TQM requires a huge effort and commitment from all staff in the organisation and is not always easy to implement. The organisation must go into the process open-eyed, be prepared to overcome the difficulties and secure the commitment of everybody in the organisation.

It must realise that TQM, as a philosophy, cannot lead to a successful organisation. It must face the reality that TQM, like any management system, is not perfect and that the imperfections must be addressed as far as possible.

In this thesis a number of vital elements for TQM success have been dealt with, namely:

- management commitment;
- understanding the customers and the environment in which the organisation operates;
- a quality system and proper design and delivery of services; and
- empowering employees.
This chapter deals with the assessment of quality efforts. The organisation must assess:

- management commitment;
- its customers;
- the effectiveness of its TQS; and
- its staff.

These are dealt with in sections 7.1.1 to 7.1.4 below.

7.1.1 MANAGEMENT COMMITMENT

The organisation must test a number of aspects, the most important which is whether management is meeting its objectives.

Management must answer the questions raised in section 3.2 of this thesis, namely:

- Is it adopting a developmental orientation?
- Is it managing the paradoxes in the TQM environment effectively?
- Is it talking about TQM or is it realistic about what it can achieve?
- Is it implementing TQM properly?
- Is it developing its people effectively?
- Is it providing effective leadership?
- Is it rigid in its approach or adopting the principles or TQM, LOA and CVD according to its needs?
- Is it looking at the future and anticipating change?

7.1.2 UNDERSTANDING ITS CUSTOMERS AND THE ENVIRONMENT IN WHICH IT OPERATES

The organisation must assess whether it is:

- coping with the challenges facing service organisations in modern economies;
- adopting to the reality that the face of services in modern economies is rapidly changing, taking into account the advancement in IT;
- adopting its management style and organisation to the new realities;
- retaining its customers;
- recognising the increasingly important role of logistics; and
- meeting future service needs.
7.1.3 ASSESSING THE EFFECTIVENESS OF THE TQS OF THE ORGANISATION

The organisation must, on a continuous basis, assess whether:
- its TQM system or TQS is as effective as possible and whether it needs changes or adaptations, taking into account changing circumstances; and,
- its services are developed in such a way that they meet customers' needs.

7.1.4 ASSESSING WHETHER STAFF IS PROPERLY EMPOWERED

The organisation must assess whether its staff are:
- empowered to meet the objectives of the organisation;
- content and feel part of the decision making processes of the organisation;
- trained, not for the sake of training, but to develop themselves as human beings and to purposefully contribute to the organisation; and
- meeting their potential as human beings.

The questions which are addressed in this chapter are the steps the organisation can take to, on a continuous basis, verify that it is still on track.

The organisation does this through assessment and it uses a number of assessment tools, including those mentioned in section 2.2. In this chapter attention is given to a number of assessment tools including:
- traditional TQS assessment tools;
- tools measuring customer satisfaction;
- formal auditing of quality systems;
- organisational self-assessment; and
- personal self-assessment.

These are dealt with in sections 7.2 to 7.6

7.2 TRADITIONAL TQS ASSESSMENT TOOLS

A large number of tools have, over the years, been developed to assess service quality. Most of these tools deal with solving quality-related problems in the service industry and in the quality
movement generally. Stamatis (1996 : 212-269) discusses a number of tools which have been
developed for the service industry and in his discussion focuses on a six-step approach to solve
problems which is quite appropriate for the service industry, namely:
- identifying the problem;
- generate alternative solutions;
- evaluate the alternative solutions;
- decide which solution is the best;
- implement a decision; and
- follow up to evaluate the solution.

The traditional assessment tools used to assess whether the organisation is meeting its quality
objectives are as follows:

7.2.1 DELPHI METHOD

This is basically a means of gathering opinions of people by mail. It normally consists of the
following steps:
- A panel is selected from management and employee representatives.
- A questionnaire is designed, tested and mailed to panel members asking them to list their
  opinions and judgements about the subject being considered.
- The recommendations from the panel are refined by re-circulating the original responses
  in a primary format.
- Responses received from the second questionnaire are analysed and reported. This
  analysis is returned to the panel for another round of prioritisation.
- The third questionnaire is also analysed and sent back to the panel for a final opportunity
  to revise the ratings.

The Delphi Method is an excellent tool for identifying future trends in services because responses
may often point to future trends.

7.2.2 CROSS IMPACT ANALYSIS

This is an extension of the Delphi Technique and examines events in the context of their local
setting. This technique depicts the interrelatedness between events using a matrix analysis which
is an array consisting of a list of potential future developments and two kinds of data concerning
them. The first is the estimated probabilities that these developments occur within some specified
period in the future and the second is estimates of the effect that the occurrence of any of these events could be expected to have on the likelihood of occurrence of each of the others.

7.2.3 CROSS PURPOSE MATRIX

In this case, competing goals are displayed in a matrix when, through discussion and deliberation, the relative value of each with reference to the others is determined.

7.2.4 SIMULATION/GAMING

In this case possible future events are generated by means of speculative game. Participants speculate about possible outcomes.

7.2.5 TREND EXTRAPOLATION

This technique uses past and present trends to predict future trends.

7.2.6 SCENARIO WRITING

This technique calls for the generation of possible futures by speculating about what might or could be.

7.2.7 HISTORICAL ANALOGY

True events from the past are related to the present and the future.

7.2.8 BRAINSTORMING

This technique stimulates uninhibited input of ideas by a team and as many creative solutions to a problem as possible are generated.

7.2.9 BUZZ SESSION

This technique is used in a meeting or conference by dividing members into sub-groups to discuss the topic and to share their reactions with the total group.

7.2.10 FISHBOWL

Four to six people discuss a topic or problem while others surround them and listen and ask questions.
7.2.11 **FORCE AND FIELD ANALYSIS**
This procedure analyses problems by considering a goal and listing the factors either for or against accomplishing it.

7.2.12 **THE 8D APPROACH**
In this case, eight disciplines are used to solve a problem, namely;
- use a team approach;
- describe the problem;
- start and check interim actions;
- define and check root causes;
- check corrective action;
- start permanent corrective action;
- stop future problems; and
- congratulate your team

7.2.13 **FOCUS GROUPS**
In this case, seven to fifteen participants are selected with the purpose of collecting perceptions, attitudes and expectations about current and future services and/or products with a view of gaining insightful information.

7.2.14 **STORYBOARD**
This uses the steps of the focus, plan, do, check and act strategy to help teams organise their work and their presentations so others can more readily learn from them (see section 5.2.3).

7.2.15 **NOMINAL GROUP PROCESS**
This utilises a group that does not verbally interact, that is they have no contact with each other and they write down their ideas. The highest priority items are identified by a voting system.

7.2.16 **GRAPHIC REPRESENTATION**
In this case, tools are developed where the problem or solution is communicated in some form of graphic representation. The most common are:

7.2.16.1 **GRAPHS AND CHARTS**
Then most widely used are:
- bar/column chart;
- pie charts;
- line charts;
- organisational charts;
- flow charts;
- table charts;
- text charts;
- time charts; and
- pert (programme, evaluation and review technique) chart.

### 7.2.16.2 PROCESS FLOW CHARTS

They provide an overall process flow definition and a step by step description of each operation in a process. As a general rule, there are three points where important information must be collected namely incoming material, in process, and finished goods/services. The most common process flow charts are:

- cause and effect diagram (fishbone diagram);
- check sheet;
- histogram;
- frequency polygon;
- pareto chart;
- stem and leaf;
- dotplot;
- box and whisker diagram;
- scatter plot;
- relations diagram;
- affinity diagram;
- tree diagram;
- matrix diagram;
- matrix data analysis diagram;
- process decision programme chart;
- arrow diagram;
- information discovery;
- data visualisation;
- hyper media.
7.2.16.3 STATISTICAL PROCESS CONTROL (SPC)

Statistical process control (SPC) is a frequently used tool to analyze a process or its output so as to take appropriate actions to achieve and maintain a status statistical control and improve the capability of a process. According to Stamatis (1996: 246), SPC is the application of qualitative and quantitative techniques to management of an operation or a process. It involves the identification of events that are beyond the natural variation of the process. A systematic elimination of the causes of such events and if appropriate statistical techniques are brought into the process or operation, management gains the ability to understand the nature of process variation and to bring that variation within desired limits.

The focus of SPC is the process. Data is collected on each process. This is also identified by Deming who measured service quality in the way set out in Figure 7.1.

Figure 7.1 DEMING'S METHOD OF SERVICE QUALITY: EXTENDED PROCESS

[Diagram]


Process control is oriented towards a control cycle based on a feedback system and nurtures a prevention philosophy with its prime focus being on process improvement over time. According to
Stamatis (1996 : 247) SPC is not solely a quality function but rather a function of everyone in the organisation.

According to Stamatis (1996 : 249), for SPC to work, it is imperative that two attributes stand well above the rest, namely:

- communication; and
- honesty.

Communication is needed because a problem in a process will be solved before it starts while with honesty, SPC will be perpetuated as a dynamic tool to solve quality control problems at the operating floor level. According to Stamatis (1996 : 249), top management in the organisation should, for SPC to work, accept five beliefs, namely:

- acceptance of change;
- all employees must be treated as equals;
- total employee involvement in productivity;
- use of motivating work structures that accommodate both human and company needs; and
- use of creative and quality approaches to manage workloads.

7.2.16.4 CONTROL CHARTS

A control chart is a statistical device primarily used for the study and control of a repetitive or a continuous process. It tests the arbitrary or non-random arrangement of points to determine if they behave as if they were random. It aims to identify variations and enables the organisation to take corrective action. In designing control charts a critical decision is to specify the control limit.

All the above methodologies are used by organisations to solve quality problems. The organisation must use those best suited for its specific requirements and needs.

7.3 ASSESSING CUSTOMER SATISFACTION

The success of any organisation ultimately depends on whether it can satisfy, or more than satisfy, its customer needs. The customer must be placed in the centre of the organisation's efforts. To
determine whether the organisation is meeting customers' needs, the organisation must make
determined efforts to assess whether these needs are being met. Assessing customers' needs is
one of the most important, if not the most important, assessment steps the organisation must take.
Even if all the processes in the organisation are effective, the organisation has well defined
management systems, has good leadership, has excellent staff development processes and meet
all the other requirements of TQM, but customer needs are not met, the organisation cannot be
successful. The organisation must accept that continuous efforts must be taken to assess the
impact of the organisation and its products on the customer.

The organisation can use a number of tools to help it measure customer satisfaction, the most
common which are a customer satisfaction index and the extension thereof, which are discussed in
sections 7.3.1 and 7.3.2.

7.3.1 Customer satisfaction index

The CSI can help institutions develop effective quality management processes to include business
performance.

Organisations will have to deal with the reality that in most countries consumer information is
becoming more rapidly available. Consumers are, in all probability, evaluating supplied products
and services against those of competitors on a more frequent basis than in the past. Economies,
regions and companies are becoming more competitive and most are striving to gain a leading
position whether in the local or in the international arena. Organisations and economies therefore
rely more on information at all levels to enable them to analyse trends whether in the local or
international arena. CSI studies constitute an important instrument for such analysis. Eklof &
Westlund (1998 : 1) argue that information on customer satisfaction is needed for better quality of
decision making at all levels of society including:

- at regional level to monitor and devise policy instruments focusing on the competitiveness
  of, say European industry compared to other economic centres like the USA and South
  East Asia;
- at national level where it can be used for economic policy, analysis for competitiveness,
  quality analysis and adjustment;
- at industry and individual company level, for studying company profitability, creation of
  sustainability of real job opportunities and benchmarking; and
- at the consumer level including household and citizen oriented analyses related to
  conditions of living.
Information dealing with quality performance can assist an organisation or, for that matter, an economy to enable it to measure how effective and competitive it is. In this regard, regularly produced performance indicators based on CSI can be very important.

Eklof & Westlund (1998: 2) define CSI as a system to model, measure, estimate and analyse the interaction between customer preferences, perceived quality and the reaction on the one hand, and the performance of the company on the other. According to them, high quality CSI systems should fulfil the following characteristics:

- be based on a theoretical economic model of economic behaviour;
- give information about the level of satisfaction for the individual company/product;
- be able to aggregate into industry sectors and national indicators;
- be able to compare satisfaction with main competitors and over time; and
- be able to indicate the relationship between efforts done within the company and their effect on customer satisfaction.

If properly used, CSI can play an important role for strategy formulation, priority setting, benchmarking, value analysis and individual enhancement.

The organisation must make the continuous monitoring of customer satisfaction a part of its strategy and it must play a central role in TQM. According to Eklof & Westlund (1998: 3) there is a strong positive relationship between the year by year change in CSI and change in profitability (measured as a return on assets). According to their studies, a group of companies with a positive change in CSI between two successive years, show an average increase in profits of 10% while the groups with a decreased CSI showed a decrease of 14% on average in profits. According to them, the index can serve as a forward looking performance indicator.

Companies must take effective steps to maintain their current customer base. To ensure that this happens, loyalty and complaints, as well as the handling of complaints, must be integrated into the CSI model.

The organisation, when developing its CSI study, must ensure that the study reveals information about:
- customer satisfaction;
customer retention;
- perceived quality; and
- factors driving satisfaction.

The instrument must, according to Eklof & Westlund (1998 : 4) meet scientific criteria in order to be acceptable for operational use and the quality must be assessed on the following dimensions:

- **Validity (relevance aspects).** The organisation must ask itself whether it measures what it wants information about. The objective must be to obtain estimates useful for the indicated purposes.

- **Reliability (precision, coverage and other accuracy components).** This is concerned with the statistical quality of the measurement in which case aspects such as the size and method of sampling, specification of frame, response rate, field measurement work, compilation and presentation of results are important.

- **Robustness.** This means that the results must be as meaningful as possible even if not all the assumptions of the used model are satisfied.

- **Availability.** This refers to such aspects as timeliness of presentation, forms of dissemination, extent of commentary, text and access to basic data for secondary analysis.

- **Predictive power.** This focuses on the possibilities of using the CSI for prospective uses.

- **Simplicity.** This means that the results must be simple to interpret.

- **Comparability.** This means that the results should be able to be compared with subsequent or previous studies and for other industries or regions.

### 7.3.2 EXTENSION OF CSI APPROACH

According to Oliver (1998 : 1) who analysed entries into the Management Today/Unisys Service Excellence Award, statistical information collected from 165 entries provided useful insights into what separated the best from the rest. She proposes that the traditional measure of customer service, i.e. the CSI, should be treated with caution. While admitting that most writers put great store on this index she argues that current research indicates a high level of satisfaction does not necessarily lead to either a high level of repurchase or indeed loyalty. According to her the evidence suggests that only at really high levels of satisfaction (extremely/very satisfied) do customers really mean what they say. The CSI index must therefore be adapted to measure very, or extremely high, customer satisfaction levels.
According to Oliver (1998 : 1-17) the lesson learnt from the study of 165 cases shows that top service providers excel in three areas, namely:

- Retaining profitable customers. While most companies realise that the point of providing excellent service is to retain customers an increasing number of firms are understanding that not all customers are equal and that some customers are far more worth retaining than others. Organisations must identify their best customers, and keep them. Organisations must be prepared to shed non-profitable customers and they must be in a position to understand the difference between a profitable and a non-profitable customer which makes the difference between a successful customer retention programme and an expensive one.

- Working in partnership with both internal and external customers. Successful entrants developed partnerships with other organisations and often encourage the sharing of information, responsibilities and opportunities.

- Engaging and empowering staff at all levels in the organisation. Successful entrants recognised that employees can be trusted to run the business and that power must be given to people who address customer needs to enable the organisation to participate and respond to customer requirements.

Any instrument chosen to measure customer satisfaction should always place the customer in the centre. The customer must be put firmly in the heart of all the organisation’s activities and the measurement instruments which the organisation develops should establish whether this is in fact happening. Oliver (1998 : 2-17) analysed the award winners of the 1998 Management Today/Unisys Service Excellence Awards and comes to the conclusion that the following aspects should be covered in any analysis of customers:

- A comprehensive profile of past activities, needs, expectations and future intentions must be drawn up. This enables the organisation to know a great deal about its customers and also enables them to determine what the customers want.

First Direct, a telephone banking operation, won the Service Excellence Company of the Year, Financial Services Category Award. According to them, they understand a great deal about their customers’ products and service needs through extensive dialogue with them. The most far-reaching and effective two-way dialogue occurs each time a customer calls to do his/her banking. From this, comments, suggestions and queries are logged and this direct customer input is used to improve the service offered.
First Direct developed a comprehensive hand-book for monitoring its performance and measures customer service according to levels of:

- complaints and compliments;
- service;
- recommendation and satisfaction;
- staff morale;
- recruitment; and
- personal career development and turn-over.

The organisation believes that staff should feel enabled, valued and respected. Extended surveys are also conducted of the people working in the organisation. Attention is given to the development of a culture in the organisation which will enable the organisation to meet challenges.

- Use IT. Organisations such as GEC/Marconi introduced IT systems which ensure quicker responses to customer needs. Customer compliments cards, perceptions and complaints are entered by those in contact with the customers and provide valuable data on both current performance and areas for improvement.

- Spread the message. Organisations must take active steps to spread the message of customer service throughout the entire organisation. Organisations such as Marconi guide teams in the improvement of specific processes and each process selected for improvement is given a defined owner.

- Give the message that the company is ahead of competition. Apart from gaining information about customer's needs, expectations and wants, the organisation must, from its side, give a message through to each customer that it is ahead of competition and the customers can come to the company for guidance, direction and collaboration. The result of this is that the organisation not only meets customer needs as they currently are, but becomes so involved with customers that it is ahead of them in anticipating their future needs.

- Seek partnerships. Effective organisations of the 21st Century will be those ones who realise that they cannot do everything themselves. Organisations should at all times have streamlined complaints procedures, staff suggestion schemes, up-to-date operational standards, extensive customer service training and new employee recognition and incentive schemes, but must also forge partnerships with other organisations which makes it easier for customers to deal with the organisation. Organisations will, in future, concentrate more on core services and will forge alliances and partnerships with non-core service providers forming part of the provision.
chain of the company to let them focus on non-core activities. Specialists will be dealing with each aspect of the company’s service chain.

According to Oliver (1998: 1-17) the lessons learnt from an analysis of the 1998 Management Today/Unisys Service Excellence Awards are the following:

- customer service should not stand still;
- as customers expectations rise, organisations must adopt new initiatives to meet these increasing demands;
- customers must be involved in the design of new products or services;
- avoid repeated transferring of calls between departments;
- track competitors and ask how well the organisation is measuring up against competition;
- develop energy in the organisation;
- be aware that only very satisfied customers are likely to remain loyal;
- promote excellence internally to encourage retention of trained and skilled staff;
- ask customers directly what is important to them;
- internal consistency is very important;
- develop needs to solicit and collect informal and verbal feedback from customers on a daily basis;
- borrow from other peoples’ best practices;
- communicate with staff;
- train employees given the responsibility to pursue business improvement;
- create a customer friendly environment;
- make sure the organisation is easy for the customer to deal with;
- make performance measures visible;
- encourage employee initiatives;
- empower employees so they can resolve complaints;
- build flexibility into procedures to cope with extra customer expectations;
- encourage flexibility (i.e. out of hours service availability);
- harness all customer feedback;
- communicate the company’s vision;
- inspire passion among staff;
- always aim to be highly recommended;
- build customer partnership;
- identify profitable versus unprofitable customers;
- keep staff turnover low; and
- establish help lines to provide timely, accurate and comprehensive responses.

All these critical points must be incorporated into customer feedback questionnaires to determine whether the organisation is meeting their needs.

In 1996 the greater Philadelphia Chamber of Commerce sponsored the Delaware Valley Quality Recognition Process in which 30 of the region's most innovative organisations participated. Using guidelines established by the National Malcolm Baldridge Awards, companies' performances in a number of critical areas were scored. It is interesting to look at how some of the award winning companies measure customer satisfaction.

In the case of AT&T Commercial Markets (a marketing segment of AT&T Network Communication Services), they do official customer surveys on a monthly basis. In addition, smaller scale surveys are done by sales manager teams. Surveys done by an outside agency are done each month on customers who had a contact either by phone or in person with one of the branch's representatives in the previous two weeks. The survey measures eight areas, namely:
- dependability;
- resolution of issues;
- knowledge;
- responsiveness;
- understanding needs;
- keeping customers informed;
- being easy to reach; and
- overall satisfaction.

A defect rate is regarded as any response on overall satisfaction that is less than excellent. A "good" response is a defect. The objective is that there can be no greater than a 30% defect rate (Delaware Valley Total Quality Consortium 1996: 3).

In the case of CMS & Gilbreth Packaging Systems, the company maintains a data base of all potential customers as well as which of their competitors' products these customers are using. Customers expectations, focus groups, sales representative contacts, satisfaction/dissatisfaction indicators and market studies are continuously monitored. A broad section of employees, from senior management to front-line plant people, are encouraged to interact with customers. Most
communication with customers is done through direct personal contact. Customers have access to 800 numbers for customer service (Delaware Valley Total Quality Consortium 1996: 13).

The Naval Inventory Control Point (a host command for 13 US Department of Defence activities) sends surveys on a continuous basis to customers asking them about the quality and timeliness of services and to determine the needs for additional services. Discussions with customers are held throughout the year by phone, during conferences at the organisation and/or customer sites. Customers are encouraged to relay their concerns. In addition, an on-line application was delivered which is accessible by fleet customers throughout the world providing information and supplying items when they need it. The organisation notes that customers are responding positively to the increased communication and attention and that they are more than satisfied with services. They are also sharing more of their ideas and partner with the organisation for solutions to problems (Delaware Valley Total Quality Consortium 1996: 46-47). Unisys, a world-wide information management company employing 36 000 employees throughout the world, has for many years conducted comprehensive world-wide client surveys soliciting information on specific product and service characteristics (reliability, speed of service etc) and overall client relationship measures (overall customer satisfaction, loyalty, likely to recommend etc). The purpose is to identify best practices and the two drivers of the overall client relationship. The analysis of this data convinced Unisys that there was a strong tie between overall client satisfaction and financial results and an even stronger tie between overall satisfaction and customer loyalty. In 1995 Unisys introduced a world-wide share award programme named GPEP (Global Performance Equity Programme) which provides specific targets for each organisation in terms of client satisfaction and well as linking all the awards to overall corporate revenue and profitability targets. Client satisfaction goals for each organisation were based on their previous levels so that lower performing organisations were expected to exhibit a faster rate of improvement than higher performing organisations. The purposes of the GPEP were *inter alia*:

- to create a consistent world-wide reward system with shared benefits;
- to create a reward system based on performance in two areas critical to the future of the company, namely financial performance and client satisfaction; and
- to encourage teamwork over individual efforts.

According to Unisys, the results were outstanding. In 1995 the world-wide overall client satisfaction index showed the largest yearly increase since they began with the survey process and the very satisfied number of customers increased by over 50%, yielding an overall score of
4.47 out of 5. Unisys wants an average score of 4.5 out of 5 because “recent research (both our own and in literature) indicates that a difference exists in client loyalty and repurchase behaviour between those who are very satisfied and those who are simply satisfied. Organisations which log all their responses above neutral into a satisfied group are doing themselves a disservice” (Delaware Valley Total Quality Consortium 1996: 59).

The message which is clear from all these studies and examples is that organisations must gain as much information as possible about customer reaction to their services with the purpose of establishing whether the customers are very satisfied with their products or services. Satisfied is no longer good enough. The further lesson to be learned is that personal contact with customers is ultimately the best way of determining satisfaction levels. In addition, the organisation must settle a culture of total customer satisfaction within every rank in the organisation.

7.4 FORMAL AUDITING OF QUALITY SYSTEMS

ISO 10011-1, 10011-2 and 10011-3 lay down guidelines for the auditing of quality systems.

In cases where organisations have adopted formal ISO 9000 quality systems, those systems, must on a regular basis, be audited. ISO 10011-1 establishes basic audit principles, criteria and practices and provides guidelines for establishing, planning, carrying out and documenting audits of quality systems.

ISO 10011-2 gives guidance on qualification criteria for auditors. ISO 10011-3 provides basic guidelines for managing quality systems audit programmes.

Section 4 of ISO 10011-3 states the reasons for audits as:
- to determine the conformity or non-conformity of the quality system elements with specified requirements;
- to determine the effectiveness of the implemented quality system in meeting specified quality objectives;
- to provide the audit team an opportunity to improve the quality system;
- to meet regulatory requirements; and,
- to permit the listing of audited organisations’ quality systems in a register.
The reasons for the audit are normally:
- to initially evaluate a supplier where there is a desire to establish a contractual relationship;
- to verify that an organisation’s own quality system continues to meet specified requirements and is being implemented within the framework of a contractual relationship;
- to verify that the suppliers quality system continues to meet specified requirements and is being implemented; and
- to evaluate an organisation’s own quality system against a quality system standard.

Organisations wishing to comply with ISO 9000 systems, must integrate auditing into the quality management system.

7.5 SELF-ASSESSMENT

7.5.1 SELF-ASSESSMENT MODELS
As mentioned in section 2.4 more than two thirds of companies which begin a TQM initiative end up failing or dropping the initiative before it can really take hold. TQM often fails because of errors in the implementation rather than the approach itself being flawed. According to Brown (1996 : vii) “Implementing TQM as a programme will doom you to eventual failure. A programme has a beginning and an end, and does not change the basic approach to running a business. For TQM to succeed, an organisation needs to integrate its philosophies and practices into its day to day approach of running a business”. Further down the page he states “TQM is far from dead. It has gone through some major changes in recent years. However, most companies now call TQM something like continuous improvement or re-engineering or many other phrases. The basic philosophies and practices of the TQM movement are still valid and still being used by successful companies like AT&T, Xerox and others”.

Many organisations are today realising that quality is just one of many measures a successful organisation needs to concern itself with. For this reason, awards such as the Malcolm Baldridge Award (originally known as the Malcolm Baldridge National Quality Award), today endeavour to satisfy calls for balance among customer satisfaction, employee satisfaction and business results. The reason for this is that some companies have gone out of business or at least got into financial trouble even though they had exceptional levels of customer satisfaction and quality. Brown gives the example of GM airlines, which used to offer the best service quality flights between New York
and Los Angeles of any airline. Their economic class was like first class on any airlines and first class was like going to heaven without dying. But the airline no longer operates its routes from New York to Los Angeles. It now only flies chartered flights. Even though quality was exceptional, many customers were not willing to pay GM's higher prices and deal with a limited number of flights per day. Many winners of the original Malcolm Baldridge Award have subsequently faced financial difficulties.

The lessons learnt were that quality on its own does not guarantee business success but is part of the formula to guarantee success. In 1987 the Malcolm Baldridge Quality Award was introduced. The original purpose was to create an awareness of quality and in this regard the award has worked exceptionally well. The biggest benefit of the Baldridge criteria is that America, and now also other parts of the world, have a common framework for making sense out of all the theories, tools and approaches that are part of running an effective organisation.

The Malcolm Baldridge Award has lead to similar awards in many other countries, some of which are modelled exactly on the Baldridge criteria and some which are a bit different. In America, the Malcolm Baldridge Award is the highest honour any business can receive and has always been very difficult to win. In America the existence of the Baldridge award is based upon public law 100/107 which creates a public/private partnership designed to encourage quality from the American companies. The award is managed by the National Institute for Standard and Technology (NIST), which is part of the Department of Commerce.

Organisations who want to take part in the award must write a 50 page application that explains how they have implemented TQM in their organisation and the results that were achieved. The report is divided into seven sections corresponding to the seven categories of criteria for the award, namely:

- leadership - 11%;
- strategic planning - 8%;
- customer and market focus - 8%;
- information and analysis - 8%;
- human resource development and management - 10%;
- process management - 10%; and
- business results - 45%.
Each section contributes the above percentages to the overall score of 100%.

Each of the categories is broken down into 20 examination items which are themselves broken down into 30 areas to address. The organisation which wishes to apply for the award must in its report address each of the 30 areas separately. By following this approach, the organisation adopts a self-assessment approach and evaluates itself against the criteria defined.

In South Africa the SAEF launched the South African Excellence Award in 1998 which is the highest level of national recognition for performance excellence that a South African business can receive. The major focus of the award is on the results of the organisation, including customer satisfaction and is not given for specific products or services. To be an award recipient the business must have a system which ensures continuous improvement in the delivery of products and/or services and provides a way of satisfying and responding to customers. At this stage awards are given annually in each of four categories, namely:

- companies;
- operational units of companies;
- public sector organisations; and
- small and medium enterprises.

The award was established to promote the awareness of performance excellence as an increasingly important element in competitiveness. The aim of the award is to increase the understanding of the elements critical for the performance excellence. Participants can apply for one of three levels, namely:

- level three - commitment to excellence prize;
- level two - excellence performance prize; and
- level one - business excellence award.

Many organisations start with level three (commitment to excellence) and then progress to the top prize, the Business Excellence Award. As in the case with the Malcolm Baldrige Award, organisations submit a report which summarises the organisation's practices and results in response to the criteria for performance excellence. These reports are then investigated by at least six business experts and the results are distilled in a feedback report outlining the strengths and areas for improvement based on the award criteria. Organisations have the advantage that
they can use reports as part of their strategic planning process to focus on their customers and to improve productivity as well as to help energise and guide their organisational improvement programme.

The SAEF model consists of 11 criteria, namely six enablers and five results. These are set out in Figure 7.2.

**Figure 7.2 SOUTH AFRICAN BUSINESS EXCELLENCE MODEL**

- 1. **Leadership**
  - 100 points (10%)
- 2. **Policy & strategy**
  - 70 points (7%)
- 3. **Customer & market focus**
  - 60 points (6%)
- 4. **People management**
  - 90 points (9%)
- 5. **Resources & Information management**
  - 60 points (6%)
- 6. **Processes**
  - 120 points (12%)
- 7. **Impact on society**
  - 60 points (6%)
- 8. **Customer satisfaction**
  - 170 points (17%)
- 9. **People satisfaction**
  - 90 points (9%)
- 10. **Supplier & partnership performance**
  - 30 points (60%)
- 11. **Business results**
  - 150 points (15%)

Enablers 500 points (50%)

Results 500 points (50%)


The six enabling criteria are:
- leadership;
- policy and strategy;
- customer and market focus;
- people management;
- resource and information management; and
- processes.

The five result criteria are:
- impact on society;
- customer satisfaction;
- people satisfaction;
supplier and partnership performance; and
- business results.

The enablers are concerned with how the organisation approaches each of the criterion parts. To make an assessment of the enabler, criteria information is required on the excellence of the approach used and the design and development of the approach. Each enabler is broken down into a number of criterion parts which need a response. Each criterion part is supplemented by a list of areas to address. The organisation must respond only to those relevant to it and can add others to be addressed. The enablers count 500 points and the results 500 points. The various criteria are given the points allocated to them as set out in Figure 7.2.

Each of the other criteria adopts a similar approach, i.e. definition, criterion parts and areas to address in each criterion part. The criteria are briefly discussed below.

**CRITERION 1 - LEADERSHIP (10%)**

**Definition:**
This is how the behaviours and actions of the executive team and other leaders inspire, support and promote a culture of business excellence.

**Criterion Parts:**
Self-assessment must demonstrate how leaders:
- visibly demonstrate their commitment to a culture of business excellence;
- support improvement and involvement by providing appropriate recourses and assistance;
- are involved in customer and supplier chains;
- recognise and appreciate people’s efforts and achievements; and
- address public responsibilities and practice good citizenship.

Each criterion part is awarded 20 points, i.e. 100 points in total.

**Areas to address in each criterion part:**
In each criterion part a number of areas must then be addressed, i.e. in criterion part 3, areas which could be addressed can include how leaders:

- meet, understand and respond to needs;
- establish and participate in partnership; and
establish and participate in joint improvement activities.
The same approach is adopted for each criterion part contained in all eleven criteria.

CRITERION 2 - POLICY AND STRATEGY (7%)
Definition:
This is how the organisation formulates, deploys, reviews and turns policy and strategy into plans and actions.

Criterion parts:
Self-assessment must demonstrate:

- how policy and strategy are based on information which is relevant and comprehensive;
- how policy and strategy are developed;
- how policy and strategy are communicated and implemented; and
- how policy and strategy are regularly reviewed, updated and improved.

In each criterion part a number of areas must be addressed. Each criterion part is allocated 17.5 points, i.e. 70 points in total.

CRITERION 3 - CUSTOMER AND MARKET FOCUS (6%)
Definition:
How the organisation determines needs, requirements and expectations; enhances relationships and determines satisfaction of customers and markets.

Criterion parts:
Self-assessment must demonstrate:

- how customer and market intelligence is determined;
- how customer and market information is collected and used;
- how the organisation maintains accessibility to customers and manages complaints; and
- how customer satisfaction is determined.

In each criterion part a number of areas must be addressed. Each criterion part is allocated 15 points, i.e. 60 points in total.
CRITERION 4 - PEOPLE MANAGEMENT (9%)

Definition:
How the organisation releases the full potential of its people.

Criterion parts:
Self-assessment must demonstrate:

- how people resources are planned and improved;
- how people capabilities are sustained and developed;
- how people agree on targets and continuously review performance;
- how people are involved, enabled, empowered and recognised;
- how people and the organisation have an effective dialogue; and
- how people are cared for.

In each criterion part a number of areas must be addressed. Each criterion part is allocated 15 points, i.e. 90 points in total.

CRITERION 5 - RESOURCES AND INFORMATION MANAGEMENT (6%)

Definition:
How the organisation manages and uses resources and information effectively and efficiently.

Criterion parts:
Self-assessment must demonstrate:

- how financial resources are managed;
- how information resources are managed;
- how comparative information and data are selected and used;
- how partnering and supplier relationships and materials are managed;
- how buildings, equipment and other assets are managed; and
- how technology an intellectual property are managed.

In each criterion part a number of areas must be addressed. Each criterion part is allocated 10 points, i.e. 60 points in total.
CRITERION 6 - PROCESSES (12%)
Definition:
How the organisation identifies, manages, reviews and improves its processes.

Criterion parts:
Self-assessment must demonstrate:

- how key processes to the success of the organisation are identified;
- how processes are systematically managed;
- how processes are reviewed and targets are set for improvement;
- how processes are improved using innovation and creativity;
- how processes are changed and the benefits evaluated; and
- how support processes are designed, managed and improved.

In each criterion part a number of areas must be addressed. Each criterion part is allocated 20 points, i.e. 120 points in total.

CRITERION 7 - IMPACT ON SOCIETY (6%)
Definition:
What the organisation is achieving in satisfying the needs and the expectations of the local, national and international community at large. This includes the perception of the organisation's approach to quality of life; environment and the conservation of global resources; organisation's own internal measures of effectiveness; its relations with authorities and bodies which affect and regulate its business.

Criterion parts:
Self-assessment should demonstrate the performance of the organisation in satisfying the needs, requirements and expectations of society. This should be shown by presenting results, trends, targets and comparisons with competitors or best-in-class organisations. Information on the relevance of the measurement to society should also be presented. This could include:

- society's perception of the organisation; and
- additional measurements of the organisation's impact on society.

In each criterion part a number of areas must be addressed. Criterion part 1 is awarded 15 points
and criterion part 2, 45 points, i.e. 60 points in total.

**CRITERION 8 - CUSTOMER SATISFACTION (17%)**

**Definition:**
What the organisation is achieving in relation to the satisfaction of its external customers.

**Criterion parts:**
Self-assessment should demonstrate the performance of the organisation in satisfying the needs and expectations of its external customers. This should be shown by presenting results, trends, targets and comparisons with competitors or best-in-class organisations. Information on the relevance of the measurement to the customer should also be presented.

Self-assessment should demonstrate:

- the customer's perception of the organisation's products, services and customer relationships; and
- additional measurements relating to the satisfaction of the organisation's customers.

In each criterion part a number of areas must be addressed. Criterion part 1 is awarded 128 points and criterion part 2 is awarded 42 points, i.e. 170 in total.

**CRITERION 9 - PEOPLE SATISFACTION (9%)**

**Definition:**
What the organisation is achieving in relation to the satisfaction of its people.

**Criterion parts:**
Self-assessment should demonstrate:

- the people's perception of the organisation; and
- additional measurements relating to people satisfaction.

Again, a number of areas must be addressed in each criterion part. Criterion part 1 is awarded 68 points and criterion part 2, 22 points, i.e. 90 points in total.
CRITERION 10 - SUPPLIER AND PARTNERSHIP PERFORMANCE (3%)

Definition:
What the organisation is achieving in relation to the management of supplier and partnering processes.

Criterion parts:
Self-assessment should demonstrate:

- the organisation's perception of its suppliers' and partners' performance; and
- additional measurements relating to the performance of the organisation's suppliers and partners.

Again, a number of areas to be addressed are recommended. Criterion part 1 is awarded 23 points and part 2, 7 points, i.e. 30 points in total.

CRITERION 11 - BUSINESS RESULTS (15%)

Definition:
What the organisation is achieving in reaction to its planned business objectives and in satisfying the needs and expectations of everyone with a financial investment in other stakes in the organisation.

Criterion parts:
Self-assessment should demonstrate:

- Financial measurements of organisational performance;
- Additional measurements of the organisation’s performance

A number of areas to be addressed are recommended. Each part is awarded 75 points, i.e. 150 points in total.

7.5.2 RELATIONSHIP BETWEEN ISO 9000 AND SELF ASSESSMENT MODELS

ISO 9000 is not the equivalent of TQM. ISO is a quality assurance reference standard. ISO 9000 is focused on processes and can, if well applied, be a very useful tool to define the keys processes of business, clarify, write down and apply procedures. It is used to clarify and simplify an operation and can be an invaluable tool to increase business effectiveness. Because it clearly defines processes, companies can put their mind to the processes and identify and take steps to ensure
they work well. The various excellence models encompass not only processes but all aspects of a business. ISO 9000 and similar systems is really a start on the way to TQM.

To implement TQM effectively, companies do not need to go through an ISO 9000 process. ISO 9000 is however valuable in that it has created an awareness of quality and that the new series of ISO 9000, now puts more emphasis on principles of business excellence than in the past.

7.5.3 BENEFITS OF SELF-ASSESSMENT

Because self-assessment is a comprehensive systematic and regular review of an organisation's activities and results with reference against a benchmark of business excellence it enables organisations to measure performance against such benchmarks. It allows the organisation to identify certain areas in which improvements can be made and culminates in plans and improvement actions, which are then monitored for progress.

According to SAEF (1999 : 3), a recent survey of European and United States companies practising self-assessment identified the top benefits as:

- favourable operation procedures - 91% of participants;
- favourable financial performance - 85% of participants;
- favourable customer satisfaction - 70% of participants; and
- favourable employee relations - 70% of participants.

SAEF (1999 :3) lists the following benefits with regard to self-assessment:

- a rigorous and structured approach to business improvement;
- an assessment based on facts and not individual perception;
- a means to achieve consistency of direction and consensus of what needs to be done through everyone in the organisation sharing the same conceptual base;
- a means to educate people in the organisation in how to apply, in a meaningful way, the principles of Total Quality;
- a means to integrate various improvement initiatives into normal business operations;
- a powerful diagnostic tool;
- an objective assessment against a set of criteria widely accepted across the world;
- a means of measuring progress over time through periodic self-assessment;
- process induced improvement activity focussed where it is most needed;
- a means to create enthusiasm amongst the people within the organisation and give fresh impetus to their pursuit of business excellence;
opportunities to promote and share excellent approaches within different areas of the organisation or, on a wider scale, with other organisations of a similar or diverse nature;
- opportunities to recognise both progress and outstanding levels of achievement through internal awards;
- a link between what the organisation needs to achieve and how it puts in place strategies and processes to delivery its objectives; and
- a means to benchmark internally as well as against other organisations.

One of the criticisms against the criteria is possibly the low score which is given to business results. However, organisations can adapt these criteria to suit their own requirements and can, for example, give a greater score to business results and lower scores, for example, to processes, depending on the particular situation. What is important is that these criteria and the various sub-criteria are valuable when organisations wish to score themselves.

In the case of the enablers, organisations score themselves according to the degree of excellence of the approach and the extent of deployment of the approach. In the case of results, they score themselves on a basis of a combination of two factors, namely the degree of excellence of the results and the scope of the results.

Thus, for example, if in the case of enablers, there is only some evidence of soundly based approaches and it is deployed to only a part of the organisation the score will be low. However, if there is clear evidence of soundly based systematic approaches and prevention based systems, and it is applied to full potential to all relevant areas of activities, the organisation is going to score high.

In the case of the results, if there are only some results, which show positive trends and are only applicable to some areas and activities, the results score is going to be low. On the other hand, if there are strong positive trends, or sustained excellence performance in all areas over at least a number of years and the results address all relevant areas and activities, the results score is going to be high.

It is interesting to note that many organisations score low scores when they start addressing all the criteria which are set out in the various self assessment models. Although organisations may feel that detailed analyses such as those contained in self-assessment is time consuming, a detailed
analysis of the organisation has the huge benefit that it opens the organisation's eyes to those areas it needs to address to ensure that it becomes totally effective.

7.6 PERSONAL ASSESSMENT

An empowered employee is an employee who, in addition to the technical skills he/she needs to do his/her job properly, makes quality part of his/her personal life. Just as an organisation must, from time to time, assess itself to determine whether it is meeting its objectives, an empowered individual is a person who, from time to time, assesses him/herself to determine whether he/she is meeting his/her objectives.

Many organisations believe they can train people in quality awareness and other quality related programmes without addressing the issue whether such a person is prepared to make quality part of his/her personal life. The question which can be asked is whether organisations can, in the long run, be successful in implementing successful TQM and other systems without spending substantially more time than in the past on steps to make sure that quality becomes part of the life of their employees. It is highly unlikely that an undisciplined person at home can be a disciplined employee. Most organisations give very little attention to the personal aspects of their employees lives because they wish to draw a divide between business and personal affairs. This is the wrong approach. Ceronio (1996 : 316) notes that what employees do at work was once an extension of what they do at home. A complete separation has however developed. He argues that they need not be separated completely. He states that integration of people into creating full work groups completes the emotional cycle for many people.

Organisations should accept that there is a correlation between quality and work/family strategies. Organisations are starting to give more attention to work/family strategies and are appointing managers to deal with this. Cutcher-Gershenfeld et al. (1997 : 21), in a study conducted in a number of organisations, where interviews were conducted with 34 managers responsible for quality and work/family relations, found that the efforts overlap in two areas:

- Language and tools; and
- Philosophy and values

They found that language and tools of quality have a higher probability of being adopted in the work/family domain and that there are commonalities between philosophies and values.
If this is so then organisations must concentrate on fitting quality into the home environment, and in its training, look at developing common principles which can be used in a home environment and can be extended to the organisation, rather than vice versa. By doing this it does not endeavour to encroach on the privacy of its staff (incurring the resultant dangers highlighted by Stamps (1997: 42) but establishes a set of principles applicable to the organisation and the individual.

Organisations should, in their drive towards quality, in assessing whether their quality systems are working and whether they are successful in their organisational focus, also give increased attention to creating an awareness amongst employees that they should make quality part of their personal lives. The question is how to do this.

A personal excellence model (PEM) should be developed. To a large extent this model can be based on the BEM developed by SAEF and the principles on which the Malcolm Baldridge Award are based. A personal excellence model as set out in Figure 7.3 below, can be used as a guideline on how employees can strive to achieve personal excellence. By using such a model the employee understands the principles which apply to his/her personal life and to a large extent to the organisation.

**Figure 7.3 PERSONAL EXCELLENCE MODEL**

<table>
<thead>
<tr>
<th>ENABLERS</th>
<th>RESULTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>500 points</td>
<td>500 points</td>
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</tbody>
</table>

Source: Own compilation
This model is based on the premise that:

- a better life (Result 5);

  is achieved through

- satisfying personal and society needs (Result 1);
- improved employer and customer relations (Result 2);
- improved family relations (Result 3); and
- improved personal finances (Result 4)

  which is achieved by:

- taking action (Enabler 1);

  by

- developing personal goals and strategies (Enabler 2);
- becoming employer and customer focused (Enabler 3);
- becoming family focused (Enabler 4); and
- controlling finances (Enabler 5);

  through

- proper processes (Enabler 6).

As in the case of the BEM, there are eleven criteria, 6 Enablers and 5 Results. The points allocated to each criteria may vary depending on personal circumstances and act as guideline.

Management can only build a truly excellent organisation if they continuously propagate personal excellence and implement those excellence beliefs, not only in employees, but also in themselves. In sections 3.2.5 and 3.2.6, the point is made that the responsibility rests on management to develop their people and to provide effective leadership. Part of effective leadership is that management must be able to give their trust. Trust can only be given to employees who have the same value systems as effective leaders. In many cases, this must be developed.

In the PEM a simple self-assessment model is used by which management and staff can test themselves. This model is set out in Table 7.1 below. Simple questions are asked for each of the criteria and the “not started”, “some progress”, “good progress” or “fully achieved” column is ticked depending on the answer to the question. The ticks are added together and the total score is determined for each criteria.
Table 7.1  
PERSONAL EXCELLENCE MODEL – SCORING CRITERIA

Criterion 1
Definition: How you visibly take action to achieve personal excellence, cope with changing work and environmental needs, improve effectiveness and time management, address public responsibility and practice good citizenship and appreciate people’s efforts and achievements.

<table>
<thead>
<tr>
<th>Please answer the following questions with a ‘tick’ in the appropriate box</th>
<th>0 Not started</th>
<th>1 Some progress</th>
<th>2 Good progress</th>
<th>3 Fully achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Do you seek opportunities for yourself?</td>
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<td>2. Do you develop clear values for yourself?</td>
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<tr>
<td>3. Do you take steps to act as role model for others?</td>
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<td>4. Do you regularly review your behaviour?</td>
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<tr>
<td>5. Do you define changing working needs?</td>
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<tr>
<td>6. Do you define changing environmental needs?</td>
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<tr>
<td>7. Do you take steps to meet such changes?</td>
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<td>8. Do you manage your time?</td>
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<tr>
<td>9. Do you take steps to improve your efficiency?</td>
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<tr>
<td>10. Do you address current and potential impact of your actions on society?</td>
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<tr>
<td>11. Do you promote excellence in other people?</td>
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<tr>
<td>12. Do you participate in public activities (school boards etc)?</td>
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<tr>
<td>13. Do you appreciate the potential of people around you?</td>
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<tr>
<td>14. Have you developed your skills to maximum effect?</td>
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</tbody>
</table>

**Number of ticks**

| Multiplied by factor | 0 | 1 | 2 | 3 |

**Score per factor**

**TOTAL SCORE (TRANSFER TO SUMMARY SCORE SHEET)**

Source: Own compilation
**Criterion 2  Setting goals and strategies**

Definition: How you base your goals and strategies on good information and true facts, develop them, communicate and implement them and regularly review, update and improve them.

Please answer the following questions with a 'tick' in the appropriate box

<table>
<thead>
<tr>
<th>Question</th>
<th>0 Not started</th>
<th>1 Some progress</th>
<th>2 Good progress</th>
<th>3 Fully achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Have you taken steps to determine your strengths?</td>
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<tr>
<td>2. Have you taken steps to determine your weaknesses?</td>
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<tr>
<td>3. Have you taken steps to determine what people in similar situations as you are doing?</td>
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<td>4. Have you analysed the positive and negative impact of your past experiences on your life?</td>
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<td>5. Have you clearly defined your interests?</td>
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<tr>
<td>6. Have you set yourself short-term goals?</td>
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<tr>
<td>7. Have you set yourself long-term goals?</td>
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<tr>
<td>8. Have you developed personal strategies for success?</td>
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<tr>
<td>9. Have you identified areas in which you perform well?</td>
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<tr>
<td>10. Have you communicated your goals and strategies to interested parties?</td>
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<tr>
<td>11. Have you taken steps to make goals and strategies part of all your personal activities?</td>
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<tr>
<td>12. Do you use your goals and strategies to plan ahead?</td>
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<tr>
<td>13. Do you regularly evaluate relevance and effectiveness of your goals?</td>
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<tr>
<td>14. Do you regularly review, update and improve your goals and strategies?</td>
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<tr>
<td>15. Do you review performance requirements on a continuous basis?</td>
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</table>

**Number of ticks**

<table>
<thead>
<tr>
<th>Multiplied by factor</th>
<th>0</th>
<th>1</th>
<th>2</th>
<th>3</th>
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</table>

**Score per factor**

<table>
<thead>
<tr>
<th>TOTAL SCORE (TRANSFER TO SUMMARY SCORE SHEET)</th>
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</thead>
</table>

Source: Own compilation
Criterion 3 – Become employer and customer focused

Definition: How you determine employer and customer needs, collect information about them and correct inadequate performance.

Please answer the following questions with a ‘tick’ in the appropriate box

<table>
<thead>
<tr>
<th>Question</th>
<th>0 Not started</th>
<th>1 Some progress</th>
<th>2 Good progress</th>
<th>3 Fully achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Have you taken steps to determine the needs of your employer?</td>
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<tr>
<td>2. Have you taken steps to determine the needs of your customers?</td>
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<tr>
<td>3. Do you know all the products the company for which you work manufactures or all the services it renders?</td>
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<tr>
<td>4. Have you taken steps to listen and to learn from your employer and its customers?</td>
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<tr>
<td>5. Have you taken steps to keep ahead with the changing needs of your employer and its customers?</td>
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<tr>
<td>6. Do you evaluate, process and act on all the information about your employer and its customers you collect?</td>
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<tr>
<td>7. Do you regularly review whether your collection system is working properly?</td>
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<tr>
<td>8. Have you taken steps to determine whether your actions are meeting employer and customer needs?</td>
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<tr>
<td>9. Have you taken steps to correct inadequate performance if necessary?</td>
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</tbody>
</table>

Number of ticks: 0 1 2 3

Score per factor: 0 1 2 3

TOTAL SCORE (TRANSFER TO SUMMARY SCORE SHEET)

Source: Own compilation
**Criterion 4 – Become family focused**

Definition: How you develop the abilities of your family, agree targets with them, review their performance, have affective dialogue with your family and care for your family.

Please answer the following questions with a 'tick' in the appropriate box:

<table>
<thead>
<tr>
<th>Question</th>
<th>0  Not started</th>
<th>1  Some progress</th>
<th>2  Good progress</th>
<th>3  Fully achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Have you taken steps to identify the skills and abilities of all family members?</td>
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<tr>
<td>2. Do you assist family members to plan future careers?</td>
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<tr>
<td>3. Do you promote continuous learning in your family?</td>
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<tr>
<td>4. Do you set personal and financial targets for your family?</td>
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<tr>
<td>5. Do you help them achieve targets?</td>
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<tr>
<td>6. Do you adjust the above targets where necessary?</td>
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<tr>
<td>7. Have you identified how you can communicate better with your family?</td>
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<tr>
<td>8. Do you share information with your family?</td>
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<tr>
<td>9. Have you taken steps to improve the communication abilities of your family?</td>
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<tr>
<td>10. Have you taken time to spend quality time with your family?</td>
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<tr>
<td>11. Do you provide adequately for your family's financial needs?</td>
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<tr>
<td>12. Do you provide adequately for your family's spiritual needs?</td>
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<tr>
<td>13. Have you taken steps to show your family that you respect them?</td>
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<tr>
<td>14. Have you taken steps to show your family that you care for them?</td>
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</tbody>
</table>

**Number of ticks**

**Multiplied by factor**

**Score per factor**

**TOTAL SCORE (TRANSFER TO SUMMARY SCORE SHEET)**

Source: Own compilation
**Criterion 5 – Controlling Finances**

Definition: How you manage your finances, plan for the future and care for all your material resources.

<table>
<thead>
<tr>
<th>Question</th>
<th>0 Not started</th>
<th>1 Some progress</th>
<th>2 Good progress</th>
<th>3 Fully achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have you taken steps to prepare a monthly budget?</td>
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<tr>
<td>Have you taken steps to invest part of your income?</td>
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<tr>
<td>Have you taken steps to incur only necessary expenses?</td>
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</tr>
<tr>
<td>Have you taken steps to ensure you live within your financial means?</td>
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<tr>
<td>Have you taken steps to limit purchasing on credit as much as possible?</td>
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<tr>
<td>Have you taken steps to calculate interest charges you pay on all credit transactions?</td>
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<tr>
<td>Do you buy at the best possible prices?</td>
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<tr>
<td>Do you buy quality products without overspending?</td>
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<tr>
<td>Have you taken steps to plan for future needs or contingencies?</td>
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<tr>
<td>Have you calculated your future financial needs?</td>
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<tr>
<td>Do you regularly have your car serviced?</td>
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<tr>
<td>Do you regularly take steps to maintain your property?</td>
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<tr>
<td>Do you take steps to regularly maintain your other assets?</td>
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**Score per factor**

| TOTAL SCORE (TRANSFER TO SUMMARY SCORE SHEET) |

Source: Own compilation
**Criterion 6 – Develop Processes**

Definition: How you determine key processes important to you, manage these processes, review them, improve them and change them where necessary.

Please answer the following questions with a ‘tick’ in the appropriate box

<table>
<thead>
<tr>
<th>Question</th>
<th>0 Not stated</th>
<th>1 Some progress</th>
<th>2 Good progress</th>
<th>3 Fully achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Do you identify all key processes which you can implement to improve your life?</td>
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</tr>
<tr>
<td>2. Do you define all these processes?</td>
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<tr>
<td>3. Do you regularly evaluate the effect of all key processes on your life?</td>
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</tr>
<tr>
<td>4. Do you design processes to meet employer/customer needs?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Do you design processes to meet family needs?</td>
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<tr>
<td>6. Do you design processes to meet financial needs?</td>
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<tr>
<td>7. Have you taken steps to ensure that the processes meet your personal objectives?</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>8. Have you taken steps to ensure that the processes meet your employer/customer requirements?</td>
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<tr>
<td>9. Have you taken steps to ensure processes meet family requirements?</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>10. Have you taken steps to ensure processes meet financial requirements?</td>
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<tr>
<td>11. Do you measure whether your processes are giving you the results you want?</td>
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<tr>
<td>12. Do you change processes to improve family life?</td>
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<tr>
<td>13. Do you use information received from employers and customers to come up with new processes?</td>
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<tr>
<td>14. Do you regularly look at ways to change processes?</td>
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**Number of ticks**

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<td>2</td>
<td>3</td>
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</table>

**TOTAL SCORE (TRANSFER TO SUMMARY SCORE SHEET)**

Source: Own compilation
**Criterion 7 – Impact on your personal and society needs**

Definition: What you are achieving satisfying your own personal needs and those of society.

Please answer the following questions with a 'tick' in the appropriate box:

<table>
<thead>
<tr>
<th>Question</th>
<th>0 Not started</th>
<th>1 Some progress</th>
<th>2 Good progress</th>
<th>3 Fully achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. To what extent are you meeting your objectives and goals?</td>
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<tr>
<td>2. To what extent are you achieving happiness?</td>
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<tr>
<td>3. Does your attitude show that you are a positive and happy person?</td>
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<tr>
<td>4. Have your activities lead to personal improvement?</td>
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<tr>
<td>5. To what extent have you achieved your short term goals?</td>
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<tr>
<td>6. To what extent have you achieved your long term goals?</td>
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<tr>
<td>7. Can you show that you are a responsible member of society?</td>
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<tr>
<td>8. Can you show results that your activities are influencing other people around you positively?</td>
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<tr>
<td>10. To what extent have you improved skills and academic performance?</td>
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<tr>
<td>11. To what extent have you met your personal success targets?</td>
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</table>

**Number of ticks**

Multiplied by factor

Score per factor

**TOTAL SCORE (TRANSFER TO SUMMARY SCORE SHEET)**

Source: Own compilation
Criterion 8 – Impact on employer and its customers

Definition: To what extent your actions impact positively on your employer and its customers.

Please answer the following questions with a ‘tick’ in the appropriate box

<table>
<thead>
<tr>
<th>Question</th>
<th>0 Not started</th>
<th>1 Some progress</th>
<th>2 Good progress</th>
<th>3 Fully achieved</th>
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</thead>
<tbody>
<tr>
<td>1. To what extent have your actions lead to improved remuneration or benefits from your employer?</td>
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<tr>
<td>2. To what extent have your actions lead to awards from your employer?</td>
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<tr>
<td>3. To what extent have your actions lead to compliments from customers?</td>
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<tr>
<td>4. To what extent has your effectiveness lead to less complaints from customers?</td>
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<tr>
<td>5. To what extent have you been able to meet employer targets?</td>
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<tr>
<td>6. To what extent have you been able to give a good service to customers?</td>
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<tr>
<td>7. To what extent have you received praise from your employer?</td>
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<tr>
<td>8. To what extent have customers given you repeat business?</td>
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<tr>
<td>9. To what extent have you been able to handle conflict in your department?</td>
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<tr>
<td>10. To what extent have you improved your response time in handling customer queries?</td>
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<tr>
<td>11. To what extent have you improved your technical knowledge of products of your organisation and its customers?</td>
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<tr>
<td>12. To what extent have you achieved job satisfaction?</td>
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<tr>
<td>13. To what extent has information you collected improved relations with your employer and its customers?</td>
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</table>

Number of ticks

Multiplied by factor

Score per factor

TOTAL SCORE (TRANSFER TO SUMMARY SCORE SHEET)

Source: Own compilation

7 - 300
**Criterion 9 – Impact on family**

**Definition:** What you are achieving to improve your relationship with your family.

Please answer the following questions with a ‘tick’ in the appropriate box

<table>
<thead>
<tr>
<th></th>
<th>0 Not started</th>
<th>1 Some progress</th>
<th>2 Good progress</th>
<th>3 Fully achieved</th>
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</thead>
<tbody>
<tr>
<td>1. To what extent have you been able to meet your family’s emotional needs?</td>
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<tr>
<td>2. To what extent have you been able to meet your family’s spiritual needs?</td>
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<tr>
<td>3. To what extent do you participate in all the affairs of your family?</td>
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<tr>
<td>4. To what extent have you recognised achievements of family members?</td>
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<tr>
<td>5. To what extent have you given your family members opportunities to develop themselves?</td>
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<tr>
<td>6. To what extent have you shown your family that you love them?</td>
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<tr>
<td>7. To what extent have you been able to spend more time with your family?</td>
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<tr>
<td>8. To what extent have you taken stops to communicate with family members?</td>
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<tr>
<td>9. To what extent have you taken steps to share information with your family?</td>
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**Number of ticks**

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</table>

**Score per factor**

**TOTAL SCORE (TRANSFER TO SUMMARY SCORE SHEET)**

Source: Own compilation
**Criterion 10 – Impact on personal finances**

Definition: What you are achieving to improve your own financial position.

Please answer the following questions with a 'tick' in the appropriate box

<table>
<thead>
<tr>
<th>0: Not started</th>
<th>1: Some progress</th>
<th>2: Good progress</th>
<th>3: Fully achieved</th>
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<tbody>
<tr>
<td>1. To what extent have you been able to reduce debt?</td>
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<tr>
<td>2. To what extent have you been able to save money?</td>
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<tr>
<td>3. To what extent have you been able to improve your own cash flow?</td>
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<tr>
<td>4. To what extent have you been able to improve your relationship with your bank?</td>
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<tr>
<td>5. To what extent have you been able to prevent judgements being passed against you?</td>
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<tr>
<td>6. To what extent have you been able to keep financial promises?</td>
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<tr>
<td>7. To what extent have you been able to implement strategies for future financial independence?</td>
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<tr>
<td>8. To what extent have you been able to plan purchase of further assets, while incurring limited debt?</td>
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**Score per factor**

**TOTAL SCORE (TRANSFER TO SUMMARY SCORE SHEET)**

Source: Own compilation
Criterion 11 – Impact on your personal life

Definition: What you have achieved in feeling good about yourself.

Please answer the following questions with a ‘tick’ in the appropriate box

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<th>1 Some progress</th>
<th>2 Good progress</th>
<th>3 Fully achieved</th>
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<tbody>
<tr>
<td>1. To what extent do you feel better about yourself than in the past?</td>
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<tr>
<td>2. To what extent have you been able to show the world at large that you are a better human being?</td>
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<tr>
<td>3. To what extent has your relationship with your family members improved?</td>
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<tr>
<td>4. To what extent has your relationship with people around you improved?</td>
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<tr>
<td>5. To what extent have you been able to control your financial affairs?</td>
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<tr>
<td>6. To what extent has your relationship with your employer improved?</td>
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<tr>
<td>7. To what extent has your relationship with your customers improved?</td>
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<tr>
<td>8. To what extent have you been able to achieve in life what you want to achieve?</td>
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Number of ticks

Multiplier by factor

Score per factor

TOTAL SCORE (TRANSFER TO SUMMARY SCORE SHEET)

Source: Own compilation
### Summary Score Sheet

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**TOTAL POINTS**

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<td>Multiply by</td>
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<td>100</td>
</tr>
<tr>
<td><strong>FINAL PERCENTAGE</strong></td>
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</table>

Source: Own compilation

Employees should be encouraged to complete a self-assessment procedure at least once every six months and should, in conjunction with their supervisors, take steps to improve on their scores. Supervisors and managers therefore move into a mentorship role.

The advantages of personal excellence assessment is that it brings quality nearer to home and makes it part of the lives of employees. Once they understand the assessment tools, they will be able to understand assessment within the organisation better. If steps are taken to improve personal lives they will understand the steps management takes to improve the organisation.
7.7 CONCLUSION

Organisations must assess the impact of their actions and processes on their customers and on themselves. Effective assessment does not only mean that organisations must use the historically developed TQS assessment tools. Nor does it mean that the organisation must use narrow audit principles as proposed in ISO 10011. Proper assessment goes much further than historic TQS tools or auditing in terms of ISO 9000.

It means that the organisation must place top priority on assessing customer satisfaction as this will enable the organisation to take steps to remedy wrong perceptions. The modern trend is that organisations must, in the assessment of customer satisfaction, determine whether customers are exceptionally happy with the organisation, meaning the management of the organisation, the management system of the organisation, the products or services of the organisation and the staff of the organisation. The acid test is whether there is divergence between perceptions of management of the organisation and customers of the organisation.

To truly assess the organisation, management will use a mixture of traditional problem solving tools, quality audits, statistical process control and a customer satisfaction index. It must however accept that the customer satisfaction index must measure exceptional customer satisfaction and not merely customer satisfaction.

In addition, assessment means that the organisation must, on a holistic basis, assess all the procedures and processes within the organisation. This it can do by using models such as those developed by the South African Excellence Foundation.

Organisations must however also understand that employees are part of the TQM process. For them to understand the principles of quality and why it is important to the organisation, the organisation must actively promote personal excellence of employees. This can be done by developing personal excellence assessment tools which employees can use to assess their own excellence. By encouraging the use of such a tool employees will understand the aim of the organisation better because they are, in fact, establishing personal excellent criteria, which are ultimately similar to those of the organisation for which they work.

Assessment must be seen as an integral part of TQM. A truly effective QSS needs integration of all the important issues discussed in this thesis, namely:
- management commitment and a clear understanding of their role in the process, including the knowledge that TQM cannot be talked into the organisation, but requires in depth knowledge of the process;
- a continuous commitment to provide services in rapidly changing economic and technological environments and acceptance that quality service provision will require rapid adaptation to changing circumstances;
- a commitment to design the QSS and services according to sound guidelines, with the emphasis on meeting customer expectations to a greater extent than in the past; and
- a commitment to real empowerment of all employees.

Only if all these issues are addressed on a continuous basis can the organisation claim it has made a total commitment to quality. Then the organisation can claim it has moved beyond quality rhetoric to true commitment.
# Chapter 8

## Conclusion – Facing the Challenges

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<td>8.3.3 Dell’s core competencies</td>
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</tr>
<tr>
<td>8.4 Dell Computer Corporation and TQM</td>
<td>8-333</td>
</tr>
<tr>
<td>8.5 Conclusion</td>
<td>8-335</td>
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8 - 307
Organisations adopting TQM must accept the reality that TQM implementation requires a total commitment from all people within the organisation. To achieve exceptional quality, the organisation must use the tools propagated by TQM such as leadership, quality systems, quality tools, aligning all areas within the organisation and proper implementation.

Organisations must, however, accept that TQM is only part of the solution and that it must borrow from other philosophies those principles which can be implemented with good effect.

To ensure proper TQM implementation, management must understand their role in the TQM process and the challenges posed by TQM. It must take steps to meet these challenges. In addition, it must ensure that a quality service system is developed in the organisation and that each and every product or service which is designed fits into the QSS and is designed with the ultimate aim of meeting customer needs. In the design of services, customer requirements must always be placed in the centre. In addition, the organisation must ensure that those who render services are empowered to do so and it must put assessment processes in place which measure both performance of people and the organisation.

Dell Computer Organisation acts as a perfect example of how an organisation has utilised IT, and the benefits it offers to the organisation, while at the same time adopting many of the principles of TQM, such as focusing on the customer, focusing on quality, developing processes, developing people and forging alliances.

Many of the lessons learnt by Dell Computer Corporation can be incorporated into the TQM practices of modern day organisations.
CHAPTER 8
CONCLUSION – FACING THE CHALLENGES

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8.1 INTRODUCTION

As pointed out in section 2.1.3, quality can ultimately be defined as “quality is when your customers come back and your products (services) don’t” (Naumann & Shannon 1992: 44).

To achieve this elusive goal, service organisations must accept that they must adopt the perfect approach to quality. This means that they will have to be uncompromising in their goal to achieve not only adequate but excellent service. As pointed out in section 2.2.2.1 they achieve this through a combination of:

- leadership which focuses on the customer (internal and external);
- continuous improvement (basically process orientated);
- total participation (involving the best elements of teamwork);
- societal learning (learning on several levels);
- quality systems and system thinking as a basis for quality management;
- using quality tools;
- aligning all areas in the organisation; and
- implementing quality properly.

The ultimate aim of the service organisation is to provide excellent products or services to its customers. Ceronio (1996: 308) summarises this accurately when he states “For an organisation serving customers it is a moment of truth, an opportunity for the company to demonstrate its credibility and capability. Delivering value to customers earns the organisation respect and ensures the customers will return. It also binds employees together in a meaningful common mission. It is the essence of the shared vision and the ultimate bottom line”.

TQM is a multi-faceted discipline. It requires commitment, insight, continuous attention and adaptations, both in strategic thinking and implementation. It must therefore become part of the culture and “thinking” of the organisation.
This chapter summarises the principles set out in this study and shows how Dell Computer Corporation has used some of the principles highlighted in the study to build a multi-billion US dollar corporation over a period of 15 years. The chapter further provides the rationale for adapting TQM principles to the challenges of the new millennium and describes how the use of IT can assist organisations to meet the challenges resulting from a rapidly changing economic and business environment and the globalisation of economies.

8.2 TQM IN SERVICES — THE SOLUTION

Organisations of the past, the present and the future, have faced and will face many challenges. The ultimate aim of the organisation is to provide benefits to its customers and, in the process, ensure that all stake-holders of the organisation, whether it be owners, managers, employees or suppliers, get a fair return for the capital, effort and goods supplied to the organisation. Over years many theories have been propagated to ensure that organisations achieve this elusive aim, of which TQM has been but one. As pointed out in section 2.3.2, organisations generally accept that they must transform themselves continuously to ensure that they meet the challenges of changing market and consumer needs. With the globalisation of economies, increased competition and the advent of IT, the rate of change is, however, accelerating. Organisations should therefore, on a continuous basis, adopt strategies to move towards more desirable conditions. In this process management philosophies such as TQM also need regular adaptation. This may require changes to the way TQM is implemented, and even to some of its principles. In brief, no part of the TQM philosophy should be cast in stone, apart from its aim to do things perfectly all the time.

The challenge for management is to combine the good principles of TQM with good elements of LOA, BRE and other philosophies which may be developed from time to time and which may have elements of merit in them. No management philosophy can, on its own, meet the challenges of continuous change.

Organisations must take into account, and must study, criticisms made against TQM. There can be no doubt that, inherently, TQM can form the foundation of good management practices within an organisation. However, if it is seen as a rigidly imposed and inflexible system, management and staff will have limited loyalty to it.
TQM in the 21st century will focus less on theory and more on implementation. Implementation of TQM in the 21st century will have to take into account that:

- organisations are operating in a continuously rapidly changing environment;
- systems and processes will have to be adaptable and be able to change quickly, which inherently means that rigid documentation systems which are inflexible and require drawn out change procedures can no longer be tolerated;
- bureaucracy will have to be eliminated and central quality control departments will no longer be able to fulfil needs of changing circumstances;
- management will have to accept that management compensation will be linked to performance, particularly market and profitability growth, while satisfying the reasonable demands of all stakeholders of the organisation;
- relationships with outside partners will have to be extensively developed and can not only be referred to. This will go much further than ensuring that supply partners have quality systems in place which meet the requirements of the company. It will involve bringing them closer to the organisation to ensure that products/services get to the organisation quicker. It may even mean that products from suppliers move directly to customers of the organisation, that parties develop products together and the integration of marketing and financial planning processes;
- entrepreneurship is not removed from the organisation but becomes part of the culture of the organisation. This means that management must not impose a TQM system on the organisation which drains entrepreneurship from it but rather use the system in such a way that it encourages people to develop within the organisation;
- employees become committed to TQM. The proper use of teams will be important. The responsibility of management will however be to ensure that employees feel secure in the organisation. Management must use teams in such a way that staff are truly empowered, which ultimately means they have the knowledge, experience and insight to have confidence in their own abilities; and
- IT and logistics are going to become increasingly important. Management will have to implement processes to ensure that information is managed in such a way that reaction time is quick and that IT gives it what it wants. Information flow will have to be managed. At the same time processes will have to be developed to ensure that products reach customers as quickly as possible and the design of services will have to focus on the design of delivery systems which meet this challenge.
Management must take into account all the principles discussed in this study, the main elements of which are summarised in sections 8.2.1 to 8.2.5 below.

8.2.1 **TQM IS ONE ELEMENT OF ORGANISATIONAL EFFECTIVENESS**

To achieve TQM, managers must accept that they should borrow from other philosophies that which is good and incorporate it into their TQM strategies. If a philosophy such as the LOA has good elements in it, then these must be incorporated into the TQM approaches of the organisation. TQM proponents must accept that TQM cannot be a rigid and inflexible philosophy. The lack of love which is often perceived to be part of TQM can be overcome by recognising that humans are ultimately responsible for the effective implementation of TQM. This philosophy should in any case be part of TQM but is often ignored in its implementation. Heightened awareness must be created amongst managers that a shared vision is vitally important for successful TQM implementation and management must be pulled towards this. More attention must be given to the integration of all the elements of TQM in organisational thinking and culture.

8.2.2 **MANAGEMENT'S ROLE IS VITAL**

In chapter 3, it is highlighted that responsibility ultimately rests on management to implement TQM properly. Management must accept this challenge if the organisation wants to become successful in the 21st century. It must however not blindly follow the current principles of TQM but must take from it that what is good and combine it with those elements of other systems which are also good. In this process it adopts the principles to achieve TQM set out in section 8.1 above namely leadership, quality systems, quality tools, aligning areas and proper implementation and draws into this elements of other philosophies which can help it achieve total quality.

Management will have to understand that for TQM to work the following factors are important:

- Management must accept that it cannot talk itself into TQM and that TQM rhetoric will not lead to successful TQM implementation. It must accept the challenges posed by TQM and must develop ways to meet them. It must manage the paradoxes in the TQM environment and accept that the ultimate challenge is on maintaining TQM as a driving, adaptable and efficient system.
- Management will have to become highly future focussed and will have to anticipate changes on a continuous basis.
Management will have to accept that they must understand all facets of TQM for them to implement it properly. The ramifications of TQM must be fully understood by management if they really want to implement it properly.

Every step management take in implementing TQM must be aimed at building relationships with customers and other social partners.

Management will have to accept all the other challenges discussed in this study, namely:

- building a shared vision;
- encouraging creativity while being consistent in everything;
- focusing on continuous process improvement but making breakthrough change an important part of the job;
- using autonomous work groups while ensuring careful and uniform control of product and service quality;
- building work teams but welcoming conflict when critically analysing ideas;
- setting realistic yet challenging goals but using stretched targets to improve performance; and
- rewarding team effort but creating a high performance climate for individuals.

Management will have to accept that it can only implement TQM properly if it develops its staff and management properly. It will have to accept that TQM does have an element of human cost to it and will have to address the negative consequences which might flow from TQM. Open cards will have to be played with staff and challenges presented by TQM will have to be faced together.

Ultimately, it is only the core value leader who makes CVD part of his own personal management philosophy who will be able to implement TQM properly. This leader will be able to give his/her trust to people who he/she knows are able to meet the challenges posed.

8.2.3 RECOGNISE THE CHALLENGES AND ANTICIPATE CHANGE

The ultimate aim of the organisation is to retain its customers and to gain new customers. The service organisation relies on people to achieve this even in a rapidly changing economic environment where IT is becoming increasingly important, the human element of service provision is still extremely important. Humans are ultimately responsible for developing IT systems which are used to help with service provision and are ultimately involved in the service delivery process. Humans do not "act" and "do" like personal computers (PC's). Each human is a unique person with his/her own strengths, weaknesses, fears and aspirations. The service provider of the 21st century must use this diversity within a TQM environment to its optimal benefit.
At the same time, the service provider of the 21st century must recognise that the face of the services is undergoing dramatic changes and that:

- services will in future, to a larger extent than in the past, be inventoried;
- services will in future be less time-dependent than in the past;
- services will in future be less location-dependent than in the past;
- design of services, must take into account that the use of IT will, on the face of it, require less consumer involvement than in the past, but consumer involvement is going to be vitally important to ensure that what is designed meets consumer requirements;
- consumer behavior can, to a greater extent than in the past, be anticipated and even be changed according to the organisation’s need by using IT effectively; and
- contact with customers will have to be made by highly specialised individuals who are, to some extent, experts in all the services and products the organisation offers.

These challenges will be met in an environment where rapid entry of competitors will be more the rule than the exception. The growing importance of IT, the internet and e-commerce, make it possible for organisations to compete with existing organisations at relatively low competitive entry barriers. Organisations providing an exceptional service will be the only ones to survive. These are organisations whose CVD incorporates the elements required for the 21st century profit service chain as set out in figure 4.4.

The 21st century service profit chain will have to be developed around the customer and the customer will have to be placed in the centre. The ultimate aim of the organisation is to retain customers. This can only be achieved by developing systems and processes with the customer in view. The organisation will have to ensure that its processes, whether it be for internal service quality, employee satisfaction, employee retention and external service value meet the aim of gaining and retaining customers.

To achieve this, the organisation will have to take steps to continuously improve service quality by:

- listening;
- providing a reliable service;
- providing a good basic service;
- designing services properly;
- developing strategies to cope with service failures;
- surprising customers;
- being fair to all role players including customers, staff, suppliers and others;
- teamwork;
- involving employees in research and getting feedback from them; and
- servant leadership.

The successful service organisation of the 21st century will accept that it can only implement TQM properly if it designs its services with the customer in the centre. It will have to accept that talking about placing the customer in the centre is not enough. The design process, whether it be of the QSS or the service itself, will have to take this aim into account. The organisation will therefore have to accept that:

- there must be an unwavering commitment at all levels in the organisation towards TQM;
- profound knowledge must be gained of the organisation itself, its customers, its processes, the service operation and the service workers;
- a strategic service vision will have to be set which will be future orientated;
- service levels must be established to which there must be an unwavering commitment; and
- implementation will have to be done properly in an environment which can adapt quickly to changing circumstances and which gives staff the necessary freedom to feel that they are part of the process.

In developing a specific service, the organisation must accept that effective delivery of the service involves two elements, namely:

- proper service design; and
- proper delivery design.

Service and delivery design are not mutually exclusive but are integrated into the delivery process. The aim must be to meet the needs of the market and the service and delivery design must aim at meeting this need.

The successful service organisation of the 21st century will use IT as a mechanism to gain as much information as possible from its customers and will deliver the service or product to the customer as quickly as possible. Increasing importance will be placed on processes to gather and use...
information. These processes will have to ensure that they provide maximum information to the
organisation and that response mechanisms are in place which ensure fast efficient reaction to
information so gained. At the same time the organisation will have to develop processes to get
services and products to customers as quickly and efficiently as possible.

8.2.4 EMPOWERING STAFF AND MANAGEMENT

The service and manufacturing organisation of the 21st century must accept that the empowering
of staff through training, CVD and mentorship is going to become increasingly important. Because
the aim of organisations will be to shorten the supply chain between the organisation and its
customers, the organisation will have to use each opportunity of contact with the customers to
maximum advantage. Contact personnel will have to be highly trained individuals who will be able
to communicate with customers on a professional level, supplying them with virtually all the
information they need. In this process IT will be used more extensively than in the past and direct
contact between customer and organisation will focus on situations where the use of IT cannot
supply the answers. Human interaction will be less frequent but much more important than in the
past. The design of the service will have to take this vitally important element into account and
management will have to ensure that staff are so empowered that they can meet the challenges
which this pose.

Teams will have to be truly empowered if they are to be used effectively. This will mean that there
will have to be a commitment from management to train and mentor team members so that
management can trust teams to make the correct decisions. This is a fundamental principle of
CVD. Staff can only take empowered decisions if they are fully empowered to do so. This will
mean that employees will have to embrace TQM and will have to experience TQM in a positive
manner.

At the same time, the organisation will have to pay specific attention to developing its leadership to
ensure that leadership can cope with changing circumstances. The move will be to appointing the
best, whether as managers or as employees, and once this is done, continuous processes of
mentorship must be put in place.

8.2.5 CONTINUOUS ASSESSMENT

Continuous assessment will have to become part of the TQM processes of the organisation.
Assessment must be aimed at determining whether the organisation is, on a daily basis, meeting
its objectives and will not be limited to auditing processes and procedures found in ISO 9000.
Continuous assessment will have to become a way of life for organisations. Information gathered through proper IT systems can be important to assist organisation to assess their activities on a daily basis.

Organisations will have to accept that employees and management must assess their personal performance on a regular basis and will have to implement processes to ensure that this is done.

### 8.3 DELL COMPUTER CORPORATION

#### 8.3.1 HISTORY

Dell Computer Corporation was founded by Michael Dell, its Chief Executive Officer and Chairman in 1984 with US$1000 with the innovative idea of selling computers directly to users. Today Dell Computer Corporation has 36 000 employees and has the largest share of on-line sales of computers at roughly US$40 million daily. Over the last 10 years the company’s stock value has risen over 79 000 percent. In this period, the company:

- unveiled the industry’s fastest performing computer and pioneered the industry’s first 30 day money-back guarantee (1986);
- established its first international subsidiary in the United Kingdom (1987) and opened 11 more international operations over the course of the next four years;
- raised US$ 30 million in initial public offering bringing market capitalisation to US$85 million (1988);
- accumulated excess stock and cancelled an over-ambitious product development program called Olympic (1989);
- jumped into the market for computers sold through consumer retail stores and was also the first to exit this market (1990);
- converted its entire product line to the highest performing Intel 486 micro processors demonstrating its commitment to rapidly delivering the latest technology to its customers (1991);
- achieved US$ 2 billion in sales for the fiscal year in January of 1993 representing a remarkable 120% increase (1992);
- posted its only quarterly loss resulting from a temporary withdrawal from the notebook market and made liquidity, profitability and growth its company mantra (1993);
- launched its notebook line with record-breaking battery life and opened its first operations in the Asia Pacific region (1995);
challenges the traditional market for premium priced service, based on propriety
technology, with the introduction of its power edge TE server line, which within 2 years
launched Dell from the 10th position in market share to the 3rd largest server vendor in the
world;
- achieved US$ 1 million sales per day by selling custom built computers over the internet
(1996);
- topped US$ 12 million per day with internet sales (1998);
- became the number 1 PC company in the United States and opened manufacturing
facilities in a number of countries; and
- topped sales via the internet- US$ 35 million per day (1999).
(Dell 1999 : xiii-xvi).

This remarkable company has used the internet to increase sales hugely. The strength of Dell lies
in that it enables people to buy directly from Dell, ordering exactly what they want and having it
delivered to their door in a matter of days. This is a simple recipe but which requires a huge
commitment to IT and information gathering as well as logistics. The principle behind Dell's
success is to shorten the line between itself and its ultimate customers. But it goes further – it
enables purchasers to buy exactly what they want. Dell, to a large extent, supplies on order while
traditional PC suppliers supply to retail outlets what they think purchasers want. Obviously, one of
the greatest challenges Dell had to overcome, was to deliver products custom made to customer
requirements quickly. Many people argued that this is impossible, particularly in a PC environment
where retail outlets are needed to supply to customers, to solve problems with customers and to
communicate with customers. Dell went the opposite way. It developed systems to meet these
challenges and thereby gained a huge competitive advantage over its competitors.

Dell's principle products include desktop PC's, notebook computers, workstations and servers. It
also markets a number of products made by other manufacturers including CD-Rom drives,
modems, monitors, networking hardware, memory cards, storage devices, speakers and printers.

The company manufactures on a mass production line custom-make computers which the
customer receives, often within eight days after order. The advantage of customising is that Dell
can capitalise on lower component prices and incorporate the latest technology virtually on
demand. Other competitors must often wait for computers to move out of their retail outlets before
newer technology computers can be introduced. At this stage, average stock-holding in Dell is
measured in days and not in months while in the case of Dell's competitors, they are lucky to achieve a three months inventory.

8.3.2 FINANCIAL RESULTS

The growth in sales and net income of Dell for the period 1988 to 1997 is set out in Table 8.1 below:

TABLE 8.1  DELL – SALES AND INCOME 1988 TO 1997

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales ($ mil.)</td>
<td>54.0%</td>
<td>159</td>
<td>258</td>
<td>389</td>
<td>546</td>
<td>890</td>
<td>2.014</td>
<td>2.873</td>
<td>3.475</td>
<td>5.296</td>
<td>7.759</td>
</tr>
<tr>
<td>Net Income ($ mil.)</td>
<td>56.6%</td>
<td>9</td>
<td>14</td>
<td>5</td>
<td>27</td>
<td>51</td>
<td>102</td>
<td>-36</td>
<td>149</td>
<td>272</td>
<td>531</td>
</tr>
<tr>
<td>Earnings per share ($)</td>
<td>-</td>
<td>-</td>
<td>0.07</td>
<td>0.03</td>
<td>0.12</td>
<td>0.18</td>
<td>0.33</td>
<td>-0.14</td>
<td>0.4</td>
<td>0.67</td>
<td>1.39</td>
</tr>
<tr>
<td>Stock price – FY high ($)</td>
<td>-</td>
<td>-</td>
<td>1.05</td>
<td>0.8</td>
<td>1.95</td>
<td>3.02</td>
<td>6.23</td>
<td>6.14</td>
<td>5.97</td>
<td>12.34</td>
<td>36.19</td>
</tr>
<tr>
<td>Stock price – FY close ($)</td>
<td>59.5%</td>
<td>-</td>
<td>0.79</td>
<td>0.39</td>
<td>1.89</td>
<td>2.66</td>
<td>5.78</td>
<td>2.75</td>
<td>5.33</td>
<td>6.84</td>
<td>33.06</td>
</tr>
<tr>
<td>Employees</td>
<td>31.3%</td>
<td>1.175</td>
<td>1.500</td>
<td>2.050</td>
<td>2.970</td>
<td>4.650</td>
<td>5.980</td>
<td>6.400</td>
<td>8.400</td>
<td>8.400</td>
<td>10.35</td>
</tr>
</tbody>
</table>


As can be seen from Table 8.1, Dell has a very positive growing trend and had an average annual sales growth of about 54% up to 1997. Lamarche (1998: 9) points out that an investor who invested US$ 1000 in Dell at its initial public offering would have received US$ 373 588 when the stocks split on 2 November 1998.

For the fiscal year ending 1 February 1999, the sales revenues were US$ 18.2 billion against US$ 12.3 billion for the 1998 financial year. Between 1997 and 1999 sales accelerated even more than in the past which is due particularly to the increased use of computers being ordered via the internet.

8.3.3 DELL’S CORE COMPETENCIES

A question which can be asked is how Dell has achieved this phenomenal growth rate. To a large extent, Dell has accepted many of the challenges posed in this study with emphasis on placing the customer in the centre. The core competencies of Dell are:

- the direct sales model;
- using the internet;
- developing processes which meet its unique selling model;
- developing people; and
forging alliances.

These are dealt with in sections 8.3.3.1 to 8.3.3.5.

8.3.3.1 THE DIRECT SALES MODEL
From its inception, Dell concentrated on supplying PC's directly to its customers and by-passing the retail stores. During 1990, it used stores such as Comp USA and Best Buy to sell its PC's. It however subsequently determined that the retail store model did not meet its financial objectives and concentrated on direct selling to its users.

8.3.3.1.1 How direct selling works
In the past, the computer industry was dominated by large corporations such as IBM and Apple. At that stage innovation was in the product and not in the way it was marketed and sold. The computer industry is a rapidly growing industry which is mainly due to the introduction of new software and the steady decreasing costs of computers. Lower cost means that many people are able to own computers. Because of rapid development and technology, the speed of computer chips has been doubling virtually every 12 months and Intel's processors have been evidence of this since it developed its 386 chip. These new chips require users to replace their computers more often and Dell, like many other manufacturers, is eager to comply.

A question which can however be asked is whether consumers are going to be happy with this trend on a continuous basis unless large reductions in computer acquisition costs are made. The results of Dell Computer Corporation in 2000 contained a warning that sales will not continue to grow as fast as in the past, while the share price also declined. Any company must therefore realise that, whatever its success formula, there can never be a guarantee of continuous growth.

Organisations can choose to sell PC’s either through:
- retail channels;
- speciality sellers; or
- directly.

The main advantage of a retail channel is that people can physically touch and see the product they are about to purchase. The disadvantage is that the traditional retail channel might be convenient for a first time buyer but once people become more knowledgeable about computers they do not need to purchase them through retail outlets because they know what they want.
Specialty sellers get computers from the manufacturer and then sell or distribute them along with certain services that the customers need and that the manufacturer does not provide such as technical support, repairs, delivery, training, installation and consulting. The main advantage of this is the extra services which they offer. The main weakness of the specialty sellers is the extra cost which is passed to the consumer. In addition, the specialty seller, like the retailer, must guess what the consumer wants and must stock it. This is particularly important in the case of the PC computer industry where rapid changes in technology might render stock obstinate fairly quickly.

8.3.3.1.2  **Dell's recipe**

Companies such as Dell sell computers directly to the consumer. Dell was the first company to sell computers directly to the consumer and pioneered this sales technique. The direct selling model is superior because it cuts out the middle-men and it helps meeting customer needs. In addition, Dell offers the consumer the ability to get exactly what he/she wants. A PC is custom made according to the customer's specification. Because there is direct contact between Dell and its customers, it allows Dell to keep in close contact with its customers. This enables them to find out exactly what customers want and, to a large extent, anticipate customer needs. The disadvantage of direct selling is the fact that a large number of consumers still wish to purchase from retailers or specialty stores.

Flanagan (1998: 8) comes to the conclusion that companies such as Dell who use the direct sales model and the internet are going to prosper in future. The reason for this is that these companies are technology focused and are able to reduce costs, provide custom made products to meet the demands of consumers and are accessible to an increasing number of people. According to Flanagan, it will not be long until there are very few first time buyers of PC's to help organisations such as Packard Bell and other companies that are not technology focused and they will continue to lose ground to the innovative direct sellers. Many of Dell's competitors such as Compaq, IBM and Hewlett Packard are changing their traditional strategies to include aspects of direct selling. They will possibly stick with their traditional distribution and selling channels but will expect that many of their distributors will offer custom configuration capabilities. This is referred to as channel assembly which will lower the costs and risks associated with obsolete or value decreasing inventory and will enable them to meet customer needs. This is a threat to Dell but it has taken Dell many years to perfect direct selling and it will possibly take the competition even longer because of the existing inefficient channels.
When Dell moved out of using the retail channel to sell its PC’s, it did so because it could not compete. It became a success by avoiding the extra costs of distribution and selling quality products at lower prices than its competitors. It builds a PC when its tele-sales, web page or corporate sales team has taken an order and is in most cases paid cash. By doing this prices of competitors are undercut and stock is kept at a minimum level. Dell's direct and just-in-time models, fit well together. It had to develop extensive IT applications which ensure that raw materials arrive at the manufacturing line as they are needed. To enable it to do this, Dell had to develop loyal and reliable suppliers and it uses electronic data interchanges to keep in close contact with its suppliers. All orders are placed electronically and leads to substantial reductions in cost. This has enabled Dell to have the highest stock turnover ratio in the PC industry and the lowest stock in the industry. On average, it replaces its inventory 46 times a year. Flanagan (1998 : 12).

8.3.3.2 PLACE THE CUSTOMER IN THE CENTRE

The philosophy of Dell has always been to place the customer in the centre. It does this in a number of ways namely:

- **Focus on the customer not on the competition.** Dell focuses on its customers. Dell (1999 : 200) states “Companies that are successful today and, perhaps more importantly, companies that will be successful tomorrow, are those that can get closest to their customers’ needs. By focusing on their customers, they can actually choose on an ongoing basis which products and services to offer at any given time which hold the best value for customers. The fact that organisations such as Compaq and IBM have announced that they too would start selling directly is indicative that they are in fact acknowledging the superiority of the Dell system in working with customers”.

- **Listen to the customer.** From the start Dell’s entire business, from design to manufacturing to sales, was orientated around listening to customers, responding to customers and delivering what the customer wanted. Their direct relationship, first through telephone calls, then through face-to-face interactions and then through the internet has enabled it to benefit from real time input from real customers regarding product and service requirements, products on the market and future products they would like to see developed (Dell 1999 : 22).
**Differentiate per customer not per product.** Dell, at the early stage, realised that they had to focus on the customer. However, the focus was not just on any customer but a specific type of customer. Dell realised that there is a big difference between selling to large corporations and selling to individual consumers. They therefore hire sales people who have experience to sell face to face to large corporations and others who become specialists in selling to small companies and individual consumers. Once they started selling via the internet, the same customer differentiation remained part of their strategy. Their web page differentiates per customer i.e. smaller companies from larger companies, governments, educational institutions and individual consumers.

A clear distinction is made between product differentiation and consumer differentiation. The choice was consumer differentiation. Dell (1999: 72) makes the point that if management organises a company like Dell around its products, it has to assume that the people who run the business know everything there is to know about customers who buy those products. That is a very big assumption. But believing that an organisation that is focused on a particular type of customer knows everything about that customer is a lot easier to fathom. The organisation then realises that there are different types of customers and focuses on the customers. Dell believes that this is the right way of segmenting because the majority of the company's costs are incurred in serving the customer. The responsibility for satisfying the customer is ultimately shared throughout the company. The company however remains aware of performance of individual products (Dell 1999: 73).

Customer segmentation has allowed Dell to see the growth rates, profitability, service level performance and market share in each unique segment and to adjust their activities accordingly. The focus is on businesses that grow quickly and earn a reasonable profit, not either one of the two. By segmenting by customer the organisation can evaluate their return on invested capital in each segment, compare it with other segments and target what the performance of each should be (Dell 1999: 74).

But Dell took customer segmentation even further. Product lines were segmented to align them with different customer groups. Specific lines are dedicated to specific market segments. This applies to their desk tops as well as to their notebooks which are segmented into corporate users and home and small business users. Even within a market such as the education segment, product differentiation is implemented.
Segmentation draws customers closer to Dell. It enables them to understand their needs and to operate in an environment that keeps on providing information that is paramount to Dell’s strategy. In fact, “The more we segment, the sharper our focus, so that we can tailor products, services and support specifically to each segment” (Dell 1999 : 151).

- Communicate. It is vitally important for Dell to communicate with its customers. Direct selling allows Dell to keep close track of the purchases of its large global customers, country by country and department by department. Maintaining close customer relationships allows Dell to become quite knowledgeable about companies and how their PC networks function. Dell uses the information to help customers plan their PC needs and to add to the value it delivers to its customers. For example, Dell recognised that when it delivered a new PC to a corporate customer, the customer’s PC personnel had to place asset tags on it and then load the software from an assortment of CD-Rom diskettes, a process that could take several hours. Their solution was to load the customer’s software onto one of its own large Dell servers at the factory and when a particular version of a customer’s PC came off the assembly line, they used the high speed server network to load that customer’s software onto the PC’s hard disk in a few seconds. If the customer so desired, Dell would even place asset tags on the PC at the factory (McGraw Hill 1997: 5).

In addition, Dell started using technology and information sharing with both supply partners and customer to blur the traditional arms length boundaries in the supplier/manufacturer/customer value chain that characterised Dell’s earlier business models and other direct sell competitors. This Dell calls virtual integration. On-line communication technology make it easy for Dell to communicate inventory levels and replenishment needs to suppliers daily, or even hourly.

In some cases, some of the corporate accounts are large enough to justify dedicated on-site teams of Dell employees. Dell also uses regional forums to stimulate the flow of information back and forth with customers. Customers and executives attend meetings at which Dell's senior technologists share their views on the direction of latest technological developments. By using the direct relationship marketing concept, coupled with the increased use of the internet, Dell gets real time input from its customers regarding their product and service requirements, their views on various products in the market and their response to company advertising. This input, according to Dell, gives the company a
competitive advantage in tailoring its product offerings and communication programs to meet customer's needs (Dell 1999: 31).

The organisation places emphasis on service and speed which it regards as the next competitive frontier (Dell 1999: 139). Dell's focus is to become the customer's advocate. They create on-line service and real time focus groups, have out bound call surveys that solicit feedback, and they respond to it. Every day literally hundreds of thousands of phone calls, e-mails from the internet, cards, letters and faxes come into the sales and support teams of Dell. In addition, specialists are in direct contact with customers on a daily basis. Sales and support teams are encouraged to become advocates for their customers. Dell argues that to win as a customer focused company, you need to use the information you gain to forge a strategic partnership (Dell 1999: 157).

A key to the above is integrating virtually. The concept behind virtual integration is to use direct connections, enhanced by technologies like the internet, to bring customers virtually inside the business so that the organisation can meet the their needs faster and more efficiently than anyone else. To achieve this, the organisation must develop systems to ensure that it is flexible and is able to respond to a broad spectrum of customer needs the moment they utter them. To achieve this a number of strategies have been developed by Dell namely:

- spend time with customers where they do business. This enables the organisation to learn about customer needs;
- create a total customer experience by approaching a problem or possible solution holistically;
- create opportunities for shared savings;
- become a valued advisor;
- help sort through the hype (advise customers that certain things just can't be developed because it is impractical); and
- turn customers into teachers. The organisation therefore endeavors to learn from its customers.

- **Rely on quality.** Quality is another big differentiation in the Dell strategies. Dell focuses on quality and in this regard forms a close relationship with its suppliers, teaching them its
requirements, assuring testing and validation data and driving them towards continuous improvement (Dell 1999: 24).

**Performance and time (speed) to market.** Performance and speed of delivery to the market are huge differentiations and highlights the efficiency of what Dell is doing. The company places high priority on logistics. Information is used to create a competitive advantage in the value chain. Because Dell builds its computers, work-stations and servers to order, very few are produced for inventory. Orders are directed to the nearest factory which uses the cell manufacturing technique, whereby a team of workers operating as a group (or cell) assemble an entire PC according to customer specification. This has lead to a 75% reduction in assembly times and doubled productivity per square foot of assembly space (McGraw Hill 1997 – Dell's Computer Strategy : 5). Assembled computers are tested, loaded with the desired software, shipped and typically delivered within five to six business days of the initial order.

The direct sales strategy means that Dell had very little stock of finished goods and does not have to wait for resellers to clear out their own stock before it can push new models into the marketplace.

To ensure that it receives stock in time, Dell partners with reputable suppliers of PC parts and components. Long terms partnerships are entered into with reputable suppliers which ensure quality of performance of Dell's PC's. Dell's strategy is to partner with as few outside vendors as possible and to stay with those vendors as long as they maintain their leadership in technology, performance and quality. Because Dell is committed to purchase a specified percentage of its requirements from each of its long term suppliers, Dell is assured of getting the volume of components it needs on a timely basis.

Dell even uses the engineers of its suppliers which it treats as part of Dell and when new products are launched the suppliers' engineers are stationed in Dell's plants. Dell's long-run commitment to its suppliers laid the basis for just-in-time delivery of supplier's products to all Dell's plants. To ensure that its suppliers are committed to it, it shares its daily production requirements with its suppliers. Dell's just-in-time inventory emphasis yielded major cost advantages and shortened the time it took for Dell to get new generations of its computer models into the market place. Because of the rapid advances in computer technology, this ensures that Dell does not sit with obsolete stock.
The economics of minimum inventories were dramatic. Dell supplies data on inventories and replenishment needs to its suppliers at least once a day and, in some cases, such as components being delivered several times from nearby sources, hourly. This lead to Dell holding on average seven to eleven days components in stock.

Utilising sophisticated data exchange systems, Dell arranges that computers, for example, are picked up at some plants and monitors at the supplier’s plant and then matches the customers computer order with the customers monitor order and delivers both to the customers simultaneously. In addition, the company has over the years refined and improved its inventory tracking capabilities and its procedures for operating with small inventories. In 1993 Dell had US$ 2,6 billion in sales and US$ 342 million in stock. In 1998 it had US$ 12,3 billion in sales and US$ 233 million in inventory which meant a stock turn ratio of seven days (McGraw Hill 1997 - Dell’s Computer Strategy : 3). Dell’s current goal is to get its inventory stock turnover down to 3 days.

### 8.3.3.3 USING THE INTERNET

According to Flanagan (1998 : 12), Dell is a perfect example of a company fully using the technology drivers in the computer industry. By using the internet to sell direct, in addition to providing lower cost and custom built products to meet the specifications of consumers, it also provides the consumer with convenience and simplicity when purchasing computers. All that is needed is access to the internet and a limited knowledge of computer hardware. According to Flanagan, companies like Dell that sell computers through the internet are going to benefit in the future at the expense of retail stores and speciality sellers. The fact that Dell started selling computers through the internet is the single most important factor that pushed Dell to number 3 in the world and number 2 in the US in PC sales. They are currently the number 1 direct PC seller and, according to Flanagan, they will soon be the number 1 PC seller. Dell continuously upgrades and improves its internet site. It’s web site is detailed and attractive and is easy to use, accurate and quick.

Dell believes that the internet has brought the face of change that was experienced in the technology industry to all industries and with much greater intensity (Dell 1999 : x). According to Dell (1999 : xi) the deployment of the internet has just begun. The internet dramatically increases the speed at which new business emerge and become established and puts control firmly in the hands of the buyer, not the seller, as geography and physical location become irrelevant to price and product selection.
According to Dell (1999 : xii) velocity with the compression of time and distance backward into the supply chain and forward to the customer, will be the ultimate source of competitive advantage in the future. The internet must be used to lower the cost of developing links between manufacturers and suppliers and manufacturers and customers. This will make it possible to get products and services faster to the market than before. Efficiency and execution will be at least as important as products and services.

Dell has used the World-wide Web as a link to its customers to supply them with all the information they need to buy and manage their computers and to do it in real time. Dell uses the internet to enable its customers to research, configure, price and order products on-line but, in addition, customers can use the internet to check the status of their orders as they move down the manufacturing line. Questions about how PC’s work can go directly to support pages where customers can have access to all information that Dell’s own technical support teams have. The one to one nature of internet transactions meant that Dell could increase their sales without drastically increasing the company’s head count because the company’s sales people can devote more time to higher value activities rather than to mundane tasks.

Dell’s original aim was to integrate the internet into every part of its business model. To ensure that this happened, extensive training was done within the company to ensure that all staff bought into the model. But Dell also had to convince its customers, particularly the bigger ones, that this was to their advantage. It created so-called Premier pages which gave targeted companies internet access to password protected customer specific information about Dell’s products and services. Customers can configure a price and buy a system at the agreed price and can inventory stock through detailed account purchasing reports by group, geographic location, product, average price and total dollar value so that they can better manage their assets. Dell therefore aims at giving added value to customers.

When Dell first began using the internet to expand its business they had three basis objectives in mind, namely:

- to make it easier to do business with Dell;
- to reduce the cost of doing business with Dell; and
- to enhance their customer relationships.
Many people believe that Dell wouldn't make it on the internet. In 1999 Dell was selling more that US$ 35 million per day over the internet and the internet has become part of the business mainstream (Dell 1999 : 101). But for Dell, on-line commerce was only the beginning. Because they viewed the internet as part of their IT strategy, they started to view the ownership of information differently. Rather than closely guarding their information databases, which may take them years to develop, they use internet browsers to essentially give that same information to their customers and suppliers, bringing them literally inside their business. This became the key to what is known as the virtually integrated organisation i.e. an organisation linked not by physical assets but by information. “By using the internet to speed information flow between companies, essentially eliminating inter-company boundaries, it would be possible to achieve precision and speed to market for products and service in ways not being possible before. It would be the ultimate business system for a digital economy” (Dell 1999 : 102).

8.3.3.4 DEVELOP PEOPLE

A study of Dell (1999) reveals a commitment to people development within the organisation. The core of what ties Dell together is the belief in their direct model. In people terms, that translates into responsibility towards one another, accountability for results and an appreciation for facts and data (Dell 1999 : 108). According to Dell, any person hired by the organisation must be completely in sync with the company's business philosophy and objectives. This does not mean herd thinking, but everyone is mobilised around a customer-oriented focus.

The organisation's aim is to hire, based on a candidate's potential to grow and develop. Dell looks for people who possess the questioning nature of the student and are always ready to learn something new (Dell 1999 : 110). Dell's segmentation policy means that staff focus on a specific target which in most cases means more growth. Job segmentation means that a business unit may be divided in some way that makes the newly segmented structure more manageable and more sharply focused to the business opportunity. Where teams are used they are aligned towards a common objective and the same incentive system is created across the entire company to help drive this point home. The more efficient the team is, the more they stand to gain. Managers are encouraged to meet with customers and attend meetings about products and procurement technology. Managers stay involved in the details which allows for rapid decision making because they know what is going on.
The company continuously seeks and searches for the best people to employ and cultivates a commitment to personal growth. Attention is paid to what the best people are achieving and an infrastructure is built that rewards mastery.

Dell actively endeavors to create a culture in which every person in the organisation, at every level, thinks and acts like an owner (Dell 1999 : 121). Dell (1999 : 136) states that to achieve this, the following objectives are set:

- learning must be looked at as a necessity, not a luxury. Leaders are encouraged to learn continuously;
- study the obvious for the non-obvious solution. Ask customers how they would like to see a problem solved;
- accept failure as long as it creates opportunities;
- constantly questioning;
- communicate the goals of the organisation to everyone; and
- treat all employees as owners.

Dell’s philosophy has always been to look for the best people and the following quotation of Michael Dell, the Chief Executive Officer of Dell Computer Corporation, emphasises this in Dell (1999: 60) “I’ve always tried to surround myself with the best talent I could find. When you are the leader of a company, be it large or small, you can’t do everything yourself. In fact, you can’t do much of anything by yourself. The more talented people you have to help you, the better off you and the company will be”.

8.3.3.5 FORGE ALLIANCES

Dell has always endeavored to forge new alliances with its suppliers and its customers. By forging alliances with their suppliers, they can leverage on suppliers’ expertise which allows it to scale their business very quickly without having to become an expert in specific fields of technology (Dell 1999 : 173). When a relationship is entered into with a supplier, clear expectations for quality is shared (Dell 1999 : 174). Suppliers are encouraged to move closer to points of supply but should they do so they know that stock will be purchased from them. The aim of the organisation is to invest in the mutual success of both parties (Dell 1999 : 182). Dell teaches suppliers about their business and supplies as much information to them as possible. Web-based links have been created for each of their suppliers which facilitates the rapid exchange of information including component quality as mentioned by Dell’s own metrics and current cost structures (Dell 1999 : 190). The internet has enabled the company to give immediate transmission of quality data. They
receive data on product quality every minute of the day and this information is sent back to their suppliers. By informing suppliers about quality data, it encourages them to improve their own quality systems (Dell 1999: 191).

8.4 DELL COMPUTER CORPORATION AND TQM PRINCIPLES

Although not focusing on TQM, many of the principles and methodologies used by Dell Computer Corporation fit the TQM principles discussed in this study. Of particular importance is the acceptance of the reality that IT and the accompanying logistics is going to be vitally important for organisations in the 21st century. What must, however, be accepted is that IT on its own is not good enough. The power of IT cannot be fully exploited to create competitive advantage without a simultaneous co-evolution of organisations and processes. Organisations of the 21st century will have to adapt themselves and their processes to meet the demand of IT. Processes transform input and/or raw materials into value in the form of products. Within the value creation process, there is a flow of information. This is set out in Figure 8.1 below.

Figure 8.1 INFORMATION FLOW IN THE VALUE CREATION PROCESS

Incoming Logistics

Processes/Manufacturing

Outgoing Logistics

Feedback

Sales

Marketing and Sales Interaction

Service

Customers

Order

(Request for service)

The value chain concept postulates that competitive advantage can be better understood and improved by breaking down the value creation process depicted in Figure 8.1 into its constituent parts so that the contribution of each activity into the firm can be assessed. Primary value creating activities include manufacturing and production, marketing, sales and service and logistics. Activities, which contribute to the value creation process by playing a supporting role, include technology development, financial and human resource management and general infrastructure.

With the rapid advancement of IT, the organisation must, if needed, adapt its processes to ensure that it keeps up with advances in IT. The organisation must understand that the organisations of the future will have to use concepts such as the virtual organisation which brings the necessary people and processes together to accomplish a particular task. Virtual organisations will use virtual operations where individuals collaborate in a virtual domain; virtual integration where companies co-operate with others as if they were a part of a virtually integrated company; and outsourcing, where the company will concentrate on its core activities by divesting itself of activities that must be done but are not core to the company’s expertise and experience.

The lesson which TQM proponents can learn from Dell is that unless there is a total commitment to a specific strategic vision within the organisation and everybody focuses on that, no management system, including TQM, will work. In addition, the organisation must accept that IT and logistics is going to play an increasingly important role in TQM in the near future. The challenge of organisations will be to integrate IT and logistics into the provision of services and the manufacture of products to ensure that products get to customers and buyers as quickly as possible. Organisations will have to focus their efforts on getting high quality products or services to customers as quickly as possible and will have to accept the reality that the use of the internet and IT is going to play and increasingly important role in this regard. Design of processes will have to take this reality into account. Organisational structures will have to become flatter and will have to be able to respond quicker to the needs of the market. All this will have to happen within an environment, which aims to create and deliver a quality product or service. To ensure that this happens, organisations will have to gather information from customers and suppliers and will have to utilise information gained in such a manner that it can add value to both suppliers and customers. These processes will have to be incorporated into the normal service or manufacturing design processes.

Management and staff will have to be extensively mentored and guided to ensure that they understand these principles and make it part of the collective vision of the organisation. The focus
of organisations will have to be to ensure that processes, whether they are for the design of services or products, can be changed quickly to react on information flows received both from customers and suppliers. In addition, organisations will have to ensure that feedback from customers are given back to suppliers and that suppliers become an integral part of the organisation's strategy.

In the past, emphasis was placed on continuous contact with consumers or users but in the future, there will also have to be continuous contact with suppliers because the organisation's speed of movement will ultimately be influenced by how quickly suppliers can react to information supplied to them.

8.5 CONCLUSION

The successful service, and for that matter, manufacturing organisations of the 21st century will be those which accept that the only approach to quality is the perfect approach. Increasing attention will have to be given to leadership development, developing of processes and systems, using quality tools, aligning all areas in the organisation and implementing TQM properly.

Organisations will have to accept that TQM can only work if there is a total commitment to the process and TQM can be rapidly adapted to changing circumstances. Management must regard TQM as one of many tools which the organisation must use to achieve a competitive advantage. In this process, the best principles of TQM must be combined with the best of other management philosophies. The final responsibility for ensuring that organisations meet their ultimate aim, which is to gain and to retain customers, rests with management. Managers and service organisations must accept that many of the historic characteristics of services will change as IT develops and that organisations will gain a competitive advantage through speed of delivery and extensive use of IT. Organisations will always have to place the customer in the centre of their activities and will have to ensure that every process developed is aimed at improving the service to the customer. In this process, organisations will have to ensure that their employees are so empowered that they become part of this objective and take this objective to heart.

The history of an organisation such as Dell Computer Corporation has shown the benefit of such an approach. By focusing on the customer, and using information technology, particularly the internet, Dell has been able to increase sales substantially over 14 years and to become a market
leader in a relatively short period of time. By focusing on its customers, using the power of IT, developing its staff and forging alliances with its suppliers, Dell has been able to build up a highly profitable organisation in a relatively short period of time.

Only those organisations which can meet the challenges of the new information technology age will, in the long run, survive and, in this process, will adapt philosophies such as TQM to the changing realities of the new information age.
Note: Where sources from the internet are quoted, reference is made to the author, year of publication, journal of volume, page number, month, relevant internet source and electronic collection number. Page reference – the text refers to the internet page numbers.


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