

Quality Management and Business Excellence, Customers and Stakeholders – Do we Agree on What We are Talking About, and Does it Matter?

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Abstract

Total Quality Management (TQM) is a management concept used for some decades to improve competitiveness, efficiency and profitability. Originally, TQM was used in the private business sector, but nowadays it is also applied in the public sector and sometimes even on societies. However, the promised successes have not been obtained by sufficiently many organizations. The glory of the quality concept itself is flickering, as is illustrated by “Quality Awards” being renamed to “Business Excellence Awards.” Therefore, new concepts, such as Six Sigma and Lean Production, have been introduced and “sold” as “the solution.”

At the same time, the concerns for environmental, social and ethical issues have influenced the quality movement in different ways. One is that quality management systems nowadays often are integrated with other management “subsystems.” Another example is the focus on interested parties and stakeholders that, during the last years, has influenced the quality movement to adopt a broadened management focus, compared to the customer focus of TQM. Is the Quality Management area expanding toward Business Management—and if so; is that what we want?

The focus of this article is on the current development of Quality Management, whether we agree on the concepts we are talking about—and what influence this might have on the quality movement and quality practice.

Background

For some decades Total Quality Management (TQM) has been used in large parts of the world to improve competitiveness, efficiency and profitability. Originally, TQM was used in the private business sector, but later it has also been applied in the public sector (Bergquist *et al.*, 2005; Svensson & Klefsjö, 2006), and even societies (Svensson *et al.*, 2006; Bergvall-Kåreborn *et al.*, 2007).

However, the promises of success have far from always been obtained, although, for instance, quality award recipients on the average tend to show better financial results than other comparable companies (Hendricks & Singhal, 1997; Hansson & Eriksson, 2002; Boulter *et al.*, 2006). For different reasons, problems have also been identified when the TQM concept has been transferred to the public sector (Zbaracki, 1998).

These and other things have initiated a healthy discussion of the TQM concept and whether TQM is a fit, fashion or fad (van der Wiele *et al.*, 2000).

We can see some tendencies within Quality Management as well as some reasons for this development. New concepts “competing” with TQM about the managers’ interest are offered, the focus on customers are widened to include stakeholders, Quality Management seems widened toward Business Management, and Business Excellence is a concept frequently used today. The aim of this article is to pick up some of these issues and discuss in what direction Quality Management and TQM appears to be going and whether the development is of benefit?

Some tendencies

Here we briefly sum up some tendencies within Quality Management (we will shortly return to the concept of “Quality Management” as such).

Interpretation of the TQM concept

There are many definitions and descriptions of TQM, but several of the proposals are more like vague descriptions than definitions. This issue has been discussed by, for instance, Hellsten & Klefsjö (2000) and Kujala & Lillrank (2004). Foley (2004, p. 24) states that it has for a long time been unclear whether TQM is simply a collection of independent techniques, a management philosophy, a strategy, or a master theory for managing the entire enterprise. However, during the last years there is seemingly a tendency toward agreement on a system perspective of TQM. One such definition is due to Hellsten & Klefsjö (2000), who define TQM “as a continuously evolving management system consisting of core values, methodologies and tools, the aim of which is to increase external and internal customer satisfaction with a reduced amount of resources.” The three components are here interdependent and supporting each other and should support establishing and sustaining a culture based on core values.

Six Sigma

Six Sigma has often been presented as something different from TQM; see Klefsjö *et al.* (2001). However, the concepts share many traits, methods and core values, see Klefsjö *et al.* (2006). Differences exist, Six Sigma programs, for instance, often include a stronger emphasis on monetary success and an elite workforce doing the improvement work, but it is arguable if these and other differences are large.

The rapid growth of Six Sigma in America and slower growth in the rest of the world may indicate that Six Sigma is better suited to the American way of doing business. Gowen (2002) discusses how the Six Sigma concept needs to be adjusted to accommodate different national cultures. Based on a case study Schön (2006) concluded that, although regional cultural differences exist, it was more important to adjust Six Sigma to the internal organizational climate, to be successful.

Lean Production

Lean Production or Lean Manufacturing (sometimes named Toyota Production System, TPS) has also been launched as alternative to TQM (Liker, 2004; Spear, 2004). Also hybrids, such as Lean Six Sigma (Byrne *et al.*, 2007), has been offered. Lean Production is roughly a way to avoid waste in all forms through efficient processes—the focus is on creating customer value. The interest of Lean Production begun with the famous study of the TPS by Womack *et al.* (1990) and has seen a recent upswing trailing the downturn of TQM.

As it can be argued what TQM and Six Sigma is, it could be discussed what Lean Production is—and not the least the western interpretation of it. This is not the place to

analyse Lean Production in detail, but Liker (2004) describes Lean Production through 14 principles which share many similarities with the fourteen points of Deming (Deming, 1986).

Excellence

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

We see this trend of moving from “quality” toward “excellence,” partly since the word “excellence” now being more fashionable than “quality,” but partly also because of the widened focus of the assessment criteria. Gradually, aspects such as societal responsibility and financial status have grown more important, at the expense of organizational processes and results related to customer satisfaction. However, the mix of concepts might add mist to the already foggy view of what quality, Quality Management and TQM are.

Integrated management systems

The integration of management subsystems for issues such as quality, environment, working environment, safety and social responsibility is considered important by many managers and academics. This development might be accelerated by the continuing harmonization of international standards for infrastructural management subsystems, represented by, for instance, ISO 9001 (quality), ISO 14001 (environment), and SA 8000 (social accountability including work environment), see e.g. Karapetrovic (2002).

Although we recognize the organizational benefits of such an infrastructural integration, the integration of management system standards are in our opinion not sufficient to justify the assimilation of the managerial and scientific discipline Quality Management into Business Management. The integration of systems are more as means to reach internal organizational efficiency.

Some reasons for ambiguity and demise identified

Lack of theory

Much of the Quality Management evolution has been controlled by people from the consultant area¹. The lack of theory and the apparent plasticity of a concept that itself should be continuously improved (Hellsten & Klefsjö, 2000) have caused troubles. Foley (2004, p. 35) summarizes the criticism in the following way (and gives a lot of references): “After several decades of vigorous (often evangelistic) promotion and a burgeoning literature, quality management is not universally or even widely accepted, has no accepted or agreed definition, does not have a theoretical framework; has not found a place in mainstream western management literature, has failed to deliver promised result and is riven with debate and confusion over the definition of quality.” It might, however, be argued that the lack of unified theoretical frameworks and agreed definitions are not problems that are unique to Quality Management. The same criticism could be directed toward many management disciplines, for instance, Human Resource Management, Knowledge Management and Service Management.

¹ Although Juran, Crosby and Deming had academic education they did not study TQM scientifically. Shewhart is one exception here.

Dahlgaard-Park (2007) even finds the evolution and transformation of the quality movement to be its strongest indication of vitality and possibly also its best survival strategy.

Universal approach

TQM has often been launched by its proponents as a universal way to achieve competitiveness and financial feedback without taking care of the context of the organization. Factors here are, for example, the size, the organizational sector and the national cultural environment of the organization.

Since the transfers of TQM to new areas and sectors too often have been performed in an unclear way and based on misunderstandings or by people with low pre-knowledge, hindrance have appeared.

Discussions have, for instance, been published by Hansson & Klefsjö (2003) looking at small organizations, Svensson & Klefsjö (2006) discussing the school sector, Fredriksson (2004), Svensson *et al.* (2006) and Bergvall-Kåreborn *et al.* (2007) about TQM on societies, and Schön (2006) and Bergquist *et al.* (2007) about national cultural issues.

Implementation problems

We think that the difficulties of implementing Quality Management have been ignored by many proponents. It is not certain that neither TQM, nor the TQM values with Japanese undertones, or Six Sigma with its American background, could seamlessly suit organizations in other parts of the world, or even suit the culture of a neighbouring firm in similar branches. Managing quality involves a cultural change, a difficulty which seldom given enough attention. Accordingly, the time, resources and work needed during the implementation are frequently underestimated (Lau & Anderson, 1998; Hansson, 2003; Hansson & Klefsjö, 2003).

Many problems related to implementation of Quality Management seem to depend on the consultants who, for several decades, have ignored the many potential political, psychological and behavioural difficulties in organisations. Foley (2004, p. 53) even states that “early quality management literature and presentations were effectively silent on how extraordinarily difficult (and costly) it could be, and how long it could take to implement the behavioural and cultural change quality management demands.”

The scope of Quality Management

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

Customers

ISO 9001:2000 promotes a narrow definition of the customer, internal or external, as an “organization that, or person who, receives a product.” A buyer is sometimes not a customer using this definition, since the buyer and the receiver might be different people. In the Baldrige Criteria “customer” refers to “actual and potential users of your organization’s products and services” (NIST, 2005, p. 61).

Bergman & Klefsjö (2003, p.27) defines customers wider, as “those we want to create value for.” The concept of value is here related to the value chains and not to the financial chains in the organization. Juran’s definition (Juran, 1988, p. 2.3): “anyone who is affected by the product or by the process used to produce the

product,” is even wider. An intermediate definition that may be useful is customers as individuals or organizations being downstream in the product life cycle process, that is, receivers of a product² (Garvare & Johansson, 2007). Individuals or organizations upstream in the same process would accordingly be named suppliers. Customers and suppliers could be internal or external, depending on the organizational boundaries of the actual process. This definition does not refer to issues of financial transfer but only to the transfer of products, such as goods or services. This means, for instance, that owners or stockholders are not included as customers. The customer concept could, of course, also be composed to include the requirement of a monetary transaction, that is, the customer meaning the buyer of a product.

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

Stakeholders

The term “stakeholders” is often credited to Freeman & Reid (1983), although the phenomenon was discussed already by Follett (1918). The term is broadly used to mean those who have “a stake” in the organization. Freeman & Reid (1983) states that “stakeholders” are “any identifiable group or individuals, who can affect the achievement of an organisation’s objectives or who is affected by the achievement of an organisation’s objectives.” EFQM (2007, p.31) defines “stakeholder” as “all those who have an interest in an organisation, its activities and its achievements” whereas NIST (2007, p.65) says that “stakeholders” are “all groups that are, or might be, affected by an organisation’s actions and success.”

We consider stakeholders *those actors that provide necessary means or support to the organization, requisites which could be withdrawn if their wants or expectations are not met*. Inspired by Foley (2005) and the classifications by Garvare & Johansson (2007), we suggest the term *primary stakeholder* to be used for those actors who provide the necessary means or support for the organization, and could withdraw these, leading to significant consequences for the organization. Examples of primary stakeholders could include customers, employees, investors, shareholders, and government.

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

² We want to distinguish between the *product*, the *output*, and the *outcome* of a process. We look at product as consisting of the goods, services and/or information that the process is intended to produce, and outcome as the impact and experience of the total output from the process.

By enlarging focus from customers to the wider concepts of stakeholders and interested parties, much of the Quality Management theory should still be applicable, although modifications might be necessary, see Radder (1998), Garvare & Isaksson (2001) and Edgeman & Hensler (2005).

Quality Management and Sustainable Development

Is global sustainability an issue for Quality Management? In our view, this depends on the definition of the customer. With a narrow customer definition, such as *organization that, or person who receives a product*, some sustainability issues have to be addressed. If we include those *affected by the product throughout its life cycle*, the range of sustainability issues that we need to address within Quality Management increases substantially. If we also include *those affected by our process* as customers, sustainability issues integrates into Quality Management. Note that the Juran (1988, p.2.3) definition of the customer as “anyone who is affected by the product or by the process used to produce the product” implies that the natural environment, neighbours and future generations often could be included as customers.

Quality Management, Total Quality Management and Business Excellence

Another issue concerns the labelling of the concepts that we use. Should we retain the term TQM to describe the current stage of the quality management evolution, or should we try to find another term? Although there are different definitions of quality, many modern definitions include a qualitative and subjective evaluation made by customers, such as, “fitness for use,” “value to customers” or “customer satisfaction and delight.” In our opinion, Quality Management should then be interpreted as management of quality, that is, something close to *customer satisfaction orientated management*. With a narrow customer definition, such as, receivers or buyers of a product, Quality Management clearly becomes an important part of Business Management. This could be compared to other “management areas” within an organization, such as financial management, supply chain management, process management and so on. Using a broader customer definition, Quality Management might be interpreted as *stakeholder satisfaction orientated management*, or even *management for the satisfaction of all legitimate stakeholders and interested parties*. We believe that Quality Management should focus on quality, and while we recognize the need to look wider when running a business, Quality Management to us is not Business Management but an important part of Business Management. We believe that no one gains from a dilution of either concept.

According to EFQM, “Excellence is the outstanding practice in managing the organization and achieving results. Excellent organizations are those that strive to satisfy their stakeholders by what they achieve, how they achieve it, what they are likely to achieve and the confidence they have that the results will be sustained in the future,” (EFQMs website).

In our view, Business Excellence could be an appropriate term to define *excellence in business*. Business Excellence could be achieved partly by combining Quality Excellence with excellence in all other aspects of a business, such as finance, human resources, logistics and organizational impact on society and nature. In line with the reasoning above Quality Excellence could mean *excellence in quality* or *excellence in customer satisfaction*. Quality Management then becomes a means of achieving the goal of Quality Excellence, which in turn should be a means of achieving Business Excellence with satisfied, or indeed delighted, stakeholders and interested parties.

Concluding remarks

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

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

There is a need to establish a better theoretical base for Quality Management. This means, for instance, a common set of definitions within the framework—or at least an honest discussion of the need for a theoretical base. If we, as researchers have too different views, we complicate our research since we then will compare “apples with pears.” Perhaps worse is that we complicate for those who want to improve their businesses.

We have here tried to distinguish between Total Quality Management and what we see as a possible next phase of Quality Management. In our view, Quality Management should focus on customers and their satisfaction, not on the other stakeholders and interested parties that are affected by our products and processes. There are of course essential and perfectly legitimate reasons to address these other parties as well, such as issues of organizational and global sustainability, human rights, financial stability and environmental protection. We believe that to properly attend to these issues, concepts such as Business Management or Stakeholder Management might be more appropriate, see also Bergquist et al. (2007).

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