

Quality! Lessons Applied from Foreign Markets

(Appendix 13)

Foreign markets? What lessons can be learned from foreign competitors to apply to the American market? Truly times have change to where quality does correlate with employee satisfaction as we see corporate America progressing towards a comprehensive "Total Quality Management".

Quality in the Competitive Market

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Introduction: Total Quality Management

After years of dominance by Japanese companies over the American market, Americans are reintroducing quality into their products. Today, Americans are seeing more and more quality made products manufactured in the US. This has been made possible by a large part in the introduction of the philosophy of Total Quality Management (TQM). TQM is a philosophy of management that is driven by the constant attainment of customer satisfaction through the continuous improvement of all organizational processes. Some characteristics of TQM include intense focus on the customer, concern for continual improvement and improvement in the sense of quality being in everything the organization does, accurate measurements, and empowerment of employees. Most TQM programs use teams as an empowerment tool for employees to find and solve problems. This improvement includes people in the line of this process. With the increased involvement by the employees, it brings a higher level of job satisfaction from the employees. This rise in job satisfaction from employees help to produce better quality in the products being manufactured or vast services provided. TQM is a commitment to never being satisfied and a belief that quality can always be improved. These improvements in quality are accomplished by reducing variation in the products or series provided and thus, increasing uniformity. The initial result of this increase in the quality of goods and services is advancement in customer satisfaction. Customers can expect better quality in the products and services provided by companies implementing TQM.

The effects of TQM and employee job satisfaction

Employee job satisfaction is vital to the success of a TQM program. Employees are the "lifeblood" of the company; they are responsible for "getting the ball rolling." Ideally, this will result in setting quality standards for their industry. One of the major reasons for TQM programs' success is the company realizing the employees need more than just a direct deposit every two weeks. As a 180-degree turn from Taylorism, TQM places employees high on their priority list. Federal Express demonstrated this: "Our company always balances the needs of employees, our customers, and our shareholders, considering each in making plans or policies. We consider the effects on our people first when making decisions, recognizing that if we take care of our employees, they will deliver a superior service which our customers will, in turn, utilize" (Hart 135). There are many determinates to job satisfaction. Those that TQM programs emphasize are empowerment, participation, intrinsic motivation, management-employee relations, recognition or reward systems, and job security.

First, empowerment is giving employees greater decision-making authority and responsibility. If correctly completed, empowerment will give employees a greater sense of participation and will strengthen their commitment to their organization (81). In the service industry, this is done through giving decision-making authority to the employee whether it is a hotel clerk, waitress, or cashier. Rather than having to get in touch with a superior, consisting of a supervisor or manager, the employee faced with a customer problem has the authority to give refunds, gift certificates, or discounts, depending on if he or she thinks the complaint is valid. This practice benefits the customer because of lesser periods to resolve conflicts. In the manufacturing industry, employees are given the same authority but towards how the job should be completed. "Studies suggest that employees know their jobs better than management, and that they are better able to make job-related judgments than management" (Stevens 20). In either

industry, low employee morale will result from not being involved in the decision making process. Along the same lines, participation and involvement in the organization as a whole, not just decision-making, can directly increase job satisfaction. Being a part of a group such as a work team or problem solving team can lead to employee's overall goals and objectives. If an employee goes to work everyday, does repetitious tasks, and is never regarded as someone who belongs to the company, the employee will give poor input and will receive low satisfaction from his or her job. "Credibility is lent to the TQM concept that seeking employee input is the best way to improve job satisfaction" (17). The Hawthorn studies "led to the contention that involvement with employees leads to increase in employee morale and improved input" (15).

Due to participation and empowerment, the third determinate is intrinsic motivation. Intrinsic motivation is a motivating factor caused by the feeling received when something is accomplished or done without expecting a reward. Employees need to know why they do what they do. Dr. Shingo, credited with the development of the Toyota Production System, says, "Combination of 'why' and 'how' will increase the employees' ability to produce by increasing their understanding of their job functions and how their particular job fits into the overall scheme of production" (2). If the employee understands "why?", a feeling of pride comes with the work. Under TQM programs, when a product or service is completed, knowing that the quality was emphasized makes the employee feel good about their job. If a company is filled with intrinsically motivated workers, the company will succeed because the employees take pride in their work.

Next, TQM stresses the importance of good management-employee relations. A little more obvious, if an employee dislikes his boss, he or she is much less likely to enjoy going into work each day. "Analysis indicated that the company with a more open industrial climate, as measured by harmony, openness, responsiveness, and little hostility between management and employees demonstrated a lower absenteeism rate, less turnover, and a more effective way to deal with grievances"--overall job satisfaction (21). Most employees have had a boss that they thought was unapproachable. These bosses will never win the Baldrige quality award. One of the criteria for winning is: "Two-way constant communication is a must, and employees must be clear on what is expected of them" (Hart 153). As stated in the introduction, Federal Express not only has good relations, but first priority relations. This mutual understanding of needs creates a bond that keeps personal problems from hindering productivity and allows employees to enjoy their tasks and employer.

In addition, recognition plays a big role in a successful TQM program. "Properly acknowledging the achievements of employees is essential to the continual improvement process" (147). TQM focuses on rewarding those with new quality based ideas. This acts as a motive to search out, do, and continue quality work. By being human, we all have a tendency to want rewards. These needs to be remembered even if the other determinates of job satisfaction are working toward a satisfied employee. If an employee initiates another quality issue to the product, a reward gives him an incentive to continue the quality of work. Therefore, reinforcement theory plays a small part in the overall success of TQM.

Lastly, job security is an important aspect to job satisfaction. If employees are on the bottom of the corporate ladder and constantly hears of possible lay offs, they will find themselves unsatisfied; unlike their rate of satisfaction if they knew their job would last "for years to come." Many TQM companies like Federal Express have a "no lay-offs" policy. It simply reassures workers of their jobs by giving them alternative jobs if one department should fail. TQM can keep from laying people off because the quality of the product or service will bring customers back. By keeping customers satisfied, job security will be enhanced.

Employee job satisfaction is necessary for success in a TQM environment. With complete satisfaction, employees will give their all to provide the best service or product available.

Product reliability through TQM

They say the best never rest, and with TQM in charge of the corporation, they will only continue to improve. TQM is directed toward constantly improving the current product, through the implication of teamwork. Striving for excellence allows TQM employee's to play a major role in the quality of the product, and by placing them in teams, the work load is in turn lightened and efficiency is greatly

increased. It would seem as though, with today's standards being greatly placed on product quality, that an innovative approach to quality management such as TQM is the approach to the future.

This new quality controlled economy is becoming evident to most large manufactures that are now looking toward new ways to manage the one time, single man assembly line. Many companies are beginning to notice the TQM paradigm and are moving full speed ahead with daily quality improvements. Rockwell International began to suffer around 1987, in their Hellfire missiles, due to the Army giving them the worst possible quality analysis ever. They were over 1,744 quality problems with the missiles, threshing a loss of Rockwell's largest account. In desperate measures, management attended a seminar on TQM in hopes to find some solution to their loss of quality control (Velocci 68).

Rockwell managers realized that the entire process or culture of the corporation would have to be reformatted in order for TQM to be effective. The TQM process allowed defects to become isolated and the search for ever-higher levels of quality to be recognized. The employees were given incentives, like product control, and a percentage of cost cuts. The restructure and employee awareness allowed Rockwell to strive for higher quality and product control far better than expected. The effective implications of TQM did not only save the missiles, but made it the most successful product being produced (68).

In reviewing the product from top to bottom, scrap decreased to 75%, deficiency reports brought to zero, and rework dropped 20%. The corporation is now receiving twice the sales per employee and quality has improved over five fold. Since 1987, the employee number has been cut in half, but their production is almost three times more. The cost of the missile has been reduced 25% and customer satisfaction has driven the Hellfire missile to the top of the product chart (68).

In order to understand how TQM affects the product, one must first determine the root of the failures in product quality. In Rockwell's case about 80% were linked to design, and TQM's first change is to the engineering department. Instead of the typical engineers, there is a restructure of the designing department allowing marketers, customers, managers, and even line workers, to directly influence the design of the product. TQM strives to better the product by allowing quality to continually improve the product by a full view of the flaws from the marketing and assembly departments (69). By bridging the communication gap between the employees of the corporation and its executives, this allows TQM to concentrate on quality. Black and Decker realized that the communication gap caused by traditional management took their customer and employees out of the picture. Their power tool line was losing market shares to new global companies, and losing the confidence of their customers. Product costs were high and quality was just "flat out poor." Through the implication of TQM, first in the administrative business, they were able to restructure an effective means of competing in the ever-growing global economy. They first concentrated on the team base design and bridging the communication gap. They took the traditional form that an employee would use to communicate with their boss, and threw it out the window (Margolis 18). By changing the relationships, the employees were much more at ease with giving ideas to the product's designs. TQM gave Black and Decker the edge it needed to better the quality of their power tool line. They will soon implement TQM to all product lines inside the corporation. As a result, Black and Decker have experienced a 20% reduction of product cost and nearly 50% increase in quality. Nevertheless, Black and Decker's largest asset attained through TQM is a better understanding of their customers and the demands of the products. By bridging the gap of communication, the power tools line has doubled in product numbers and number of customers in which they appeal (19). Both Black and Decker and Rockwell realized the effects TQM has on product quality and how effectively it cuts cost. In both companies, they experienced an increase in customer satisfaction and product reliability (19).

It would seem as though TQM based implication products could be improved in all areas. For instance, back in the 30's when you bought a car it came in one style and one color. Now if a person buys a car, he or she has over 200 colors and 100 styles in the selection process. The consumer of today wants diversity and quality and through TQM products can maintain both effectively. TQM allows the teamwork system to control the products in every aspect, giving the producer a much closer link to the customer's wants and the areas where quality fails in the design. With the rapid movement of global competition and constant demand by customers, organizations still running under traditional management systems are going to be left in the wake. If not TQM, then a similar practice would be wise, because the

customer of the future decides what, how, when, and where the product is produced. They demand quality and diversity and through TQM the corporation can meet the customer wants.

Customer develops product in TQM

In implementing the TQM program, the success relies on the “focus [of] the customer, avoid language lessons, avoid the Messiah effect, avoid rules of thumb, [and] do not approach TQM as an add-on” (Triplett 7). In the end, the rate of achieving desirable test results from the TQM program will be high.

Achieving excellence in today’s market requires complete commitment of the TQM model that is based on customer satisfaction. Today’s customers demand a continuous quality of production or service while furnishing an equivalent or a decreased price. However, it is essential to have job satisfaction among the employees so they can totally focus on pleasing the customer, not themselves. Through evaluating and revising low job satisfaction, the employees will commit to the customer as being a high priority. In return, the customer and employee becomes one in a harmonious relationship.

As an organization begins to implement TQM, the old economic model of focusing on profit, extreme boundaries in departments and economic competition must be curtailed. The TQM model, unlike the economic model, continuously focuses on the customer and his or her demand. In TQM, the employee takes full responsibility to make his or her own decisions about irritating issues in the work environment because there is no supervisory control. Through this, a higher concentration on the customer is maintained. For example, Granite Rock Construction Company’s philosophy was “. . . job ownership and job improvement should rest with the individual” (6). A major emphasis of TQM placed in organizations “require [not only] that an [organization] abandon its traditional economic model . . . , [but] to unleash their human capital to meet competitive forces of quality, cost, productivity, and a rate of innovation” (Zeller and Gillis 25). To successfully communicate to the customer, “the organization chart . . . [should place] the customer at the top and the president at the bottom” (Triplett 6) requiring total freedom from the hierarchy to resolve their needs.

Total Quality Management is designed to develop a positive work force to serve the customer for an organizational profit. As an employee in TQM, he or she is better equipped to identify consumer needs and to improve production. “Meeting customers’ needs and wants in the future at a competitive price and quality is forcing the industry to focus on process capabilities and improved management” (Zeller and Gillis 30). The new defined role of the employee is to go “out to convince the customer it’s what they wanted” (Triplett 6) from the beginning. In essence, to better serve the customer, departments need to communicate and exchange information. A reward system for the customer was included in Granite Rock’s TQM program. The concept “Short-pay” gave discounts from their invoices if the product shipment arrived late. Not only was this a method to evaluate the product quality and timing, it was a way to evaluate the service given by the entire organization (6).

Initially, by closely examining what the dislikes are about the job, the general employee morale will increase along with job safety, flexibility, and a concern for others. Repetitious tasks and tasks without a majority consensus from co-workers should be eliminated. In the corporate structure, a solution would be to “[create] a more semi-autonomous structure with few layers of management and less corporate paper work (Denton 46)” through the defined process of work elimination. Another example is interaction by customer service representatives as a liaison to the product and design department, for the customer about concerns of a new product. “Use what you have.” Do not hire a new employee when a current employee has the same qualifications to do the identical job. Through an intensive, timely, and pressuring interview with the customer, the customer will eventually “break down” and tell the real problems. As a result, the organization will be capable to empower the customer and satisfy their special needs due to the concentration of the employees on customer satisfaction.

In achieving a competitive advantage in the market place, an organization must be concerned with the customers in meeting their high demands, quality, and low pricing; exactly the opposite of the economic model. “TQM [’s] basic philosophy positions human capital to rapidly identify and meet customers’ needs and wants (Zeller and Gillis 25).” Employees must be treated as humans. For the organization, total focus on the customer market, rather than the economic market, must be affirmed. In

losing customer satisfaction, the product or service will not sell because no buyers will be readily available.

Remember, the customer has no clue of the daily activities in the organization. Their philosophy of the organization is based on a "lack [of] how your business works, . . . customers [always receive] poor answers . . . [they conclude you are not] well-organized and efficient, . . . be more sensitive to the impact of its actions on their business, . . . customers are not particularly concerned about where the company has an office, . . . remain open to new or additional reasons behind what you think causes customer concerns" (Whalen 8). To relate to the customer, into corporate these ideas in the TQM program.

Results of TQM in profits and overall performance

"Total quality management which was pioneered by the late W. Edwards Deming and Joseph Juran and considered the secret of Japanese manufacturing success before it began to be adopted by floundering American industry in the early 1980's, strives for continuous improvement in products and services. It uses teams drawn from all parts of the company to define and tackle problems, and it relies on statistical measurement to identify problems and chart progress" (Moore A1). TQM is a type of management that some companies took on and had great success. If TQM is used right, it can increase profits, employee satisfaction, and customer satisfaction. Although TQM is good in some cases, it does have its disadvantages. "Achieving quality is not always a guarantee of success" White states (A1). People Express, a low price airline company that used TQM went under when it tried to concentrate on major airline routes. Even though it empowered workers and was customer based, they still had their problems (A1).

TQM is complex and takes time to get everything worked out. Some companies have had great success with TQM. One example is Ford Motor Company and PPG Industries - Chemfil Corporation. They built a long-term relationship based on TQM. A 1994 J.D. Powers study on initial car quality, reports that Ford's quality was still rising while other car companies' quality was declining (Zeller and Gillis). "Ford has been in the process of transforming from an economic model to a TQM model for several years. The transition began in the early 1980' with 'Quality is Job 1' initiative. The transition continues in the 1990's with a 'Quality people, Quality products' initiative. Evidence pointing to the success of this transition includes better quality products, stable employment in the firms workforce and management, and profitability" (Zeller and Gillis 23).

Many companies that use TQM have had to change their beliefs as to what they thought quality was as compared to what their customers actually thought about the quality. For example, United Parcel Service Inc., (UPS). They always assumed that on-time delivery was the major concern of their customers. "Everything else came second. Before long UPS's definition of quality centered almost exclusively on the results of time-and-motion study" (Greising 58). "Knowing the average time it took elevator doors to open on a certain city block and figuring how long it took people to answer their doorbells were critical parts of the quality equation" (58). This is a good example of Taylorism. Taylor said that if you do the job scientifically that the results would be higher productivity. This is the ideal UPS used, but unknowingly the customers did not approve. After a small survey of UPS's clients, they discovered that the customers wanted more interaction with drivers--the only face-to-face contact any of them had with the company (Greising). "We've discovered that the highest rated element we have is our drivers," says Lawrence E. Farrel, UPS's service-quality manager. "Now, we're viewing drivers as more of an asset than a cost" (Greising 58). Now the company is encouraging drivers to get out of their trucks and visit customers. Even though delivery quotas are still important, UPS is willing to add drivers so that the other drivers have time to spend with customers (Greising). "As an added incentive, UPS is paying drivers a small commission for any sales leads they generate. The program has cost UPS \$4.2 million in driver's time so far this year but has generated "tens of millions of dollars" in revenue, says Lawrence E. Farrel (Greising 58).

In conclusion, we have looked at three companies that have used TQM. People Express, where TQM did not work, Ford Motor Company where TQM worked, and the United Parcel Service where they restructured their TQM beliefs to generate profits. If TQM is used correctly it has the possibility to generate profits and increase employee and customer satisfaction.

Conclusion: TQM response to customers, products, and employees

TQM will include better response to customer complaints, better handling of deliveries, friendlier service, and of course better quality product. The outcome of TQM will bring overall increase in the benefits to the company in implementing this management philosophy. The advantages might be an increase in profit through the reduction of error or an increase in sales due to the better quality of the products or services provided. Most companies using TQM have been satisfied of the results obtained from this management style. To survive in the American market place today, most organizations have to reduce budgets, increase productivity, and increase the quality of the product or service offered, and TQM is the tool making it possible for most companies today. Total Quality Management results in better employee job satisfaction that increases the quality of products and services that stem from employee job satisfaction that will enhance customer satisfaction rates, and to provide a widespread increase of benefits to the company as a whole.

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