

## Total Quality Management

In most cases of TQM business improvement programs delineate only *what* activity organizations should perform, not *how* the work should be performed. Thus, the resulting work processes still lack a sense of intention.

Merely completing an activity is not enough; some underlying motivation must invigorate performance so that it ultimately affects the stakeholder of the final offering.

### Managing for Quality

Quality programs place considerable emphasis on improving business processes. When managers refer to the term Total Quality Management (TQM) they usually mean using the tools of quality to improve internal business processes.

There has been an abundance of suggestions on TQM, which mainly aim at improving internal business processes. For example, CEOs are advised to<sup>1</sup>:

1. Set up and serve on the company's quality council.
2. Establish corporate quality goals and make them part of the corporate business plan.
3. Establish the means to measure quality results against quality goals.
4. Review quality results against quality goals regularly.
5. Give credit to their employees for superior quality performance.

While I believe that the improvement of internal business processes is an integral part of TQM, I think that managing for quality could not be successful unless TQM crossed functional boundaries within the organization, focused outside the organization as much as inside it, and integrated the following four ideas that are core for superior quality performance:

1. Synergy.

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<sup>1</sup> Joseph M. Juran, "Made in U.S.A.: A Renaissance in Quality" Harvard Business Review, July-August 1993, reprint # 93404.

2. The Pygmalion effect.
3. Persuasion.
4. Corporate empathy.

In the product-centric era of the 70s, quality has been about reducing variance and ensuring that products conform to clear specifications. In the service-centric era of the 90s, quality has acquired a new meaning: adjusting to the dynamically shifting expectations of customers who have been empowered with Information Technology means that provide them with the potentiality of constant dialogue. Therefore, the emerging view of TQM must recognize that specifications are not set by manufacturers any more but rather by an array of stakeholders who participate with manufacturers and service providers in setting quality specifications<sup>2</sup>.

Total quality means completely satisfied customers on the full range of products and services they receive from the company. It means pleasing customers and not just protecting them from annoyances. TQM is better defined in terms of customer satisfaction rather than in terms of internal business processes. TQM is -- or should be -- customer-directed.

Therefore, for superior quality performance it is necessary that TQM identifies and measures customer needs as well as links customer satisfaction with the improvement of internal business processes.

TQM should focus on exchanging information with key stakeholder groups that pertains to the improvement of<sup>3</sup>:

1. Performance: the product or service's primary operating characteristics.
2. Features: the product or service's secondary characteristics that supplement its basic functionality.
3. Reliability: the product or service's probability of malfunctioning or failing with a specified timeframe.

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<sup>2</sup> C. K. Prahalad and M. S. Krishnan, *"The New Meaning of Quality in the Information Age"* Harvard Business Review, September-October 1999, reprint # 99508.

<sup>3</sup> David A. Garvin, *"Competing on the Eight Dimensions of Quality"* Harvard Business Review, November-December 1987, reprint # 87603.

4. Conformance: the degree to which a product or service meets established standards in the industry.
5. Durability: the amount of use that the customer gets from a product or service before it deteriorates.
6. Serviceability: the speed, courtesy, competence, and ease of repair of a malfunctioning product or service.
7. Aesthetics: the perception of the product or service as a reflection of individual preferences.
8. Reputation: the perception of the product or service as a reflection of massive preferences.

TQM requires a continuous dialogue between corporate stakeholders that is structured around the design of the organization itself. The information that is obtained and aims at improving the above mentioned factors of TQM should relate directly to corporate competencies.

It is essential that in the process of obtaining information the customers are given the freedom to define the factors of TQM in their own words, not in internal business process lingo<sup>4</sup>. A two-way communication process between the company and its customers cannot be effective when the vocabulary is set one-way. A company's ability to engage customers and other stakeholders in value-adding dialogue by speaking in the stakeholders' language will determine the company's TQM.

More often than not, TQM fails because of strategic mistakes such as introducing dimensions of quality that is unimportant or irrelevant to customers, using TQM as a means of direct confrontation with an industry's leader, or sticking with old quality measures when the company's external environment has changed.

Executives should come to grips with the fundamental realities of the networked economy which requires that managers have collaboration and negotiation

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<sup>4</sup> Raymond E. Kordupleski, Roland T. Rust, and Anthony J. Zahorik, "Why Improving Quality Doesn't Improve Quality (Or Whatever Happened to Marketing?)" California Management Review, vol. 35, no. 3, Spring 1993.

training. Learning, teaching, and transferring knowledge across boundaries is an essential skill for survival<sup>5</sup>.

The dialectical approach of TQM's factors places a premium on organizational flexibility. At the same time, it means that TQM -- much like the entire reinvention of business entities -- will not and cannot be stable any more. Managers will have to get used to the idea that they are TQM takers much as they are TQM makers.

## **Synergy**

The word "synergy" derives from the Greek word *synergos* and means "working together." It refers to the ability of two or more business units or businesses to generate greater value and achieve TQM by working together rather than they could by working apart.

The power of strategic partnerships is more evident than ever before in partnering via the Internet. Companies form "b-webs" -- business webs --, which might be permanent arrangements bound on ownership and directorates ("keiretsu" business systems) or might be fluid, internetworked partnerships bound on sets of core competencies that come from different participants<sup>6</sup>.

For TQM, synergy could take six forms<sup>7</sup>:

1. Shared know-how: sharing knowledge or skills.
2. Coordinated strategies: aligning TQM strategies.
3. Shared tangible resources: sharing physical assets.
4. Vertical integration: coordinating the flow of products or services from one unit to another.
5. Pooled negotiating power: negotiating jointly with stakeholders.
6. Combined business creation: establishing joint ventures and alliances.

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<sup>5</sup> C. K. Prahalad and Venkatram Ramaswamy, "Co-opting Customer Competence" Harvard Business Review, January-February 2000, reprint # R00108.

<sup>6</sup> Don Tapscott, David Ticoll, and Alex Lowy, "Digital Capital -- Harvesting the Power of Business Webs" Harvard Business School Press, 2000, pp. 17, 233.

<sup>7</sup> Michael Goold and Andrew Cambell, "Desperately Seeking Synergy" Harvard Business Review, September-October 1998, reprint # 98504.

While the executives view the achievement of synergy as central to their jobs, they are usually prone to four biases that distort their thinking. These are<sup>8</sup>:

1. The synergy bias: executives overestimate the benefits and underestimate the costs of synergy.
2. The parenting bias: executives believe that synergy could only be captured by cajoling or compelling the business units to cooperate.
3. The skills bias: the executives believe that whatever know-how is required to achieve synergy is available within their organization.
4. The upside bias: the executives concentrate on the potential benefits of synergy but they overlook its downsides.

The best antidote for all four biases is awareness of the emerging discipline in the network economy. By acknowledging their tendency to the aforementioned biases executives could better spot distortions in their thinking and avoid tactical traps that prevent TQM from happening.

Awareness of the emerging discipline means that executives should clarify the real objectives and benefits of a potential synergy initiative while at the same time they should understand that business relationships are the most valuable assets in the network economy. Executives should:

1. Be as precise as possible about the type of synergy that is being sought and its ultimate payoff for their company's TQM strategy.
2. Break down the overall synergy goal into its main components and estimate the size of the net benefit in TQM. The aggregation and desegregation of synergy's components should facilitate the implementation of the dominant customers' perspective on TQM. The analysis of synergy's components should:
  - Identify the key contributors in each one of the TQM factors.
  - Describe what each participant contributes to the system and how it does so.
  - Pinpoint weakness and opportunities for improvement of synergy among current participants.

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<sup>8</sup> *ibid.*

3. Avoid parenting business units when business units' managers can cooperate without the need for corporate involvement. Intervention by the corporate manager is needed only when:

- Business unit managers are unaware of the potential benefits of synergy for the company's TQM.
- Business unit managers fail to assess correctly the costs and benefits of a potential synergy for the company's TQM.
- Business unit managers lack the necessary enthusiasm for TQM through synergy.

Business unit managers lack the necessary skills, people, or other resources to apply synergy aiming at TQM.

Information Technology (IT) has forged two-way, interactive, personalized relationships with stakeholders on a mass scale. While the cost of relationship building in real space might remain high, the cost of relationships in cyberspace is low. Relationship building moves from the marketplace -- the physical world -- to the marketspace -- the digital world of information. TQM does not depend so much on linear data aggregators but rather on network incubators, i.e. entities that foster partnerships -- mainly in the Internet -- which facilitate the flow of knowledge and talent across companies<sup>9</sup>.

Among the main characteristics of networked incubators are the following two<sup>10</sup>:

1. They maintain a spirit of entrepreneurship.
2. They maintain strong bonds with top-tier service providers, thus, enable member companies to enjoy economies of scale.

TQM is in vain unless entrepreneurship and economies of scale co-exist.

## **Persuasion**

Effective persuasion is a negotiating and learning process through which a manager leads colleagues to a TQM-problem's shared solution. Persuasion

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<sup>9</sup> Morten T. Hansen, Henry W. Chesbrough, Nitin Nohria, and Donald N. Sull, "Networked Incubators -- Hothouses of the New Economy" Harvard Business Review, September-October 2000, reprint # R00507.

<sup>10</sup> *ibid.*

involves discovery, preparation, and dialogue<sup>11</sup>.

Persuasion is not convincing and selling, but rather learning and negotiating.

Four ways to fail to persuade on TQM are:

- Attempt to impose your views on TQM with an upfront, hard-sell positioning.
- Resist compromise.
- Think that the secret of persuasion on TQM lies in presenting great arguments.
- Assume that persuasion is a one-shot effort.

The implementation of TQM requires that key stakeholders are persuaded on the potentiality of the suggested strategy. Stakeholders' persuasion consists of four essential elements<sup>12</sup>:

1. Establish credibility
2. Frame to find common ground
3. Provide vivid evidence
4. Connect emotionally

### **Establish credibility**

In the workplace, credibility grows out of two sources:

1. expertise &
2. relationships

An executive is considered to have high levels of expertise on TQM if she has a history of sound judgements or has proved herself knowledgeable and well informed about her proposals.

Also an executive with valuable and durable relationships shows usually strong emotional character and integrity. She establishes a name for being

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<sup>11</sup> Jay A. Cagner, "The Necessary Art of Persuasion" Harvard Business Review, May-June 1998, reprint # 98304.

<sup>12</sup> *ibid.*

empathetic, honest, steady, and reliable.

The total quality manager should assess honestly where she stands on both expertise and relationships before she begins to persuade key stakeholders on TQM strategy.

If the persuader feels weak in the area of expertise, she could do either one of the following:

1. Learn more about the complexities of TQM through either formal or informal education and through conversations with knowledgeable individuals.
2. Hire someone to bolster her expertise. His credibility, thus, becomes a substitute of her own.
3. Utilize other outside sources of information to support her position, i.e., trade periodicals, books, websites, reports, lectures by experts etc.
4. Launch pilot TQM projects to demonstrate on a small scale her expertise and the value of her ideas.

If the persuader feels weak in the area of relationships, she could do either one of the following:

1. Make a concentrated effort to meet one-to-one with all the key stakeholders she plans to persuade in order to get a range of their perspectives on the TQM issues at hand.
2. Involve like-minded co-workers who already have strong relationships with her audience.

### **Frame to find common ground**

While an effective quality manager must be adept at describing her positions in terms that illuminate their advantages, persuasive framing consists of the process of identifying shared benefits. At the heart of the framing is a solid understanding of the persuader's audience.

It is critical for the quality manager to identify her objectives' tangible benefits to the people she is trying to persuade. This could be done

through dialogue aiming at collecting essential information. While the effective persuader is always good at listening, a good listener is not always an effective persuader.

Based on the information she collected, the effective quality manager alters or compromises her own plans before even she starts persuading. Listening is of no use unless it leads to reframing those appeals to the quality manager's audience.

### **Provide vivid evidence**

An effective quality manager supplements her numerical data with examples, stories, metaphors, and analogies that make her views on TQM come alive. Only numbers do not make an emotional impact.

### **Connect emotionally**

An effective quality manager shows her own emotional commitment to the position she is advocating. She also shows an accurate sense of her audience's emotional state and adjusts her argumentation accordingly. TQM cannot be accomplished unless there is a kind of an emotional matchmaking among the stakeholders who have a stake at the corporate performance.

While TQM cannot succeed without emotion, showing too much emotion could be as unproductive as showing too little.

## **The Pygmalion Effect**

In TQM much as in management generally the following principle applies: the difference between employees who perform well and those who perform poorly is not how they are paid but how they are treated. The way managers treat their subordinates is subtly influenced by what they expect of them<sup>13</sup>.

1. What managers expect of their subordinates and the way they treat them largely determine the quality of their performance and career progress.
2. Superior managers create total quality performance expectations that subordinates fulfil.

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<sup>13</sup> J. Sterling Livingston, "Pygmalion in Management" Harvard Business Review, September-October 1988, reprint # 88509.

3. Less effective managers fail to develop high expectations for TQM and, as a consequence, the productivity of their subordinates suffers.
4. Subordinates more often than not appear to do whatever they believe they are expected to do.

What seems to be critical in the communication of expectations is not what managers say but rather the way they behave. Indeed, often managers communicate most when they believe that they are communicating least.

Subordinates will not be motivated to reach total quality levels of performance unless they consider the manager's high expectations realistic and achievable. If they are encouraged to strive for unattainable goals, they eventually give up trying and settle for results that are lower than they are capable of achieving. Failure of subordinates to meet the unrealistically high expectations of their managers leads inevitably to high rates of attrition.

Superior managers have greater confidence than others in their ability to deploy the talents of their subordinates for TQM. What managers believe about themselves subtly influences what they believe about their subordinates, what they expect of them, and how they treat them. The superior managers' track record of success in TQM and their confidence in their ability give their high expectations credibility. Consequently, subordinates accept these expectations as realistic and try hard to achieve them.

Managerial expectations have their most magical influence on young people. The more mature and experienced the subordinates become the more they tend to be hard to change whenever factors of TQM require new direction. The early years in a business organization, when young people can be strongly influenced by managerial expectations, are critical in determining future quality performance and career progress.

### **Corporate Empathy**

Traditional marketing techniques revolve around the idea of bringing new customers to the company. On the other hand, an empathic approach focuses on observing customers using the company's products and services in the context of their own environments. Rather than bringing new customers to the company the empathic approach brings new products and services -- the improved in quality products and services -- to the company's customers.

The process of empathizing aims at bringing those inside the company who know what can be done in direct contact with those outside the company who need something done. Corporate empathy requires full exploitation of the company's technological capabilities that could support information exchange between stakeholders.

Corporate empathy requires<sup>14</sup>:

1. Observation
2. Capturing data
3. Data analysis
4. Brainstorming for solutions
5. Development of possible solutions

The development of possible solutions should not be framed by the conventional logic of incrementalism in TQM but rather should aim at offering the company's customers a tremendous leap in quality. An empathetic company frees up its resources to identify and deliver completely new sources of value. It does not let what it can do today to condition its view of what it takes to win the TQM race tomorrow.

Corporate empathy requires that a company operate in terms of the total solution its customers seek. The empathetic design should be applied to all three platforms on which TQM can take place<sup>15</sup>:

1. The product platform
2. The service platform &
3. The delivery platform

In today's volatile competitive environment, a successful company is not enough to add value to its products and services by improving their quality. It must also reinvent the value of its products and services whenever the use of its products

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<sup>14</sup> Dorothy Leonard and Jeffrey F. Rayport, "Spark Innovation Through Empathic Design" Harvard Business Review, November-December 1997, reprint # 97606.

<sup>15</sup> W. Chan Kim and Renée Mauborgne, "Value Innovation" Harvard Business Review, January-February 1997, reprint # 97108.

and services in the industry takes new dimensions under new quality constellations<sup>16</sup>. This can happen through corporate empathy, which makes the different corporate stakeholders work together to reinvent and co-produce total quality. The empathetic design in TQM, today, relates to a new value chain in which<sup>17</sup>:

1. Customers are not only consumers of quality but also creators of quality.
2. Physical products and intangible service offerings become more complex and integrated in TQM to the point that very few offerings can be clearly defined as one or the other anymore.
3. The only true source of competitive advantage is, probably, the corporate capability to reassess and redesign its competencies and relationships in such a way as to keep its TQM strategy malleable, fresh, and responsive.

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<sup>16</sup> Richard Normann and Rafael Ramírez, "From Value Chain to Value Constellation -- Designing Interactive Strategy" Harvard Business Review, July-August 1993, reprint # 93408.

<sup>17</sup> *ibid.*