

# Key Concepts in Operations Management

## Total Quality Management (TQM)

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## Total Quality Management (TQM)

***Total Quality Management, in its broadest meaning, denotes a strong organisational will to adopt quality management practices, to integrate them into the culture and systems of organisations, in order to attain a high level of quality performance.***

Total quality management, or TQM, is actually a difficult management framework to describe precisely. Deming (1994) captured this difficulty when he writes that: ‘... *the trouble with total quality management, the failure of TQM, you can call it, is that there is no such thing. It is a buzzword. I have never used the term, as it carries no meaning*’.

Senapati (2004) reviewed a number of definitions of TQM and found a mixed bag. TQM is defined by some as a corporate focus on customer satisfaction, by others as spreading quality ideas company-wide, and by still others as a strategic focus on quality.

Definitions aside, companies that report having adopted TQM as a best practice have one point in common: they have adopted a philosophy, a unique quality-driven line of investigation about operations and organisational matters. Therefore, Total Quality Management can be defined as a quality-focused approach to improving operations. Although focused it remains flexible and managers can rely on the full portfolio of tools used in quality management for their interventions.

This means that a description of the different tools used in quality (e.g. SPC, cause and effect diagrams, quality circles) is not enough to appreciate what a TQM initiative is all about. Instead, the value of TQM is in the overall approach. Therefore, the next few sections concentrate on presenting the structuring and integrating features of TQM:

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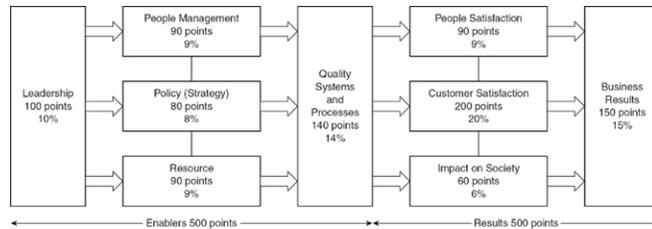
## Quality Chains

One of the fundamental ideas behind TQM is the concept of quality chains. A quality chain is a linkage between a customer (who has expectations) and a supplier (aiming to fulfil those expectations). Note that customers and suppliers can be internal to a company. Overall performance can only be achieved in an organisation if all quality chains perform their transactions effectively. One broken link is enough to generate a system-level failure. Therefore all organisational processes should be understood as quality chains, and the tools of quality should be used to ensure that these chains conform to performance standards. One of the key features of this approach is to challenge the view that customers and suppliers are remote parties which are buffered away. With the quality chain view, any individual within an organisation – regardless of their role, authority and seniority – plays a key role in a quality chain. This means that issues surrounding customer satisfaction are everybody's concern and this is why TQM is often presented as a management framework based on customer satisfaction as a core value.

## Quality Performance Models

The adoption of total quality management is based on the premise that adopting quality management company-wide will result in enhanced corporate performance. Whether or not a TQM initiative results in higher performance levels has always been debatable in industry and academia, and the cost of a quality approach is one of the ways by which 'wasteful' quality initiatives can be avoided. Another approach is to implement a TQM initiative within a known and tested performance management framework in order to guarantee that improvements will result in tangible business benefits. The Baldrige TQM framework, which is used in the United States to award quality prizes to the most committed organisations, is one example of such a framework. The European Foundation for Quality Management (EFQM) framework is more commonly used in Europe. This is shown in [Figure 50](#).

*Figure 50 The EFQM Framework*



When conducting an audit of a company, EFQM consultants will begin by surveying an organisation and assessing a score on the first 500 'enablers' points. If the company scores too low the audit stops, as achieving results without the enablers would be impossible. If a minimum threshold score is achieved, the assessment can move onto round two, [p. 267 ↓ ] [p. 268 ↓ ] where auditors can verify that quality systems and processes can lead to demonstrated impacts on satisfaction and profitability.

## Cost of Quality

Adopting TQM is not a cheap initiative. Furthermore, in the modern business environment where many 'best practices' have been historically associated with failed and onerous projects, it is not surprising that many companies will try to avoid the expense of embarking on a TQM 'journey', as it is often described by consultants. In the 1980s, the controversy around the cost of a quality management initiative also existed. A key issue, for example, has always been to avoid over-quality, i.e. to improve the performance of products and processes to levels that the customer has not paid for.

Faced with such controversy regarding the business worthiness of quality, quality consultants devised an accounting tool called *the cost of quality report*. The cost of quality label is actually quite misleading, and should be interpreted as a reporting tool used to guide managers toward an optimal corporate investment in quality.

The starting point for this is to put in place an information reporting system which captures and compiles on a monthly basis:

There are two ideas behind the cost of quality of reports. The first is to document the 'leverage' effect of investing in prevention. A common rule of thumb is that if a company

invests £1 in additional prevention activities, it could save up to £10 in inspection and £100 in avoiding the cost of a quality failures! The second idea is to help managers to estimate what the optimal level of spending on quality is. If a company spends little on prevention and has an important 'cost of poor quality' bill, then it should increase its prevention spending. When the company gets to the point where more investment in prevention does not decrease the total cost of quality, this means that it has reached its optimal level of investment.

## Leadership, Empowerment, and Culture

Whereas many quality management approaches are driven by technical tools and skills, TQM has always put a strong emphasis on work culture and the role of leaders as quality 'role models'. Deming's 14 points about adopting a quality management initiative are an excellent summary of the softer human side of the cultural changes required for adopting a total quality approach:

[p. 270 ↓ ] In their survey of TQM adoption by Australian manufacturers, Sohal and Terziovski (2000) confirmed that human factors played an important part as their conclusion was that the key success factors for TQM adoption were:

## References

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