TOTAL QUALITY MANAGEMENT - II

Chapter – 15

“Business Excellence by Quality Leadership”

Dr. Shyamal Gomes

Introduction:

From our previous chapters we have observed that TQM is a comprehensive approach to improving competitiveness, effectiveness and flexibility through planning, organizing each activity and involving each individual at each level (entire organization). We also understand that TQM ensures that management adopts a strategic overview of quality and focuses on prevention, not detection, of problems. TQM starts at the top, where serious obsessive commitment to quality and leadership must be demonstrated. Middle and lower level management also has a key role to play in communicating the message and implementing plan into action as a team. Moreover, TQM provides a total culture change, so that everyone is accountable for his/her own performance towards the common goals and objectives, like:

- Zero defect, zero loss and zero accident
- Total Customer Satisfaction
- World class standard in product and services
- Effective and efficient leadership
- Business excellence

By learning the application of different techniques in Total Quality Management, we have came a cross the meaning of zero defect, zero loss, zero accident (everyday maintenance), customer driven quality and quality management systems (the world class standard). But we observed that every technique need top management commitments or effective leadership style for effective implementation and results. Now the questions come:

- What is effective leadership?
- What are the requirements for effective leadership?
- What is Business Excellence?
- How effective leadership helps to obtain the “business excellence”
- What are the different models that audit- guide – support to achieve the excellence

Effective leadership starts with the Chief executives and his / her team’s vision, capitalizing on market or service opportunities, continues through a strategy that will give the organizational competitive or other advantages, and leads to business or service success. It goes on to embrace all the beliefs, and values held, the decisions taken and the plans made by anyone, anywhere in the organization, and the focusing of them into effective, value adding action. Together, effective leadership and TQM results in the company or organization – “doing the right things, right the first time and every time”.

There are Five important requirements for effective leadership,

1. Developing and publishing clear documented corporate belief and purpose – a mission statement. (what we are and what we want to achieve).
2. Developing clear and effective strategies and supporting plans to achieve the mission (how we are going to achieve it).
3. Identify the critical success factors and critical processes (what we need to achieve and what are the activities we need to perform particularly well to achieve it)
4. Review the management structure (authority, responsibility and accountability – how much it is transparent and clearly articulated). The review of the management structure should also include the establishment of a process improvement team structure throughout the organization.
5. Empowerment – encouraging effective employee participation: For effective leadership management must ask always –
   - How much they are closed to employees?
   - How much the communication system the developed, is effective?
   - How they are motivating the employees for taking active participation in all levels.

Now a question comes – What is Business Excellence? Business excellence is a standard combination of Plan – process – people that provides world class performance for customer satisfaction and continual improvement in terms of culture, communication and commitment of an organization.

![Diagram](image)

**Figure 2: Excellence and the EFQM Criteria**

Actually, an overall way of working that balances stakeholder interests and increases the likelihood of sustainable competitive advantage and hence long-term organizational success through operational, customer-related, financial and

**How effective leadership helps for developing “business excellence”**

Effective leadership is a key to building the business excellence, because:

1. Effective leaders develop and facilitate the achievement of the mission and vision, developed values required for long term success and guide and support for implementation via appropriate action and behaviours.
2. Clear direction allows organizational alignment and a focus on the achievement of goals.
3. Effective leadership improve the potentials of an organization by enhancing the people’s enthusiasm, resourcefulness and participation.
4. Clearly define the commitment of the top brass to always improve quality and productivity and its obligation to implement quality management principles.
5. Effective leadership develop appropriate methods, that always meets customer requirements and communicating them to entire organization.

TQM models are nationally or internationally recognised quality standards that provide discipline, external assessment and a clear process for switching to TQM. They also have a tremendous publicity value within an organization and with the general public. Formal registration or award conveys important messages to actual and potential customers – that the institution takes quality seriously, and that its policies and practices conform to national and international standards of quality. This can boost external confidence as well as increase internal pride.

The best known business excellence models

- **Deming Award**
- **Malcolm Baldridge National Quality Award (MBNQA)**
- **The CII (Confederation of Indian Industries) EXIM Bank Award**
- **Tata Business Excellence Model (TBEM)**
- **The European Quality Award**

**The CII – EXIM Bank award** for business excellence institutes jointly by the Confederation of Indian Industries (CII) and the Export Import Bank of India (EXIM) in 1994.

- This award was established to promote awareness of business excellence as an increasingly important element in competitiveness.
- This is the most prestigious award in India for business excellence that an Indian company can receive.

**Criteria under this award:**

- **Leadership (100 points) – 10%**
- **Policy and strategy (80 points) – 8%**
- **People (90 points) – 9%**
- **Partnership and resources (90 points) – 9%**
- **Processes(140 points) – 14%**
- **Customer results (200 points) 20%** – how does the customer perceives the organization.
- **People results (90 points) – 9%** (perception of employees about their organization)
- **Society results** – what has the org. achieve for the society at large (60 points) 6%.
- **Key performance results (150 points) – 15%**

The CII-EXIM Bank award for business excellence winners in the past:

<table>
<thead>
<tr>
<th>Year</th>
<th>Award winner</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>Hewlett Packard India Limited</td>
</tr>
<tr>
<td>1998</td>
<td>Maruti Udyog Limited</td>
</tr>
<tr>
<td>2000</td>
<td>Tata Steel</td>
</tr>
<tr>
<td>2002</td>
<td>Infosys Technologies Limited</td>
</tr>
<tr>
<td>2004</td>
<td>(not awarded to any company)</td>
</tr>
</tbody>
</table>

2004 (not awarded to any company) but they selected the names of the companies under the categories of ‘significant achievement’ and ‘strong commitment’ – BHEL, Haridwar, Tata Motors Ltd. IOCL Panipat, NTPC Limited, TCS (Tata consultancy services) Mumbai etc.

**Deming Award:**

The Deming prizes were started with funds contributed by W. Edwards Deming from the proceeds of his early Japanese lectures on quality control and the royalties from the sale of his lecture texts and translations of his book. The Deming Prize was initiated in Dec. 1950 by JUSE in recognition of Deming achievement in introducing SQC. Today, the cost of Deming prize are borne by the JUSE, and awarded for outstanding performance of Individual or companies.

There are 3 categories of Deming Prizes:

1. DP awarded to Individual
2. Deming application prize awarded to companies
3. The Deming Factory Prize.

**Criteria for this award:**

1. Corporate policy
2. Organization and administration
3. Education and training
4. Implementation
   - Collection and use of information
   - Analysis
   - Standardization
   - Control
   - Quality assurance
5. Effect
The Malcolm Baldridge National Quality Award:

The US congress instituted MBNQA in 1987 to recognize US companies that excel in quality achievement & quality management. MBNQA awarded by US president every year in the field of business, health care and education. The award designed to promote the following:
- an awareness of quality,
- understanding the requirement of quality and
- sharing of information on successful strategies and the benefit derive from implementation

The Baldridge model

Criteria under this award:

This award is presented to companies in three categories: manufacturing, service and small business. Evaluation is done on a 1000 point system categorised under seven parts as follows:
1. Leadership – 95
2. Information – analysis – 75
3. Strategic Planning – 60
4. Process Management – 140
5. Business Result – 180
6. Customer & market focus – 300
7. HRD and Management – 150

1. Leadership:
The leadership category examines how senior leaders of an organization address values and performance expectations, as well as their focus on customers and
other stakeholders, empowerment, innovation, learning and organizational
directions. The category also examines how the organization addresses in
responsibilities to the public and supports its key communities.

2. Information and analysis:

The information and analysis category examines an organization’s performance
measurement system and how it analyses performance data and information.

3. Strategic Planning:

The strategic planning category examines an organization’s strategy development
process, including how it develops strategic objectives, action plans and related
human resource plans. Besides, it also examines how plans are developed and
performance tracked.

4. Human Resource Development and Management:

The human resource focus category examines how an org. enables employees to
develop and utilize their full potentials, aligned with the org.’s objectives. Also
examined are the organization’s efforts to build and maintain a work environment
and an employee support climate conducive to excellence in performance, full
participation and personal and organizational growth.

5. The process management category examines an organization’s process
management, including customer-focused design, product and service delivery,
support, and supplier and partnering process involving all work units. It builds
relationships with customers and determines their satisfaction.

6. Business Results:

The business results category examines an organization’s performance and
improvement in key business areas – customer satisfaction, product and service
performance, financial and market place performance, human resource results,
supplier and partner results, and operational performance. Also examined are
performance levels relative to competitors.

7. The customer and market focus category examines how an organization
determines requirements, expectations, and preference of customers and markets.
It also examines how the organization builds relationships with customers and
determines their satisfaction.

Interestingly, all the TATA group of companies are adopting MBNQA format to
adjudge the TATA Excellence Award. MBNQA is a universally accepted business
excellence model.
**Tata Business Excellence Model (TBEM):**

TBEM is based on MBNQA criteria for business performance. Tata group of companies sign a brand equity and business promotional (BEBP) agreement with Tata Sons, which is the holding company of the Tata. As a part of agreement it is necessary for them to achieve standards of excellence determined by scores based on the MBNQA. A company signed the agreement has to score a min. of 220 points out of 550 in two years, 400 in 3 years, and 500 in 4 years. Criteria under this award are:

- Process for planned implementation of the TBEM
- Internal communication
- Training programmes for employees
- Senior leaders involvement
- Resource analysis
- Strategic Planning
- Customer focus initiatives

**EUROPEAN QUALITY AWARD:**

The European Quality Award is also known as the European Foundation for quality Management (EFQM) Excellence Award. It is Europe’s most prestigious award for organizational excellence and has been awarded annually by the European Foundation for Quality Management to Europe’s best performing companies and not for profit organization since 1992.

EFQM Excellence Model is a non-prescriptive framework based on nine criteria. Five of these are ‘Enablers” and four are “Results”. The enabler criteria cover what an organization does, the “results” criteria cover what an organization achieves. Results are caused by enablers and enablers are improved using feedback from “results”.

Enablers 500 points (50%)  Results 500 points (50%)

- Leadership 100 points (10%)
  - People 90 points (9%)
  - Policy and Strategy 80 points (8%)
  - Partnership and Resources 90 points (9%)
  - Processes 140 points (14%)
  - People Results 90 points (9%)
  - Consumer Results 200 points (20%)
  - Society Results 60 points (6%)
  - Key Performance Results 150 points (15%)

Innovation and learning

Fig. European Foundation for quality Management (EFQM) Excellence Model
Finally, all these business excellence models and standards are paving the path for the Indian industries to have competitive advantages in the international market scenario. Formal registration or award conveys important messages to actual and potential customers – that the institution takes quality seriously. Now a question comes in our mind, can we win the Baldridge award? Sure, Indian companies can’t compete for three – part solid crystal stele, standing 14 inches tall and containing an 18 – carat gold plated medal, that was instituted by US Congress in 1987 to honour American Corporations. But it is the Malcolm Baldridge National Quality Award that symbolises the highest standards of total quality management today. Filling the Baldridge form subjects every company to a rigorous self – audit, allowing is to assess how its quality programme is really doing. So, benchmark your quality practices against the toughest criteria in the world if you want to turn into a world class company.

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