Summary of total quality management model

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In the early 1990s, a philosophy of management called “ total quality management” gained popularity. Its origins are traced to the ideas of U. S. quality experts

W. Edwards Deming and Joseph Duran and highlighted by such programs as the Malcolm Baldrige National Quality Award.

Total quality management (TQM) is defined as “ managing the entire organization so that it excels in all dimensions of products and services that are important to the customer.” As the definition states, this philosophy concentrates on quality as a primary component of the organization’s drive for competitive advantage. Marketing decision-making is directly effected by such a system because quality is a component of product/service design and can be an important decision-making criterion employed by potential buyers.

The TQM model goes beyond product and service quality, however, and suggests that a highly structured system of management that emphasizes mechanisms like control and punitive action which stifles people and ultimately hinders an organization’s attempt to produce quality products and services. Rather, the organization that views all its employees as critical, creative resources will be much better able to pursue quality in every activity and through every decision. Some of the key tenets of TQM are:

1. Every employee has creative skill and talent that can be beneficial to the organization, and employees should be empowered with decision-making responsibility and authority.
2. An organization must engage in parallel and simultaneous decision making rather that hierarchical decision-making. Functions like

marketing and production must work together and simultaneously to create solutions rather than waiting for another and engaging in reactive decision-making.

3. An organization must replace a control mentality and structure with one that nurtures creativity and cross-functional participation in decision-making.
4. Speed and quality are the essential dimensions of competitive advantage and should constitute the overriding objectives of the organization.

The underlying premises of TQM are attractive. However, TQM can be a very costly and time-consuming process. Speed and quality are essential to the concept of TQM as they are to product development and the efforts by firms like Honda to cut development time and use speed as a strategic tool. The argument that rigid and hierarchical organizational structures suppress creativity and limit an organization's potential is a believable proposition. But, organisations are discovering that the concept of TQM has some practical hazards that make complete implementation difficult. Specifically, the following can compromise TQM as a management approach:

1. Not all employees are capable of or desire to be empowered. Many employees, even at middle-management levels are content to make contributions to the organization by following rather than leading.
2. It can be difficult to motivate employees to embrace corporate objectives over their own personal or career objectives. Effective implementation of TQM requires that corporate goals be placed ahead of personal goals.

3. Effective implementation of TQM procedures presumes effective and swift communication within an organization in order for functional areas to operate simultaneously rather than hierarchically. Many organizations are unable to establish effective and rapid communications networks essential to the success of a TQM system.
4. Implementation of a total quality system requires its own sort of bureaucracy, which itself can bog down the organization from the standpoints of both cost and speed of decision making.

While TQM is an appealing philosophy, it remains to be seen whether it can be effectively implemented across complex organizations. Some firms, like Motorola, have had tremendous success with a TQM approach to management. Many other firms, however, have experienced almost insignificant quality increases when compared to the massive scale of the firm’s quality effort.

Horizontal Management Structure

The horizontal corporation may be the most radical of the new management systems being touted. A horizontal management structure is defined as managing across an organization rather than in a top-down, hierarchical fashion by identifying key processes and creating teams to manage them. The main premise of horizontal management structure borrows a dimension from TQM: the downward, hierarchical authority of an organization must be dismantled to take advantage of all corporate resources. In place of vertical authority, a new horizontal system is proposed that organizes a firm around processes rather than tasks. Such a horizontal structure is said to eliminate a task orientation and focus company resources on customers instead

The following are the seven key elements of a horizontal structure management system:

1. A Process Organizational Structure. Create a structure around processes rather than tasks. The entire company can be built around three to five core processes. A process owner is assigned to each.
2. Horizontal Structure. Levels of supervision should be kept to a minimum by combining tasks within processes. The hierarchical nature of the organization should be flattened to resemble the activities.
3. Team Management. Teams rather than managers will run processes. Each team is held accountable for performance within processes.
4. Customer Satisfaction Drives Performance. Do away with old measures of performance like stock appreciation or profitability and use customer satisfaction instead: profits will follow if customers are satisfied?
5. Team Performance Rewards. The evaluation and pay system should emphasize team not individual performance. Encourage the development of multiple skills rather than specialization.
6. Maximum Supplier, Customer, Employee Contact. Employees must have direct and frequent contact with suppliers and customers. Find in-house teams where suppliers and customers can be participants.
7. Inform and Train All Employees. Employees must be trusted with critical data and important decisions. Include all employees, not just leaders.

The horizontal structure, like others, is intended to increase the speed and efficiency of activities and decision-making. So far, it has met with

considerable success. AT&T Network Systems Division has reorganized all of its 130 activities around 13 core processes and employee bonuses are based on customer satisfaction evaluations. Kodak has eliminated several vice-president level positions and uses self-directed teams to manage the areas instead. Finally, Xerox now handles its new product development through multi-disciplinary teams that work in a single process structure rather than vertical or even simultaneous functions.

Re-engineering

Reengineering as a management imperative is similar to the horizontal structure system with one major exception. Re-engineering focuses on the redesign of processes within an organization just as the horizontal system does. However, reengineering is not restricted to any particular redesign of processes. Rather, the entire organization is scrutinized from top to bottom to search for opportunities for improvement. Re-engineering is defined as " the radical redesign of business processes to achieve major gains in cost, service, or time." Changing processes to achieve productivity or effectiveness gains does not distinguish reengineering from either TQM or a horizontal structure. There are, however, two distinctive aspects of reengineering. First, re-engineering examines the organization from the outside in and designs it around customers' needs. The key question to be asked is, " If we could start this company from scratch, how would it be designed?" Second, reengineering promotes strong leadership from the top, the Managing Director or Chief Executive Officer leads the organization. This is completely different from either TQM or a horizontal structure.

Several firms have had tremendous success with reengineering. Union Carbide has used reengineering to cut U. S.$400 million out of the fixed costs of its operations over a three-year period. GTE reengineered its customer service operations from the outside in and created “ customer care centres.” Before reengineering, customers had to deal with three different departments for line problems, billing questions, and special services. After reengineering, GTE has a single customer contact process where effectiveness is judged by how many times a problem can be solved without passing the customer on to another department. Reengineering is recommended for important, broad-based corporate and marketing processes like new product development and customer service rather than for specific strategic issues like cost or quality problems.

The Virtual Corporation

The virtual corporation is a management system in which several companies form a temporary network of joint ventures and alliances that come together quickly to exploit fast-changing opportunities. The virtual corporation is conceived of as a grouping of independent organization, manufacturers, service providers, suppliers, customers, and even competitors that are linked with information technology to share knowledge and skills. There is no central administration, no hierarchy, and no formal lines of authority. Rather, the virtual corporation is a group of collaborators that will come together temporarily to exploit market opportunities. Each partner in the alliance contributes what it is best at doing. (This sort of arrangement with an example of Toshiba Electronics global alliances).

The key features of a virtual corporation management arrangement are:

1. Excellence. Each partner in a virtual corporation alliance brings a core competence to the collaboration. In this way, each function and process can be world-class calibre.
2. Technology. Global information networks will allow participants to create electronic links for sharing expertise and knowledge. Information superhighways could create electronic contracts without legal ties.
3. Opportunism. The partnerships are temporary and created to exploit a specific market opportunity. Once the opportunity disappears, the alliance will likely disappear as well.
4. Trust. The fate of each partner is dependent on the other. Trust is a key dimension in the successful performance of a virtual corporation.
5. No Borders. The collaboration among customers, suppliers, producers, and competitors breaks down borders between organizations.

The virtual corporation concept has its critics, but it also has brought together some of the most prominent names in the corporate world. AT&T used Marubeni Trading Co. to establish a relationship with Matsushita Electric Industrial Co. to expedite the production of notebook computers, which were designed by a fourth partner, Henry Dreyfuss Associates. Corning, Inc., has 19 partnerships that account for nearly 13 percent of the firm’s earnings. Former rivals IBM, Apple, and Motorola have created an alliance to develop an operating system and microprocessor for a new generation of computers, the Power PC.

Once again, this proposed corporate management system would have pervasive effects across the marketing systems of the firms involved.

Product development speed and efficacy, customer service, sales effectiveness, and price levels all can be directly affected. The future of the virtual corporation vision is unknown. While it is conceptually intriguing, there are definite obstacles. The information technology is not quite in place; firms have never had to trust each other to the degree that this proposal calls for; and there may need to be changes in regulations related to antitrust and intellectual property before virtual corporations can actually be formed.

A Global Perspective

By now you have become accustomed to a discussion at this point of the global issues associated with a topic area. Successful cultivation of worldwide markets is by far the most formidable challenge faced by organisations. An organization's resources are pressed to their limits when foreign markets become the focus of the marketing effort.

Case Study:

What short-term marketing strategies did Harley-Davidson implement while it was developing the long-term strategy of redesigned engines?

A Tale of Management Challenges

By the start of the 1980s, Harley-Davidson, the last U. S. motorcycle maker, had seen its share of the super-heavyweight motorcycle market drop from 75 percent in 1973 to less than 25 percent. Quality in the production process was so poor that more than half the cycles produced came off the assembly line missing parts and were delivered to dealers inoperable. The big Harleys

leaked oil, vibrated excessively, and were hard to start. Performance couldn't touch the new " bullet bikes" arriving from Japan with their breath-taking acceleration and silky smooth transmissions. Harley loyalists were still willing to get their hands greasy to fix the big bikes and to modify their performance, but new buyers who were fuelling the growth in the motorcycle market had no intention of doing so. Needless to say, Harley-Davidson faced a huge management challenge. As Vaugn Beals, chairman of Harley-Davidson, put it, " We were being wiped out by the Japanese because they were better managers. It wasn't the robotics, or culture, or morning calisthenics and company songsit was professional managers who understood their business and paid attention to detail." 1

Beals devised a long-range plan to win customers and bring Harley-Davidsons back to prominence in the motorcycle market. The important change would be to upgrade performance with a new generation of engine designs. This transition would take up to ten years. Harley needed solutions much sooner to survive. Those solutions came in the form of marketing management decisions to implement short- and intermediate-term strategies:

- " Willie G." Davidson created a series of cosmetic styling changes. In the five years before Harley could bring the new engines on line, he introduced a succession of new models -Super Glide, Low Rider, and Wide Glide – that emulated the look of the choppers Harley fanatics were putting together themselves. With a decal here and a paint strip there the new models were a huge success.

- Beals and several managers toured a Honda assembly plant and came away knowing their manufacturing techniques were woefully outdated and costly. A manufacturing team introduced a just-in-time inventory program in the firm's Milwaukee engine plant. Huge inventories and elaborate materials handling systems were eliminated with the program. The result was an increase in quality and a reduction in costs.
- In marketing, management shifted its focus away from trying to compete with the Japanese across several product lines and concentrated on developing the big-bike segment. In 1983, the company formed the Harley Owners Group (HOG) to develop a closer relationship with customers. Shortly afterward, a $3 million demonstration campaign was initiated called SuperRide, which invited bikers to visit any of the company's 600 dealers for a ride on a new Harley. The Role of Marketing Management

In 1984, Harley-Davidson sales were a mere U. S.$294 million, which produced a profit of only U. S.$2. 9 million. By 1993, sales had soared to over U. S.$1. 2 billion and profits approached U. S.$75 million. Harley-Davidson has not only survived, but has prospered and grabbed nearly 50 percent market share in the super-heavy weight market. The leaders of the firm managed Harley-Davidson out of crisis: corporate resources were focused on an identifiable target market segment, marketing and manufacturing were integrated to contain costs, programs to attract customers and support dealers were initiated, and strategies for the short- and long-term target market development were conceived and implemented.

As this episode in the history of Harley-Davidson highlights, the role of marketing management in an organization is to provide a mechanism for guiding marketing strategy development and implementation. No firm can compete effectively without performing basic tasks in the marketing mix: product development, pricing, distribution, and promotion. But, the difference between a firm that achieves mediocre results and a firm that prospers is often based on how much emphasis is placed on the management of marketing activities. Marketing management is critical to making the marketing process prominent in a firm. As the marketing process is granted unique status through focused management attention, the precision and impact of marketing activities increases.

This demonstrates that managing marketing activities rather than simply implementing marketing tasks has a tremendous impact on the competitive strength and profitability of a firm. Marketing management involves specialized management efforts. A highly useful and well-articulated definition of marketing management is:

The analysis, planning, implementation, and control of programs designed to create, build, and maintain mutually beneficial exchanges and relationships with target markets for the purpose of achieving organizational objectives.

REFERENCES

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3. Thomas A. Stewart, “ GE Keeps Those Ideas Coming,” Fortune (August 12, 1991): 41-49.