

# How drivers and kpis were identified business essay

[Business](#)



Foolad Mobarakeh7. jpg

## **Key people**

Mohammad Masoud Samieinejad (Chairman and CEO) Mahmood Arbabzadeh  
(Chief Operating Officer)

## **Introduction:**

Iranian businesses like all others around the world need to survive and grow in the global marketplace. To facilitate this, they need true executive commitment to the provision of high quality products and services. An established way to begin this important development process is to implement Total Quality Management (TQM). By applying TQM in Iranian organisations they can begin to achieve a high standard of quality products and services at a cost that enables them to compete with their international competitors. For a long time, developing countries have been making their economic plans using models copied from successful western countries with the aim of enjoying the same degree of economic success (Goncalo and Staw, 2006). However, globalisation and international trade, along with advances in information technology have now dramatically increased competition worldwide. To compete in a global market, firms need to be equipped with new technology, up to date information, skilled employees, and enhanced managerial skills. The concept of Total Quality Management (TQM) has been developed and propagated as the result of intense global competition. Companies with international trade and global competition have paid considerable attention to TQM philosophies, procedures, tools, and techniques. Despite globalisation, the implementation of quality

management has not occurred at the same pace in different regions of the world. While early implementation started in Japan, the US, and Europe, followed by the South East Asian countries, countries in the Middle East have lagged behind in the quality journey. To be acceptable and to compete in the global market, countries in the Middle East such as Iran need to implement quality management practices, tools, and techniques within all sections of their industries. For a decade Iranian companies have been trying to implement TQM in their organisation. According to a study by Mosadegh Rad, (2003) and other researchers (Mortazavi, Tayab and Amiishai, 1999 and Dalvi 2005) in Iran, the percentage of unsuccessful implementation and operation of TQM is quite high. This evidence points to an important concern; Iranian organisations need to establish a new strategy towards quality management and organisational culture (Mosadegh Rad, 2006), because one of the interesting things about Iran is that the implementation and operation of TQM in Iranian companies is different, due to the influence of national culture on the existing organisational culture. Mobarakeh Steel Company is an Iranian steel company, located 65 km south west of Esfahan, near the city of Mobarakeh, Esfahan Province, Iran. It is Iran's largest steel maker, and one of the largest industrial complexes operating in Iran. It was first commissioned after the Iranian Revolution in 1979 and officially initiated operations during 1993. At the commencement of the assignment produced 3 million tons of liquid steel per year this has since been increased to 4M tons per year partly through investment and partly as a result of TQM improvements. Mobarakeh Steel Company produces hot and cold rolled steel strips in the form of coil and sheet. The main application of the

products are for structural and constructional end users, gas and oil pipelines, the car industry, home appliances and ship manufacturing. Currently Mobarakeh Steel is in the process of privatization . The number of employees that are working in this complex are approximately 6, 700 and the number of direct suppliers working with the company is 800, but there are others such as some customers indirectly working with the company amounting to another 4, 000 and there is also a total of 2, 000 indirect suppliers . The advisor was invited to visit the Plant in mid 1997 to give a series of lectures and engage in discussion groups as to how TQM might be introduced. There then followed a period of internal research before he was commissioned to provide assistance. In the meantime Mobarakeh had conducted further research in Japan and elsewhere before commissioning a foreign advisor .

## **Hiring a new advisor**

In May 1998, a new advisor conducted a number of workshops in the Esfahan area both at the Plant and at their headquarters in the city. These included a Top Team workshop and a series of Workshops for Senior Management over a 3week period. These workshops required a considerable amount of group work during the events and then a great deal of planning and other activities before he returned some 3 months later. In the meantime, the VISION, MISSION, Key Performance indicators and cascading goals were being developed. This pattern of workshops, followed by in plant activities continued right through to 2002. By that time Project by Project improvement was well established, teams had begun Benchmarking activities, Supply Chain Management had been planned, Quality Function

Deployment was practiced at the highest level and the program had been implemented company wide with a significant involvement of personnel at all levels.

### **The Mobarakeh Vision :**

" To be successful in a global and domestic market as a leading organisation pioneer in quality, technology, production and sustainable development."

Just in the first year savings in cost amounting to some \$70M had been achieved with some striking performance improvements for example Tap to Tap time in steel making had been reduced from more than 220 minutes to just over 200 minutes. Later this has been reduced to under 165 minutes which is the theoretical minimum possible . By 2002 the savings were estimated to be more than \$220M but still accruing at more than £70M per year. Mobarakeh had also moved into the top of the world league in both Iran and Steel making and began winning the Iranian National Quality Award on an annual basis.

### **Project by Project improvement at Mobarakeh Steel**

Initially, Mobarakeh defined over 100 high priority key improvement projects using this approach. At the highest level a company wide Steering Committee was formed under which 18 committees were established to cascade the key performance indicators down and to provide a means by which nominations for local KPIs could be filtered up. In each case the same model was used to identify VISION, DRIVERS, KPIs and Projects. These were presented to the Steering Committee for review and to ensure compatibility with the overall programme.

## HOW DRIVERS AND KPI'S WERE IDENTIFIED

For the VISION and MISSION statements, eight 'DRIVERS' were defined. The titles are: CUSTOMER (Internal and external), SUPPLIERS (Internal and external), EMPLOYEES, PROCESSES, ORGANISATION, TECHNOLOGY, FINANCE, DESIGN AND INNOVATION. These are considered to be the key features that the advisor found from experience, must be considered for competitive business improvement. Benchmarking was also an essential element in this process to ensure that the correct KPIs have been selected from the possibly hundreds or thousands that potentially might be identified. As the programme developed, they introduced Project by Project problem-solving teams

- Supplier Chain Management
  - Customer Focus activities
  - Advanced quality planning tools such as Affinity Diagram, and QFD.
  - Benchmarking
  - EFQM style assessment tools
- The problem solving process was initiated using the basic tools such as Brainstorming, Pareto etc. and later progressed to the more advanced tools usually associated today with Six Sigma and Lean
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Manufacturing. SPC, was considered essential for both diagnosis and control of problems solved.

## **Not exclusive to Mobarakeh Steel!**

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It is important to note that what has been achieved by the Mobarakeh Steel Corporation can also be achieved by any Iranian or non Iranian company if the will is there to do so. The only thing that is special to Mobarakeh Steel is that they have stuck to the basic principles. They have taken the trouble to properly understand TQM and are reaping the rewards . There are others that have also made this level of achievement like Short Bros. The British aircraft company, VSEL a large Submarine manufacturer but now owned by British Aerospace. These are large global companies but there are many other smaller examples. The following photo shows one of the early top team meetings following Mr Islamian's appointment as CEO. The object was to review the Vision, Mission and Key Performance Indicators that had previously been established. In keeping with the 15 principles listed beneath , Mr Islamion is shown here presenting awards to the successful project teams

Principles of TQM as far as the advisor team is concerned

Principle number 1 Make use of the total corporate IQ. TQM works by using the collective thinking power of all of the people in the organisation to achieve its objectives. Bill Gates of Microsoft calls this Corporate IQ. If everyone is properly trained and organised to work together with everyone else to make their organisation the best in its field, it will be unstoppable. This involves the establishment of a clear and meaningful Vision and Mission, clearly defined and measurable Key Performance Indicators, the deployment

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of these to all levels of organisation and the establishment of multifunctional project teams and Quality Circles at all levels and through the supply chain.

Principle number 2 Make use of the full potential of all of your people. Man as an individual has infinite capabilities far beyond those that we normally appreciate. Therefore it is management's responsibility to encourage and draw out those capabilities continually both for the benefit of the individual and the benefit of the organization. This can be achieved through the use of Quality Circles which are small groups of workers trained to identify, analyse and solve work related problems.

Principle number 3 Give people the opportunity to present their ideas. Man has a great desire to be listened to and for his ideas to be considered useful. This is something that we seek almost from birth. We are attention seekers. If nobody listens then we become frustrated and turn towards destructive ways of gaining attention. I believe that many of the troubles in the world both local and international are caused by frustrated attention seekers.

Principle number 4. Award achievement. We all seek recognition for our achievements no matter how small. Again, right from childhood, we run from school to our mothers or other guardians –mummy, mummy I got a star in my exercise book! We go through life looking for stars in our exercise books but rarely do we get them because those who should know better are not interested in us as individuals.

Principle number 5. Give praise when it is due. We are all members of our local communities, members of our families. We expect and are expected to make a contribution to the health of our community. We want it to be better for our being there. We obtain a great deal of satisfaction from this when it is recognised, and people say thank you and when they



also appear to be as concerned about you as you are about them.

Unfortunately this culture rarely if ever extends to the workplace but given the opportunity we would be just as responsible for the success of our organisation as the other important communities in our lives. Principle number 6. Use empathy. Always ask yourself ' how would I like to be treated the way that I am treating others? All too often we are so preoccupied with our own concerns that we do not stop and think about the environment we create for our employees. Ask yourself - would I want to be doing that job day in and day out with nobody asking me anything or involving me in anything? Would I like to be treated like a robot or an extension of the machine or desk? Would I like the prospect of doing that job for ever with no opportunity for self development or to be able to participate in workplace improvement activities? Do you think that you can possibly get the best out of your people whilst they are being treated like this? Have you ever felt like you are talking to a brick wall? Principle number 7. <http://htmlimg3.scribdassets.com/4xc1aucef47edpq/images/4-33f4f41165.jpg>

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Create a positive work environment. There are three factors that determine work performance - Attitude - Motivation and the work environment. Management cannot control peoples attitudes and it cannot make people motivated. The only one of the three which is in management's control is the work environment. By creating a positive work environment people will respond with positive attitudes and become motivated .

Management cannot motivate people but can easily demotivate them! When people first join an organisation they are usually highly motivated. It usually

goes down hill from there! Work is as natural to a human being as breathing and sleeping. Man has a deep rooted need to work as part of his social responsibility to his family and community. It is from his work that he derives his dignity and self respect. If his work is meaningful and fulfilling he will be happy, social and caring. If it is demeaning then his self esteem will be low leading to resentment and less than cooperative attitude to his employment. The more people feel respected, the more motivated they will be in their work. Principle number 8. Provide the opportunity to make improvements Apply Principles 1 - 7 to people collectively as you would treat them individually. A group of workers who do similar work will form collective views of the organisation in which they work as they do as individuals. The more positive these views the better the work output. If they have the opportunity to work as quality circles their performance will improve significantly. Principle number 9. Managers get results through people. Managers do not make anything. Their job is to provide support and to organise the activities. Managers get varying results depending upon how they manage their people. <http://htmlimg4.scribdassets.com/4xc1aucef47edpq/images/5-98acd3bd3b.jpg> <http://htmlimg4.scribdassets.com/4xc1aucef47edpq/images/5-98acd3bd3b.jpg> Those who adopt an authoritarian approach and use threats and fear may get some results but they will also create hostility, resentment and a reluctance to work and will show little loyalty to either the manager or the organisation . On the other hand, those managers who support and trust their people and encourage them to come up with ideas and make improvements are rewarded with higher levels of overall performance, loyalty and support.



level and cascade the goals through to all levels of the organisation. Hoshin Kanri is a Japanese term which means 'management by policy'. Using a number of tools the VISION and MISSION of the organisation are defined. Following this, specific Performance Indicators are identified that will collectively enable the VISION to be achieved. These are further refined and prioritised to become Key Performance Indicators (KPIs) before being cascaded through to all levels of organisation. By using gap analysis specific continuous improvement projects are approved in order to bring the overall performance up to that determined by the annual plan.

DH Principle number 12 Provide recognition for achievement. This is the fulfillment of Principle number 5. People want recognition and to provide it at the conclusion of successful projects not only serves to reward the achievers, it provides an opportunity to educate others in what can be and is being achieved. By holding regular ceremonies for achievers to demonstrate their ideas to others, not only will they be rewarded but it will encourage others to show their skills.

Principle number 13 Your power is in your total supply chain. The supply chain is only an extension of our own processes and still remains our responsibility. Knowledge of the processes used and the technology applied by the supplier must also be held by the vendor. Suppliers must be expected to use the same fundamental principles that are listed above. Such suppliers will be regarded as preferred suppliers and rewarded with long term contracts.

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Principle number 14 Do not live in a fool's paradise. Make sure that you are up with the best.

Benchmarking for best practice must be an ongoing activity and the results fed to all relevant levels of organisation for process improvement purposes. This includes a study of parallel industries which produce different products or services. The reason for this being that organisations in the same industry tend to do the same things the same way because there are strong information flows through trade journals, salesmen and the movement of personnel. On the other hand, organisations in different industries quite often use different methods because they are isolated from those sources. Frequently we can learn a lot that way. Also, non competitors are far more likely to be willing to share their secrets. Principle number 15 Look after the process and the product will look after itself. Many organisations focus their attention on the analysis of product defects and these appear in scrap reports and inquests on failures. The fact is that these defects or deficiencies whether in a manufacturing or service sector environment, are the result of deficiencies in the processes from which they were produced. If these deficiencies are located and eliminated, the product will be good. I think we are ready now to see an example of the success that this approach can provide by a case example right here in Iran with Mobarakeh Steel in Esfahan.

## **Conclusion**

Being the best is not about technology although it helps, it is about people. Most people have the ability to do far more than they do but they are not stretched. We do not have to stretch them, they will do it themselves if we create the right environment. Do not underestimate anybody; it is amazing what people are capable of if they are stimulated and encouraged. Use the <https://assignbuster.com/how-drivers-and-kpis-were-identified-business-essay/>

undiscovered capabilities of your people to make your organization the best in its business! It will also impact on society and heaven knows we all need the benefit of that! Resources:

## **TQM implementation in Taiwan**

### **A Field Study with Taiwan Top 500 Companies**

Yeu-Shiang Huang  
Department of Information Management  
Ming Chuan University  
Taipei, Taiwan, R. O. C.

## **University of Huddersfield Repository**

Sadeghian, Mohammad RA  
Study of the Significance of Organisational Culture for the successful implementation and operation of Total Quality Management (TQM)

## **Successful TQM Implementation in**

### **Sri Lankan Public Hospitals**

Samantha Padmasiri KALUARACHCHI  
Graduate School of Business Administration,  
Hosei University, Tokyo

## **A Comprehensive Framework for Six Sigma**

### **Critical Success Factors**

### **with an Experience in a Developing Country**

Arash Shahin  
Department of Management, University of Isfahan  
Isfahan, Iran

## **Getting Results from TQM**

**David Hutchins, M. Sc., C. Eng. MIMech E., MIET., FCQI  
CQP. United Kingdom, david@hutchins.co.uk**

## **BARRIERS IN THE IMPLEMENTATION OF TOTALQUALITY MANAGEMENT IN INDONESIANMANUFACTURING ORGANIZATIONS**

**Kifayah AmarZuraidah Mohd Zain**

School of Industrial Technology - University Science Malaysia11800 Minden -  
Penang

**Kifayah AmarZuraidah Mohd Zain**