



Module 7 Unit 11

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Entrance

Keywords

quality control, quality management, quality control planning, continuous improvement, enterprise resource planning (ERP), business process reengineering

Learning Objective



This module will give you insight into the most important aspects of Quality Control (QC) and Quality Assurance (QA). In the following units practical solutions and concepts will be discussed and some of the most important quality assurance methods which are specifically suitable for social economy SMEs, like total quality management will be demonstrated. Lastly this module will show you how evaluation, monitoring and feedback cycles can be employed towards the continuous improvement of your company. After finishing this module you will be able to comprehend the concepts of QC and QA, through the extensive presentations of selected concepts and techniques which will prove fruitful for your social economy enterprise.

Estimated Time



The approximate time to go through this module is **30 minutes**.

Introduction

The best way to build **credibility**, ensure effective management and coordinate actions in your social economy enterprise is to implement a **quality control plan**, which will guarantee that products and services provided to customers meet the standard **quality requirements** through **quality assurance**.



The term **quality control** covers all the operational activities and actions that need to be followed in order to control the quality of the products or services provided by the respective organisation. This implies that all social economy enterprise activities are constantly supervised by experienced personnel and that everything runs correctly (i.e. in accordance with the designated set of preset operational activities).



The term **quality assurance** is in short, a step beyond quality control as it defines the set of actions which are followed in order to ensure that quality control is run properly. Quality assurance involves constant and regular testing of the social economy enterprise activities and the provision of regular feedback and reviews to provide insight into organisations' operations. Quality assurance also indicates which activities need to be developed and what needs to be done to improve the quality of products and services, whilst aiming at exceeding customer expectations.



Before taking action it is essential to select which activities and techniques can be employed for the benefit of your social economy enterprise and build your strategy accordingly. The following sections will provide insight into the most important elements of Quality Control and Quality Assurance.

11.1 Total Quality Management

11.1.1 What is Total Quality Management?



Total Quality Management (TQM) is a continuous improvement process, which can also be characterized as a management **philosophy**. TQM implies doing business, through striving for constant improvement of a company's quality and services. The main idea behind TQM is to ensure product and service quality, through the application of a wide range of management tasks (such as human resource management and managing the entire business process), instead of running statistical processes.¹



TQM relies on **cost reduction philosophy**, emphasizing specifically on the reduction of waste, whilst helping suppliers provide quality products and services in order to achieve maximum customer satisfaction and gain a competitive edge in the market.²

11.1.2 Why adopt TQM in your social economy enterprise?

TQM can provide direct benefits to your organization:

1. It will give you direct insight into your social economy enterprise and personnel data.
2. It is an effective means of improving communication.
3. It can lead to the improvement of productivity and efficiency.
4. It can help you identify all the priorities and actions that need to be taken.
5. It will point out your organisations' weaknesses.
6. It will make your social economy enterprise staff more active, with regards the daily activities of your company.
7. It will help everyone in your company adopt a quality-driven approach for all tasks, regardless of their complexity.

11.1.3 Total Quality Management resources

The **EFQM**: A non-profit membership foundation, which in the past 20 years has been sharing useful information on strategy implementation to its members.

(<http://www.efqm.org>)

11.1.4 How can I apply a TQM-based philosophy in my social economy enterprise?



Before applying a TQM system in your organisation it is important to identify the basic steps which will be followed. Once the goals are set, a principle for commitment to quality and continuous improvement must be adopted. The steps will involve: identification of stages, establishment of responsibility in the workplace, setting a point of reference, planning accordingly and regarding each project as a cycle and lastly, inform all staff on their responsibilities.³

¹ Total Quality Management: A continuous improvement process 4 (1996), PHCC Educational Foundation.

² Total Quality Management <<http://www.school-for-champions.com/competition/tqm.htm>> Viewed September 2009.



Seamus Mc Nulty identified ten key steps to TQM⁴, which are presented in the following table:

The **10 steps to TQM**⁵:

1. Pursue New **Strategic Thinking**
2. Get to **know your Customers**
3. Set **True Customer Requirements**
4. Concentrate on **Prevention, Not Correction**
5. Reduce **Chronic Waste**
6. Pursue a **Continuous Improvement Strategy**
7. Use **Structured Methodology** for Process Improvement
8. **Reduce Variation**
9. Use a **Balanced Approach**
10. Apply to **all functions** of your business

11.1.5 Best Practice – FedEx

FedEx serves as a successful example of TQM application, the delivery of high valued inputs at the right time was made possible through the services offered by the express industry, originally started by FedEx, in the mid 70s.⁶

11.1.6 Summary of key points

This subtopic focused on Total Quality Management (TQM). It explained the principle of this management process and explained why it might make sense to apply this method. Furthermore it showed how Total Quality Management can be applied in a social enterprise.

³ Total Quality Management: A continuous improvement process 4, © 1996 PHCC Educational Foundation.

⁴ Total Quality Management

<http://www.thetroubleshooter.ie/Customer%20Satisfaction%20&%20Competitiveness.pdf>, Viewed September 2009.

⁵ Total Quality Management

<http://www.thetroubleshooter.ie/Customer%20Satisfaction%20&%20Competitiveness.pdf>, Viewed September 2009.

⁶ Global Impacts of FedEx in the New Economy <http://www.sri.com/policy/csted/reports/economics/fedex/>, Viewed September 2009.

11.2 Business Process Reengineering (BPR)

11.2.1 What is Business Process Reengineering?



In the early 1900's Henri Fayol, the "father" of management theory, originated the concept of engineering: *"To conduct the undertaking toward its objectives by seeking to derive optimum advantage from all available resources."*⁷



According to Hammer M. Champy: *"Reengineering is the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance such as cost, quality, service and speed"*⁸



So what does **BPR** imply for your organisation? The term covers all the drastic changes which may be implemented on your management system, the organisation's structure, personnel management and so on. BPR deals with all changes that can affect the manner in which business is conducted.⁹

11.2.2 Why implement BPR?



Frederick Taylor in the 1880s stated that reengineering must be done in order to *"make all your processes the best-in-class"*.¹⁰

If the desired goal is to make your social economy enterprise stand out against market competition and survive through the constant changes in the market, then BPR is the answer. Successfully conducted BPR can lead to improvements in the quality of your products and services. It can not only maximise customer satisfaction, but it can also have a considerably positive impact on your finances.



BPR processes can **transform problematic organisations** into effective competitors and guarantee a good place in the market against their competitors.¹¹

⁷ Lloyd, Tom, Giant with Feet of Clay/ Tom Lloyd Offers a Contrasting View. of Business Process Reengineering, Financial Times, December 5, 1994; Pg. 8.

⁸ Hammer, M., Champy, J., (1993), Reengineering the Corporation: A Manifesto for Business Revolution., Harper Collins, London.

⁹ Successfully Performing BPR, By Michael Covert, Visible Systems Corporation, Copyright © 1997, Visible Systems Corporation. Pp1.

¹⁰ Business Process Reengineering Analysis and Recommendations, Maureen Weicher, William W. Chu, Wan Ching Lin, Van Le, Dominic Yu, December, 1995., pg. 1.

¹¹ Business Process Reengineering Analysis and Recommendations, Maureen Weicher, William W. Chu, Wan Ching Lin, Van Le, Dominic Yu, December, 1995., pg. 4.

11.2.3 Where is BPR applicable?



According to experts, reengineering should focus more on the processes of an organisation and not the organisation itself. Once you identify and record the processes in need of change, then you must decide which of them need to be reengineered and prioritise them on the basis of their function, level of influence and feasibility.¹²



The success of BPR processes requires support from the top management, especially when resistance is detected. In such case, a skilled manager can provide guidance and drive the group towards change and also enforce (if necessary) actions which will benefit the organisation that is being reorganised. The aforementioned manager should possess the right skills to convince the enterprise's personnel that change will not only benefit the enterprise they work for, but their position too, no matter how reluctant they may seem and work with them to achieve realisation of organisation goals.¹³

11.2.4 How is BPR applicable on social economy SME level?

BPR is of vital importance for SMEs in particular, especially in Europe, whereby continuous improvement is becoming the rule.¹⁴ As most SMEs are mainly people-driven (due to the fact that their daily functions are highly dependent on their staff and relations between management and staff are clearer) many of them focus on organisational operations such as Enterprise Resource Planning (ERP)¹⁵. The small-scale operational frame of SMEs should not discourage an enterprise from undergoing change. A better organisation and the adoption of newer processes can be beneficial towards any organisation, regardless of the size factor.

Here's how BPR can aid your company on a long-term basis:

1. Customer service improvement
2. Better allocation of tasks
3. Workflow optimisation
4. Efficient use of company resources
5. Increase in profit
6. Reduction of cost and waste

¹² Business Process Reengineering: A Consolidated Methodology, Subramanian Muthu, Larry Whitman, and S. Hossein Cheraghi, Dept. of Industrial and Manufacturing Engineering Wichita State University Wichita, KS-67260 0035, USA, 1999, p. 2.

¹³ Successfully Performing BPR, By Michael Covert, Visible Systems Corporation, Copyright © 1997, Visible Systems Corporation. P2.

¹⁴ Achieving Business Process Improvement in SMEs Using Open Source Content Management Systems Nikolaos A. Panayiotou, Sotiris P. Gayialis and Stavros T. Ponis, 2005, p. 1.

¹⁵ ERP software is a means of facilitating the flow of information among different functions within a company, as it combines all business processes and management activities of the enterprise.



However, there is a risk that smaller scale organisation may be faced with **obstacles** due to the **limited number of staff** and hence **limited capital** and **resources** which are necessary prerequisites for the adoption and implementation of radical changes. Nonetheless, it is necessary to apply BPR if your strategy is focussed on long-term success and survival in the market as opposed to making quick profit.



The success of organisational restructuring in SMEs depends on whether the leader of the organisation has the determination to implement it and if it will be applied at the appropriate time in order to minimise the risk of failure. This process is clearly up to the enterprise's manager and he/ she must be the one who will direct the entire process from step one.¹⁶ Therefore, success is not only dependent on the availability of resources and skills but is a function of the determination of the leadership, so clearly it is up to you as a leader to guide the process.

11.2.5 Case Study – IBM's Line of Visibility Engineering Methodology

IBM developed a framework for understanding Business Processes i.e. a methodology for BPR, known as "*IBM'S Line of Visibility Engineering Methodology*". In this context a manual was assembled presenting all IBM technologies and BPR development techniques which would be useful for the application of BPR.¹⁷



You can download this manual through IBM's website [here](http://www.redbooks.ibm.com/abstracts/sg242590.html) (<http://www.redbooks.ibm.com/abstracts/sg242590.html>)

11.2.6 Summary of key points

This subtopic focused on Business Process Reengineering (BPR)s. It explained the principle of this management process and explained why it might make sense to apply this method. Furthermore it showed how Business Process Reengineering can be applied in an social enterprise.

¹⁶ Business Process Reengineering in small Companies, p. 24.

¹⁷ Business Process Reengineering and Beyond, *An IBM Redbooks publication, 1995.*

11.3 Continuous improvement (CI) through Monitoring, Evaluation and Feedback Cycles

11.3.1 What is Continuous Improvement?



Continuous Improvement Process (otherwise known as CIP or CI) is a management process whereby delivery processes (customer valued) are being constantly checked, evaluated and improved accordingly, with regards to efficiency, their level of effectiveness and flexibility.¹⁸ The term alone implies that the process is ongoing. CI is focused on human-centered management and thus, a capable SME manager should be able to identify the need to continuously improve an enterprise's competitiveness to ensure growth, profit and secure its place in the market. In TQM, CI stands for the core activities through which an enterprise can maintain a competitive edge.¹⁹

11.3.2 Why aim for CI?

There are various reasons supporting the application of the CI philosophy in an enterprise, the first and most important one being the mobilization of all your personnel. CI is a step further from TQM, as it envelops all the advancements on the standards of the enterprise. The standardized processes which are constantly evolved and improved in the long run will lead to innovative changes within your company, which will of course require less effort and cost.²⁰



- CI will have a positive impact on all organizational processes and areas²¹:
- Business processes: Better performance, More efficient planning
 - Finances: Increased profit, Better use of resources
 - Human resources: Improved staff morale, Higher rate of satisfaction of staff, improved recruitment
 - Suppliers: Improved relations between you and your suppliers
 - Customers: Increased customer satisfaction and overall communication

11.3.3 Where is CI applicable in an enterprise?



CI should be applied in all processes that support your company. Keep in mind that focus must be placed on the nature of these processes rather than on the final results.

¹⁸ Wikipedia, Continuous Improvement, Viewed September 2009.

¹⁹ ISO9000 based advanced quality approach, for continuous improvement of manufacturing processes, Deeb Salah – lung Benoît, p. 1.

²⁰ Continuous Improvement Tools, viewed September 2009.

²¹ <http://www.constructingexcellence.org.uk/resources/themes/internal/improvement.jsp>.

11.3.4 How can I apply CI in my enterprise?

11.3.4.1 Essential Factors



Before moving on to the implementation of CI in your enterprise, there are certain prerequisites and factors which must be fulfilled in order to ensure that the processes are run correctly. These essential factors are: commitment from senior management, participation of all employees and opportunities to contribute, management of the performance and contribution of staff, good communication in your enterprise, introduction of training activities for your staff and incorporation of such activities into your company strategy, official certification for recognised quality management systems and standards, measuring and evaluation of progress with regards to key indicators and preset benchmarks.²²

11.3.4.2 The Kaizen Approach



A popular CI method that can radically help an enterprise evolve is the **Kaizen Approach** (Kai stands for “change” and “Zen” stands for “good” in Japanese). The philosophy behind Kaizen is that **everything can be improved** and therefore organisations that work under this principle, leave room for improvement on all processes, regardless of their status (i.e. whether it’s financially stable or running well etc.).²³ Kaizen also presupposes that people from all levels should participate in the process of continuous improvement and that efforts towards improvement must not be relaxed.

11.3.4.3 Core activities of CI

The three core elements of CI are monitoring, evaluation and feedback cycles:

1. **Monitoring** is the main component of CI. CI-based Monitoring is characterised by 3 steps: (1) Recognition of the problem through running checks, (2) Evaluation of the situation, through studying the results of the audits and (3) Continuous Improvement processes and optimisation.
2. **Evaluation** is intertwined with all monitoring processes. It does not simply comprise of complex data collection tools and staff training as evaluators may even have to help towards the creation of a workplace culture which promotes inquiry and critical self-review, whilst offering support and fostering change.²⁴ Evaluation procedures require planning, setting the roles of everyone involved, long implementation time and encouraging staff involvement.
3. **Feedback Cycles** with regards to CI are basically derived from evaluation procedures. They are periodic reviews and can focus on products or services. These reviews can be used for staff training and feedback collected can contribute to further experience and avoidance of mistakes.



EXERCISE: Now it’s your turn to think if your company is run under a CI philosophy and if so take some time to record how activities are carried out with regards to it and of course if all your company staff are involved in it.

²² <http://www.constructingexcellence.org.uk/resources/themes/internal/improvement.jsp>.

²³ http://www.mindtools.com/pages/article/newSTR_97.htm.

²⁴ The evaluation exchange, A periodical on emerging strategies in evaluating child and family services, 2002. pp. 2.

11.3.5 Best Practice - The Kaizen Application at Toyota

Toyota constitutes a splendid and representative example of Kaizen management, due to the fact that it had the most systematic and strongest cost management system, under which all kaizen activities were organized.²⁵

11.3.6 Summary of key points

This subtopic focused on Continuous Improvement Processes. It explained the principle of this management process and explained why it might make sense to apply this method. Furthermore it showed how Continuous Improvement Processes can be applied in a social enterprise.

Summary



The main aim of this unit was to familiarize the reader with the most important aspects of Quality Control and Quality Assurance. It is suggested, after reading this course once, to go through the main practical solutions which can ensure the quality of your services and products and reconsider them in terms of your own company in order to select those that are more applicable in practice. Take some time to note down any problems that may arise from poor quality management in your company and link them to possible solutions.

²⁵ Transforming Kaizen at Toyota, Koichi Shimizu, Okayama University.

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