

Unique Plan to Help Saudi Firms Reach Excellence

In a fresh drive to help Saudi firms reach excellence in their managerial skills, the Asharqia Chamber in cooperation with two Zurich-based globally reputed training institutes has planned to offer a comprehensive training program. The Swiss Institute for Total Quality Management (ITQM) and the TQM Consulting Group Inc. (TQMCG) will conduct the excellent training program at the Chamber premises this month, covering various topics through a number of workshops. The topics of these workshops are: EFQM European Assessor Training (Certificate Training), Business Excellence for Executives, Policy and Strategy Development/ Deployment, Process Benchmarking, Project Management, Quality Improvement Methods and Techniques, Failure Mode and Effects Analysis, and Software Supported Process Management. More topics will be offered in October/November 2009 program.

The training program will provide to the members of the Asharqia Chamber an excellent opportunity to develop their know-how in Total Quality Management (TQM). This will be very beneficial for their further development in becoming not just good, but excellent organizations.

In an exclusive interview with the Saudi Commerce & Economic Review, Dr. Karl J. Koller, Director of ITQM and CEO of TQMCG, has given an outline of TQM and its benefits. He also highlighted his experience about the current state of quality management in Saudi companies. Following are excerpts from the interview with Dr. Koller.

Please, give us some information about the Total Quality Management (TQM) system, including its history, benefits and advantages. Also, give us some details about the EFQM Excellence Model. What are major criteria to be followed by a Saudi organization to obtain from the European Foundation for Quality Management (EFQM) the certificate "Committed to Excellence" or "Recognized for Excellence?"

Dr. Koller: The long-protected Saudi economy has been facing increasing international competition for quite some years. However, there are still not enough Saudi organizations developing towards best practices or excellence. A concept such as Total Quality Management, which is widely approved for its success, if applied correctly, could give Saudi organizations the opportunity not only to become better, but even to outperform their international competitors.

Modern quality management developed from Quality Control to Quality Assurance and then to Total Quality Management. Of course, even now

there are organizations, which have only Quality Control or Quality Assurance in place. However, more and more organizations in Saudi Arabia recognize that it would be beneficial for them to develop their organizations through a TQM system.

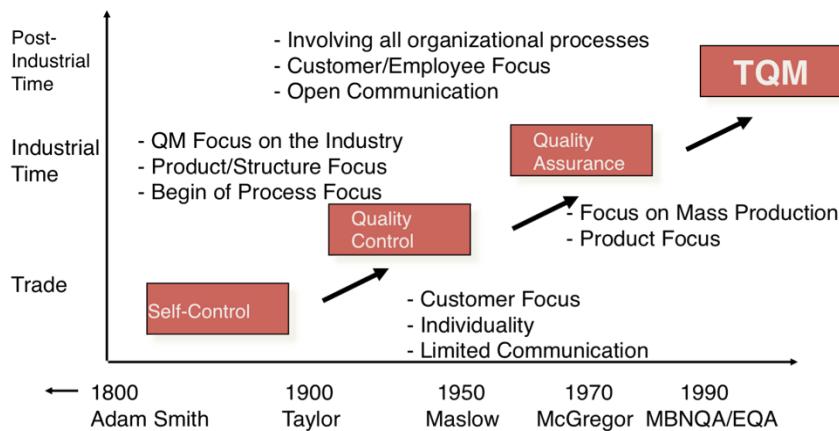


Fig. 1: Evolution of Modern Quality Management

TQM is the highest level of a quality management system an organization can implement. This holistic quality approach started in Japan where it was called Total Quality Control (TQC). Then the new approach was taken over by the US organizations from where it further spread out to Europe and the rest of the world. It is a systematic approach that can lead an organization to excellent results. TQM involves new strategies, changes in culture and infrastructure, and the use of relevant methods and techniques, which give all employees in an organization competence and responsibility. All people in an organization are then able to continuously improve quality, as defined by the customer. The best-known and most internationally accepted TQM frameworks are the Deming Price (from the 1950s), the Malcolm Baldrige National Quality Award (from the 1980s), and the EFQM Excellence Model (from the 1990s).

The EFQM Excellence Model is a generic and holistic TQM system, which is used not only in Europe but serves as a roadmap for organizations from various industries and government organizations around the globe. The European Foundation for Quality Management (EFQM) defines Excellence as “outstanding practice in managing the organization and achieving results based on a set of fundamental concepts that include: results orientation, customer focus, leadership and constancy of purpose, management by processes and facts, people development and involvement, continuous learning, improvement and innovation, partnership development, and corporate social responsibility.” In other words, an organization that does the right things right will be able to develop towards excellence. The EFQM Model helps organizations align their quality initiatives in leadership, policy and

strategy, people, partnership and resources, and processes to reach excellence in customer results, people results, society results, and key performance results (financial and process results).

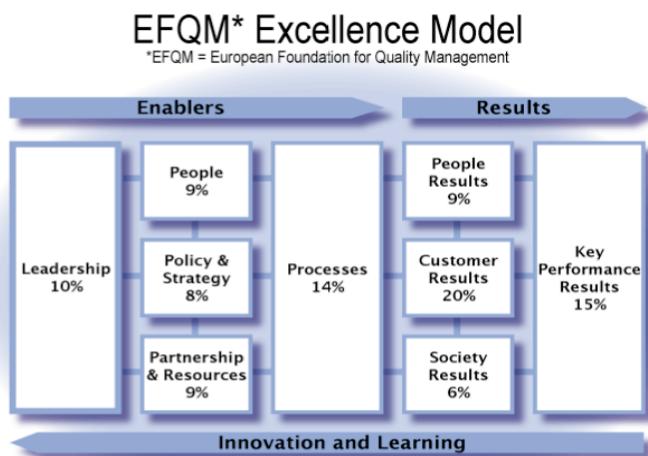


Fig. 2: EFQM Excellence Model

The benefits of using the EFQM Excellence Model as an organizational roadmap are: 1) Structured approach for improvement activities within an organization; 2) Method that can be used on all levels of an organization; 3) Gives a realistic view of how good the organization is (facts); 4) Helps identify where to focus improvement efforts; 5) Brings initiatives together into a single framework; 6) Encourages the sharing of internal and external good practice; 7) Helps to understand the drivers behind business results; 8) Provides a common language and 9) Has positive financial impact

Saudi organizations, which are committed to developing towards excellence have the opportunity to receive from EFQM the certificate "Committed to Excellence" or "Recognized for Excellence". These certificates are awarded depending on the quality maturity level an organization reaches after having conducted a self-assessment based on the EFQM Excellence Model. Awarding of the certificates also depends on how successful projects are that were launched and successfully deployed after the self-assessment.

The empirical study "The Impact of TQM on Financial Performance: Evidence from Quality Award Winners" conducted by Kevin B. Hendricks and Vinod R. Singhal makes very clear that organizations which have reached a very high quality maturity level are just more successful in many dimensions than organizations which are on a lower quality maturity level.

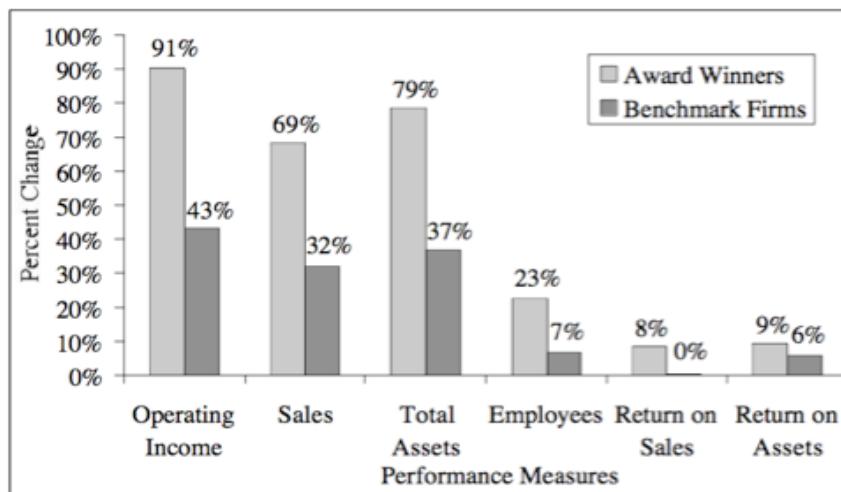


Fig. 3: Comparison of the average percentage change in performance of award winners and benchmark firms for the post-implementation period. The results depict the changes in performance over the five-year post-implementation period that starts one year prior and ends four years after the date of organizations winning their first quality award.

You have been here in the Kingdom for several years working with some top companies in order to support them in improving their management quality. Please give us an idea about the current state of quality of management in these companies.

Dr. Koller: During the last few years I have had the privilege to work with a number of large, distinguished, (and mostly) international organizations in Saudi Arabia. These leading organizations are concerned about quality, effectiveness, efficiency, and profitability. Organizations, which compete on the international market are influenced and even pressured to learn from best practices to be competitive. This pressure is definitely the key driver for their organizational improvement.

However, local Saudi organizations that compare themselves with presumably inefficient local organizations feel less pressure to improve quality. Their inefficiency can result in very high costs. There are executives who undertake development of their organizations towards excellence very seriously. These executives are prepared to commit and involve themselves in the continuous improvement process. They are prepared to move their organizations from a quality assurance stage (ISO, JCI, etc.) to Total Quality Management. However, I have also seen that for some executives, their only goal is to receive a national quality award as fast as possible. They believe that they will win an award and gain national attention simply by producing a nicely written application report. Unfortunately they do not understand that it requires hard, smart work on all levels to reach the level of excellence in all areas of an organization. To develop a high quality culture in an organization might

even take several years, depending on the size of the organization. This evolutionary quality development within an organization requires investment, know-how, and skills that you cannot just buy and implement within a year.

An organization must put its problems on the table in order to solve the problems and become better. Therefore, constructive criticism must be developed within organizations. Excellence can never be achieved when problems are not mentioned. Therefore, management has to make sure that the employees who speak up and bring problematic issues forward—and who make an effort to change something for the better—get rewarded, rather than punished. An organization must remember: "If someone has recognized a problem and does not do something about it, he/she will become part of the problem."

What are the major obstacles, according to you, facing the Kingdom's companies during the implementation of a Total Quality Management System? What are your suggestions for overcoming these obstacles?

Dr. Koller: I sometimes have the impression that some Saudi organizations still do not feel enough pressure to change their organizations with continuous quality improvement. The question today is not "Can the organization afford continuous quality improvement?" The question today is, "Can the organization afford *not* to have continuous quality improvement in place?" The lack of clear directions by management slows down or even hinders the implementation of TQM. Organizations are not enough investing in training for their workforce. In addition, only talking about quality management in meetings, conferences, and on the corporate website does not help. Another obstacle is that in the Kingdom, there is currently not enough high quality training, nor enough expertise in the implementation of TQM and the deployment of quality initiatives available.

Here are a few suggestions to help organizations overcome such obstacles:

First, organizations should develop high quality leadership. In addition, they should develop and deploy a clear policy and strategy (vision, mission, values, strategies, goals). It is easiest to implement TQM into an organization when top and middle management are the first to strive for excellence. They need to lead the organization in knowing the basics about TQM and their specific role in this journey towards excellence. It is empirically proven that the most successful organizations show a strong

commitment and involvement of top management, particularly during the implementation of a TQM system.

Second, management has to know where their organization stands in relation to best practice. Through a self-assessment, based on the EFQM Excellence Model, they can determine their quality maturity level. Once the current status of their quality is defined, they can set priorities in their continuous quality improvement process and change their organization through many quality improvement initiatives. When a company has reached a high level of quality, shown by a true and fair self-assessment, then it could even consider applying for a quality award.

Third, organizations must train all their employees—on all levels and in all areas of the organization—in new quality management methods and techniques. They must empower their employees, not just assign them tasks. Employees that have professional project management skills can conduct improvement initiatives quickly and deploy them successfully.

Fourth, management must change the way it works. Too often, management does not take enough leadership responsibility. Instead of coaching and managing people, they get lost in micro-management, doing things they actually should delegate. Having managers who are true leaders would make the job of many employees more interesting, and would free managers to execute their leadership tasks. Management has to change its working practices to become more like the management of the best international organizations. I would like to quote Mr. Jack Welsh who said: “Empowerment is all about letting go so that others can get going.”

Fifth, management has to encourage a culture of accountability and management by facts. Performance must be measured through the use of effective, diversified key performance indicators (KPIs), including customers, people (workforce), partners, process, finances, etc. In addition, responsible people must be made accountable for these KPIs. All the people in the organization are accountable for their contribution to the bottom line and overall performance improvement. Comparing these results with the best is good but not enough. In order to close the gap with competitors, initiatives (e.g. process benchmarking) are needed. The EFQM Excellence Model is an outstanding tool to help management develop such a culture of accountability and management by facts.

Key success factors of excellent organizations are: a) Strong Customer Focus (services/products are based on known customer expectations); b) Visible Leadership and Empowerment (involvement of all employees, activities in small teams); c) Process Design and Benchmarking (support

process thinking, best practice culture) d) High Goals for Improvement (waste reduction, reduction cycle time, customer satisfaction); e) Quality at the Source (doing it right the first time); f) Problem Solving with Facts and Data (measuring system, improvement methods/techniques) g) Shared Values and Language (excellent behavior, motivation, appreciation); h) Communication of Success Stories (winner projects) and i) Successful Deployment (TQM is a daily leadership task).

Please elaborate your experience in dealing with top management of Saudi companies when they are approached to enforce their TQM systems.

Dr. Koller: Top management I have met so far has been very interested in developing their organizations from quality assurance towards higher levels of quality, towards excellence. Top management has recognized that just meeting certain standards (ISO, JCI, etc.) is good but not great. In order to move towards excellence—to become a better-than-average organization—an organization has to apply best practice standards. The introduction of TQM and using the EFQM Excellence Model as a roadmap is the only way to outperform competitors. I have also noticed a hesitation to define a clear excellence strategy and to enforce it within the workforce. It is top management's job to give a clear direction (vision, values, strategy) to all people in the organization. Communicating this direction is top management's daily task. Here is a great saying from Mr. Joseph M. Juran: "Observing many companies in action, I am unable to point to a single instance in which stunning results were gotten without the active and personal leadership of the upper managers."

There are some Saudi organizations that made some progress with TQM a few years ago but were unable to sustain it. Mistakes were made during implementation. These organizations are almost "TQM damaged," because trust in the idea that TQM will be very beneficial when applied the right way must be rebuilt. This idea has been proven by empirical studies of many successful TQM organizations.

Sometimes I have the impression that top management is not aware of the costs of poor quality if the organization does not have a culture and system for continuous improvement in place. An empirical study done by Philip B. Crosby came to the conclusion that organizations that do not have a process of continuous quality improvement in place have annual costs for poor quality of up to 20% of their annual revenue. In other words, these organizations throw a fifth of their revenues out the window. The best organizations bring the costs of quality down to about 3%.

Please give us an overall picture of quality of management of Saudi companies. Are they able now to catch up with the rest of the world in TQM?

Dr. Koller: When Saudi organizations are in the customer role they are very quality-oriented. They recognize the value of high supplier quality. However, I believe that too few organizations have understood that striving for excellence is not a marketing issue, but a strategy to bring the performance of the organization to a very high level. Striving for excellence benefits the customer, the workforce, society, and—last but not least—the shareholders.

As a consumer I have often experienced a rather low customer focus in the Kingdom. Many organizations lack a quality management system. The workforce is not trained or is poorly trained to produce a good product or to provide a good service. As I complain, for example, when I have to wait for hours in a line to get my flight ticket, or to pass through customs at the airport, then I notice that these front line people and their supervisors are totally overwhelmed and do not understand a customer's request. Such circumstances are not even the fault of front line personnel. It is the organizational system, in other words, management that is lacking. I believe there are many areas for improvement. However, I am also very positive that in about ten years, I will laugh about some customer incidents I have experienced. I am certain that we will see more improvement activities in Saudi organizations. This improvement will mainly be driven by more fierce competition. Therefore, Saudi organizations will invest more in quality. They will catch up with the rest of the world.

What are major steps and initiatives Saudi companies should adopt to improve their managerial skills in order to withstand the current global financial crisis?

Dr. Koller: Compared to other countries, the Saudi economy has not been hit so hard by the economic crisis. This is one additional reason why management of Saudi companies should see the current global crisis not as a threat but as an opportunity. The opportunity is at hand for them to improve their organizations at a higher speed. For that, investment in training and coaching is needed.

As Mr. Steven George said that the transformation to world-class quality is not possible without committed, visionary, hands-on leadership. Managers have to be prepared not only to enforce change within the workforce, but also to change their own way of managing. To achieve

excellence in leadership, managers must not spend their time micromanaging and engaging in other tasks not related to their leadership roles. Rather, they should be coaching, leading, motivating, analyzing and developing/deploying policy and strategy, as well as acting as role models of excellence. In order to develop these best-practice leadership abilities, managers need training in business excellence, people management, development of policies and strategies, change management, communication, and project management.

(ITQM provides workshops, TQM study tours and consulting in Total Quality Management worldwide, in particular in the Gulf Region. ITQM, website www.itqm.ch, works very closely together with TQMCG. TQMCG offers international consulting and training in Total Quality Management and Change Management. TQMCG is the member and international licensed training partner of the European Foundation for Quality Management (EFQM), and corporate member of the American Society for Quality (ASQ), the Dubai Quality Group (DQG) and the Saudi Quality Council (SQC).