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FROM TOTAL QUALITY TO TOTAL STRATEGY

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Abstract

Companies have been losing interest in participating in quality award processes (MBNQA, etc.), mainly because the business models they use to assess organizations were created during the late 80's or early 90's and the business environment and the rules for competition have change a lot since then. That is why TQM award processes are no longer a strong reference for companies to improve their competitiveness. This paper introduces the new business model that will be used (starting 2008) as a reference for assessment in Mexico's National Quality Award process and discusses the process followed for its development, including its theoretical foundations. The new model (called National Model for the Organizational Competitiveness) puts a much stronger emphasis on the business strategy and the results the organization achieves through its execution and as well on the competences and competitiveness the organization has develop for its sustainability and growth in the future.

Introduction

The society is facing an important transition to globalization of economic activity, political relations, information, communications and technology. The central defining and determining characteristic of the postindustrial order is the flexibility on the patterns of production, consumption and economic life. The new technologies are facilitating easy adjustments to task assignments. The mass production of the traditional industrial systems led to standardized consuming, but the recent communication systems rapidly detect preferences on costumers that respond to them with customized products. The conventional bureaucratic organizations do not fare well in the volatile conditions of post-modernity. The static structures limit the possibilities to adapt to new creative strategies (Hargreaves, 2001). The systems metaphor has been confronted by the relativists, whom advocate a plurality of methods for making sense of management and organizational issues (Hassard, 1999).

The paradox of globalization refers to the breaking of barriers of time and space with the aid of instantaneous communication. Operations and personnel do not now need to be concentrated for efficiency, and plant locations are no longer fixed by tradition. The geographical space is flexible and the units of enterprise are becoming smaller. This globalization also carries with the environmental consequences of immense scope and risk. As globalization intensifies national identities are being reconstructed with ethnic and linguistic identities (Hargreaves, 2001). The growth of economic diversity with the revitalization of local identities is having profound implications for knowledge, transforming the universal truths for a changing plurality of beliefs systems. The certainties in technology are dying with the environmental catastrophe.

All TQM models on which quality awards are based seek to improve the competitiveness of organizations. However, many organizations (mainly those with a great need for being competitive to survive) have been losing interest in these models. Additionally, Mexico has been behind in the

competitiveness rankings like the one published by the World Economic Forum, going from position 42 in 2002 to 52 (The Global Competitiveness Report 2007-2008, 2007). Mexico's National Quality Award (MNQA) was established in 1989, but the business environment has changed a lot since then (Premio Nacional de Calidad, 2008). At the beginning, MNQA model was adopted by industrial organizations (mostly large), but then organizations from other economic sectors such as services, education and government started to participate in the National QA. Global participation remained at good level (about 150 organizations per year), but never penetrating enough in any sector. These signals and others related to what has been happening in the business environment got the Technical Board of Mexico's National Quality Award to the conclusion that a major review of its reference model was needed.

The purpose of the new model was defined as: a) to respond to current businesses' challenges, b) to guide the efforts of all kind of organizations for improving their competitiveness, c) to incorporate new knowledge in relation to competitiveness such as business strategy, high performance and innovation, and d) to be understandable and appraised by top management. The first steps on the modeling process were dedicated to gather as much information as possible. For this purpose, the following activities were performed: a) personal interviews with 21 senior managers from organizations with good reputation in terms of their performance, b) personal interviews with recognized academicians in the field of management and total quality, c) workshop for a brainstorming with senior examiners from Mexico's Quality Award, d) analysis of management consulting methods used by top firms, e) benchmark analysis of seven national quality awards, including the Best European Business Award, f) active participation with the Global Excellence Model (GEM) organization in conferences organized by them in 2005, 2006 and 2007, g) literature review on two management school of thought: high performance and competitiveness. The most important findings from these 7 activities were that organizations in order to be competitive should have:

- **Efficiency.** This factor has been relevant and will continue being important for an organization to be competitive. Cost optimization is a must for widening margins.
- **Flexibility.** Mexican organizations need to update their core competences and assets to respond more rapidly to changing business conditions.
- **Innovation.** The implementation of innovation and development of technology initiatives to offer better services and products to customers seems to be the most appropriate strategy for differentiation.
- **Organizational culture.** There are some issues that should be reinforced in the organizational culture such as the willingness to change and to take risks, the sense of urgency, accountability, transparency and social responsibility.
- **Strategic thinking.** Mexican organizations currently focus their attention primarily on operations management and assign little time and resources to re-think / review the business strategy. They should put more attention on the strategy.

These factors seem congruent with the conditions of postmodernity stated at the beginning of the paper and prove that TQM models focused on control are not sufficient for organization to become and stay competitive.

Theoretical Background

As mentioned before, facts and data collected from users of the previous model as well as the opinion of business leaders took the research team to conclude that the new model should be based on competitiveness and high performance. Competitiveness is commonly understood in the macro-economic context; however, for the purpose of the model developed as a reference for Mexico's National Quality Award, competitiveness would be defined as the sophistication and effectiveness of the

strategy and operations of organizations in the framework of the macro-economical environment in which they perform and exist. So, competitiveness cannot be expressed, analyzed or modify without considering the performance of the organization. The research team found different approaches to competitiveness. Porter's theory (1998) captures the competition in five underlying forces that should be translated in his three generic strategies: lowest cost, differentiation, and focus. His perspective indicates that the organization has to be extremely resistant to the environment because it represents a fundamental key to define the organizational future path. This force against the environment changes to the insight of the organization in the resource-based view which is located in the boundary between modern and post-modern ages. Barney, Wright, & Ketchen (2001) argue that sustained competitive advantage derives from the resources and capabilities a firm controls that are valuable, rare, imperfectly imitable, and not substitutable. This orientation emphasizes the resources and capabilities including intangible assets like management skills and the information and knowledge it controls. A similar perspective is the strategic principle that focuses on central profits issues, which according Zook & Allen (2001) is the key source of competitive advantage that remains as the only viable platform for successful expansion. These authors consider important to strengthen the core competences and expanding the business to close sectors.

Several authors have studied successful and high performing companies. In 1982 Peters & Waterman (1982) in their book "In search of excellence" brought the attention of management theorists and the business community with concepts such as the factors causing low performance and those for high performance. Since then, organizational high performance is a key issue on management research and practice. Research on organizational high performance has focus on individuals, teamwork, operations, senior leaders, etc. as factors for achieving high performance. This approach is similar to the original models of TQM. John Kotter and James Heskett (1992) provide the first comprehensive critical

analysis of how the "culture" of a corporation powerfully influences its economic performance, for better or for worse. Through meticulous research at such firms as Hewlett-Packard, Xerox, ICI, Nissan, and First Chicago, as well as a quantitative study of the relationship between culture and performance in more than 200 companies, the authors describe how shared values and unwritten rules can profoundly enhance economic success or, conversely, lead to failure to adapt to changing markets and environments. Collins & Porras (1996) had similar conclusions in their study. The authors studied eighteen "visionary" companies that have been the best in their industries for decades. They compared them to eighteen comparable companies, which also have been successful, but not to the same degree. From 1926 through 1990 the comparison companies outperformed the general stock market by two times. The visionary companies outperformed the market by fifteen times. Why do such companies remain so vital when others falter? Collins and Porras identified several key traits or habits which distinguish the visionary companies from their rivals. The leaders of visionary companies concentrate on building an organization with a core ideology, high ideals and pragmatic self-interest and they usually seek to be both highly ideological and highly progressive. Finally, the essence of a visionary company comes in the alignment of its core ideology into everything that the company does. Hatch (1997) proposes four perspectives to explain the evolution of organizational theory; going from classical in 1900s, to modern in 1950, symbolic-interpretive in 1980s and finally the postmodern era starting from 1990s. Collins & Porras (1996), Kotter & Heskett (1992) and Peters & Waterman (1982) could be related as part of the symbolic-interpretive organizational culture because they are based on the assumption that cultures are socially constructed realities, meaning that organizations require cooperative effort and mutual self definition. Two new meaning theories related to the postmodern paradigm, are the Delta model (Hax & Wilde II, 1999) and the creative destruction (Foster & Kaplan, 2003) . The Delta Model is a strategy framework that defines strategic positions that reflect new sources

of profitability, aligned with firm's activities, including adaptive processes and metrics. This model combines environment with capabilities and includes strategy adaptation, alignment and feedback responding to current business and macro-economical environment. The authors of the creative destruction theory argues that successful companies actually weigh down the market and present a plan for transforming the way they do business explaining why and how formerly successful companies fall into habits that compromise future productivity, proposing that such companies must perpetually re-create themselves in order to remain competitive (Foster & Kaplan, 2003). The principal difference from the postmodern approaches with the symbolic-interpretive ones is that the first seek for adaptation and change while the cultural oriented are more attached to the original organizational vision.

Another interesting research on high performance, the Evergreen Project from Harvard, found that the primary practices of management concentrate on the business strategy and its execution, as well as on the culture and structure of the organization; all supported on peoples talent, innovation, leadership and business partnership and alliances. This study gave structure to the other findings on high performance and was used by the research team as a guide on which lessons learned from the rest of the literature on high performance were integrated in the model.

Mexico's Model for Organizational Competitiveness

The research team responsible for designing the Mexican Quality Award Model decided to consider in the first version of the model a mix of symbolic-interpretive and postmodern paradigms as a way to soften the transition from the previous model to the new one. Later versions of the model will move to consider the extended enterprise, total customer solutions, adaptive processes and collaboration among member in the value change rather than purely competing.

The model is supported in 7 Value Drivers: leadership, planning, markets / customers, processes, human resources, information / knowledge and organization's sustainability. **Leadership** defines the

way leaders set a direction and how they take on the external challenges of the organization by establishing innovative strategies that respond with an execution focused on priorities. Innovative strategies and their execution require of a supporting context. It is responsibility of the leaders of the organization to ensure the present through an execution that delivers positive operational results and to guarantee the future through an innovative strategic planning that addresses the organization's priorities.

Planning proposes the approach on how the organization develops its business strategy regarding what it seeks to be in the future, considering the dynamics of the environment and its challenges, setting, and prioritizing objectives and goals as well as the competences needed to reach them. The business strategy and the organizational goals and objectives would be useless if a feasible execution plan is not established. Implementation plans allows the organization to capitalize the potential of the business model if the involvement and competences of the personnel achieve an excellent strategy execution. The

Markets / customers driver promotes a strategic thinking around the markets and market segments in which the organization participates or it is interested in. The strategic thinking must covers the way markets are identified as well as the needs and requirements of current and potential customers, the characteristics of the associated value chain, the need to establish strategic alliances with customers, a deep knowledge of competitors and the development of new products and services. It addresses as well the importance of developing the organizational capabilities and the personnel competences needed to establish and maintain a relationship with customers in the terms just mentioned. **Processes** focuses on how the organizational processes are aligned with the business strategy and stakeholders' needs, and on the way the organization develops competences different than those of its competitors in terms of agility, flexibility, and on-time delivery, among others. It includes as well issues regarding innovation of products, services, processes, and management systems, and the establishment of strategic alliances to strengthen those competences. This driver analyzes the impact of operational processes on the

organizational competitiveness in order to identify relevant issues out of the lessons learned to strengthen the capabilities of the organization and its competitive position through a better operational performance. **Human resources** concentrate on how the organization achieves high performance by aligning the competences of its employees and the work systems to the business strategy. The capacity of the organization for being competitive highly depends on the individual competences and motivation of its employees and on their involvement on operational decisions; for these reasons, it is necessary to develop a strategy for human resources management congruent with the business strategy. The **Information and knowledge** driver considers the alignment and projection of the information system and knowledge creation processes with the objectives and priorities of the organization, its structure, and operational mode. Furthermore, it proposes a strategic reflection on the relevant knowledge needed by the organization to be and remain competitive, and on the formation of intellectual capital.

Organization's sustainability rests on four aspects: economic growth, ecological balance, social / human development, and on the interaction between business and governmental organizations with the society. Organizations, in collaboration with their employees and families, the local community and the society as a whole, support sustainable development through their commitment, contribution, and permanent interest on the improvement of their welfare, well-being, and the quality of life. This commitment is executed through community involvement, organization's respect for its employees and their families, as well as by the development of trusty relationships with consumers and suppliers. An authentic commitment with sustainable development goes farther than just fulfilling legal requirements; the organization should permanently operate in an open and transparent mode, based on ethical values and showing respect for employees, the community and the environment.

The value drivers are integrated in the model's hypothesis that states that if an organization gets involved in a thorough strategic reflection and as a result sets the key capacities and the management

systems needed to execute the strategy, it eventually will achieve an operation of high performance, a strong competitive position and the conditions for growth and future existence. The model's hypothesis is shown in Figure 1.

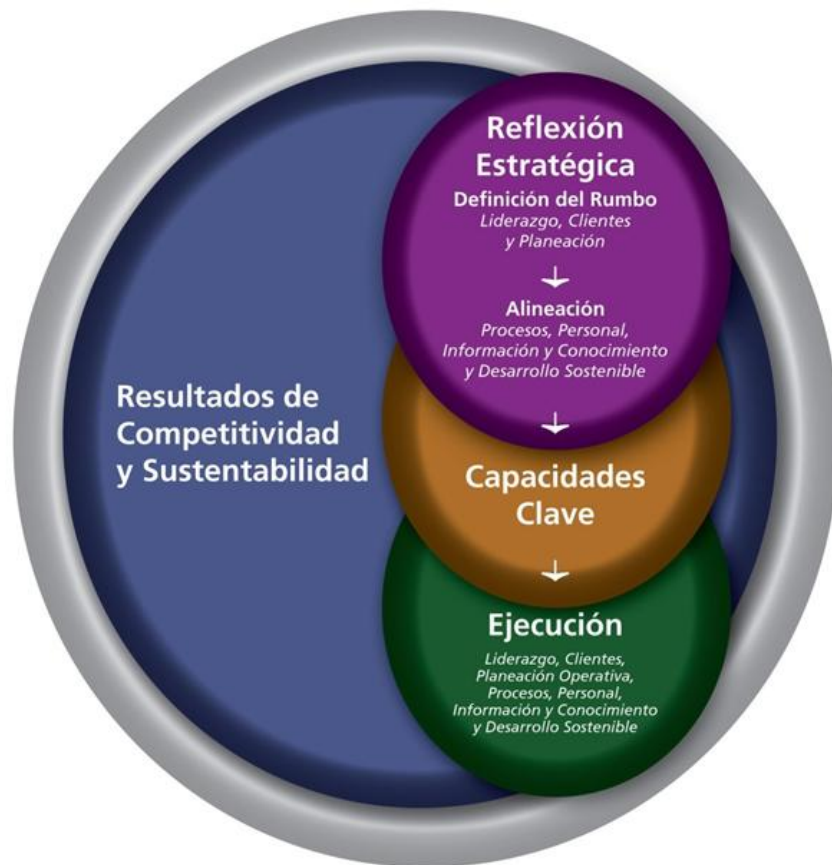


Figure 1. Model for Organizational Competitiveness (Premio Nacional de Calidad, 2008)

Mexico's Model for Organizational Competitiveness is implemented by defining the business strategy taking into account the environment and the expected or needed results on competitiveness and sustainability; before executing the strategies, the organization has to define its key capacities considering two aspects: the core competences and the resources needed to set up the key capacities; key capacities are the foundation of the organizational design and then, the execution could be operated to

generate the results needed for competitiveness and sustainability. A more detailed explanation of the components of the model is presented in Figures 2 and 3.

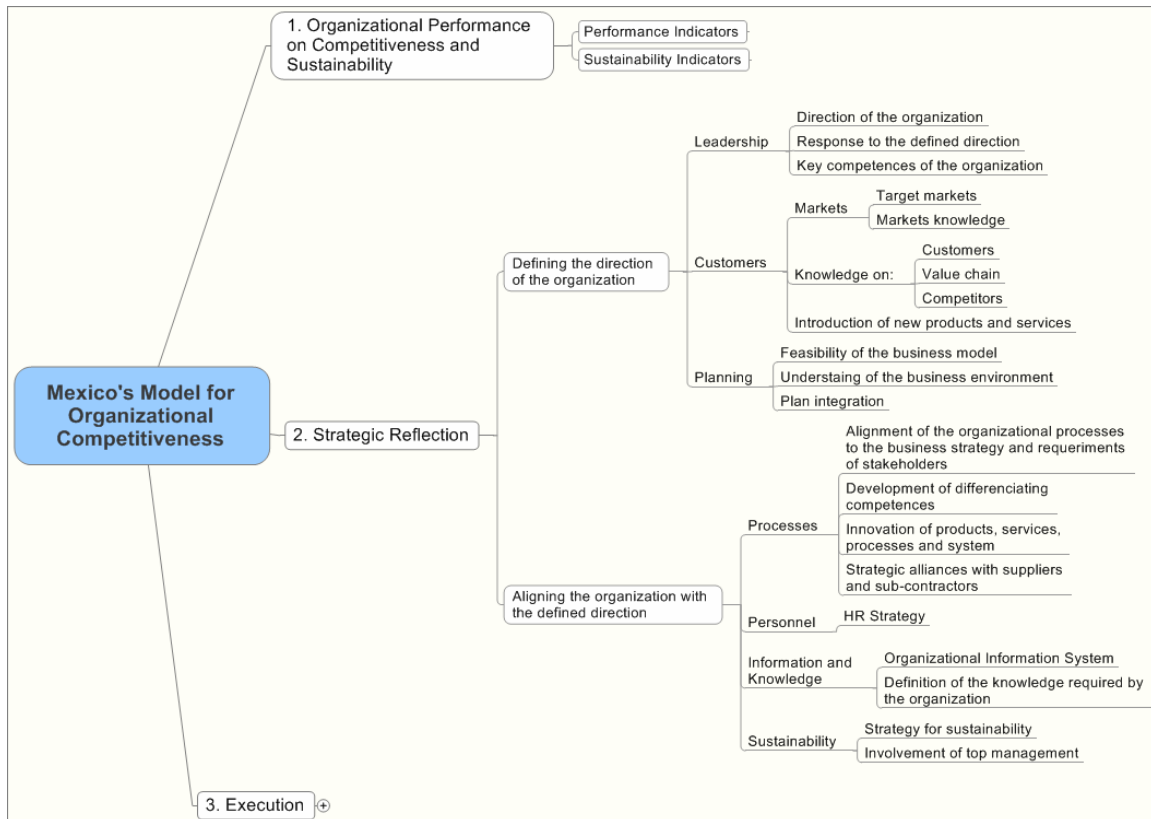


Figure 2. Components of the strategic reflection section.

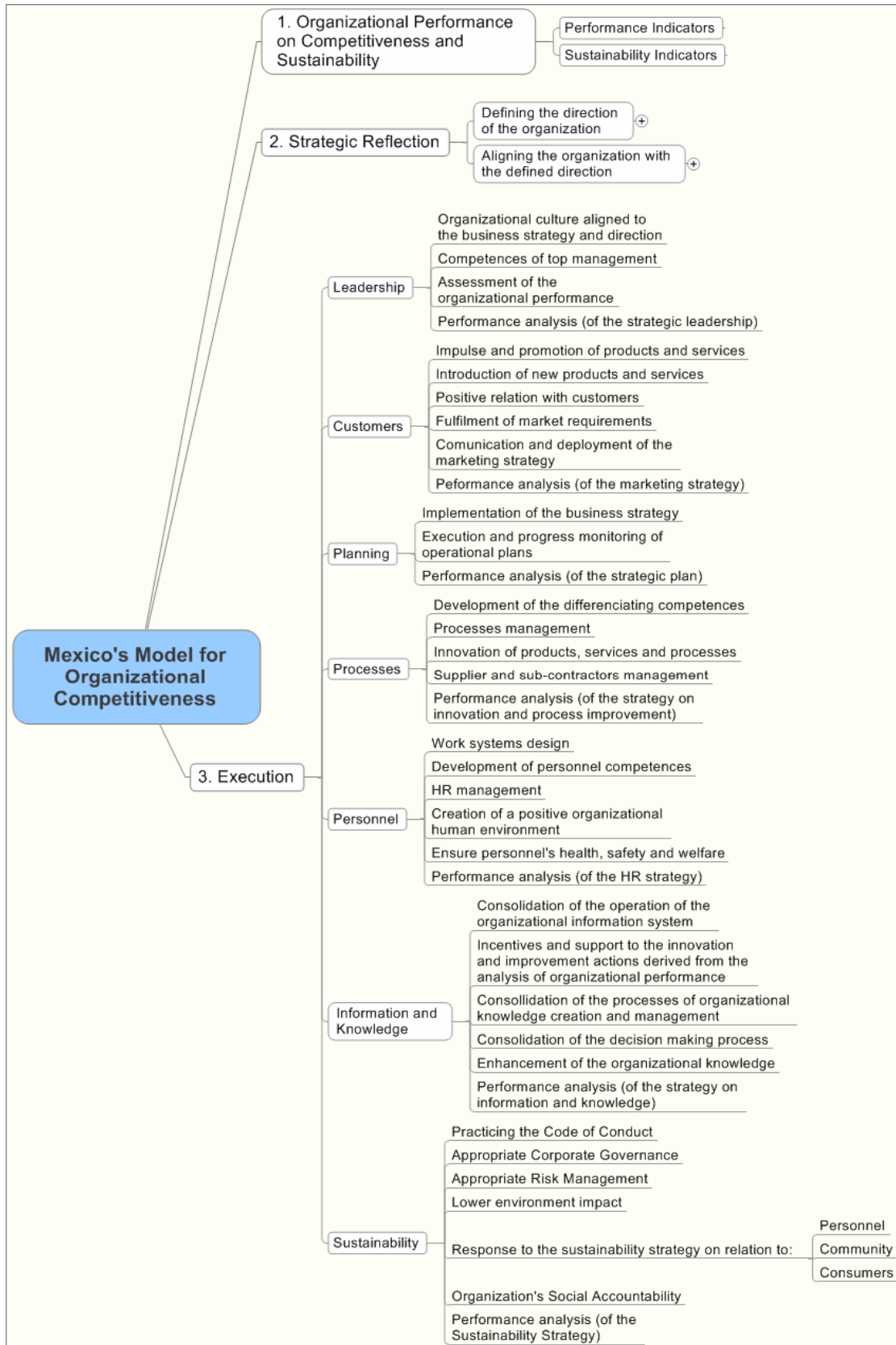


Figure 3. Components of the execution section

The complete model has an open questions format aimed to stimulate organization to reflect about each of the topics contained on the model, and eventually change the management systems or process in order to get a better performance, competitiveness and sustainability.

Next steps

The model just discussed is currently being used as a reference on this year's process of Mexico's National Quality Award. The Technical Board of this award developed several training seminar and workshops in order to prepare organizations for having a better understanding of the model and as a consequence, a better implementation. Additionally, a new profile for examiners was defined since the previous TQM model needed a more operational profile and the new model requires examiners with experience and knowledge on strategy and business direction. The method used for examining, screening and giving feedback to organizations was completely reviewed, changing the traditional "approach-deployment-results" method for a new one based on 18 variations of operational performance, organizational competitiveness, the effectiveness of the organization's strategy and its execution. Next summer, around 100 potential examiners will be trained using the case method as a teaching-learning strategy. The evaluation period will go from May to October 2008 and although the impact of this new model will be seen perhaps in several years, some tools for getting feedback and to assess the effectiveness of the model and the award process as a whole, were developed in order to adjust the model as needed seeking for a wide implementation among of all kind of organizations, ranging from small to large, from industry to education and governmental units. Finally, the Foundation "Mexico Competitivo" sent a law initiative to the Congress asking for the establishment of the National Award on Competitiveness, that if approved, will replace the National Quality Award.

Conclusions

Making retrospective and using the narrative of Burbules and Torres (2000) the microeconomy has evolved substantially in the last century. During the modern industrial ages, the national economies were based on the standard mass production. These companies were managed with hierarchic bureaucratic structures. The authors comment that this economy stayed stable while could reduce the production costs. In contrast, the emergent global economy is fragmented worldwide, the production factors have no longer proximity, exists many mechanisms for decision making. Castells 1996 (as mentioned in Burbules and Torres, 2000, p 31) mention “the new economy is something different: it is an economy with the capacity to work like a unit in real time in a world-wide scale”. Another characteristic that distinguishes this new economy is that full time workers are being replaced by those of partial time, granting greater flexibility to them.

These organizational changes have altered the speed patterns of consumption into customized forms. The Free Trade Agreement has opened the borders to new competitors whom they have forced companies to improve products and services. This possibility of consumer selection options has promoted in the organizations creative options to change marketing strategies. The company’s expansion towards other countries has generated a greater mobility of workers and investments through the borders (Burbules & Torres, 2000). In synthesis, economy went from massive production standards with low cost and bureaucratic static structures with local clients to the existence of diverse organizations, offering customized products and services to global level, with flexible structures, where the strategy no longer is based on cost, but in a creative amalgam of ideas that make them more attractive than their competitors.

The new Model of Organizational Competitiveness has the purpose to address these issues and help Mexican organizations to face successfully the postmodern era.

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