HR in TQM, the Importance of TQM in Change Management

Sarolta Várnai
Budapest Tech
varnais@ceu.hu

Abstract: usually the analyses of Total Quality Management deal with the technical and operational, also logistical aspects. However, Human Resources play key role in the effective adoption of TQM philosophy. This article examines the role of HR factors in TQM, and through the analysis of these values, it also positions TQM in Change Management. The paper analyses the importance of the environmental factors (PETS-test) and shows a linkage between these aspects and total quality management. Also, through the various aspects of TQM philosophy, the aim of this paper is to prove the presence of HR elements in effective TQM acceptance.

Keywords: Total Quality Management, Human Resources, PETS – test, Change Management, incremental changes, TQM philosophy, Integrated TQM model, leadership

1 Introduction

Today, as one of the results of globalization, quality in itself gets a continuously growing power, as it may be the tool of success in business life in international and national level as well. On one hand, globalization in business coincides with increasing number of international transactions managed by multinational companies, and on the other hand, one can find more and more competitors on the market. Therefore, nowadays the emphasis is on the capability of adapting change models, development strategies, internal and external environmental factors, which affect the business life, instead of focusing on the individual or organizational knowledge. (Poór, Farkas: Nemzetközi Menedzsment, p. 159)

In order to change toward a positive direction, increasing operating effectiveness, companies should consider their environmental factors and their footprint on the whole organization. According to Senior (2002), PETS test is an important and valuable asset of collecting, analyzing and evaluating these environmental factors. ‘P’ stands for political factors, analyzing the legislational, governmental decisions, including the analysis of international and national legal provisions and proceedings. Above all, ‘P’ also stands for state regulations regarding taxation,
Medicaid, social aid and other public, state-driven decisions. ‘E’ stands for economical factors, emphasizing the analysis of competitors, suppliers on the market, employment and unemployment rate in the strategically important regions, level of income, the actual government’s eco-political strategy (taking on consideration other countries economical strategies, especially those, who are affecting our own economical development as they are more powerful, developed), moreover the ownership relations in the given economical environment is also a considerably important factor in decision and position formulation. ‘T’ stands for technological factors, such as information technology, level of internet development, adaptation and usage, computerization, or new mode of production, also it also includes infrastructural development in the given country and region. ‘S’ stands for socio-cultural factors, such as trends in demography, change of lifestyle, policy and actual behaviour regarding minorities, gender issues, also business ethics. (Farkas, p. 52)

<table>
<thead>
<tr>
<th>P=POLITICAL</th>
<th>E=ECONOMIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government type and stability</td>
<td>Stage of business cycle</td>
</tr>
<tr>
<td>Freedom of press, rule of law and levels of bureaucracy and corruption</td>
<td>Current and project economic growth, inflation and interest rates</td>
</tr>
<tr>
<td>Regulation and de-regulation trends</td>
<td>Unemployment and labor supply</td>
</tr>
<tr>
<td>Social and employment legislation</td>
<td>Labor costs</td>
</tr>
<tr>
<td>Tax policy, and trade and tariff controls</td>
<td>Levels of disposable income and income distribution</td>
</tr>
<tr>
<td>Environmental and consumer-protection legislation</td>
<td>Impact of globalization</td>
</tr>
<tr>
<td>Likely changes in the political environment</td>
<td>Likely impact of technological or other change on the economy</td>
</tr>
<tr>
<td></td>
<td>Likely changes in the economic environment</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>T=TECHNOLOGICAL ENVIRONMENT</th>
<th>S=SOCIO-CULTURAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact of emerging technologies</td>
<td>Population growth rate and age profile</td>
</tr>
<tr>
<td>Impact of Internet, reduction in communications costs and increased remote working</td>
<td>Population health, education and social mobility, and attitudes to these</td>
</tr>
<tr>
<td>Research &amp; Development activity</td>
<td>Population employment patterns, job market freedom and attitudes to work</td>
</tr>
<tr>
<td>Impact of technology transfer</td>
<td>Press attitudes, public opinion, social attitudes and social taboos</td>
</tr>
<tr>
<td></td>
<td>Lifestyle choices and attitudes to these</td>
</tr>
<tr>
<td></td>
<td>Socio-Cultural changes</td>
</tr>
</tbody>
</table>

Table 1
A PETS teszt elemei, Farkas: 52. oldal
Generally, one can conclude that after the analysis of the formerly introduced factors, many businesses face with similar problems, questions: how shall we adapt and operate effective change processes? Many of them believe that the change of the formal organization will lead to success; also they tend to link it with new company missions, new image and the supporting strategies, trainings, or new payment-systems.

The key of success relies in the harmonization of human behavior, responsibilities, and tasks on one hand, and processes on the other hand. When we speak about change-management (and not about crisis-management, where rapid and overall changes have life-saving power), instead of radical changes, it is more resulting to introduce **incremental changes**, where the following 7 factors should be taken on consideration:

1. **Scale of Change**: one or some relevant organizational factors change;
2. **Measure of Change**: small modification regarding the changing values;
3. **Level of Change**: one or some hierarchical levels are involved in the organization;
4. **Way of Change**: changes are realized step-by-step;
5. **Speed of Change**: comparatively slow changes;
6. **Basic aim of Change**: supporting the organization’s external and internal adjustment to the environment (economic, social, competitive environment, etc.), also to develop the organisation’s structure and its sub-systems;
7. **Control of Change**: Top/middle-management is taking the leading roles in change processes.

As I emphasized it above, the key of successful changes relies on the harmonization of human capital, responsibilities and procedures; therefore, the required fitting behaviours are set according to the roles and rules that the employees should take within the organization. If all individuals within the organization receive their task and responsibilities, also they can “operate”; work in progressive groups, there is a good chance to develop a new organizational culture, atmosphere, which can be the stabil basis of overall changes. (Bálint Julianna: TQM emberi oldala, p. 33)

Therefore, the approach of changes should focus on the systematization and the re-organisation of the company processes. As a consequence, this improvement process should start with the re-formalisation of the mission statement, and then through the success factors, analysis of the problems, this monitoring activity should be extended over the critically important processes and operation levels. This is the most effective tool of the employee involvement in the change processes.
2 TQM

Quality management is one of the essences of a business in order to meet high quality standard in the given sector, as it is focusing on process development and management, plus on the cover of the necessary resources. This Quality Management is TOTAL due to the following reasons:

- All members of the organization participates in the specific processes,
- It is applied to all the activities of the given company,
- It is concerning all organizational levels, departments in the given firm.

2.1 Basis of the TQM Philosophy

- **Focus on the customer:** a TQM companies are focusing on the customers and their needs. According to the TQM philosophy, a firm is able to rear quality, only if the customer is satisfied with the current production, products and services. In order to meet this condition, this philosophy should be applied to the whole organization, therefore TQM philosophy distinguishes and count also on internal customers (such as employees, suppliers, managers, etc) and not just on external customers (such as potential buyers, lobby-partners, etc). (Vörös, p. 172)

- **Continious improvement of the processes:** it is needful, as continius quality improvement can be achieved through the comprehensive control and improvement of the processes. This authodox-*the philosophy of continious improvement*-is the *Kaizen*, which declares that a company should always intent on process-development. In the TQM philosophy Kaizen can be achieved by efficient groupworks, where the leadership of the company intends to develop adequate working environment. (Vörös, p. 174)

- **Employees’ total involvement in the realization of the quality goals:** as I mentioned above, TQM-besides external customers-distinquishes internal customers as well. All organizations have internal customers, as in each worker, there is the potential of an additional value creation regarding the given service or product. As a consequence of this thought, each employee has an important role in screening the quality and drossy products, also to share his or her remark regarding the production and product, service strategy. This is a key factor of the TQM philosophy, as it is actuating the employees at all level to realize the dummy products or problematic processes, therefore, production may turne to be more effective and successful in the long-run.

- **Participation in ‘social learning’:** this means a shared learning with the other companies on the field. On one hand it is good to avoid duplication in researches, developments; on the other hand it is essential that these
companies may create a quality culture that has positive affect on the companies’ environment.

There is a common tie among the basic elements of the TQM philosophy: the human being, the human factor, as the main figure of the realization of the changing and developing processes is the Man. When researchers and experts of the field usually speak about TQM, they tend to emphasis the technical importance of TQM. However, the personal side is very important; usually there is no real word about it in the analyses! TQM links effectively the technical and human factors, human resources, and this second factor is the essence of success of Total Quality Management, although many organizations do not realize at the beginning, only in the proceeding phases as they usually focus on the technical elements.

In the second part of this paper, I would like to present the importance and place of HR in TQM philosophy. The following integrated TQM model is a very demonstrative view over the position and importance of HR elements in TQM philosophy.

Table 2  
Integrated TQM model, based on Burnes, pp. 322-23
3 HR in TQM Philosophy

If we look at the theoretical models of TQM-such as W. E. Deming, P. Crosby—we see a common link: they position HR as important part of total quality leadership and management. They believe that:

- Employees need continuous high-level trainings and education...
- The high-scaled, also creative employees can assure continuous improvement and development through their knowledge, as they can always monitor and utilize the processes and system, where to improve it. I believe that a more scaled worker, who fits to his position, has a better chance to do his job than his counterpart; he is more likely to scan the “dummy” products and services in the system, and there is a higher chance that he can push the company to take out these products in the long-run.
- All workers should be motivated to keep self-control and monitoring. Such an internal checking can be also the tool of continuous improvement, the company will be more able to produce high-quality products; there should be a higher emphasis on quality criteria, instead of focusing on statistical data and indexes.
- The organization provides the workers with non-financial, however motivating benefits, the employees appreciate these extra recognitions. This can be a holiday trip, extra Medicaid, or doctoral checking in order to fulfill the current job accurately (Fe: eye-control, computer-glasses), corporate dinners, trainings.
- There should be open-communication within the organization at all levels and towards all directions. As a consequence, most of the problems can be solved easier and faster, therefore the reaction time can be shortened; this may have an important role in the changing life of the organization. Moreover, sometimes the ‘invisible’, sometimes the realizable walls can be broken within the organization through open-communication. In order to meet this requirement, it is helpful to develop working-teams, in which each strategically important department represents itself with an expert worker; therefore the problems can be seen from various aspects.
- Use the philosophy of ‘internal customer’ in practice, therefore the organization authorizes the employees to share their ideas regarding the company, its strategy, operating activities, etc. This also means a certain change in mentality, where there will be less and finally no place for fear regarding reprisals.
- The organization follows such philosophy, where each member of the company has the right to mistakes, instead of using tools of punishment. As this second format pushes the employees to hide the mistakes and usually the
steps toward such an activity lead to deeper problems. Whereas mistakes are part of life, everyday operation, each member of the organization will work on continuous development and everybody can learn from the mistakes. (Pataki, p. 18)

Besides all these, at the adaptation of TQM, a new philosophy should be applied. There is an important role of the top management in such an activity. In itself, it is more than an interesting idea, as nowadays middle-managers have strong position in company leadership in normal operations. According to Bernard Burnes (Burnes, p. 503), in a changing or crisis situation the top management should take the actions again, therefore this level will receive higher importance, which will naturally increase the opposition against changes, in this case against the adaptation of TQM values, therefore at the end of this paper, I find it important to look through those relevant changes, in comparison with traditional leadership, which are essential in TQM philosophy:

3.1 Approach-changes and New Focus Points

- System-approach, customer-focus, openness for environmental (political, economic, social, technological, etc) changes;
- Operating other, adoptable sciences and researches in business-life, in organizational development;
- Strategic thinking, realizing the importance of HR activities, adopting the values of Kaizen.

3.2 Change in Leadership Approaches

- Mission, developing new corporate identity and values. Fit leadership to the new commitments;
- It is important to emphasize clear and understandable communication. As a consequence, it is an important part, or even the most important one in image-building, which is the most sensitive value, in some sense “child” of an organization. This communication should be always honest internally and externally as well.
- Stress-mark is on error prevention, therefore those strategies, solutions and assets have priorities.
- Continuous monitoring, control and supervision of adapted processes, also there is a focus on feedback reviewing and efficiency-control.
3.3 Changes in Internal – and External - Relations

- The most radical changes can be usually felt in this field, as it affect the scale, content, technical side and directions of the corporate relationships.

- Internal-relations: switch to two-directional communication, instead of ‘traditional’ communication, whereas the direction is upside-down. Employee involvement is essential in two-directional communication, otherwise it is impossible to effectively introduce it.

- Continuous goal is to ‘break’ the ‘walls’ within the organization, moreover is to build strong co-operation among the various levels and departments of the given company, adopt the idea of ‘internal customer’.

- External relations: besides customers, it considers the company’s suppliers, partners, and members of the society, also the owners and their representatives.

3.4 Change in Leadership Tools

- Usage of TQM tools in day-to-day operation: PDCA-cycle, problem solving-techniques, HR developing trainings and techniques, group work development, motivation, appreciation, building of corporate identity.

- Traditional ‘management’ switches to ‘leadership’.

3.5 Level of Performance and Scale of Feedback

- Basic, traditional approach: one is not measurable, then it is not adjustable, therefore it is not controllable from the leadership point of view.

- Besides general measurement techniques, there is a high need for new type of actions, such as marketing approaches, market-research techniques (Fe. Measuring satisfaction, doing self-judgments, analysis of external secunder and primer information). (Győri, p. 89)

Conclusion

As a summary of this paper, one can conclude that human resources have active, forming place in TQM; determining factor the company employees should be well-trained and ‘quality workers” in order to serve company’s efficiency. Therefore the quality of human specialization influences HR development and influences overall the effectiveness of TQM processes. Especially at the introductory stage of TQM, HR has a key position in the given firm’s operational life, as besides technological and system values, total quality managements
influences human dimensions, which cannot be realized without the commitment of top-management and employee-involvement.

Bibliography

Books:

Articles:
Internet resources:
[16] www.mercer.hu
[17] www.shl.hu
[18] www.users.broadband.hu