The Evolution of Quality Management

The quality movement has a long and complex history, and not surprisingly its evolution from the industrial revolution to present day has been interpreted in several different ways. One version emphasizes four relatively distinct phases; another identifies two different movements evolving more or less in parallel, while a third emphasizes a more continuous development.

Four phase model

Perhaps the most common description of way in which quality and quality improvements have evolved into the present day Total Quality Management (TQM) is that which identifies the four phases or stages illustrated in Figure 1: Quality Inspection, Quality Control, Quality Assurance, and TQM [Garvin, 1988; Kanji & Ascher, 1993; Dale, 1999 and Dahlgaard et al., 1998].
The quality inspection stage started about 1910 when the Ford Motor Company, then one of the world’s largest manufacturers, employed teams of inspectors to check the quality of the T-model car\(^1\). The idea behind quality inspection was that poor quality products could be found by inspection and then either scrapped, reworked or sold as lower quality products.

By the 1920s and 1930s, Statistical Quality Control (which was developed, mainly by Walter A. Shewhart), was being adopted by Ford and many other manufacturing companies in order to identify problems earlier and control the manufacturing process, instead of rejecting or repairing afterwards. However, despite the work of Shewhart [1931, 1939] on variation and its causes playing a fundamental role in the evolution of quality management to this day quality inspection continues to be used in many companies [Bergman & Klefsjö, 2003].

The Quality Assurance stage focuses on pre-production activities and relies on quality standards [most notably, ISO 9000] or instructions to assist with the reduction of the risk of failures and mistakes in the processes used to produce a product or service. ISO 9000, which was first published by the International Organization for Standardization (ISO) in 1987, is now used extensively throughout the world. Today, more than 670 000 organizations worldwide are third party certified to ISO 9001:2000.\(^2\)

The fourth and current stage, TQM, involves understanding and implementing quality management principles and concepts in every aspect of an organization, including its customers and suppliers. This development, which has a clear systems approach, has been described by Bergman & Klefsjö [2003, p. 34] as “a constant endeavour to fulfil, or preferably exceed customer needs and expectations at the lowest cost, by continuous improvements work, to which all involved are committed, focusing on the processes in the organization”.

Although for the most part the four stages have largely replaced each other during the evolution, to some extent the stages have overlapped and have continued in parallel.

**Kroslid’s two schools**

Kroslid [1999] uses the Deterministic and Continuous Improvement schools of thought to describe the evolution of quality management. The Deterministic School is described by Kroslid

---

\(^1\) See Ford [1926] for a description of his quality and management ideas.

\(^2\) From www.iso.org in the survey from December 2004.
[Kroslid, 1999, p.29] as evolving … “around a deterministic view of reality with a belief in the existence of one best way”. That is, conformance to standards is the best way to meet customer requirements. On the other hand the Continuous Improvement School is described as being “… founded on a reality full of variation, with an awareness of improvement potential in every aspect of work” [Kroslid, 1999, p.30]. Continuous improvements reduce the impact of environmental changes and other variations. The Deterministic School, which has its origin in the work of Frederick Winslow Taylor [1911], has been further developed by Philip Crosby and ISO 9000, while the Continuous Improvement School has Walter A. Shewhart, Armand V. Feigenbaum and W. Edwards Deming among its leading proponents. However, according to Bergman & Klefåsjö [2003], the two schools are now converging.

**Park Dahlgaard’s Continuous Process**

Park Dahlgaard [1999, p. 474] by contrast states that the four stage model mentioned above is “too narrow an approach … and is primarily focused on the technical aspects of the quality movement. When focusing on other aspects such as general management viewpoints, learning aspects, sociological viewpoints and human relation aspects, the classification is no longer appropriate.”

The evolution of TQM, as described by Park Dahlgaard et al. [2001], can be seen as a continuous process, consisting of a fusion of Eastern and Western ideas, that has gradually shaped TQM. According to this approach the result is a theory, wherein the rational and logical elements stemming from western theorists are synthesized with the holistic, dynamic and humanistic parts emerging from Japanese practices.

**The origins of the term TQM**

There is some discussion over the origin of the name TQM; see, for instance, Bergman & Klefåsjö [2003]. Some argue that the term TQM was coined in 1984 when the NALC [Naval Aviation Logistics Command] was about to implement quality improvement according to the ideas presented in Ishikawa’s book “Total Quality Control”, but did not like the word “control”. One of the employees, Nancy Warren, is said to have suggested “management” instead. “Deming is talking about management”³. Others suggest that the origin of the name is actually a mistranslation from Japanese [Xu, 1994]. In Japanese there is no difference in

³ From personal communication with William Latzko in 1998. Similar thoughts are presented in Bounds et al. [1994].
meaning between the terms for “control” and “management”. Yet another school of thought represented by Park Dahlggaard et al. [2001] contend that the concept may have been created by Armand Feigenbaum, but point out that there is no actual proof. However, the late American teacher and consultant William Golomski has told one of the authors that Koji Kobayashi, former executive at NEC (Nippon Electric Company), was the first one to use the term TQM in his speech when receiving the Deming Prize as far back as 1974.

**The gurus and TQM**

The origins of what is today known as Total Quality Management may be traced back to the early 1950s and derives from the concepts established by writers such as W. Edwards Deming, Joseph M. Juran and Kaoru Ishikawa. Inspired by their ideas, Japanese top managers and their companies extended and customized the integrated approach and culture\(^4\) of TQM. Japan’s enormous post-war achievements in the quality field put pressure on the Western business world to put quality back on the agenda.

Juran and Deming were without doubt key figures in the Japanese development, but it is also worth mentioning the influence of Homer M. Sarasohn. As Chief of the Industrial Branch of the Civil Communication Section of the Supreme Command Allied Powers, he was asked by General McArthur to help reconstruct the Japanese communication industry. The work of Sarasohn, together with Charles A. Protzman and others, predated the work done in Japan by Deming and Juran by several years. Indeed it was Sarasohn who made the call to Deming in 1950 when Shewhart was unable to accept an invitation to Japan from JUSE due to illness. In June 1949 Sarasohn and Protzman began a series of seminars on “The Fundamentals of Industrial Management” in Tokyo [Foley, 2004, p.65].

It might be of interest here to note that the so-called gurus of TQM have almost never actually used the term. Deming went so far as to say when asked about TQM “… there is no such thing. It is just a buzzword. I have never used the term, as it carries no meaning” [Deming, 1994].

---

\(^4\) The concept of ‘culture’ is complex and can be looked upon from many angles. As a result, there are many definitions available within the literature. Schein [1996, p.9] defines culture as “a pattern of basic assumptions—invented, discovered, or developed by a given group as it learns to cope with its problems of external adaptation and internal integration—that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.”
Interpretation of the TQM concept

Every new year seems to bring new definitions and descriptions of TQM; see e.g. Oakland [1993], Dahlgaard et al. [1998] and Dale [1999]. Dale on one hand defined TQM, in accordance with ISO 8402, as “a management approach of an organization, centred on quality, based on the participation of all its members and aiming at long-term success through customer satisfaction, and benefits to all members of the organization and to society”\(^5\). Dale et al. [2001b] further describes it as an umbrella of concepts and ideas from various contexts related to the quality field. In contrast, Dahlgaard et al. [1999] describe TQM as “a corporate culture that is characterized by increasing customer satisfaction through continuous improvements involving all employees in the organization”. Oakland [1989] claims that “TQM can be seen as an approach for improving the competitiveness, efficiency, and flexibility of a whole organization”. Others have other definitions.

Several of the proposals are more like vague descriptions than definitions and one frequently encounters terms as “… a philosophy, which…”, “… a culture, that…”, “…an approach for …”. This issue has been discussed by, for example, Hellsten & Klefsjö [2000] and Kujala & Lillrank [2004]. Foley [2004, p. 24] states that it has for a long time been unclear whether TQM\(^6\) is simply a collection of essentially independent techniques, a management philosophy, a coherent management method, a strategy, a theory for managing only the quality and service process, or a master theory for managing the entire enterprise – or all of the above\(^7\).

We, however, are of the opinion that some kind of consensus in the view of the TQM concept is gradually emerging. During the last decade some definitions with a system emphasis have been suggested; see, for instance, Shiba et al. [1993] and Dean & Bowen [1994]. Some of these use the terms “values”\(^8\) and “ways to work” (called methods, methodologies or

---

\(^5\) As we will see, this definition touches upon the stakeholder view of an organization.

\(^6\) There is also another discussion related to names. Many of today’s authors seem to use “quality management” as synonymous with TQM, dropping “T” referring to “total” in the sense of “everybody and everywhere”. That may be seen to be convenient today. However, we have chosen to use the concept of Quality Management as an overall and timeless expression for activities used to achieve quality (for instance including inspection, quality assurance and so on). The term Total Quality Management is used here to describe one contemporary way of realizing Quality Management.

\(^7\) Foley [2004, p.24] has commented that The European Commission [1996, p.27] has made the pertinent point that “it seems to be clear that simply introducing some tools, procedures and techniques will not result in competitive advantage for organizations. Tools, procedures and techniques can be easily copied by competitors and do not provide the company with a unique resource”.

\(^8\) The concept of ‘value’ has several interpretations; see Schein [1985]. Here the concept of ‘value’ refers to “guiding principles and/behaviours that embody how your organization and its people are expected to operate”; see NIST [2005, p.66]. Furthermore, “values reflect and reinforce the desired culture of the organization. Values support and guide the
techniques). For example, Shiba et al. [1993] define TQM as “an evolving system, consisting of practices, tools and training methods for managing organizations in a rapidly changing context”.

One of the co-writers of this paper is co-responsible for one of these definitions with a system perspective. Hellsten & Klefsjö [2000] define TQM “as a continuously evolving management system consisting of values, methodologies and tools, the aim of which is to increase external and internal customer satisfaction with a reduced amount of resources;” see Figure 2. Kujala & Lillrank [2004] for a similar model. These three components are, according to Hellsten & Klefsjö [2000], interdependent and supporting each other, see Figure 2. They argue that the methodologies (or “ways to work consisting of a sequence of activities”) and tools (that is, “more concrete diagrams or matrices, sometimes with a statistical base”) should consequently and continuously be chosen to support the values to be part of the culture. In that way the three units together form the whole.

decision making of every employee, helping the organization to accomplish its mission and attain its vision in an appropriate manner”; NIST [2005, p.66]. ‘Values’ is sometimes also named ‘core values’, ‘principles’, ‘dimensions’, ‘elements’ or ‘cornerstones’ in literature. In this paper the term ‘values’ is used, since it is a way to emphasize that these statements are basic and should work together to constitute the culture of an organization.

Schein [1996] talks about three groups of values: artefacts, espoused values and basic assumptions. Artefacts are at the surface, aspects which can easily discerned, yet hard to understand. It deals with values that are visible in the organization, such as clothes, furniture or architecture. Espoused values are conscious strategies, goals and philosophies. We may characterize these as how we act in our profession, how we focus, how we take decisions and how we work as professionals. Finally, basic assumptions are in a sense the core, or essence, of organizational culture, represented by the assumptions and values, which are difficult to discern because they exist at a largely unconscious level. Yet they provide the key to understanding why things happen the way they do. These basic assumptions form around deeper dimensions of human existence such as the nature of humans, human relationships and activity, reality and truth. To this group belongs, for example, how we treat fellow staff-members, with different background, colour of skin or religion. The TQM-culture is in that sense a part of the overall culture of the organization. Similar ideas have been discussed also by Kujala & Lillrank [2004] and Dellana & Hauser [1999].

9 So the aim has a focus on both external and internal efficiency.
Figure 2  Total Quality Management (TQM) seen as a continuously evolving management system consisting of values, methodologies and tools. The aim is to increase external and internal customer satisfaction with a reduced amount of resources. The methodologies and tools in the figure should be seen as examples and not at all as a complete list. MBNQA refers to the Malcolm Baldrige National Quality Award. After Hellsten & Klefsjö [2000].

Values form the basis for the culture of the organization, and thus values must be chosen first. The next step is to then continuously and consistently choose methodologies that support these values and last, but not least, in an equally consistent way, constantly select tools that support the chosen methodologies. Hellsten & Klefsjö [2000] argue that ‘process management’, for instance, is a methodology which supports the value ‘focus on processes’, and ‘process maps’ as well as ‘control charts’ are examples of tools to be used within process management; see Figure 2.

Throughout this paper we define TQM as a management system consisting of the triad: values, methodologies and tools, The primary reason for this choice is that Hellsten & Klefsjö’s [2000] system definition provides a structure of the concepts that are part of TQM. It also puts the focus on culture and values as a basis for TQM, which we think is relevant. (For a more thorough discussion on this system interpretation of TQM, see Hellsten & Klefsjö 2000). This inevitably leads us to the question: what type of values and which particular values should constitute the TQM-culture and what is the reason for this choice?
Which values?

Literature offers a whole variety of suggestions for the values\textsuperscript{10} of TQM. Tenner & DeToro [1992], for example, present a model for a TQM strategy\textsuperscript{11} leading to continuous improvement, based, to use their own terminology, on three fundamental principles and six supporting elements. It is also instructive to examine the assessment criteria used in different awards to evaluate the level of the TQM-culture as these are often said to be based on a number of values. For example, the EFQM Excellence Model is based on “eight fundamental concepts”, the Malcolm Baldrige “11 core values and concepts”, the Swedish “SIQ Model for Performance Excellence” on “13 basic values”. And then there is ISO 9000:2000\textsuperscript{1} with its “eight management principles” namely customer focus, leadership, involvement by people, process approach, system approach to management, continual improvements, factual approach to decision making and mutually beneficial supplier relationships.

We, however, are of the opinion that not all the values presented in the different descriptions have been based on scientific research\textsuperscript{12}. The values included differ slightly both in concept and in formulation between different authors. In our opinion, and indeed in our terminology, some of the values proposed are better described as methodologies. One example is “Learning from others” and “Competence development” in the SIQ Model for Performance Excellence [SIQ, 2003]. However, here too the evolution seems to result in a sense in a kernel of values. Hellsten [1997] made a comparison study, including Tenner & DeToro [1992], Bergman & Klefsjö [1994], Dahlgaard et al. [1994], Oakland [1993] and Shiba et al. [1993]. The values, constituting the core, according the summary by Hellsten [1997] are:

- Focus on customers
- Management commitment
- Everybody’s participation
- Focus on processes
- Continuous improvement
- Fact-based decisions

Recently, Sila & Ebrahimpour [2002], after analysing 347 survey articles published between 1989 and 2000, summarized the most frequently mentioned TQM factors\textsuperscript{13} in the literature.

\textsuperscript{10} As mentioned, other names are also used such as core values, principles, cornerstones, and basic values.
\textsuperscript{11} Stoner & Freeman [1989] define strategy as “the broad program for defining and achieving an organization’s objectives; the organization’s response to its environment over time”.
\textsuperscript{12} The values included in quality award criteria are often said to be the characteristic for successful companies. However, we are not at all sure that the choice is based on scientific research.
\textsuperscript{13} With terminology from Sila & Ebrahimpour [2002].
Roughly, the factors presented in these and some other investigations are the same as those summarized by Hellsten [1997] and there is also considerable agreement with the values presented\(^{14}\) by Bergman & Klefsjö [1994] illustrated in Figure 3. Further discussion on values related to organizational cultures and TQM can be found in Boaden [1997], Hellsten [1997], Cameron & Sine [1999], Dale et al. [2001b] and Sila & Ebrahimpour [2002].

![Figure 3](image)

The core values of Total Quality Management as presented by Bergman & Klefsjö [1994, 2003]. They use the term “cornerstones” instead of core values and the diagram is therefore sometimes referred to as “the cornerstone model”.

It should be noted that some of the values presented in Figure 3 may not be taken literally but rather figuratively, see Foley [2005]. To “base decisions on facts” indicates what is believed to be a favourable direction of movement within most present organizations. “Improve continuously” indicates that the organization should perform continual monitoring and assessment of potential possibilities for improvements, realizing only those improvements that are believed to add more value than they cost to attain.

However, the cultural context is still under-explored. Are there, for instance issues in the present view of TQM that work better in some national cultures than others? One answer to this question may be found in the cultures where the major contributors and contributions to TQM have been made.

\(^{14}\) Note that the values described by Bergman & Klefsjö are formulated in an active form, which no other author has done as far as we know.
Quality Management and Culture

The origin of Quality Management based on inspection and control is firmly rooted in the school of management of Frederick Winslow Taylor, whereby engineering ideas on how to inspect and control the manufacturing process were put into use. Many of Taylor’s original ideas are still employed in the field of Quality Management, such as standardization, management by facts, motion efficiency, and also an emerging customer orientation. There is no argument over the great impact that actors in USA had during the early years of Quality Management, but it is equally indisputable that developments in Japan had an enormous influence on how Quality Management then evolved.

In fact, the economic growth and dominance of Japanese manufacturing industries in the 1980s can largely be attributed to the successful application of TQM in Japan [Basu, 2004]. The seminars given by Deming, Sarasohn and Juran have been cited as a key factor for this success. The three fundamental tenets of Juran’s view of quality programmes were central to this success story: firstly, upper management leadership of quality, secondly, systematic education on quality issues for all, thirdly, an annual plan for quality improvement and cost reduction - foundations that remain valid today [Basu, 2004].

Juran pointed out that the very same lectures and talks were given in seminars in many other countries [Juran, 1981], but that the ideas fell on more fertile soil in Japan. One reason given for the positive reception of quality improvement by the Japanese was their lack of domestic natural resources and the resulting need of to export manufactured products in the post-war era [Garvin, 1988, p. 193]. At this point in time, the poor quality of domestic products had made them quite unsaleable on the international market and thus the need for drastic improvement led to an undeniable call for change [ibid.].

However, it is worth noting that the Japanese did not solely make use of the then current methodologies and concepts of quality thinking. Ishikawa [1990] has listed some significant differences between Japan and the West in terms of organizations, unions, job security,

---

15 See Taylor [1911].
16 Taylor specifically stressed the role of the customer in sharing the gain of improvement activities: Speaking about sharing profits between labourers and the company, Taylor concluded that: "...the consumers, who buy the product of the first two [employer and employee] and who ultimately pay both the wages of the workmen and the profits of the employers. The rights of the people are therefore greater than those of either employer or employee. And this third great party should be given its proper share of any gain." [Taylor, 1911, p.119]
17 A discussion can be found in Park Dahlgaard et al. [2001].
ethnicity, religion, subcontractor relations and other factors. He states, while describing the introduction of quality control (QC) to the Japanese, that: “It became apparent that American and European QC methodologies could not be applied in Japan without modification, and that a Japanese form of quality control suitable for use in that country would have to be developed” [Ishikawa, 1990, p.11]. Ishikawa recognized the need to adapt the concept to the national culture of Japan, and Japanese quality thinkers such as Shigeo Shingo, Kaoru Ishikawa, Genichi Taguchi and Noriaki Kano have made important contributions to different aspects of TQM. Many of the methodologies within the TQM framework, such as Quality Function Deployment, Just in Time, Quality Circles, Robust Design Methodology, the Kaizen philosophy and the Toyota Production System originate, or are strongly influenced by traditional Japanese thinking.

The phenomenal success of the Japanese in their transformation from low quality production processes and products into their new status as world leaders in the field of quality led to an emergence, or more accurately a re-emergence, of quality as a major item on the agenda in boardrooms throughout North America and Europe. It is also without doubt that the Japanese miracle and the quality revolution inspired the work towards a quality culture in the West. A wake-up call for many Americans was the NBC documentary If Japan can …Why can’t we? broadcast in 1980. It rapidly became clear that the cheap and shoddy products once produced in Japan had now been replaced by products with a quality level higher than those produced in the West and what’s more, the products were also often produced at a much lower cost. As a consequence, many business sectors, such as electronics, shipyards, motorcycle and car manufacturing, faced severe competition from their Japanese counterparts.

Western business leaders and unions responded bullishly by demanding trade barriers, such as directed toll fees and import quotas, yet at the same time they also looked towards Japan with great curiosity for answers as to how to improve their own quality management. There was a seemingly endless appetite for reports on what the Japanese had done to achieve change, and many of the methodologies used in Japan were exported to the West. One example of such a methodology was the Quality Circles, where groups of employees met and discussed how...
their workplace could be improved. Unfortunately, many of these methodologies fell on barren soil in the West and management researchers have spent a lot of time and effort trying to explain how similar methodologies, or managerial concepts, when implemented in a different setting could yield such different results; see Dale et al. [2001b].

Some TQM problems identified

We are aware that not only the TQM concept, but also its definition and the results obtained are not without controversy. Whereas some claim that TQM is a necessity for organizations in order to be competitive and achieve a good financial development, others argue that far too many organizations have failed with its implementation and that TQM has not fulfilled its promises. This has led to the creation and popularity of many new management concepts, such as, for instance, Six Sigma and Lean Production. There is a constantly ongoing discussion as to whether TQM is a mere fad or fashion see e.g. van der Wiele et al. [2000]. We will here briefly touch upon some of this criticism. Foley [2004, p. 35] summarizes the criticism in the following way:


Some are successful, but too many have failed

There are a number of papers that illustrate how organizations, who have successfully implemented TQM, and thereby received one of the recognized quality awards\(^\text{19}\), also have a financial development which outperforms “comparable average companies”. Notable investigations of this include Hendricks & Singhal [1997, 1999] and Hansson & Eriksson [2002]. Both those studies, which were conducted over two time periods, compare financial indicators of quality award recipients with comparable ”average companies”. The period consisting of a number of years before these companies earned the quality award is called the implementation

\(^{19}\) International awards such as the European Quality Award or national awards as, for example, the Malcolm Baldrige National Quality Award, The Swedish Quality Award or the Australian Quality Award, to mention a few.
period,\textsuperscript{20} while a time period of the same length immediately following the implementation period, is called the post-implementation period. Roughly, both investigations found that award-winning companies enjoy better results during the post-implementation period than the “average company”, but no difference was found during the implementation period. One explanation might be that in the beginning, the investment is roughly of the same size as the short-time benefit, but after a period of successful work the benefit of implementation is high.

A recent study, by Boulter et al. [2006] regarding 120 European award recipients, shows similar financial patterns.

Lemak & Reed [1997] claim, after studying sixty companies that had demonstrated a commitment to TQM for at least five years, that TQM leads to an improved profit margin. Research has also shown that customer satisfaction, the main goal of TQM, has a significant positive impact on market value as well as accounting returns.\textsuperscript{21}

There are many examples of successes outside the private sector. Swedish cases include Älta School outside Stockholm, the Lung Medical Division of Linköping University Hospital and a division of the Swedish Post, to mention just a few who have received the Swedish Quality Award. Another implementation in the public sector is the use of values, methodologies and tools from TQM in the whole community of Åseda in southern Sweden; see Fredriksson [2003] and Fredriksson [2004].

\textit{... yet many fail}

On the other hand, it cannot be denied that many companies have failed to successfully implement TQM; see, for instance, Fuchsberg, [1992], Paton [1994], Harari [1997], Cao, et al. [2000], Nwabueze, [2001] and Foley, [2004]. Several explanations for this have been suggested. Some writers blame the TQM concept itself as being vague [Knights & McCabe, 1997; Foley, 2004], an issue which was already touched upon above. However, we would like to emphasize that we do not see the general evolution of Quality Management as something strange as such. The TQM concept should certainly be improved over time; see Hellsten & Klefsjö [2000]. A similar opinion was expressed by Boaden [1997] when commenting that “attempting to define TQM is like shooting at a moving target. As it is more widely practiced, and other initiatives emerge, the emphases on different aspects change”. Methodologies and

\textsuperscript{20} The length of the periods is five years in the investigation by Hendricks & Singhal and three years in the one by Hansson & Eriksson.

\textsuperscript{21} See Andersson, et al. [1994] and Eklöf et al. [1999].
tools used within TQM must continuously be improved. However, we believe that to give TQM a solid anchor point in management theory, the value base must remain more or less intact. The value “create profits for shareholders” may, for instance, be very legitimate, but relates to another part of overall business management.

Another reason for difficulties is that far too little focus has been put on the implementation issues of TQM. Working with TQM involves, as mentioned above, a cultural and organizational change; something that has often been ignored by those who market the concept. Since all employees, starting with top management, need to accept a fundamental organizational change, implementation of TQM is always a complex project [Shin et al., 1998; McAdam & Bannister, 2001]. Thomsen, et al. [1994] argue that the awareness of the thorough organizational development and cultural change which a TQM implementation requires, all too seldom exists. Accordingly, the time, resources and work needed during the implementation are frequently underestimated. Lau & Anderson [1998] indicate that blame can often be laid at the feet of “partial quality management” – rather than full implementation. These issues have also been discussed by Hansson, [2003], Hansson & Klefsjö, [2003] and Hensler & Klefsjö [2004].

To some extent the problems related to implementation of TQM seem to be dependent on those consultants who, for several decades, have been selling TQM as a rapid and easy solution. Foley [2004, p. 53] states that “early quality management literature and presentations were effectively silent on how extraordinarily difficult [and costly] it could be, and how very long it could take to implement the behavioural and cultural change quality management demands. Crosby’s [1979, p. 127] concession to the difficulties of implementation was to observe that “…real improvement just plain takes a while to accomplish.”

Implementation of TQM can often be considered as a substantial organizational change [Almaraz, 1994; McAdam & Bannister, 2001]. Changing ingrained behaviour is among the most difficult tasks of an organization [Beckford, 1998, p.22] and the larger the shift, the larger the difficulty. Changes are needed for rejuvenation, progress and growth, but changes are also sources of instability, unpredictability, disorientation and threat. If the change is perceived as threatening, it may even provoke violent resistance22.

---

22 One example is when Luddites broke up textile machinery and rioted during the beginning of the industrial revolution and much research has been put into Change Management and Organizational Theory, see e.g. Lewin [1951].
The fieldwork by van der Wiele, et al. [2000] shows that a change to TQM from other management theories will only occur when there is strong internal motivation for, and emotional involvement in, the implementation of TQM. The role of TQM as part of business development must also be put in focus. The recognition of quality as a strategic issue in business planning is critical for a successful implementation [Shin et al., 1998]. Implementation should be clearly aligned with the organization’s strategic priorities and goals and be planned properly [Shin, et al., 1998; Allen & Kilmann, 2001].

**Lack of theory**

A large part of the evolution of TQM has been controlled by those with a consultancy background and it is only during the last few years that academia has seriously embraced the concept. The lack of focus on implementation issues mentioned above is probably a result of this, as well as vagueness of different concepts included in, or related to, Quality Management issues.

**Universal approach**

The lack of theory and the apparent plasticity of a concept that itself should be continuously improved [Hellsten & Klefşjö, 2000] have caused troubles. Furthermore, TQM has been launched by its proponents as a universal way to achieve competitiveness and financial feedback without taking care of the context of the organization. Factors here are, for example, the size, the organizational sector and the national cultural environment of the organization. Some discussions related to the problems of TQM in small organizations have been published by Hansson [2001], Hansson & Klefşjö [2003] and Ghobadian & Gallear [1997].

A transformation of TQM application from private companies to the public sector, for instance, is not without problems; see Fredriksson [2003] or Bergquist et al. [2005]. The use of quality management issues in the public sector is more recent, and the interest in working with quality from a TQM perspective within this sector has grown during the last decade; see, for instance, Rombach [1990], Lagrosen [1997] and Zbaracki [1998]. The public sector is, in

---

23 Although Juran, Crosby and Deming had academic education they did not look at TQM from a scientific point of view. Shewhart is certainly one exception here.

24 For a detailed examination of TQM and its lack of a firm theoretical foundation, see Foley [2005].
accordance to Tarschys [1978], here interpreted as that part of the society commonly referred to as either governmental or municipal.\(^{25}\)

The use of TQM in the public sector is sometimes considered as part of the New Public Management [Hood, 1995], which is a generic term used for a lot of change initiatives, or as Christensen & Laegrid [2001] state: “... the concept is loose and multifaceted and offers a kind of ‘shopping basket’ of different elements for reform of public administration.” During the last years some research has focused on the meeting between the ideas from New Public Management and organizational practice within the Swedish public sector, not the least within the health care sector, but also the education sector; see, for example, Skålén [2002] and Quist [2003].

**Cultural differences**

Any single attempt to explain the differences between one organizational or regional setting and another is likely to be somewhat biased or overly simplistic. Moreover, the concept of culture has a tendency to provoke both stereotyping and controversy. However, it is likely that national or regional cultures and other factors, such as welfare systems, tax policies and other contextual aspects over which the organization has little or no influence, will affect the potential of a successful implementation of any chosen management concept. Therefore the management should take this into consideration when concepts are chosen and concept details for each firm are worked out. One aspect to consider could be how certain geographically located cultures will predispose success probabilities.

Cultural phenomena related to how people act or the esteem in which certain traits are held within business organizations around the world have been studied by many authors using many different methodologies. A large number of these studies have tried to compare behavioural differences regarding how people act and behave in organizations on a national level, and such results have often been clustered according to affinities. Although this grouping together of nations to form clusters of similar cultural domains is not without controversy (see, for instance, McSweeney, 2002) there appears to be a remarkable resemblance between the results of these types of clusters. This would seem to validate the theory that people tend to behave in a similar manner to the citizens of neighbouring

\(^{25}\) For a discussion of the application of TQM in the public sector see Hermel & Bartoli in this volume.
countries. Although a nation may consist of a multitude of different cultures, studies where averages of survey responses on national levels are clustered, these clusters have many similarities when such studies are compared. National culture has been cited as the governing factor for these similarities.

Based on a meta study, Ronen & Schenkar [1985] concluded that the multivariate clustering of countries could be traced to language, geography, degree of development and religion. Given that sampling methodologies, survey instruments and clustering methodologies differed, the results of the various groupings are surprisingly similar. Six country clusters of culture often appear in the literature; a Nordic cluster consisting of the Nordic countries (Sweden, Norway, Denmark and Finland), an Anglo-American (U.K., USA, Canada, Australia), a Germanic (Germany, Austria, Switzerland), a Latin European (Belgium, France, Spain, Italy), and a Latin American cluster (Argentina, Chile, Colombia, Mexico), a Far East cluster (Hong Kong, Philippines, Thailand and Singapore). One study also identified an Arabic cluster. Some countries, such as Japan, Brazil and Sweden, also often appear as outliers in several of these investigations.

Hofstede [1991] made attempts to explain the differences between clusters by introducing a set of new variables using factor analysis. The factors of this investigation included:

− **Power distance**, a measure of social inequality including the relationship with authority
− **Collectivism versus individualism**, a measure of the relations between the individual and the group
− **Femininity versus masculinity**, values related to differences seen if for instance preservation and care for others are considered more important than competitiveness and being strong.
− **Uncertainty avoidance**, related to control of aggression and expression of emotions.

In Figure 4, fifty nations and three regions are plotted along the dimensions of the Power Distance Index and Individualism Index. Countries appearing high up in Figure 4, thus having a low Individualism index, tended to have respondents that favoured personal relations in businesses, rather than doing business with a company. The Low Individualism Index appears
to correspond to national wealth, so wealth may be a factor delimiting how employees respond to similar questionnaires. Hofstede defines Power Distance as the extent to which less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally. Countries such as Denmark and France appear to differ in this respect.\textsuperscript{27}

The \textit{World Values Survey} is a worldwide investigation of change, socio-cultural as well as political, and it is conducted by a network of social scientists around the world. Since the first survey in 1981, an additional three have been carried out. These repeated studies make it possible, not only to map the values of different cultures, but also to pinpoint changes of beliefs. Inglehart & Welzel [2005] found three predictors of national cultural norms, and in order of importance these were: Cultural Zone Factor (such as Protestant European, Islamic, English speaking etc.) economic prosperity (GDP per capita) and years under communist rule Inglehart & Welzel [2005]. They also found that values change slowly, despite the fact that economic prosperity had increased rapidly and communist regimes had been replaced [ibid.] and that these predictor variables could be used to predict national values of countries not yet surveyed.

A conclusion from national culture clustering studies is that successful managerial models will probably fit fairly well when transformed from a region having the same language, a similar level of development, the same religion, a similar legislation, and a close location, but the more these aspects differ, the less likely it is that the model could be used without major modification.

\textsuperscript{27} It should be noted that clustering nations together to form patterns of culture has been a controversial concept, and Hofstede’s investigations that have received considerable interest also have received criticism; McSweeney [2002] discusses five assumptions on which the conclusions are made:

- The investigation is made from IBM subsidiaries around the world; by using the same company, everything but national cultural aspects should be equal.
- IBM employees represent how members of a whole nation would respond to similar questionnaires.
- Survey responses can be used as a proxy for a national cultural dimension.
- National culture can be identified by response difference analysis.
- Relations at work do correspond to any circumstances within a nation

It is clear that all of the above assumptions are coarse and erroneous to some extent. However, replication studies using other groups of respondents have been made that correlate significantly with two dimensions of the Hofstede model [Individualism-Collectivism and Power distance, but not Uncertainty avoidance and Masculinity index, see Merrit, 2000]
Although many have investigated the implications of using Japanese TQM methodologies in the West, few have acknowledged that “the West” might be too broad a concept. Most interpretations and empirical studies related to differences between Japan and The West only compare Japan with an Anglo American business setting.

Kano [1995] identifies that Americans display considerable ingenuity in the development of products but are poor at systematically assembling them, whereas Japanese have the opposite traits. Imai [1986, p.36] discusses differences in leadership styles between USA and Japan and concludes that the process-oriented approach based on the Japanese concept of Kaizen, continuous incremental improvement, had made it possible for Japanese industry to attain a competitive advantage.

Referring again to Figure 4, there are great distances between the Nordic, Latin European and Anglo-American clusters. In the early 1990s, Pehr G. Gyllenhammar, at that time CEO of Volvo, initiated talks with French Renault aiming at a merger between the two companies, as it was thought that the product lines complemented each other [Hertz et al., 2001]. In 1993, these talks broke down when the board of directors refused to proceed as they anticipated a
cultural clash between French and Swedish management styles [ibid.]. A study by the consulting firm KPMG found that the returns of cross-country mergers between U.S. and the U.K. were 45% more successful than the average rate of return of all cross-country mergers, and that mergers between the U.S. and other European firms were 11% less successful than the average [Levy, 2001].

**Consequences for implementation of TQM**

TQM values may or may not harmonize with dominant regional or business cultures. As a result, many empirical studies of TQM implementation may have been biased by the cultural setting in which the study was performed. As a result empirical conclusions, for example that it is beneficial to empower people and flatten organizations, which are drawn from an organization in a hierarchical culture may not be true in a non-hierarchical culture, given that such cultural differences exist on a regional or business type basis.

Schalin [1986, p. 206] discusses the possibilities of implementing a Kaizen based management model in Sweden. She states that Swedes have a general distrust for managers and that the expansion of the social security system in Sweden has deprived the Swedes of their personal sense of responsibility for well-being at their workplaces. Schalin also expresses concerns for what she feels to be “a bothering lack of trust between managers and employees, as well as the watertight bulkheads between different divisions and different functions in Swedish corporations”.

Harnesk & Abrahamsson [2006], after having discussed possible contradictions within different descriptions of TQM, conclude that those descriptions delivered “a simplistic and instrumental view of human beings disregarding the established psychology view of the complexity of human nature in favour of easy solutions using the toolkit provided from a management concept. Consequently, unforeseen problems may arise and expected successes may never occur and possible answers may be embedded in ethical issues and fundamental views and values of humans.”

One of the TQM values is that everyone should be committed to improvement activities. This may, however not necessarily, imply that employees also should be empowered. Dimitrades [2001], having done a comprehensive review of current literature, concludes that empowerment may not be appropriate for all organizations seeking to implement [total] quality
management, or if suitable, it may not be productive to empower all employees within an organization. Different types of businesses such as service or manufacturing, different national cultures and other contextual differences should be considered when selecting the level of empowerment appropriate for an organization.

Zander [2002] concludes that employee preferences for empowerment differ across national borders, as well as between different organizational levels within an organization. Thus, there is no universally accepted level of empowerment that could satisfy and fit all, and although studies of correlation between employee satisfaction and productivity have proved inconclusive, this aspect needs to be considered when embarking on implementing a management concept. Mazniewski & Zander [2001] argue that it is vital for leaders and team members to have similar values regarding empowerment. In cultures where team members expect to be esteemed based on achievement rather than on hierarchical authority, team members that do not gain empowerment will not view the leader as powerful. The power paradox is that a leader may have the formal power, but when he or she is not given the authority to lead by fellow workers, real power will fade. Such teams may end up with internecine power struggles or with counter-productive team members, rather than having everyone performing their task.

One objection to putting too much weight on national cultural differences when discussing implementation problems related to TQM is highlighted by the Japanese owned American transplants, originally set up to avoid American trade barriers, as well as other successful examples of Japanese owned American organizations. Quality and productivity within these plants have been shown to surpass other American plants and match their Japanese counterparts, and this has been attributed to factors such as Japanese traditions of creating job security, and a reluctance to make layoffs [Yang, 1994].

If the American or Western culture were less benign towards total quality management ideas, transplants would not be better than other American plants, all other things being equal. However, a notable difference is that management of these plants is often Japanese. It has also been reported that prior work experience from the same job or experience from the same type of industry has been seen as a negative factor when hiring people to these transplants [Yang, 1994]. A reason for this has been that prior perceptions about a particular industry in the USA are seen to contradict the practice of Japanese industrial plants in the USA. A conclusion is
that the Japanese transplants, although successful in improving quality and using a Japanese approach to TQM in America, are far from typical American enterprises. The transplant examples, on the contrary, show that national cultural differences do need to be recognized and adjusted for.

**Unclear terminology**

As discussed already, the TQM concept has often been described in rather vague imprecise terms. Precise definitions are few and there is so far no agreement on either the terminology or the meaning of the terms. Furthermore, similar, or the same, concepts have been sold under other different names, such as Strategic Quality Management, Companywide Quality Control and Total Quality Improvement, to mention just a few.

One example of the unclear terminology within the quality movement is that we often, but not always, talk about quality awards\(^\text{28}\), but the criteria used for the assessment have a focus that could be considered to be wider than quality. The criteria used for the Malcolm Baldrige Award go under the name of the Baldrige Criteria for Performance Excellence, and the criteria for the Swedish Quality Award are have the title of the SIQ Model for Performance Excellence. If criteria for Performance Excellence are used as the basis for a quality award – what signals does that send? Is Performance Excellence the same as Quality Excellence?

The term “Performance Excellence” refers, according to the criteria, to an integrated approach to organizational performance management that results in (1) delivery of ever-improving value to customers, contributing to marketplace success; (2) improvement of overall organizational effectiveness and capabilities; and (3) organizational and personal learning. The Baldrige Criteria for Performance Excellence provide a framework and an assessment tool for understanding organizational strengths and opportunities for improvement and thus for guiding planning efforts. [NIST, 2005, p.64]

One explanation for this development is that the criteria of the original quality awards successively over the years widened their perspectives in harmony with discussions related to

\(^{28}\) We have the Malcolm Baldrige National Quality Award, the Japan Quality Award, the European Quality Award, The Swedish Quality Award. Some exceptions are the EFQM Excellence Award, the Australian Business Excellence Award and The Canadian Award for Excellence. There are hybrids as well, as the Singapore Quality Award for Business Excellence and the Philippine Quality Award for Performance Excellence.
environmental issues and societal responsibility\textsuperscript{29}. At the same time the nimbus of the quality concept, and in particular the TQM concept, faded and it became convenient to change “quality” to “excellence”.

Some thoughts on the future of Quality Management

What then is to be the next stage in the evolution of Quality Management after Total Quality Management (Figure 1)? What will be its characteristics and focus in the future? As we have seen, TQM has until now been characterized by strong focus on the following issues:

- Espoused organizational values supported by methodologies and tools
- Customer focus and satisfaction
- Efficient use of resources
- Continuous monitoring and assessment of improvement potentials

Implicit in this line of thought is the assumption that through increasing customer satisfaction, customers will stay loyal and the company will reach other beneficial objectives such as financial prosperity and long-time success, see, for instance, Söderlund [1997, p.11]. However, for many organizations financial prosperity may not be the ultimate goal. David Packard (co-founder of Hewlett-Packard) stated that “Profit is not the proper end and aim of management - it is what makes all the proper ends and aims possible.” [King & Rigby, 2004, p.10]. Other, more idealistic goals such as well-being for all involved may be such a goal. As far back as the 1930s Shewhart [1931, p.vii] commented that “Broadly speaking, the objective of industry is to set up economic ways and means of satisfying human wants”. This view is in alignment with other people working within Quality Management as well; see, for instance, Grant et al. [1994].

Drucker [1954, p.37] wrote: “If we want to know what a business is, we have to start with its purpose. And the purpose must lie outside the business itself. In fact, it must lie in society, since a business enterprise is an organ of society. There is only one valid definition of business purpose: to create a customer. The customer is the foundation of a business and

\textsuperscript{29} This development can be exemplified by the number of points in the criteria related to environmental and societal issues. In the Swedish Quality Award we estimate that the points have increased from about 50 in the first version in 1992 to about 100 in the criteria from 2005. A similar development can be seen in other award criteria as well.
keeps it in existence. He alone gives employment. And it is to supply the customer that society entrusts wealth-producing resources to the business enterprise.”

Deming [1986], Juran [1988] and Ishikawa [1985] all maintain that the primary objective of an organization is to stay in business.

It could be of interest here to note as well, that Henry Ford, often seen as a forerunner of Taylorism, remarked that “Money is simply a commodity which we need just as we need coal and iron. If money be otherwise regarded, great difficulties are inevitable, for the money gets itself ahead of service. And a business that does not serve has no place in our commonwealth”. [Ford, 1926, p. 213]

This discussion is related to whether Quality Management, in the form of customer satisfaction, is the aim of business or just a means of achieving something else and “higher”. In recent years indications are that the scope of Quality Management has begun to change from “customer satisfaction” into something broader.

**Scope of Quality Management**

Regarding the theory of Quality Management, Foley [2005, p. 10] states that “the aim of sustainable success will be accomplished if business acts to optimize quality of product and service to customers, subject to meeting the needs and expectations of non-customer stakeholders.”

This statement reflects an ongoing and fundamental change in the view of corporate purpose and criteria for company management within the quality movement. Radder [1998] and Foster & Jonker [2003] are examples of authors, who claim this change to be the next step of the Quality Management development. What seems to be a central, even pivotal, aspect here is how we choose to define the concepts of *customers* and non-customer *stakeholders*.

If Quality Management is seen as managing quality improvements of goods and services aiming to maximize customer satisfaction subject to meeting the needs and expectations of non-customer stakeholders, then we could choose the boundaries of quality management simply by selecting an appropriate customer definition. If we use a wide definition which could include many different groups of stakeholders, Quality Management should become
something similar to Business Management. On the other hand, if we use a narrow definition of customers, Quality Management becomes something much more limited in scope.

**Customers**

The ISO 9001:2000 standard promotes a narrow definition of the customer as an “organization or person that receives a product”. Examples include the consumer, client, end-user, retailer, beneficiary and purchaser. According to the standard, a customer can also be internal or external to the organization. It could be noted that a buyer sometimes is not a customer using this definition, since the buyer and the user might be different people.

In the Baldrige Criteria for Performance Excellence “customer” refers to actual and potential users of your organization’s products and services [NIST, 2005, p. 61]. In the SIQ Model for Performance Excellence the value “customer orientation” is described as “An organization’s long-term success depends on its ability to create value for those it exists for – the customers…” [SIQ, 2003]

A wider definition is that of Bergman & Klefsjö [2003, p.27], which states that customers are “those we want to create value for”. The concept of value is here related to the value chains and not to the financial chains in the organization.

Juran’s definition [Juran, 1988, p.2.3], in which he states that the customer is “anyone who is affected by the product or by the process used to produce the product”, is even wider. This implies, for example, that the natural world, those who live and work in the surrounding area and future generations could also be included in his customer concept if they are influenced by the environmental impact of the product and processes. Juran makes distinctions between the categories of external customers, current and potential customers, internal customers, and suppliers as customers [ibid. p. 18.11]

With the advent of TQM came the recognition that quality management values and methodologies were needed in every aspect of the organization. As the concept of the paying customer often appeared too abstract to guide improvement efforts within large operations, the concept of the internal customer was introduced. An internal customer does not actually buy the product or use the sold product, but could nonetheless be used as a proxy for improvement activities within an organization. The reason for this is that a finite chain of internal customers
would lead to the “real” customer, the external customer. Improvement efforts directed towards internal customers would in that way also be measurable as improvements for the external customer. An important reason, however, for the use of the term “internal customer” is the focus on processes and flows in TQM and the accentuation of focusing on the next person, or the next step, in the process. Ishikawa coined the phrase “The next process is your customer”; Ishikawa [1985].

Bergman & Klefsjö’s [2003] customer definition includes internal customers, as well as all other stakeholders in the value chains that we want to create value for. A negative consequence of broad customer definitions might be that they drift away from the view of many people, for instance as represented by The Concise Oxford English Dictionary which states that a customer is “a person who buys goods or services from a shop or business” or the ISO:9001:2000 definition. Proponents of customer definitions that differ from the common view risk being misinterpreted or even mistrusted. On the other hand, a narrow customer definition may hamper the usefulness of Quality Management.

Our suggestion is that customers could be defined as individuals or organizations being downstream in the product life cycle process, i.e. receivers of a product. Individuals or organizations that are upstream in the same process would accordingly be named suppliers, i.e. providers of a product. Customers and suppliers could be internal or external, depending on the organizational boundaries of the actual process.

This definition does not refer to issues of financial transfer but only to the transfer of a product, i.e. goods or services. This means, for instance, that owners of the organization are not generally considered as customers.

Foley [2005, p. 14] makes a distinction between organizations that are “customer oriented”, “customer focused” and customer driven”. An organization which is “customer driven” has customer satisfaction as the ultimate goal but one that is “customer focused” looks at customer satisfaction as a means of reaching something “higher”, for example, stakeholder

---

30 This use of the customer concept has without doubt caused difficulties when introducing TQM in parts of the public sector. As one example, Svensson & Klefsjö [2006] discuss experiences of the use of the customer concept within the educational sector.

31 We want to distinguish between the product, the output, and the outcome of a process. We look at product as consisting of the goods, services and/or information that the process is intended to produce, and outcome as the impact and experience of the total output from the process.
satisfaction. In the following section, we will see if stakeholder theory could be used to fulfil the needs of a wider definition of those we want to create value for.

**Stakeholders**

The stakeholder concept was discussed as early as 1918 by Mary Parker Follet, although Freeman [1984] is often given the credit for having introduced a stakeholder theory as an alternative to the traditional economic theory of the firm, see Schilling [2000]. Schilling [2000, p. 226] states that “the primary emphasis of stakeholder theory is a recognition that the firm is a part of a system of interdependencies, or implicit contracts or agreements, and that share-owners are but one small constituency group among a plethora of constituency groups to be served. Since the firm exists to serve stakeholders, financial performance is only a very small slice of a firm’s total performance.”

According to Foley [2005, p.6], Oakland [1993, p.155] was one of the first academics in the Quality Management area to write a major textbook on Quality Management. In this book, he identified five groups of stakeholders (customers, employees, suppliers, shareholders and the community) and commented: “whatever are the motors for driving an organization towards its vision or mission they must be linked to the five stakeholders embraced by the values of any organization.”

The term “stakeholders” is broadly used to mean those who have “a stake” in the organization. Lozano [2005] identifies three elements around which the stakeholder debate revolves, namely: the organization, the other actors who relate to it and the nature of these relationships.

There are many definitions of a stakeholder available, for example:

- “The Wide Sense of Stakeholder: Any identifiable group or individual who can affect the achievement of an organization’s objectives or who is affected by the achievement of an organization’s objectives.” [Freeman & Reed, 1983, p. 91]
- “The Narrow Sense of Stakeholder: Any identifiable group or individual on which the organization is dependent for its continued survival.” [Freeman & Reed, 1983, p. 91]
- “those entities and/or issues, which a business identifies from the universe of all who are interested in and/or affected by the activities, or existence of that business, and are capable of causing the enterprise to fail, or could cause unacceptable levels of damage, if their needs are not met.” [Foley, 2005, p. 138]
“Stakeholder” refers to all groups that are or might be affected by an organization’s actions and success. [NIST, 2005, p.65]

“Stakeholders” are all those who have an interest in an organization, its activities and its achievements. [EFQM, 2005, p. 31]

“Stakeholders” as defined in the Baldrige Criteria for Performance Excellence and the “interested parties” of ISO 9004:2000 are essentially the same [Foley, 2005, p.xiii].

We consider stakeholders to be those actors that provide necessary means or support to the organization, requisites which, if their wants or expectations are not met, could be withdrawn causing the organisation to fail, or cause unacceptable levels of damage. Using the Freeman & Reed [1983] terminology this would be a narrow definition. It is inspired by Foley [2005] but with the difference that an actor does not need to have been identified by the organization in order to be a stakeholder. Our main reason for choosing this definition is that we want to distinguish between parties who have influence on the organization and those who do not.

**Stakeholder categorization**

Wheeler & Sillanpää [1997, p.5] classify stakeholders as primary, secondary, social and non-social stakeholders. According to their definition primary stakeholders have explicit interests in the organization. Secondary stakeholders include parties that normally have little interest in the specific organization but, if forced enough, will react and stop a business that is violating their interests.

Inspired by Foley [2005] and the classifications by Wheeler & Sillanpää [1997] and Garvare & Johansson [2007], we suggest the term *primary stakeholder* to be used for those actors with direct control over necessary means or support to the organization. Depending on the actual context, examples of primary stakeholders could include customers, co-workers, investors, shareholders, and government.

Stakeholders could be distinguished from other interested parties as having both the means of bringing attention to their needs and of taking action if their needs are not met, see Foley [2005] and the narrow stakeholder definition presented by Freeman & Reed [1983]. It could, however, be noted that some actors, despite that they are not directly providing any of the necessary means or support to the organization, could still have enough influence to merit
being considered more than just interested parties. Those secondary stakeholders may include non-government organizations, academics, media, fair-trade bodies, environmental pressure groups and other individuals or organizations that, in one way or another, if their needs and expectations are too heavily violated, should be able to influence primary stakeholders to such extent that they would redraw prerequisites, thereby causing the organisation to fail or causing unacceptable levels of damage.

A further classification could be that of overt and latent stakeholders, depending on whether the actor is known to the management of the organization or not. Interested parties are those with any interest in the organizational activities, output or outcome, although these parties have a lack of power or instruments to influence primary stakeholders. The influence of these parties must be amplified or their interests adopted by stakeholders if their needs are to be considered. Our categorization of actors has been summarized in Figure 5.

![Figure 5](image_url)

Figure 5  
Categorization of actors into different types of stakeholders and interested parties, from Garvare & Johansson [2007].

Some authors suggest that the degree of importance of different stakeholders and stakeholder interests can vary with respect to different aspects, for example regarding their power or legitimacy in a specific context of market or political system, on the level of moral develop-

---

32 In ISO 9001:2000 an interested party is defined as “person or group having an interest in the performance or success of an organization. Example: customers, owners, people in an organization, suppliers, bankers, unions, partners or society”, [ISO9001:2000]. It is interesting to note that the term stakeholder is not used in ISO 9001.
ment or according to a prioritization of human rights. Foley [2005] describes customers as “the foremost among equals”. On the other hand, others state that there should be no priority given to one set of interests and benefits over another.

It could be noted that the feedback of some actors is rather delayed in time. Such delay could significantly reduce their influence and move them from being considered as a stakeholder into being viewed as merely interested parties. Examples include the natural environment and future generations.

Ongoing development and integration of Quality Management

High on the agenda of many leaders, managers as well as academics, is the integration of management sub-systems for issues such as quality, environment, work environment, economics and social responsibility. This development might be accelerated by the ongoing integration of the infrastructural management sub-systems, represented by the international standards for management systems, as ISO 9001 (for Quality Management), ISO 14001 (for Environmental Management) and ISO 27001 (for Information Technology and Safety).

Quality Management is per se not the same as financial management or logistics management. Although we recognize the organizational benefits of such an infrastructural integration, they are not in our opinion sufficient in themselves, to justify the movement of Quality Management as a scientific subject towards Business Management or Business Excellence. The integration could be seen more as a way to reach internal organizational efficiency.

Excellence

Furthermore, as already mentioned, there is an ongoing trend among the institutions behind many national and international quality awards to move towards “Business Excellence”. The Malcolm Baldrige National Quality Award is based on “the Baldrige Criteria for Performance Excellence”, the European Quality Award has been renamed the European Excellence Award, the Swedish Quality Award is based on the SIQ Model for Performance Excellence. We see this trend of moving from “quality” towards “excellence”, partly as as a result of the fact that “excellence” sounds more modern than “quality”, but partly also to the widened focus of the assessment. Gradually, aspects such as societal responsibility and financial status have received larger proportions of the evaluation results, at the expense of organizational
processes and results related to customer satisfaction. However, it is unfortunate in the light of the already unclear view of what quality and quality management is, that there exists such a mix of concepts. We suggest that if there is a need for the assessment criteria to include and enhance aspects other than quality, these awards also should be renamed to avoid confusion.

**Six Sigma**

Six Sigma, another concept within Quality Management that has spread throughout the world, has strong similarities with TQM. Six Sigma has often been presented as something completely different to TQM, but it has been shown that Six Sigma and TQM have many traits, methodologies and values in common and few differences; see Klefsjö et al. [2005]. The Six Sigma movement stems from the quality journey experienced by Motorola, an American corporation that in the late 1970s and early 1980s saw Japanese competition gaining a significant market share with products superior to those of Motorola. A notable difference between TQM and Six Sigma is that Six Sigma has a stronger emphasis on monetary success and an elite workforce doing the improvement work. The rapid growth of the concept in America and slower growth in the rest of the world may imply that Six Sigma is better suited to the American way of doing business.

Gowen [2002] suggests that the Six Sigma concept needs to be adjusted to accommodate different national cultures. In bureaucratic cultures such as the Germanic (Switzerland, Germany, Austria etc.), Gowen recommends a rules and roles based approach, where Six Sigma managers receive rewards. In Latin (France, Spain) and Far Eastern countries [Japan, Korea], Six Sigma requires an approach where Six Sigma teams have great autonomy, and success is motivated by team-based rewards. In the Nordic countries, characterized by a high level of employee involvement and low level of task orientation, Six Sigma needs to take on a “flexible individualistic approach for employee self-expression and self-actualization”. The Nordic cultures also require extensive Green Belt training to involve all employees in self-directed Six Sigma teams. [Gowen, 2002]. Schön [2006] investigated how three multinational companies with a strong cultural background in Sweden implemented Six Sigma and concluded that, although regional cultural differences exist, it is more important to adjust Six Sigma to the internal organizational climate, in order to be successful.
**Sustainable development**

Currently, we see an increasing focus on global sustainable development. Long-term balance between all interests implies a steady state, where both humans and nature thrive. This requires widespread economic prosperity as well as shared environmental and social concern. Our total economic activities must add enough value to guarantee everybody a decent life without damaging the ecological system in such a way that the survival of future generations is endangered, i.e. sustainable development. [Garvare & Isaksson, 2001]

Sustainable development implies a movement from firm-centred to system-centred thinking [see Lozano, 2005], and this could be another reason for shifting towards a stakeholder approach. In order to have global sustainable development the role and responsibility of business has to change from a “do no harm approach” into a “demonstrate positive development benefit imperative”, see Warhurst [2001]. Issues of sustainable development should be important to all types of organizations, see Edgeman & Hensler [2001]. Inspired by the WCED [1987] definition of sustainable development our contention is that organizations should not only fulfil the wants and expectations of its stakeholders, primary and secondary, but also avoid compromising the ability of interested parties, including present and future generations, to meet their needs\(^3\). Following Garvare & Johansson [2007], our tentative theory is therefore that organizational sustainability will be achieved if the organization endlessly meets the demands of its stakeholders, and global sustainability will be promoted if organisational sustainability is accomplished without compromising the ability of all affected parties to meet their own needs.

Is global sustainability an issue for TQM? Again, it boils down to the definition of the customer, whom we want to create value for. With a narrow customer definition, such as one where customers are *receivers* of a product downstream in the product life cycle process, some sustainability issues have to be addressed. With a definition of customer as *one being affected* by the product throughout its life cycle, the range of sustainability issues that we need to address increases. If we also include those affected by our process as customers, the sustainability issues grow further also for TQM.

---

\(^3\) It is the ability to meet essential needs, such as food, clothing, shelter, jobs etc. that should not be compromised, see WCED (1987).
Implications

Values, methodologies and tools

By enlarging focus from customers to the wider concept of stakeholders, a considerable portion of the quality management theory should still be applicable, although modifications might be necessary, see Radder [1998], Garvare & Isaksson [2001], Isaksson & Garvare [2003], Isaksson [2004] and Edgeman & Hensler [2005]. Foley [2005] identifies two related consequences of such a change, namely the need to put emphasis on lead indicators such as product quality, ethics and innovativeness, and an increased dissatisfaction with financial data as an indicator of enterprise health and prospects.

One danger with this change of focus is a change for shorter time periods and financial chains. Collins [2001] talks about “shareflippers and shareholders”. A recent investigation of the reasons for and results of the outsourcing trend of today in Swedish companies clearly show that the short-term financial gain is the primary motivation. At the same time the investigation shows that there is great potential for improvements in the value chains of those organizations [Bengtsson et al., 2005].

Cultural values

Participation, loyalty, delegation and empowerment, reinforced in the TQM concept by values such as “let everybody be committed” and “focus on the customer” may be easier and perhaps more successfully implemented in regions, where there is a culture that encourages these qualities. Reflecting back on Juran’s comment that TQM found fertile soil in Japan, the causes for this could be discussed.

The loyalty of the workers to the industrial organization, the respect for authority, the paternal methods of motivating and rewarding the worker, the close involvement of the company in matters that to Western eyes seem personal and private affairs of the worker, as well as the strong collaboration between government and business have been cited as attributes of Japanese society, see Hein [1996].

This cultural difference may also be a reason why quality circles with meetings even held outside working hours were a success in Japan [Bergman & Klefsjö, 2003], whereas quality circles never took off in the West. Another reason for this benign atmosphere full of adaptable
co-workers, ready for change may be found in the Japanese educational system. Morishima [1982, p. 171] describes how post-war education followed a long Japanese tradition of moulding people into uniformity, whereas new employees received thorough training in moral issues.

From a Swedish perspective, Harnesk & Abrahamsson [2006] found that the collectivistic activities of TQM (such as teamwork and delegation) suited Swedish organizations fairly well when the concept was introduced in the 1980s, mainly due to a tradition of a strong labor movement with representatives also present in board rooms.

**Terminology**

Another, perhaps less important but still very interesting, issue concerns the labelling of the concepts that we use. Should we retain the term TQM to describe the current stage of the quality management evolution, or should we try to find another term that provides a better description? We believe that Quality Management should focus on quality, and while we recognize the need to look wider when running a business, Quality Management to us is not Business Management but an important part of Business Management. We believe that no one gains from a dilution of either concept.

Although there are different definitions of *quality*, most of them mean that quality is ”value to customers” or “customer satisfaction and delight”. In our opinion *Quality Management* should be interpreted as management of quality, i.e. *management of customer satisfaction*, where customers are defined in a narrow sense, i.e. receivers of a product. Such Quality Management is clearly an important part of *Business Management*, which could be interpreted as *management of stakeholder satisfaction*. This could be compared to other “management areas” within an organization, such as financial management, supply management, process management and so on.

According to EFQM, “Excellence is the outstanding practice in managing the organization and achieving results. Truly excellent organizations are those that strive to satisfy their stakeholders by what they achieve, how they achieve it, what they are likely to achieve and the confidence they have that the results will be sustained in the future”, [EFQM website].
In our view *Business Excellence* could be an appropriate term to define “excellence in business”. Business Excellence could be achieved partly by combining Quality Excellence with excellence in all other aspects of a business, such as in finance, human resources, logistics etc. In line with the reasoning above *quality excellence* could be defined as *excellence in quality* or *excellence in customer satisfaction*.

Quality Management then becomes a means of achieving Quality Excellence, which in turn is only a means of achieving Business Excellence with satisfied, indeed delighted, stakeholders.

**Concluding remarks**

Based on our previous discussion it may be argued that a large part of the development of the quality concept and Quality Management has taken place without much consideration of what Quality Management really should be. Over time definitions of quality, customer and management concepts such as TQM have been widened and used to incorporate many new “good objectives”, such as the wellbeing of society, the environment and future generations. But do we really want to enlarge the Quality Management concept into a Business Management concept? Whereas top managers need to address all parts of business, there could also be a need to separate quality issues from other issues – quality professionals cannot be experts on every aspect of business and we still think that there is a need for quality experts and a discipline of Quality Management. Quality Excellence with a strong customer focus should be one prerequisite (but not the only one) to attain Business Excellence.

We believe that the difficulties of implementing Quality Management have been dealt with in too sketchy a manner by its proponents. While many studies show excellent successes, it is undeniable that many have failed to receive the full benefit of their investments. Introducing Quality Management into the organization implies a shift of culture within an organization, and cultural changes require energy – the larger the change, the larger the effort. Six Sigma may in this regard be seen as an adjustment of TQM to suit the needs of an American business culture. Therefore, it is not certain that either TQM, or the TQM values with Japanese undertones, or Six Sigma with its American background, would seamlessly suit organizations in other parts of the world.
Within the Quality Management discipline, there is an urgent need to discuss and come to an agreement on both the scope of Quality Management and an agreed set of definitions. In this paper we have sought to distinguish between conventional descriptions of Total Quality Management and what we see emerging as a possible next phase of Quality Management. The conclusion drawn from that exercise is that TQM should focus first and foremost on customers and their satisfaction and not on the other stakeholders and interested parties. While there are perfectly legitimate reasons to address these parties and address such issues as global sustainability, human rights, financial stability and environmental protection, we believe that those matters are most appropriately attended to by concepts such as Business Management or Stakeholder Management.

References


Shewhart, W.A. 1939. Statistical method from the viewpoint of quality control. Graduate School of the Department of Agriculture, Washington, D.C.


