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## TQM AND ORGANIZATIONAL DEVELOPMENT

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### Abstract

Today, there is only one certain thing in the life of organizations and corporations, being challenged by continuous change. It is much better to participate in these changes with awareness than just suffer them passively. One of the possible answers to the changes is TQM that is rather a management than a quality philosophy.

The main issue of this article is that implementing TQM entails a major organizational change and if we do not consider it, it will lead to failure. Leaders, organizational culture, empowerment and their development play an especially important role to achieve the objectives we set.

The hundred-year-old practice of management (organizing and leadership) has justified that there are no present general organization-transformational principles and this view has gained greater attention in the literature since the 50s. 'Basic truth' is usually trivial or they express general principles that do not really help in solving real problems. It does not necessarily mean that this theory is useless in sciences but it does not fit the applications of management. There are no general 'recipes' for applying change processes, they have to be established and carried out 'then and there' by leadership and management.

*Keywords:* TQM, leadership, empowerment, organizational culture.

### 1. TQM and Modern Management Trends

Our article addresses mainly TQM philosophy<sup>1</sup> and system<sup>2</sup> but at the beginning we have to mention some tendencies nowadays current.

Critiques of TQM often make the new methods compete with each other and they publish those results that BPR or Benchmarking are more successful and more effective methodology than the two-decade old TQM. New ideologies appear year by year and consultants enthusiastically say that the aged or 10 year old models are

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<sup>1</sup>A lot of authors use a 'softer' definition when identifying TQM, e.g. 'management climate' (KÖVESI, 1999). It is shown that this is not a well structured system or method. In the article simply the expression 'TQM' will be used.

<sup>2</sup>It would be worth surveying widely what percentage of the projects fails or succeeds. The data in the studies published are so diverse and different that we consider them as only guessing so we would not refer to these numbers and data. (Also the reason for this is that there is no common terminology for certain theories and methods that would be standard considering methodology, intensity and areas affected by change.)

all over. These are usually similar programs with similar goals and tools highlighting one part of management procedures or corporate functions and resources. Let's examine one classical example of comparison of TQM and BPR:

The two methods do not substitute but ideally complete each other making their applications simple. If building up procedures are working faultlessly then we continuously develop and 'fine tune' them as long as it is necessary to change them. This time we can grab the tool of BPR.

This complementary relationship is not only justified by experience but by the theoretical research studies of change management. Thinking of the paradigm of periodical balance: the continuous incremental development can be applied during balanced periods whereas radical change which is a characteristic of BPR counts as merely one but not the only method of managing revolutionary periods ([10]).

It is also relevant that most trends contain several useful elements that should be built into the TQM system (continuous development, learning). According to the authors of this article there is no comprehensive new management trend that replaces TQM principles and methodology. Besides TQM we would like to use the expressions of 'transformational' or 'developmental' programs expressing that our article addresses mainly the content and not the expression of TQM.

## 2. About the Results So Far

The experiences of the past 20 years demonstrated that most of the change project failed. Experienced researchers, experts and consultants acknowledge that results are in several cases negative but due to obvious reasons these mistakes, 'remediless' conflicts and 'money thrown away' will never or rarely be revealed.

The problem is more general if we take into account that no accepted measurement of management performance exists, better to say it is difficult to judge the activity of a management group, organization or corporation without exact and measurable data.

One of the two most common delusions is the opinion that can be found in the quality management literature by means of which the financial, quality results of a given period are accounted only for applying a certain quality management system or methodology. In the life of companies several developmental or change programs are running simultaneously, e.g. introducing ISO system, TQM, transforming the IT system of an enterprise, organizational development and the effects of all these cannot be separated. These results often arise due to prosperity or recession in an industry or in the national economy.

Moreover, the performance of the management is often identified by the stock exchange market rate or certain combined data e.g. (pl.: yield – sector yield ratio?). This can give us a more exact picture but a lot of mainly middle-sized companies are not present on the stock exchange or in other cases we cannot talk about relevant industry data, and the hectic stock exchange changes distort the results as well.

All in all it is difficult to classify the modern management methods in that way

that can be accepted by every expert or if it still happens then there will be barriers when defining how effective certain disciplines are. This is the reason why we would not mainly rely on particular examples or surveys taken from companies but on literature. The research of the staff of Budapest University of Technology and Economics, Faculty of Industrial Management and Business Economics and also the MBA ‘break talks’ provide us further information on applied methodologies at corporations.

### 3. Principles of TQM, That Works and That Does Not

We provide a brief outline how management elements are considered as the basis of TQM, the quality and management philosophy. Lots of elements of TQM can be detected in relevant publications and its primary or supplementary existence is heavily discussed but when examining the organization we would not consider the ranking important.

In our view customer focus, business process reengineering, applying benchmarking or supporting information technology play an important role in all developmental programs and they manage to achieve the objectives.

The reason for failure can be claimed for the lack of the power of leadership and the empowerment of employees. Why? How can we be customer oriented or change our procedures if we simply forget about our human resources, the organization, and the employees? In our opinion there are several reasons for this:

1. This area is the root cause of numerous conflicts
2. Methods are not exact, their results are difficult to be measured.
3. Because of the immense quantity of literature, scientific and expert studies and varied methodologies, it is impossible to remain up-to-date in the area of management science while working hard every day.

### 4. About Empowerment

Most untrained consultants emphasize the importance of empowerment and they explain that it firstly means organizing teams and working in teams effectively.

The goal is noble, its connotation is evident, and who would not like to have more motivated and empowered employees who are the token for putting strategy into practice. A few managers, however, can deny that in the last 30 years the importance of empowerment has not really increased ([1]). In theory, managers acknowledge empowerment but they are more confident of autocratic methods and these methods really lead to immediate results. The story originates back to the beginning of the 1960s when McGregor defined two archetypes of the ‘average man’:

*Theory X*: is averse to work, needs to be led, does not take responsibility and is not ambitious.

*Theory Y*: it is his innate attribute that he is able to commit himself, takes responsibility, ambitious, can lead and control himself ([9]).

Maybe this model is too rough but it helps us to understand that leaders have to alter the picture they have in mind about their employees in order to succeed with their organizational developmental changes. Theory X is very popular among managers, it is a kind of self-fulfilling prophecy so classical organizations can apply it successfully. We are fully convinced that putting empowerment into practice is only possible when applying theory Y.

According to experience the more this trendy expression is used the less it means. ‘This became a politically correct magic word.’ – how Kotter cites the skeptics although he offers a useful recipe for empowerment in his book ([8]). Accepting the hypothesis of the authors mentioned above, we understand empowerment as the extension of internal commitment in the organization.

Internal commitment is based on participation, is completely voluntary, the members of the organization commit themselves to the goals, members and management voluntarily. It is necessary, however, to involve the members in all management procedures, planning, goal setting, action planning, allocating resources etc. It entails also that we give them information, responsibility and power that obviously has some risk. Establishing internal commitment requires time and energy so it is not worth implementing it at all levels of the organization.

External commitment can be compared to fulfil a contract, members cannot influence how procedures are worked out, and they receive orders that they have to fulfil regardless of their own opinions. The science of organizational behavior and psychology had proved long time ago that in the case if people cannot influence their own destiny, real commitment toward the goals cannot be expected. These types of employees are mainly suitable for lower level tasks and there is a danger of delaying the renewal of processes and they also might leave their workplace. The long-term success factor of such a moderate level of involvement is influenced both by the standard of living of the social class in question and by the actual situation on the labor market, vastly (see motivation). In line with our observation, the internal and external commitment might well be complementary at the right place and time. Only the employees driven by internal motivation, very often in managerial positions, can break through with achievements in areas of strategical importance while coping with turbulent environmental and organizational changes. However, in case of many activities (‘routine tasks’) the forced delegation of power can jeopardize the successful completion and may result in dissatisfaction. We should keep in mind that empowerment is not a static state of the organization, rather a little bit abstract goal that we should strive to achieve as good as we can, although it can never be reached completely. This is why introducing this part of TQM cannot be done like a campaign and after achieving smaller or bigger success we cannot sit back.

## 5. The Role of Leadership

What kind of forces might counteract the changes? ([8]). What are the most common excuses made by the employees regarding re-organizational changes?

- The presence of problems and environmental factors are temporary and our new future system will be perfect later.
- Carrying out the goals and future strategy is too difficult.
- There are no obvious solutions for problems.
- There is a high risk of changes having a reverse effect and there will be no way back.
- Our employees are not suitable for the task and we cannot change that on the short run.
- Middle management is working under high performance pressure and they cannot be burdened with completely new tasks further etc.

Seemingly, these excuses can be confuted credibly by top management only, on the other hand some of the excuses delay TQM and only top decision-makers are entitled to allocate the necessary resources.

The role of leadership is similar to that of empowerment, everybody adores handbooks but only a few accomplish the tasks described there. The role of the leaders in the change processes is mostly confined to a starting meeting where they present with enthusiasm what they have heard from consultants or in conferences. They make action plans accepted and in most cases they manage to appoint a middle level manager – incompetent for the task – who is also responsible for achieving the results. From the next day on the usual daily routine will be followed, the organization is occupied with the usual concerns, managers are overburdened although during the following weeks at the end of the ‘historic’ meeting they remind themselves of TQM but later they bury the initiatives in oblivion. The reason for such a ‘script’ lies in the attitude of management that already undermines the major change programs at the beginning.

The basic characteristics of an organization like structure and culture cannot be separated from management at neither level of hierarchy. The more and more flattening structures or in other words the decreasing managerial levels make both the style and behavior as well as the values shown and expected of each manager especially important. Their strategic goal is to define the vision and mission and the action plans of reaching the goals e.g. business policies, methods and tools. Responsibility, empowerment, resource allocation are such managerial decisions that fundamentally influence the success of TQM. The responsibility of the top management is apparent when establishing and nurturing commitment levels in the organization.

Although the factors mentioned above form the leading role of TQM together, still managers tend to forget about the most important thing: to make their own commitment visible by participation, active listening and resource allocation. It should be reflected in all leadership functions.

## 6. Organizational Culture

We can define organizational culture as the system of norms, shared values, concerns, common beliefs that are understood and accepted by the members of the organization. The members of the organization accept these as valid, follow them and teach them to incoming members as a pattern to be followed for problem solving and as required thinking style and behavior ([11]).

The members of the organization interpret both the signals arriving from the external environment partly by these patterns and this also determines their team and self-evaluation. The effect of the culture can obviously be detected by the actions of the members firstly when they are affected by a certain stimulus. To continue this thought there is a special importance of these related to programs of change as this time the organization and its stakeholders are surrounded by an environment that is rich in stimuli.

The definition above is too versatile to draw an exact conclusion and this way we have to determine and accept certain measurements and their scales. The next key categories based on ROBBINS, 1993 can serve us as an accurate point of reference to further examinations:

1. Integration: job – organization
2. Individualism / collectivism
3. Human orientation: task – relations
4. Dependency – independency
5. Control: loose – tight
6. Risk taking: weak – strong
7. Criteria for reward: other – performance
8. Conflict handling: weak – strong
9. Goal – tools orientation: process – end result
10. Open – closed system: structural dimensions – contextual dimensions
11. Time horizon: short run – long run.

It is imperative to consider some national cultures as well. The society hosting the organizations does also have a characteristic value system, however, these are in a way more abstract and common ones. As a classical example, the cultural distinctions between USA, Europe and Far-East are commonly quoted. Based on an empirical study covering 40 countries, Hofstede's model provides a description of national cultures. It succeeded in identifying basic differences in four significant dimensions of some regions of the world: power distance, avoidance of uncertainty, individualism versus collectivism and masculinity versus femininity. He also pointed out that organizational models (with special focus on leadership) could not be implemented in other cultures unalterably. This applies especially to multinational companies that implement their system well functioning elsewhere in new, upcoming divisions ([5]).

In case of diverse industries, governmental organizations or within large multinational companies obvious dissimilarities can be identified, indeed.

Even within a given organization, subcultures can also develop complying with its core values and possibly adding new ones as well. Typically, these evolve in R&D or other professional groups, in a geographically separate division or among the blue-collar workers of a production site etc. and obviously contribute to the success of organizational development

## 7. Strategy and Culture

There is another interesting focus of organizational culture related to programs of change, that is more in the everyday life of a company and that is the relationship between strategy and culture.

The effect of external environmental changes and internal corporate conditions on organizational structure, culture, leadership and change management procedures is thoroughly examined in literature.

The above mentioned factors not necessarily and automatically bring organizational development and changes. The organizations can choose how they would like to adapt to the external, internal conditions and their changes ([2]). Between the influencing factors and the organizational system an evaluation and objective-setting activity can be found that we define as organizational development strategy. In harmony with the classical interpretation this means the realization of a goal and tool system that makes us possible to achieve our goals in the changing external conditions and to obtain the human resources, processes and tools to reach the goals, and the coordination of operating of the whole system ([3]).

Concerning the program of changes, it is of crucial importance how the organization perceives and values the influencing factors and how they react to them.

The effect is especially relevant on the future of the corporation, the risk of operation that are the major indices for shareholders, investors and banks. There are two important parts of these risk influencing factors ([3]):

1. *Forecasting of environmental factors* is mainly influenced by the industry (the competitive industrial environment) and the 'action environment' of the corporation examined.<sup>3</sup> The task of management and of present strategic analyst functions is to collect those environmental factors that influence the success of the strategy. This also depends on how thoroughly the strategies understand the environment, how they rate the forecasting of the factors listed.
2. *Ability of reaction* means how leadership, management and the employees are able to react to changes of critical factors and how effective their reactions are.

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<sup>3</sup>In this respect 'action environment' is meant by the importance of environmental segments where the corporation exists. This includes the competitive environment and the mapping of general and farther environment. This approach was published by MONTANARI and MORGAN in 1990.

## 8. An Analogy

On closing of the article, the comparison of contingency theory arises.

According to the theory, the performance of the organization depends on how they can adapt the structure to the challenges of the determining environmental conditions. There are no general structure changing principles that are valid for all organizations, different solutions are effective in different conditions (FERKE, 1999; CHILD, 1972).

In a certain aspect, Taylor had also recognized that organizational solutions had to be adapted to specific tasks although he did not examine the non-producing functions. Till today several researchers and experts contributed to the theory of contingency.

Three important trends established in the 1970s:

1. *School of Technology*: According to this the technology applied strongly influences the development and changes of organizations.
2. *School of Size*: This is an approach that highlights the relations of the size of an organization and its structure. Headcount, financial power and value of production can refer to the size. According to this school this influences the configuration of an organization, the decisions, policies and division of labor.
3. *School of Environmental Conditions*: The adaptation of the organizational structure to the environmental conditions, i.e. dimensions of changes, complexity, and restraints. The organic-mechanic organizational descriptions appeared here first.

These characteristics, measurements were presented in this article as the characteristics of the influencing factors of the programs of changes and they were supplemented by certain elements that relate to the organizational development process enhancing the business activity.

At the same time when contingency theory appeared, its several useful and thorough critiques were also published that we have to take into account when evaluating TQM as a program for organizational development and changes. We would like to share three observations that in our opinion are the most relevant collected from the more than thousand page long expert discussions:

1. It is not possible to map the relation of organizational factors and features mechanically, we have to take into account that managers can mostly have a choice when decisions are made (KEISER–KUBICEK, 1978).  
It is illustrative that Ackoff, who is a great expert of this discipline, ‘buried’ operation research in the conference of the American Operation Research Association in 1979. In his view the reason for failure is that those factors that are impossible or hard to put in numbers were left out from the models simulating managerial decisions although their significance is inevitable.
2. We have to analyze all elements as parts of changes as the results of the static approach lose their applicability at the end of the goal processes ([13]).

3. Conflicts of interest and power that exist in an organization and their effect on organizational structure and configuration have to be considered ([12]). We note that those who wrote and adapted the contingency theory left out these factors as if such transparent information was integrated in the model, it would lose its major advantage, i.e. correctness or at least its illusion.

It has become obvious for most scientific and professional forums that organizational culture (behavior) determines the appropriate structure and from this we can draw the following conclusions:

1. The importance of culture is essential when introducing TQM.
2. It is not possible to offer a 'wonder formula or recipe' of change programs by means of mechanic mapping, questionnaires or organigrams.
3. Roles and tasks should be set by assessing the capabilities of leadership and management at all organizational levels.
4. Static models are not exact or cannot be used.

### **9. Anti-exactitude Rules**

Justifying the statements of this study, based upon our current knowledge and management theory, is not possible exactly. In the scientific studies cited above, however, several empirical solutions, field surveys and experiences can be found linked to certain details.

### **10. Summary**

Primarily, we aim at defining and structuring organizational goals at the beginning of the restructuring program, continuous monitoring, feedback and as a long-term aspect implementing this approach into the daily life. This goal-setting normally succeeds, however, we would like to draw attention to a few typical features:

- a. realistic goal setting which can be achieved by the members and leaders of the organization and is in a way measurable,
- b. thorough, unbiased and down-to-earth evaluation, study and consequent execution of the organizational transformation needed to achieve the goals, moreover
- c. analysis and development of leadership mindset, the program-setting which fits/responds to leadership abilities and the evolution of the leadership process which enables the implementation of TQM,
- d. usage and extension of empowerment on relevant fields,
- e. changing of organizational structure and integration or separation of new functions,
- f. transforming motivation system, for it is more difficult to reward, promote and differentiate in a likely flatter hierarchy, and

- g. development of organizational coordination, communication and configuration.

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