

Research Paper

Models of TQM Strategy in the World and the Need for Macedonian Model of Excellence

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Abstract: *In this paper are being given diagnoses and analyzes of American, European and Japanese model of management excellence as well as the existing model in Macedonian companies. Building policy and strategy in Macedonian companies by comparison with best practice using benchmarking strategy has become a mass phenomenon and trend in our country, which led to imitation, directly copying a competitor or directly supporting competing products, and also a kind of manipulation with the customers / users. These is the result of non-inventive access of the Macedonian managers, suppression of their own creativity, breaking their own working standards, etc. To improve the situation of the Macedonian companies, in this article a model for excellence in modification of existing EFQM (European) model and its adaptation to our conditions is being proposed. With the implementation of this method will enable continuous assessment of their own abilities, competing positions and permanent implementation of improvements.*

Keywords: Malkolm Baldrige model, EFQM and Japanese model of excellence, Macedonian model.

1. Introduction

TQM philosophy is the basis upon which a lot of models for business excellence can be developed and applied in more than 80 countries. Despite most TQM models (American, European, Japanese) in the world there are a few that are more or less derived from them, such as: models of Australia, New Zealand, South Africa, Finland, Norway, Canada and others.

Since there is no international standard for TQM (Total Quality Management), in practice a model of excellence which is based on the TQM philosophy is being projected. Model of excellence is a creative framework with several criteria using the method of benchmarking - comparison with other

best in the branch and learning from them in order to create a path to higher levels of excellence. In Fig. 1 the basic shape of the model of excellence is being given.

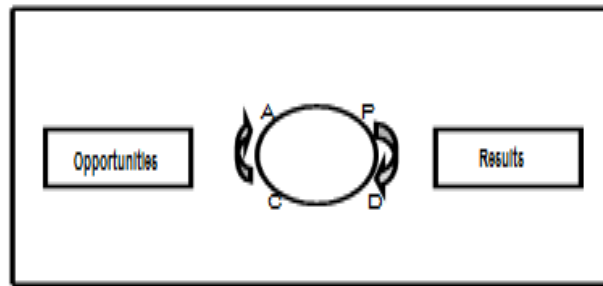


Figure 1: Basic model of excellence

Model of excellence includes criteria opportunities and outcomes for assessing what level of excellence is being reached within any organization (opportunities) and what (results) should be held for that level to be higher. The criteria are different in different models of excellence, based on cultural, technological, organizational and socio-economic characteristics of a country, its organizations and people. Furthermore, there are American, Japanese and European model of excellence.

2. Definitions and Preliminaries

2.1. Malcolm Baldrige (MB) or American Model for Business Excellence

In the middle of the last century, Japan promoted its first Quality Award, as a Japanese model of perfection. By the application of this model a high growth of the Japanese industry and its overall economy is being reached. Such results in the last century's seventies of the represented a threat to both the American industry and economy. In response to the Japanese challenge, America created its own Quality Award, the so-called American model of perfection, by direct support of the American government and trade ministries. The application of this model, in a short time helped the American economy to oppose the Japanese competition, to significantly reach the level of competitiveness in the world market and to establish as the world's leading industrial power. In 1987, the model initiated by U.S. was used as the basis for winning the national Malcolm Baldrige (MB) Quality Award [1]. The prize is traditionally awarded each year by the President of the USA at a special ceremony in Washington. The award is being given as an annual tribute to the American companies for excellence performance of their products / services. The award may be granted to:

- manufacturing companies;
 - service companies;
 - enterprises which deal with small businesses.
- MB model has a major role in achieving the competitiveness of the American companies in the market so this model:
- helps in improving the performance of companies;
 - enables communications and dissemination of information about best among all types of organizations in the united states;
 - is used as a method for understanding and managing the planning, training and assessment companies.

Figure 2 shows the MB model for business excellence in relation to the individual criteria.

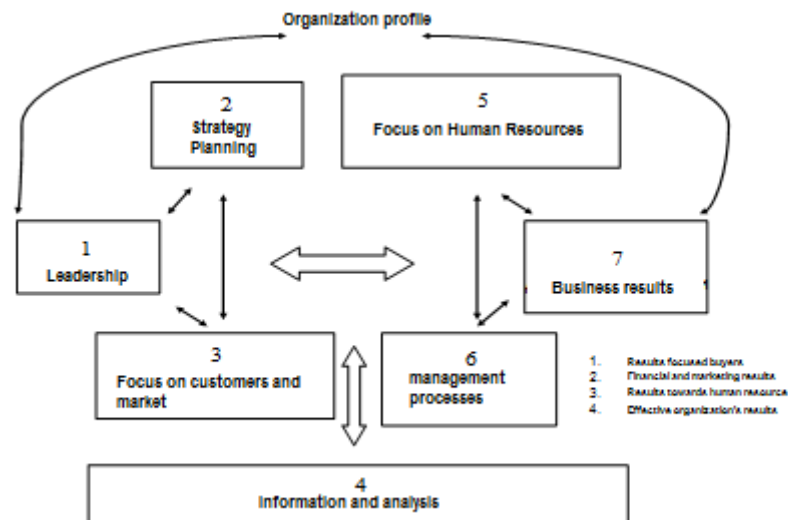


Figure 2: American model of excellence

a. By adopting this model, the following objectives can being achieved:

- customers are continuously being delivered an enhanced value to the product / service as a result of the success of the market and
- improving all the performance and capabilities of companies.

b. Core Values of the concept of MB model:

1. Quality is being defined by customers / users;
2. Strong leadership;
3. Continuous improvement and learning;
4. Employee participation and development;
5. Quick response to the needs;
6. Creating quality and prevention;
7. Long – term orientation towards the future;
8. Management based on facts;
9. Development partnerships;
10. Social responsibility of companies;
11. Focusing on results.

c. Basic elements of the model that is based on MB: Carry and deliver strategic and operational plans, design and implementation of an information gathering system and analysis of results.

Strategic and operational plans represent a set of requirements at the level of the company within the short-term and long-term plan, which must be achieved for the company's strategy to succeed. The strategic and operational plans are guide-lines for all resources and measures for all business units in order to ensure satisfaction of the buyer / user, as well as to achieve business success.

The system consists of six categories that define the organization, its operationalization and results. All shares in the company lead to business results from customer satisfaction to financial and non-financial performance, human resource development and social responsibility.

Information and analysis of the system are critical values in creating effective management companies and business systems.

c. Criteria for performance excellence conveyed through this model are:

- **Leadership:** What does the establishment of the system of leadership denote, (values, expectations and the company's social responsibility).
- **Strategic Planning:** Effectiveness of strategic and business planning, development or performance plans by focusing on customer's and operational performance requirements.
- **Focus on customers and market:** The way in which companies determine the requirements and expectations of customers and market, but also the way in which they established the relationships and assess their satisfaction.
- **Information and analysis:** Effectiveness of the information and analysis in the direction of achieving excellence and market success.
- **Human resources development and management:** Performance in an effort to create a full human potential that will enable the creation of high-performance organization.
- **Management processes:** Effectiveness of the system and processes for ensuring the quality of products / services.
- **Business results:** Trend results and performance comparison with competitors in key business areas (customer satisfaction, finance and market products and services, human resources, suppliers, partners, and operations).

d. Grading system - there are two types of evaluation with three dimensions of grading, as follows:

- **Access - classification** that applies to the first six criteria;
- **Access - results** which apply to the seventh criterion and determines outputs in achieving the objectives set out in the criterion, and determining what results should indicate the level of performance and their trends.

2.2. Japanese Model for Business Excellence

Japanese Society of Engineers and scientists (JUSE) today is being managed by the granting of this award. In the early fifties, (1951) Deming's Quality Award is being established in Japan by applying the concept of total quality control (Total Quality Control).

Unlike MB (American) and EFQM (European) model of excellence, the Japanese model is not sufficiently transparent by itself. The effects of the Japanese Prize present identification of a company that is a model for the application of TQC (Total Quality Control) as well as an inspiration for others to follow it. The checklist for assessment while applying the Japanese model for Deming's award, should follow the criteria listed below [2]:

- determining of corporate policy;
- assessment of the work organization and administration;
- practicing of education and dissemination of knowledge.

In addition, the following items are being assessed [3]:

- 1) Management of the profits;
- 2) Cost management;
- 3) Management providers;
- 4) Management of production processes;
- 5) Management of primary and current assets;
- 6) Management of measuring equipment;
- 7) Human Resource Management;
- 8) Definition of labor relations;

- 9) Educational programs;
- 10) The development of new products;
- 11) Management research;
- 12) Relationship with the vendors;
- 13) Procedures for resolving complaints, grievances;
- 14) Use information from customers;
- 15) Quality Assurance;
- 16) Service for customers / users;
- 17) Relationship with the customer.

Application of the Deming's circle includes special assessments that should show how the system relates to:

- the collection and use of information for quality;
- making analyzes;
- the introduction of the standardization;
- management processes;
- quality assurance;
- how the system applies in practice;
- the effects of the impact of TQC (Total Quality Control) upon the quality, service, delivery, costs, profits;
- the future - if there is a plan for achieving TQC program.

2.3. EFQM (European) Model for Business Excellence

Europe, with a certain delay, realized that the necessary custom model of perfection with the application of European companies in the future will become more competitive in the world market, in comparison to Japanese and American companies.

The literature has a rich and varied practice in the application of many management concepts. However, in the last ten years, when talking about management practice which relies on ISO standards, there is domination of model of business excellence [4] that was created by the European Foundation for Quality Management (EFQM) and applied in practice through competition for the European Quality Award (EQA) and by many other alternative programs.

The European Foundation for Quality Management (EFQM) launched the European Quality Award model in 1991. The application of the European model of perfection gave good results as soon as 1992.

The reasons for establishing the EFQM (European Foundation for Quality Management) are elaborated below.

EFQM was founded in 1988 by 14 multinational European companies (with the support of the European Commission), having the main goal to create modern management in order to enhance the performance of European companies. With respect to European specificities, it would increase the concurrent ability of the European companies at the world market in competition with the American and Japanese companies.

Yet Europe has its own specifics that are applied in the creation of the European model of perfection. European companies have applied the European model of perfection which soon became a leading model, with significantly improved performance, and most importantly, it became competitive in the world market.

Europe has its own specifics which resemble the following: the states within the Union apart from their application of the European model each has created a national model respectively and individual National Quality Award¹ through which a better performance of the national companies will be shown. Also this can be achieved by activities undertaken to promote and stimulate national values and characteristics.

Figure 3 this plays the European model of business excellence, which has developed the EFQM in 1992, and has served as basis for the European Quality Award (EQA). The award may be granted to:

- large enterprises;
- small and medium enterprises.

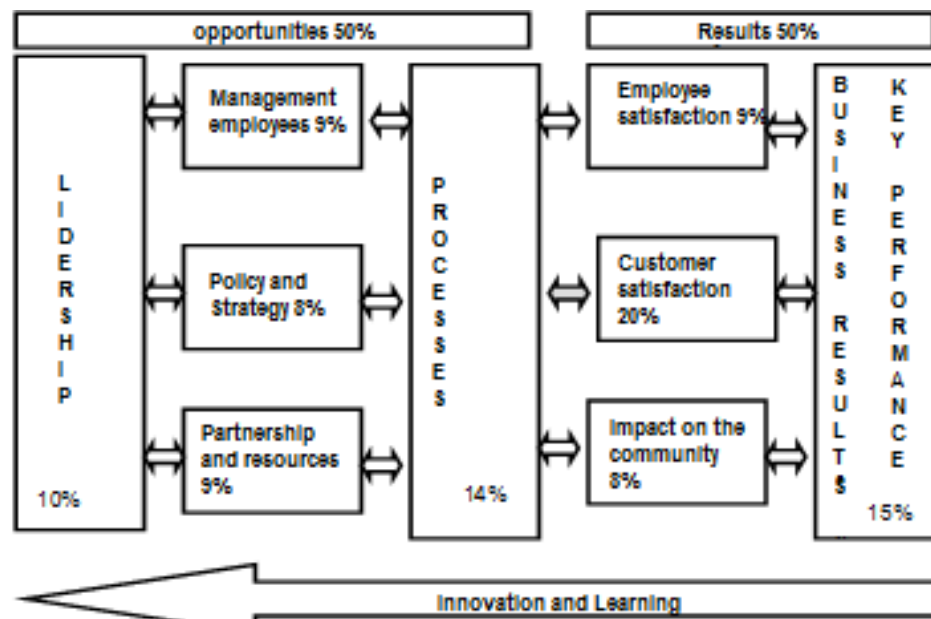


Figure 3: EFQM Model for business excellence

European model of excellence has become an example and a benchmark based on the later created national models of excellence in many European countries according to their needs and the real level of the national economy in terms of the general European market.

The European model shows that the fulfillment of the customer satisfaction, employee satisfaction, as well as the impact on society are being achieved through leadership that manages the company's policy and strategy, management of staff, resources and processes. This, again, leads to excellence in achieving business results.

Each of the nine elements of a criterion can be used to evaluate the progress of the companies in achieving the path to perfection, as displayed Figure 3. The results show what the organization has achieved, while opportunities show how these results are achieved.

The fundamental concept of the EFQM model aims to help companies to build their own approach in achieving business excellence. Inside this model there are several basic concepts that are necessary for its application:

1. Focus on customers;
2. Partnership with suppliers;

¹ EFQM, *Company Self Assessment*, Scorebook, The European Quality Award, 1995.

3. Development and involvement of all employees;
4. Processes and facts;
5. Continuous improvement and innovation;
6. Leadership;
7. Social responsibility and results orientation.

Criteria for achieving business excellence:

- **Leadership:** How behavior and measures taken by the top management and other managers inspire, support and promote the TQM culture.
- **Policy and Strategy:** The manner in which the organization formulates, develops and reassesses its policy and strategy as well as how it turns into plans and actions.
- **Management of staff:** The manner in which the organization provides employment potential.
- **Resources:** The manner in which the organization manages the resources effectively and efficiently.
- **Processes:** The manner in which the organization identifies, manages and improves the processes.
- **Satisfaction of customers / users:** What the organization conducts in order to meet the customer's satisfaction.
- **Employee Satisfaction:** What is the organization doing in terms of employee satisfaction?
- **Impact on society:** What is the organization doing to meet the needs and expectations of the local, national and international community (voluntary steps and steps beyond the legal obligations)? This applies primarily for the organization's view towards protection of the environment and saving resources, the view of the company upon the quality of life and its relation to power and institutions that govern its operation.
- **Business results:** What is the organization conducting in terms of scheduling in order to achieve the satisfaction of all those who have a financial interest in the organization.

3. Proposed Macedonian Model of Excellence

The model of the European Foundation for Quality Management (EFQM) with a slight modification is applied in most of the European and other countries. Today, almost all European countries have their own national partner organization that develops its own national model of excellence, except Macedonia, Croatia, Bosnia and Herzegovina and Albania. For all them, the European Quality Award (EQA) present a motivation for achieving for a European model of excellence.

Macedonia still hasn't got its own model of perfection. Research has been conducted which points to important of orientation of the companies towards quality management as a central axis of conception. In our country, many companies are dealing with the topic of quality management or lean towards the ISO certification standards. However, a very small number of companies deal with full provision of quality or total quality management. As a result, more questions regarding the competitiveness of the Macedonian products as well as the sustainable development of the companies are being issued.

In this paper, a propose Macedonian national model of excellence is being proposed. Its application in practice will lead to permanently enhanced performance of the company and achievement of sustainable organizational and business excellence.

In order for a Macedonian national partner organization to be successful, it must meet the following seven conditions:

1. Be a member of the scheme of national partner organizations in the EFQM;
2. To be an example for European model of excellence in the creation of the Macedonian national model of excellence;

3. To develop alternative programs for the implementation of the national model of excellence following the practice of the EFQM;
4. Has the support of the Government, i.e. the line ministries;
5. Have a good cooperation with other organizations and institutions in our country and abroad which deal with quality and standardization;
6. To incorporate a number of experts for quality and business excellence in the implementation of the program and the application of the national model of excellence;
7. In their national environment has a sufficient number of companies that truly are interested to use the national model of excellence, as well as alternative programs for promotion.

The Macedonian National Foundation membership scheme EFQM partner organizations is essential, yet possible only with clear strategic support from the State and the willingness of the national Macedonian firms to use the European model of excellence to enhance their own performance.

The model of the European Foundation for Quality Management (EFQM) with slight modification can be applied in the Republic of Macedonia.

Proper application of this model has a crucial power of self-assessment as a basic approach in the application. Without a sincere commitment of top management to apply the model, every other partial attempt is doomed to failure.

What is especially important is to develop an alternative training for the implementation of the national model of excellence, following the example of European model.

Training Highlights:

- course - Training for self-assessment, by which the Macedonian model will provide the customers with a broad theoretical and practical knowledge for its application in practice;
- Benchmarking Workshops present examples of good practice which is also the best presentation of practice of the successful domestic companies and which compares with the practices of other successful organizations that implement the Macedonian model of excellence.

Macedonia's national partner organization needs to gather a large number of experts on the implementation of the national model in creating its alternative programs. Participation of experts should be especially noted in the activities of the expert advice of the Macedonian national partner organization, which needs to continually enhance the existing national model of excellence and to create alternative programs for its application in practice. Their presence is also necessary in the teams for assessment of the participants of the annual Quality Award competition.

Macedonian firms as users of the national model of excellence must build a partnership with the Macedonian partner organization, apart from the many weaknesses which appear in the business environment, which would be reflected on the use of the Macedonian model of excellence.

4. Application Macedonian Model of Excellence in Practice

This model was used exclusively for competition Quality Award, or Oscar quality, within the first years of use of the European model of excellence.

EFQM created the European practice in the application of the European model of excellence and based upon their own practice using the model, but quickly realized that the use of the model is being realized only in order to win the competition prize, while the prize was reserved only for the best and most ambitious companies. For all other companies who want to apply the European model of

excellence, the EQA competition was too ambitious and unrealistic dream. Because the prequalification needed to score 550 points out of 1000, the company had reached the second round competition and eventually won the Finalist of EQA title.

The award structure was constructed in the following manner. The first level, which was the widest and had begun from the base of the pyramid, belonged to the most numerous competitors – the Award finalists. The secondary level belonged to the winners of the Quality Award (European Quality Prize). The top of the pyramid had been reserved for only one company which had competed in five categories in order to win the European Quality Award (European Quality Award).

EFQM in 2001 launched a new program under the name EFQM Levels of Excellence, with a pyramid of five levels. In other words, the pyramid base is being expanded with two additional levels. The former three levels had climbed higher in the pyramid. The first level is called ‘striving for perfection’. This approach enables a large number of companies to acquire the top level of EFQM in a short period of time.

The second newly was entitled ‘recognized excellence’ or ‘recognized excellence’ and it is intended for companies who have already used the model of excellence as well as the self-assessment method. Through continuous improvement, they have reached a considerable level of maturity of the business system, but for some objective or subjective reasons they do not want to compete for EQA.

Macedonian model of excellence should have five levels, with an identical approach as European.

Figure 4 and Table 1: shows the base concepts underlying Macedonian model of business excellence:

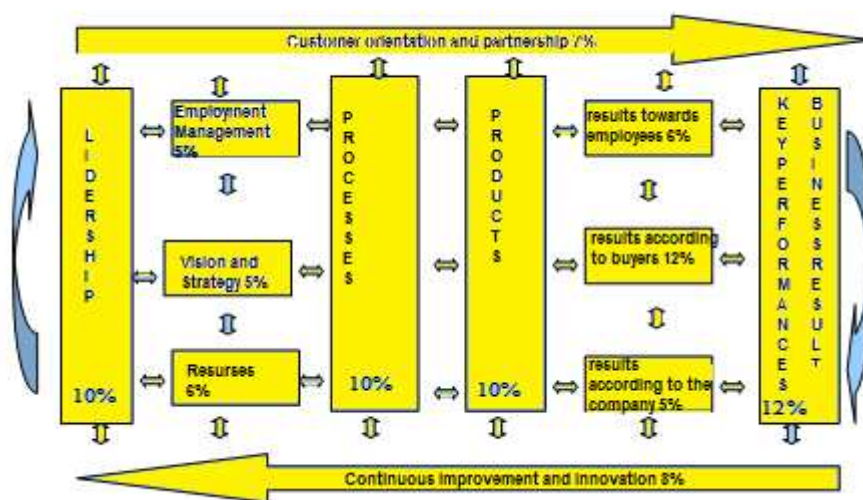


Figure 4: Proposed - Macedonian model of excellence

Table 1: List of criteria against Macedonian model of excellence

	Name of the criterion	Number of points
1	Leadership	100
2	Vision and strategy	80
3	Management employees	80
4	Resources	60
5	Processes	100
6	Products	100
7	Employee satisfaction	60

8	Satisfaction of customers / users	120
9	Satisfaction of the Company	50
10	Business results	120
11	Customer orientation and partnership	70
12	Continuous improvement and innovation	80

If the score ranges from 400 to 499 points, the organization receives a certificate of recognized second level of excellence or perfection.

We cannot be very optimistic that the first level of excellence in our mass will be used, but we are confident that the application of this model will provide the companies with an easy and effective way to begin with the application of the Macedonian model of excellence.

In applying the first and second level of excellence, the companies are relieved of the psychological pressure and fear of which place they will win at competition. State support is especially important during the competition for the national award for having strategic importance.

In order for the Macedonian model of excellence to achieve optimal results, two conditions are necessary to be met:

- open market;
- stable institutions of the system.

5. Conclusion

Self-assessment as a basic approach in the application of the model of excellence is of crucial importance for the proper application of the model of excellence, but without the sincere commitment of top management to apply this model, every other partial attempt is doomed to failure.

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