Total Quality Management and Performance Management: An Overview and Comparison

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In the textbook entitled *Organizational Behavior in Health Care*, by Nancy Borkowski, the author explains that “organizational development (OD) is a systematic process of addressing organizational issues or implementing change strategies (Borkowski, p. 370, 2011). Although there are several types of organizational development interventions, there are two interventions described by the author that are used frequently by large organizations. These include Total Quality Management and Performance-Management Systems. Due to their frequency of use, this paper will compare and contrast both systems summarizing the strengths and weaknesses of each strategy and provide examples of organizational successes with each of the two interventions.

**Overview**

Total Quality Management (TQM) is “designed to enable groups of people to work together on a single problem and thorough a regimented process utilizing specific problems solving tools, working to solve the issue at hand” (Borkowski, p. 368, 2011). It is also a “business management policy that attempts to instill an awareness and drive toward quality in all parts of business operations” (Hamel, 2014). Regular use of team meetings, team training, and use of tools such as Pareto diagrams, cause-and effect diagrams, brainstorming, and flowcharts are emphasized as part of Total Quality Management. Although the intervention is focused on problem solving and process improvement, it benefits team dynamics and engages employees to become more involved (Borkowski, 2011). Total Quality Management is centered on the customer and their satisfaction with a product or service. The “aim of this system is to create long term success through a base of highly satisfied customers with loyalty to the company (Hamel, 2014).
The Performance Management system “is composed of goal setting, appraisal, and reward systems” (Borkowski, p. 369, 2011). This system allows for managers to assess the employee’s work performance. This allows the manager to provide feedback, offer suggestions, and provide the employee with “benchmark objectives” (Reeves, 2014). It can be used as a guide to help the employee improve their work and can also be used as a mechanism to “support an increase in an employee’s salary (Reeves, 2014). The performance management system is designed to encourage managers and employees to focus on a team approach to setting goals and objectives, while still being able to discuss any work issues and concerns (Reeves, 2014). The “goal of this strategy is to identify the appropriate mechanisms, specific to an individual, for measuring employee performance” (Borkowski, p. 369, 2011). It should follow a coaching model serving to help managers and employees to “gain insight into areas that need improvement,” identify opportunities to enhance strengths, or “focus on opportunities for growth” (Reeves. 2011).

Strengths and Weaknesses

Total Quality Management (TQM) has many benefits. The main one being that by implementing Total Quality Management, the agency will potentially have dedicated employees “who strive and achieve” in improving their work (Chryanthou, 2009). Other benefits include increased customer satisfaction, enhanced market image, elimination of defective products and wasted materials, improved employee retention and morale, enhanced stakeholder involvement, strengthened marketing ability, adaptability, and flexibility in a changing environment (ASQ, n.d.). There is a downside to TQM. In addition to being very time consuming and expensive to implement without guarantee of success, there can be a loss of productivity due to too much of a
focus that is placed on the customer (Chryanthou, 2009). One of the main principles of Total Quality Management is to “create a loyal customer base with loyalty to the agency” (Hamel, 2014). As a result, more efficient business practices might be ignored (Chryanthou, 2009). Additionally, as because of the “employee’s need to be focused on the customer at all times” (Hamel, 2014), Total Quality Management can lead to a bureaucratic situation where ideas are mentioned by employees and “end of being rejected or stifled” (Chryanthou, 2009).

Performance Management also has many benefits. The performance management system allows for the provision of feedback, ongoing coaching, and the ability to provide the employee and organization with benchmark objectives (Reeves, 2014). Performance management allows for other improvements such as improved productivity, a workforce focused on the organizational mission, alignment of strategic activities to the strategic plan, measurement of process efficiency, identification of best practices, a mechanism for accountability and incentives, and agency and employee benchmarking (Arveson, 1998). The weakness of the performance management system is that if it is not implemented with consistency and oversight, it can undermine teamwork, encourage employees to “circumvent the system for personal gain rather than improve it for collective gain” (Scholtes, 2013).

Other weaknesses associated with the performance management system include the use of performance appraisals. Performance Appraisals are representative of the “subjective view of the supervisor” and may reflect the personal opinion of the supervisor inappropriately slanting the score in one direction (negatively) or the other (positively). Additionally, it has been noted that even in cases where a high-performing employee receives a “mostly positive performance
appraisal” he or she may be more likely to focus on the negatives thereby affecting morale, ethics, and work performance (Reeves, 2014).

Examples

Total Quality Management is utilized by many top corporations in the world including Toyota Motor Company. (Toyota) and Xerox Corporation (Xerox). Toyota has always had a “customer first” and “quality first” philosophy and have been using a systematic quality approach since 1949 called statistical quality control (SQC). Through the years, Toyota has modified its systems based on their philosophy incorporating Total Quality Management in November of 1994. As a result, the company has a higher product quality, and work quality at all levels (TMC, 2012). Xerox Corporation defines quality as: meeting the requirements of the customer. To address this, Xerox also uses Total Quality Management to promote quality and started using this intervention in 1970. One of the main focuses that Xerox has implemented as part of their Total Quality Management intervention is the use of leadership teams consisting of groups of employees that serve as different subject matter experts. Their main functions are to produce a product for the lowest possible cost at the highest quality. The program itself is called Leadership Through Quality (LTQ) and it has been identified that more than 100,000 Xerox employees throughout the world have been trained in this process (Zook, n.d.).

There have also been many large companies that have been successful using performance management including The Coca-cola Company (coca-cola) and the International Business Machine Corporation (IBM). Coca-cola uses a four stage performance management system consisting of 1) annual performance review designed to assess results, and prepare the current year development plan; 2) development of the Annual Performance Plan including its
finalization and implementation; 3) review and recognition of employees to include performance linked pay, and the recognition of top performers, and 4) mid-term review to include results review and competency development. It is reported that its use is effective in supporting an optimistic change in the workforce resulting in increased production and profitability, safety, and employee morale (Likhon, 2011).

IMB is another company that not only uses the performance management system, but markets their system to the public recommending it for companies of all sizes (large-scale enterprises to small and midsize businesses). Their program is designed to assist agency and organizations with planning, budgeting, forecasting, profitability modeling and analysis, regulatory management reporting, performance reporting and benchmarking, sales performance management, and organizational integration. They explain that use of this system will “align strategy with execution, communicate goals and monitor performance against targets” (IBM, n.d.).

Summary

Overall both of these strategies can be beneficial to an organization depending on the need of the organization and the desired outcome. Both appear to be effective if implemented with consistency, oversight, and with a clear mission that is communicated throughout all ranks of the organization. Given that both systems have been effective in large corporations such as Toyota, Xerox, Coca-cola, and IBM, and there really is no clear cut evidence to support one intervention above the other. As identified by Borkowski (2011) in reference or organizational development initiative, “the key to a successful OD initiative is one that is based on through analysis of any symptoms of problems, with this analysis based on a thorough analysis of data”
(Borkowski, p. 370, 2011). Based on this, it is critical that an analysis and data review is conducted by the organization seeking the initiative. It is only then can it be determined which initiative is best for that particular organization.
REFERENCES


