

# **Analytical concept of the integrative approach of total quality management for gaining competitive advantage**

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## **Abstract**

The implementation of total quality management as a contemporary concept has already begun in the organizations in the Republic of Macedonia. This implementation is based on the conclusion of the positive effects that total quality management offers. Its concept provides visible changes in the organizations, making possible a few organizational types of applications.

Organizational structure is affected by several factors referred to in the following text, as well as the competition as an element for achieving structural changes in organizations. The analytical concept of integrative approach encompasses its own definition regarding the achievement of competitive advantage. We should also have in mind the organizational culture during the introduction of TQM.

Key words: organizations, integrative approach, total quality management, competitive advantage

## **1.1. Changes in organizations during the introduction of total quality management**

Total quality management represents a change regarding the manner of completing tasks, but it is also a change in the relations to and among the employees, the relation with the clients and the environment. The application of total quality management causes the following changes:

- technological changes;
- structural changes;

- changes regarding the position of employees, and
- changes in the products and services.

Technological changes take place in the manufacturing technologies, the means of production and procedures, as well as in other technologies that aid the operational functions in the organization.

Structural changes are those which take place in regard to the organizational structure of the organization as a whole, or these can be changes of its separate elements of the organizational units, departments, etc.

Changes regarding the employees occur when people are the main reason for non-efficient operation in the organization, which leads to changes in values, skills and attitude of each employee.

Beside the changes regarding the employees, the organizational culture also alters as a result of the application of the TQM process. Changes in the organizational culture bring about new norms, values and beliefs about the way the organization should function.

Moreover, the products and services also go through changes. There are several reasons that lead to changing of products and services, one of which is the loss of clients' interest in a particular product or service. When there is lack of interest caused by poor product or service quality, TQM becomes a necessity and an essential element of the regaining the trust of the clients regarding the product/service.

It would be fair to say that the application of TQM brings about important organizational modifications and change of the organizational culture. That is the exact reason to understand organizational culture as a collection of opinions, beliefs and "normal" behavior inside the organization. By introducing TQM, the organizational culture changes, as well as the organizational roles, but also the number of management levels may decline. In most cases, the middle and lower management level no longer have the task of supervision and control, but of coordination and lead the employees who perform the given tasks.

Introducing TQM leads to achieving greater efficiency. The employees should be aware that TQM has endless potential for improving. Managing the organizational changes that brings about the introduction of TQM actually represents a critical component during the implementation itself. In other words, the primary task of the managers at each level of TQM application in the organization is to assure the employees that the current manner of operation should be replaced with a new method towards which they should direct the performance of their tasks and activities.

Organizational changes have three stages:<sup>1</sup>

1. Current state (Status quo) – the state of the organization before the implementation of TQM;
2. transition – in reality, it is a period in the process of change when the employees move away from Status quo. They no longer act the same as before, but also haven't completely adopted the new manner of operation.
3. Future state is a point when organizational changes have already been applied and completely implemented in the organization and all of its structures.

Of course, it's a common occurrence when at the beginning of the process, the new manner of cutting costs or the method of administration is not completely clear to the employees, which causes disagreement. Also, the manner of achieving better results will be not completely understood, which is why at the very beginning of the implementation of the TQM system, it is preferable to demonstrate the efficacy of its implementation to the employees so they can recognize the necessity of quality improvement.

## **1.2. Modernization of organizations and models of TQM**

In order to achieve innovative organization, it is necessary to implement the TQM system. This system differs in every organization and it directly depends on its size. The managers are responsible for defining goals, pursuing continual improvement and giving full support during the development of the TQM system in the organization. There are

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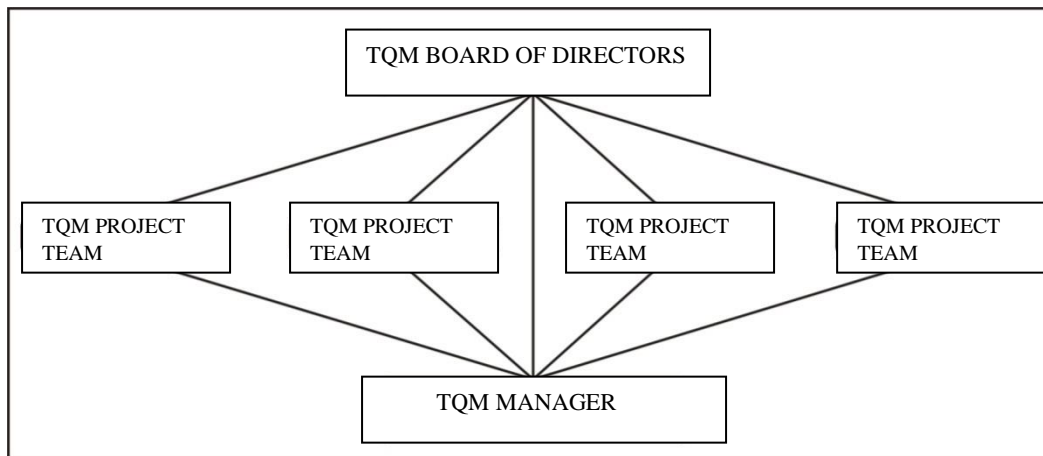
<sup>1</sup>Kelly, J., „Total quality Management”, Potecon, Zagreb, 1997, str. 38-49

several outlines of TQM organizations. Namely, in the following text are demonstrated three models of the TQM system.

#### TQM organizational model No.1

The organization consists of a TQM board of directors, TQM management and TQM project teams. This is a visual representation of this model:

Graph 1:Organizational model of TQM No.1



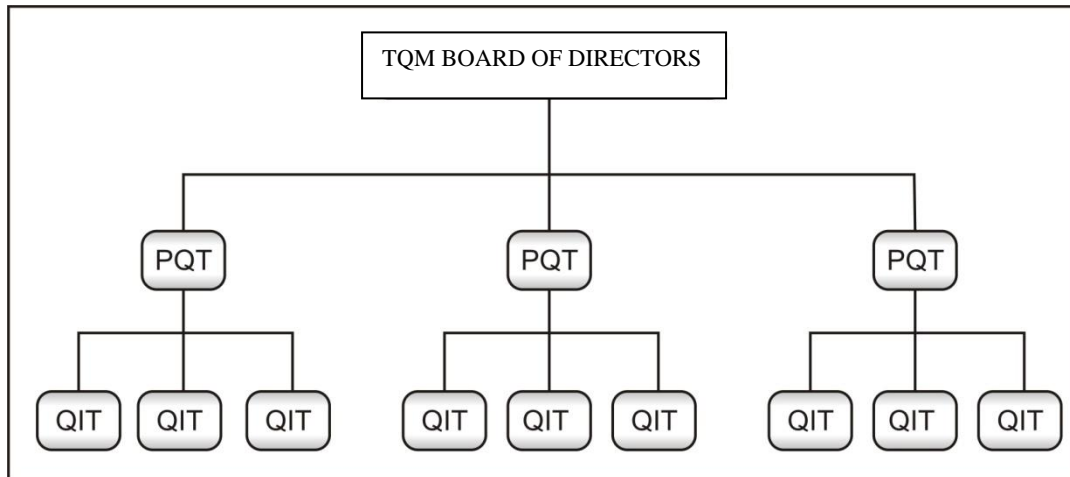
Source: Kelly, J., „Total quality Management”, Potecon, Zagreb, 1997, p. 38-49

The graph shows that each TQM project team is connected to the TQM board of directors and the TQM manager.

#### TQM Organizational model No.2

In this case, the organization consists of: TQM board of directors, process quality teams (PQT- Process Quality Teams) and a team responsible for quality improvement (QIT- Quality Improvement Teams), (Graph 2)

Graph 2: TQM Organizational model No.2



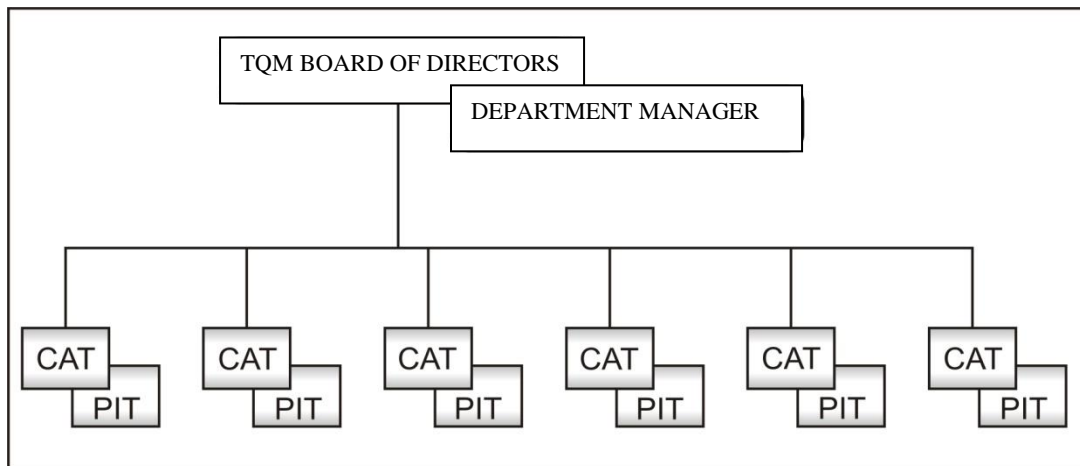
Source: Kelly, J., „Total quality Management”, Potecon, Zagreb, 1997, p. 38-49

The separate teams are connected horizontally and vertically, meaning that each team responsible for quality improvement is related to the corresponding quality team of the particular process, while all quality improvement teams are related to the TQM board of directors. These relations should provide suitable understanding of the mission, vision and goals of the process to each member of the teams, and also to stimulate the process of improving the organization as a whole.

### TQM Organizational model No.3

This TQM model consists of a TQM board of directors (described in more detail in model No.1), corrective action teams (CATs- Corective Action Teams) and process improvement teams (PITs- Process Improvement Teams), (Graph 3).

Graph 3: TQM Organizational model No.3



Source: Kelly, J., „Total quality Management”, Potecon, Zagreb, 1997, p. 38-49

After the corrective action team (CAT) performs process control, the process improvement team (PIT) continuously improves and maintains the process in order to achieve the preferred end result. Both teams are connected to the TQM board of directors, which cooperates with the manager of the corresponding department.

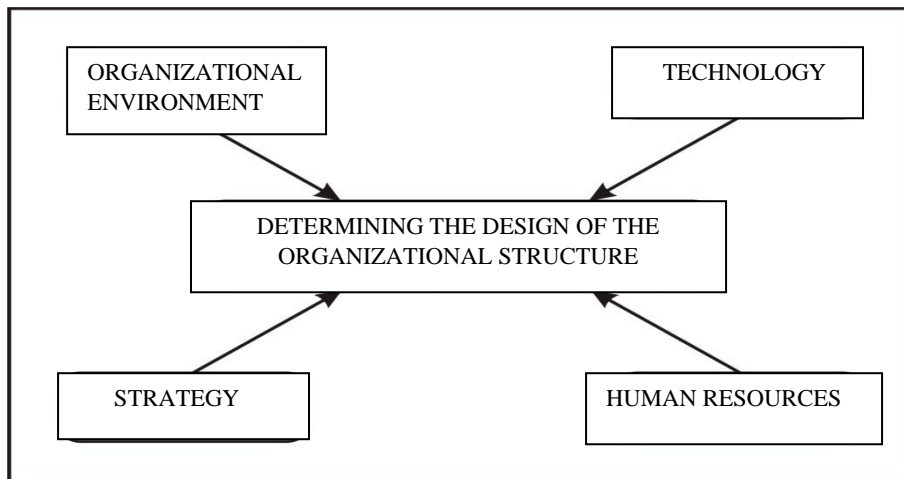
This model is a condition for implementing the method of statistical process control. The corrective action team consists of 5-8 members with best understanding of the processes. This team includes department representatives tasked with providing support during the process.

Regarding the fact that each of the three TQM organizational models possesses particular specificities, the organizations - depending on the size and operative features – use one of these models which is most suitable for them.

### 1.3. Factors which influence the structural changes

Important determining factors which define the organizational structure are the following: the nature of organizational environment, the type of strategy that the organization practices, the technology (especially informational technology), and the characteristics of the organizational human resources (Graph 4).

Graph 4: Factors which influence the organizational structure



Source: R. Duncan, What is the Right Organizational Design? *Organizational Dynamics*, Winter 1979, p. 59-80

The organizational environment, strategy, technology and human resources directly affect the determining of the design of the organizational structure.

The organizational environment as a primary factor greatly affects the organizational structure. In order to speed up the decision making and communication process, and to simplify the provision of resources, managers make choices that result with a greater flexibility in the structure and entrepreneur culture.<sup>2</sup>

If the external environment is well balanced, there is little uncertainty, resources are readily available and the need for coordination and communication between people and roles is not very pronounced. In this situation, managers prefer to make decisions encompassing clearly defined hierarchy of authority, and they apply detailed rules, default operative procedures and restrictive norms which direct and manage the activities of the employees, so called mechanical operation<sup>3</sup>.

In each organization, the selection of a strategy implies also selection of proper means of its implementation. Different strategies dictate the utilization of suitable organizational structures and cultures. For example, the strategy for differentiation, which is designed for increasing the value that clients notice in the organizational assets and

<sup>2</sup>T. Burns, G.R. Stalker, *The Management of Innovation*, London, 1966

<sup>3</sup> Gareth R. Jones, Jenifer M. George, "Modern Management", *Global Communications*, 2008, p.386

services, usually works best in a flexible structure and culture that values innovation; flexibility facilitates the differentiation strategy because managers are able to quickly develop new and innovative products or activities that dictate extensive cooperation between functions or department. On the other hand, the low cost strategy's goal is to lower the costs in each function and works best in a structure with greater formality and more conservative norms, which allow the managers to control the activities in different organizational branches.<sup>4</sup>

Moreover, at corporate level, when managers decide to broaden the scope of organizational activities through vertical integration or diversification, they should design flexible structure in order to provide sufficient coordination between various business branches.<sup>5</sup> International development and operation in various countries inspires managers to create organizational structures, which provide global flexibility to organizations.<sup>6</sup>

Technology is a combination of knowledge, skills, machines and computers used for design, manufacture and distribution of goods and services. The more complicated the applied technology, the more difficult its regulation and control is. Having that in mind, the more complicated the technology, the greater the need of flexible structure and progressive culture in order to address unexpected occurrences and to give freedom for discovering new solutions for upcoming problems. On the contrary, the simpler and more routinely the technology, the more suitable is the formal structure, because tasks are simple and there are predetermined steps for production of goods and services.

Human resources are the final important factor that affects the selection of organizational structure. The better qualified and greater in number the employees working in teams or groups, the greater the probability to apply flexible, decentralized structure that distinguishes itself with autonomy and self-control of employees. According to this, managers must focus on the necessary work force and the complexity and type of tasks performed by the employees.

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<sup>4</sup>D. Miller, Strategy Making and Structure: Analysis and Implications for Performance, *Academy of Management Journal* 30, p. 7-32.

<sup>5</sup>A. D. Chandler, *Strategy and Structure* (Cambridge, MA: MIT Press, 1962).

<sup>6</sup>J. Stopford, L. Wells, *Managing the Multinational Enterprise* (London: Longman, 1972).



The external organizational environment, the strategy, technology and human resources are factors which managers should have in mind when designing the structure of the establishment.

#### **1.4. Competition as an element of achieving structural changes**

New working conditions dictate new means of studying organizational management, as well as adopting new approaches in practice.<sup>7</sup>

The dynamic changes of the market have the most direct influence over the attitude regarding management of organizations. Porter states that the competitive advantage is created through the value that the organization needs to create for its clients – value which should surpass the expenditures for its creation.<sup>8</sup> According to Kotler, each new technology presents a force of creative destruction for an organization, since the application of new technological solutions presents the greatest danger for the organization, and not its competitors.<sup>9</sup>

The information and communication technology minimizes the time necessary for information transfer. As a result, the quick flow of information brings closer the sender and the recipient. Information by itself has a particular value, and knowledge transforms into market force. Transparency is based on information transfer from the informed to the uninformed.<sup>10</sup>

The five forces of competitiveness (introducing new competitors, the threat of substitutes, force of buyers, force of negotiation of suppliers and the rivalry of existing competitors) reflect the fact that competition in one field exceeds existing participants. Depending on the type of competition that organizations face, they should focus on their own structural changes that result from the realistic evaluation of their strengths and weaknesses, advantages and threats (SWOT-analysis), each in its own field.

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<sup>7</sup>Peters, T., Waterman, R. Jr., U potrazi za vrhunskim, Global, Novi Sad, 1996, p. 63

<sup>8</sup>Porter, M., Konkurentska prednost, Asee, Novi Sad, 2007, p. 22

<sup>9</sup>Kotler, P., Marketing od A do Z, Adizes, Novi Sad, 2004, p. 156

<sup>10</sup>Goleman, D., Ekoloshka inteligencija, Geopoetika, Beograd, 2010, p. 58

When determining the type of competition in each field, different forces prevail. In spite of this, organizations must make structural changes that result from the five forces of competitiveness. The innovation that takes place under the influence of information technology provides greater efficacy, which in turn contributes for decreasing the costs for communication. Moreover, communication is greater, as is the degree of certainty during decision making, while processing of data is faster and cheaper. Integration of the information technology is one of many conditions for structural changes in organizations necessary for achieving competitive advantage.

The management in economy focuses on gaining competitive advantage, which is why it faces several challenges. Primarily, there is the reorganization and reengineering, followed by restyling and redefining of the organization's respective goals, searching for new goals and refocusing, revalorization, revitalization and revision.<sup>11</sup>

If an organization wishes to establish, maintain and develop competitive advantage, first it must be prepared to learn. The readiness of the organization to learn primarily shows that it must keep track of the events not only on the market, but also in science, since its aim is to gain operational excellence. The organization must keep track of the direct competition, but also of the other organizations which are best at their fields, regardless of them not being direct competitors.

Contemporary working environment slowly but surely closes the distance to the phenomenon of techno-economical parity, denoting the increasing validity of the assumption that very few products, technologies, services, facts, fields of knowledge or procedures are available to all concerned groups throughout the world.<sup>12</sup>

The techno-economical parity assumes that the primary prerequisites for operation will quickly be leveled, which will result with triumph of the best party regardless of their origin.

The talks on redefining the management of the organization have become more frequent these days. Tisen, Andrisen and Depre believe that the new logic of the organization is the following:<sup>13</sup> dynamic, ready to learn, information-rich, global, large or

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<sup>11</sup>Tisen, R., Andrisen, D., Depre, F. L., *Dividenda znanja*, Adizes, Novi Sad, 2006, p. 159

<sup>12</sup>Riderstrale, J., Nordstrom, K., *Funky Business*, Plato, Beogard, 2005, p. 40

<sup>13</sup>Tisen, R., Andrisen, D., Depre, F. L., *Dividenda znanja*, Adizes, Novi Sad, 2006, p. 158

small, product/service-oriented, depending on teamwork, inclusion, and networking, and buyer-oriented. All these features dictate structural changes that will provide greater competitiveness to organizations.

Riderstrale and Nordstrom hold the opinion that the new shape of organization is successful thanks to the changing circumstances and the unpredictability of the present.<sup>14</sup> The main characteristics of such new organizations are: focus, impact, innovation and heterarchy.

Market research, i.e. gathering objective and high-quality information, is the first step an organization should take when formulating its strategy. Porter defines focusing as one of the generic strategies.<sup>15</sup> The next aspect of an organization is the impact, which can be:<sup>16</sup> internal, industrial and international.

Practice shows that no organization can secure a noticeable market position or maintain what is already secured without strong management. In the long run, it is always the competition that yields result, and not the capital.<sup>17</sup>

Every organization must use its abilities and each individual as a holder of capability in order to emerge in new market segments. As far as collective goals are concerned, there are rules that come down to:<sup>18</sup> recognizing its impacts, supporting improvements and sharing knowledge that was gained.

The new organization is influenced by global competition and must therefore be clearly geared towards global action. A modern organization must be innovative since innovation is the basis of business development. The degree of innovation affects the acquisition of competitive advantage, and the financial success of the market implies total innovation. An innovation can be based on: strategy, speed, mental abilities, consumer voice and a combination of homogeneity and heterogeneity.

The organization's management must proactively modify and synchronize subsystems to make it stronger.<sup>19</sup>

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<sup>14</sup>Riderstrale, J., Nordstrom, K., Funky Business, Plato, Beograd, 2005, p. 150

<sup>15</sup>Porter, M., Konkurentnska prednost, Asee, Novi Sad, 2007, p. 34

<sup>16</sup>Riderstrale, J., Nordstrom, K., Funky Business, Plato, Beogard, 2004, p. 164

<sup>17</sup>Rejnert, E., Spontani haos, Cogoja Stampa, Beograd, 2010, p. 105

<sup>18</sup>Goleman, D., Ekoloshkainteligencija, Geopoetika, Beograd, 2010, str. 42

<sup>19</sup>Adizes, I., Kakoupravljati u vremekrize, Asee, Novi Sad, 2009, str. 32

Contemporary organization must be heterarchical, i.e. it must represent a system of multiple hierarchies.

Riderstrale and Nordstrom believe that a modern organization should be based on seven principles:<sup>20</sup> be smaller, more open, temporary, horizontal, circular, open and measurable.

Re-energizing is a sufficient condition for creating competitive advantage. Similarity does not bring success, and it is a fact that competitive advantage cannot be bought. Knowledge is the basis of modern governance where the ultimate goal is innovation and re-energizing of the organization. Re-engineering is the creation of a new organizational structure with creative energy that will enable it to operate more efficiently, based on the application of knowledge and modern management methods and techniques. According to the needs for collaboration with customers, suppliers and competitors, the organization must be open and ready for networking. In a contemporary organization all processes should be measurable and the control should be less direct. The new economic logic is a feature of modern business.

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<sup>20</sup>Ibd, p. 195

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