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Planning the Implementation of Quality Through Strategy Formulation and Corporate Governance

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Abstract: *Planning the implementation of quality is a complex process that depends on many different internal and external factors. Planning the implementation is defined by the capabilities of management to visualize the market position of the company and to evaluate the company's strengths, weaknesses, opportunities, and threats. Serving to the company's purposes, planning the implementation of quality must be integrated into the company's strategic objectives and then transferred to other parts of the organization utilizing the corporate governance system. Planning the implementation, as a part of strategy formulation, should be reflected in: 1) company's vision and mission development, 2) goals setting, 3) strategy development aimed at achieving goals, 4) implementation and execution of the strategy, and 4) monitoring, evaluation, control, and readjustment of the strategy. Finally, planning must account for all possible implementation barriers.*

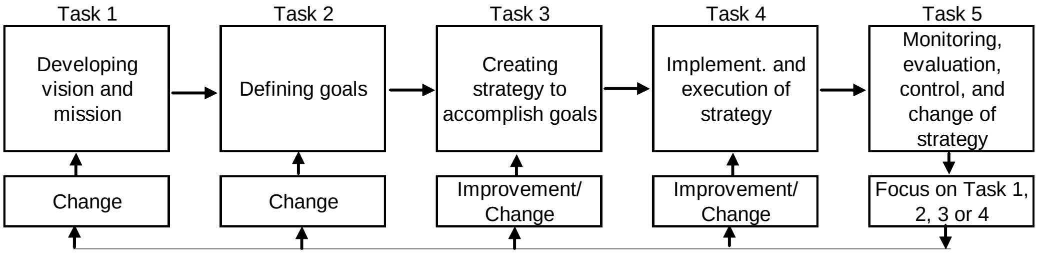
Keywords: *Planning, quality, strategy, corporate governance, vision, mission, critical success factors, monitoring, control*

1. INTRODUCTION

Planning the implementation of quality is a complex process that depends on many different internal and external factors. The implementation is defined by the capacities of strategic management to visualize the market position of the company and to evaluate the company's strengths, weaknesses, opportunities, and threats. Besides, the success of planning depends on the efficiency of management to connect, integrate, and level-out the set of processes aimed at developing the company's vision and mission. Furthermore, the success of planning depends on the ability of management to integrate the processes into the corporate governance system which should support the implementation.

2. PLANNING PROCESS

Planning the implementation of quality must serve the purpose of the company where the implementation takes place. Therefore, the types of companies and their objectives need to be precisely defined. Broadly speaking, there are two types of companies: (1) private companies, which are privately-owned by stockholders (shareholders), whose objectives are to maximize the shareholders' value (i.e. to contribute to the maximum acquisition of wealth in the long-term within the legal framework) and (2) state companies, which, as state-owned, are trying to achieve various objectives, such as: creating efficient national defense, creating new jobs, maximizing wealth of the state, and providing the social assistance to the vulnerable social stratospheres.



Picture 1. Implementation of quality [modified, 9, page 4]

Serving to the company's purpose, planning of the implementation of quality must be integrated in the company's vision and mission and then transferred to other parts of the organization through the corporate governance system. *Thompson and Strickland* have defined the strategy formulation process as: 1) company's vision and mission development, 2) goals setting, 3) strategy development aimed at achieving goals, 4) implementation and execution of the strategy, 4) monitoring, evaluation, control, and readjustment of the strategy.

	Key Results									
	Corporative CSFs									
Divisional or functional CSFs	**CSF Num.**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**Key Results**
	1									
	2									
	3									
	4									
	5									
	6									
	7									
	8									

Picture 2. Interaction between corporative and divisional factors [modified, 5, page 67]

3.COMPANY VISION AND MISSION

One of the most important questions to be answered by the company is what the company wants to do and what it wants to become. The company can answer the questions through its vision and mission development. The vision defines what the company wants to become in long-run and what position it wants to partake, while the mission defines what the company is engaged in and what it wants to do for its customers. The mission should support the business philosophy expressed through the vision. For example, the vision and mission of Compaq is "to become the leading supplier of PCs and PC servers in all market segments". The company's vision and mission must be approved by the top management and carefully documented. *Oakland* believes that, in creating and documenting the vision and mission, one should bear in mind the following questions: a) is the organizational roll clearly defined?, b) will the staff identify itself with the vision and mission?, c) how would the vision and mission be perceived by the external environment?, d) are they independent from the changes in the management structure?, e) do they take into account the stakeholders' interests, and f) are they defined for long-term?

4. GOALS SETTING

In order to realize its mission, the company must set clear goals. The goals setting effort is actually a transformation of the mission into the measurable parameters.

This process can be realized through: 1) transferring the mission into critical success factors (CSF) and 2) defining key results, as the success indicators in a relation to the mission and critical success factors. The critical success factors are the indicators of what the company must do to achieve its mission. The company's management must think over which factors can affect the mission in order to develop the mission into the critical success factors. This may lead the management to the critical factors in the sphere of quality, finance, production, marketing, or advertisement. In order to achieve its mission, the company should define not more than 8 critical success factors [5, p. 66]. For example, some of the critical success factors could be: demand for new competitive products, need for reduced production costs, need for the quality system introduction, etc. Each critical success factor should have a sponsor from the management team, who will be responsible for the realization of that factor.

The critical success factors indicate what the company should do to achieve its mission, while the key results indicate what results the company should achieve. The key results must clearly define critical success factors, and they must be measurable, simple, clear, and easy to comprehend. Each critical success factor sponsor must define required key results, collect required data, monitor and report on the process of achieving CSFs, and reexamine and modify the key results [5, p. 69].

5. STRATEGY DEVELOPMENT AIMED AT ACHIEVING GOALS

The strategy development aimed at achieving goals will help the company achieve its goals. The strategy itself should be both proactive and reactive and defined in accordance with the external and internal environments. The strategy development process must be harmonized with the company's corporate governance system and planned corporate activities, but it should also account for ad-hoc elements resulting from the external impulses.

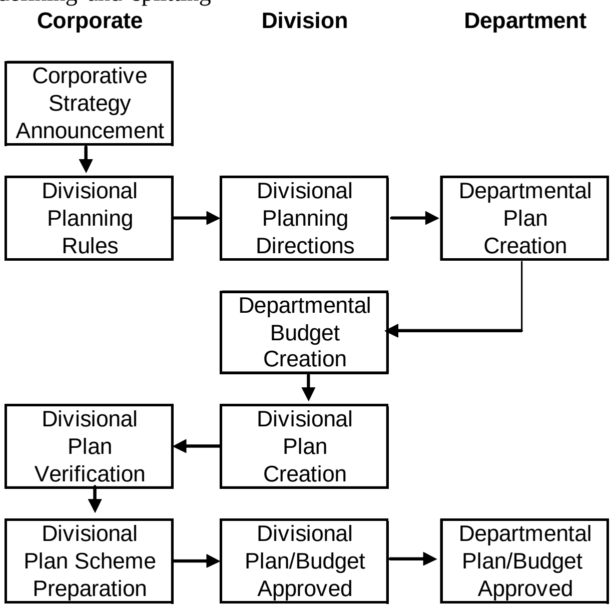
#	Process	Number of CSFs								Impacts on CSFs	Rank
I-E Process Rank: O-Outstanding, G-Good, A-Average, W-Weak, E-Embryonic											

Picture 3. Process/CSF Matrix [modified, 5, page 70]

The process can be carried out by means of: 1) defining and comprehending crucial processes and identifying sponsors of the process and 2) splitting crucial processes into lower level processes as well as establishing teams in charge of individual processes. Therefore, in order to achieve certain goals, i.e. critical success factors, one needs to precisely define and understand required processes which lead to the achievement of the goals. The processes will define what is required to achieve CSFs. Each process should have a sponsor who will also serve as the sponsor of CSFs for the defined process. The sponsor's tasks are to facilitate the process implementation by eliminating impediments, supervising process, as well as reporting to the management, and, if need, splitting all processes into lower level processes, activities, and tasks. This could result in establishing teams possessing required experience and skills for the specific tasks. The company’s strategy (i.e. defining and splitting process) should be flexible, i.e. it must be adaptable to the external impulses, such as the change of the standards of quality.

6. STRATEGY IMPLEMENTATION

The successful and timely implementation and execution of the company’s strategy is of great importance to the company.



Picture 4. Planning the implementation [modified, 1, page 44]

This requires extensive and detailed work achievable by the means of creating a company capable of implementing the strategy, preparing the budget for the internal process critical for the strategy implementation, setting the procedure aimed at supporting the strategy, defining procedures for establishing and implementing the staff remuneration system closely linked to the achievement of goals, changing the staff responsibilities aimed at supporting the strategy, building a corporate culture to support the strategy implementation and execution, etc. [9, p. 11]. A successful strategy implementation and execution requires elaboration of the strategy to all parts of the company. This can be done through the strategy implementation and execution planning that should be harmonized at three crucial levels: corporate level, division level and department level, as well as through linking the three levels in a useful and efficient manner (Picture #4).

Additionally, the implementation should be harmonized with the requirements of the environment and the need to base the planning system on the pre-prepared standards, the contingent approach, and ad-hoc planning, which are converted into the facts in specific cases and in a specific manner. The recommended preventive measure is a sublimation of the manager's responsibilities relating to the planning decisions and their implementation. This will unburden the central planning bodies from certain responsibilities and create a planning responsibility among the managers in charge of the strategic-business units and strategic-business activities.

7. CONTROL AND READJUSTMENT OF THE STRATEGY

The company must constantly monitor and evaluate the overall process at all company levels. To achieve this, all implementation aspects need to be documented. The control function itself is also particularly important for the entire process. It should help the company achieve its goals and improve its organization. In this regard, the operation of the central control units should be reemphasized in a way that they cover the crucial parts of the entire process in the organizational sense. The organization of these units would be based on the hard control cores and the mobile control groups which would be coordinated, directed, and connected by the experienced managers who are well introduced to the features of the individual processes. The next step is to set up the control committees and groups in charge of the permanent process improvement. They will also participate in planning and utilization of certain techniques in the control process. The managers should play important role here, which could be brought down to the staff education, training, and drafting check lists based on a manager's observations and the suggestions of the staff. However, this is feasible only if management has defined strategic choices and decided to constantly improve the system, apply current standards, and measure the results. The choice also includes the orientation of group members to the comprehensive participation and implementation of the suggestive plans for securing and improving the overall process. This will facilitate readjustment of the strategy at all levels if required so. Additionally, depending upon the internal and external factors, the company can amend and supplement its strategy. Certain goals can be changed, supplemented, or removed as imposed by the given circumstances.

8. PLANNING AND THE IMPLEMENTATION BARRIERS

Hank Rogers has identified 25 barriers to the successful implementation of quality. The participants of his research have evaluated the alternatives on the scale from 1 to 5 (1-absolutly untrue, 2-maybe, 3-sometimes true, 4-mainly true, and 5-completely true). The following *Hank Rogers's* list presents the barriers evaluated at 4 or 5.

1) Managers are not financially stimulated to achieve the goals of quality (65.8%).
2) Employees are not trained to participate actively in the discussion groups dealing with the issues of quality (41.7%).
3) Employees are not trained in the quality improvement skills (38.5%).
4) Employees are not trained in the identification and independent problem solving by means of the quality techniques (38.5%).
5) There are no adequate resources for the introduction of the *TQM* concept (36.6%).
6) No benchmarking of the best in the class is applied (35.7%).
7) Employees are not engaged in the quality improvement (33.7%).
8) Employees are not encouraged to improve quality (31.6%).
9) Quality is treated separately from other activities (30.6%).
10) Employees resist changes (30.1%).
11) Time does not allow for the planned introduction of the *TQM* concept (30.1%).
12) Top management is not genuinely committed to quality (27.3%).
13) Strategic plans do not include the quality goals (25.7%).
14) No common quality planning with the suppliers exists (24.3%).
15) Strategic plan is not oriented toward the customers (22.8%).
16) No cross-functional teams are established (the process orientation) (22.5%).
17) Unclear action plans of the quality improvement (21.4%).
18) Not all employees are responsible for the quality (20.8%).
19) Quality has not been defined by the final consumer (19.8%).
20) Quality is measured inadequately (19.3%).

21) Plans for the quality improvement do not reach the targeted performance (16.6%).
22) Considerable staff fluctuations are taking place (16.6%).
23) Excessive number of managers (11.7%).
24) Quality improvement costs surpass the benefits of improved quality (9.8%).
25) Considerable managers' fluctuations are taking place (9.1%).

9. CONCLUSION

In the modern business world, planning the implementation of quality is very important for survival and development of companies, especially for those companies which want to be competitive in the global markets. In order to achieve the necessary level of quality, it is important to integrate the planning of the implementation of quality into the company's strategy formulation and transfer the implementation using the corporate governance system, which will include the processes for the implementation of quality at all corporate, divisional, and departmental levels.

Planning the implementation of quality is a crucial management task that should be aimed at developing the company and the interest of its shareholders. The planning should become a part of the company's mission and vision, supporting goals, and the implementation processes. Then, as a part of the corporate strategy, the results of planning should be implemented, executed, controlled, monitored, and readjusted.

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