International Journal of Business and Management

Vol. 5, No. 1
January 2010

Quality Improvement in a Global Competitive Marketplace- Success Story from Nigeria

IRECHUKWU, Nkechi Eugenia
Kigali Institute of Management
P. O. Box 2895, Kigali, Rwanda

Tel : 250-788-834-116   E-mail: iremikk@yahoo.com or irenkechi@yahoo.com

Abstract

In today’s global competitive marketplace, the demands of customers are increasing as they require improved quality products and services. This article puts forward a framework for quality management in organizations with reference to Owena Bank in Nigeria which launched the Programme code-named “Quality is Money (QIM)”, a domesticated version of Total Quality Management and a scheme tagged “Error-Free Banking or We Pay”. For this study, the fifty six (56) organizations in Nigeria that responded represent fifty five per cent (55%) of the total number sampled. The propositions are tested using simple statistical table with responses “YES” and “NO”. The tables show that 35 organizations (62.5%) have actually implemented TQM, while 32 organizations (91.4%) were successful. The results support the argument that the level of success among organizations that have implemented TQM in Nigeria is high considering the fact that three out of every four that have implemented were successful. These results should encourage organizations that are still contemplating its implementation.

Keywords: Quality, Improvement, Marketplace, Competitive, Success, Global

1. Introduction

The increasing demand and sophistication of customers have virtually modified the rules of competition and forced organizations to focus on quality. Today, what underlies competitive advantage is the ability to provide products and services that meet or exceed the needs of customers. This implies that to survive, organizations must device new management systems based on the tenets of Total Quality, and by offering quality products and services. This will not only lower costs but also outperform the products and services of competitors spread across the world. This is the driving force behind Total Quality Management. Global economic competition has increased in the past few decades (Nosakhare, 2000).

Organizations are facing the kind of competition that was not envisaged a few years ago. They have to compete with goods and services from all over the world and satisfy a more educated and sophisticated customer. What is satisfactory to the customers today may not be regarded as such tomorrow as their expectations are continuously changing in a global changing environment. Moreover, the fall-outs of a deregulated global competition have offered customers choices among various alternatives.

According to Ho (1999, p. 69), “At the close of the century, the creation of the global market, the international orientation of management which sweeps national boundaries, the introduction of new technologies and shifts toward customer focused strategies, make the competition stronger than ever”. Quality Management (QM) has been recognized as a comprehensive management paradigm for enhancing organizational performance and competitiveness. Empirical research shows that quality management practices affect firm performance and competitiveness (Das, Handfield, Calantone, & Ghosh, 2000; Douglas and Judge, 2001; Kaynak, 2003; Flores, 2008).

1.1 Propositions for the Study

i) Many organizations have implemented TQM in Nigeria.

ii) TQM implementation among organizations in Nigeria is successful.

The purpose of this paper is to disseminate the research findings through the true story of Owena Bank in Nigeria as one of the organizations in Nigeria which implemented successfully quality improvement via a launched programme code-named “Quality is Money (QIM)”, a domesticated version of Total Quality Management and a scheme tagged “error free banking” or “we pay”.

From the story in this paper, it is expected that other organizations in the global economy which do not practice Total Quality Management or the implementation of continuous improvement, will learn from Owena Bank. Since no one
organization can boast of holding license to the development and delivery of quality products or services, many organizations have to embrace the concept and principles of Total Quality Management as a way of survival.

2. The Concept of Total Quality Management (TQM)

The definition of the concept of TQM is multifarious, but from whatever perspective it is defined, it talks about meeting customer requirements (providing customer satisfaction) which is a primary objective of quality management, if they are to succeed. Organizations exist to provide a service or product to its customers who are becoming more demanding and are seeking higher quality, better value, and lower costs. These customer requirements mirror the global economic pressures organizations face in their own businesses. Total Quality Management (TQM) is a quality management system which requires the cooperative endeavor of every one in the organization to produce services or products that look at quality from the customer’s perspective. All services or products must meet or exceed the customer’s expectations. Under TQM, quality is an essential part of every stage of the production process and not merely an inspection at the end.

TQM is the foundation for activities, which include commitment by senior management and all employees, meeting customer requirements, reducing development cycle times, improvement of teams, employee involvement and empowerment, focus on processes and improvement plans, among others. This goes to show that TQM must be practiced in all activities, by all personnel, in all organizations (Hyde, 1992; Flores, 2008).

In the study of Total Quality Management in Nigeria, several important principles of this management philosophy that influence its successful implementation are brought to the forefront. These include management commitment, customer focus and satisfaction, employee empowerment, continuous improvement, and organizational culture and attitudes. Others are education, teamwork, communication, measurement, and process chain. It is these tenets of TQM that will constitute major areas of review.

2.1 Principles of Total Quality Management (TQM)

Among the key principles of TQM presented by Martin (1993), this paper pays attention on the principle of Continuous Improvement, Recognition of Staff, Customer Focused Satisfaction, Commitment by Senior Management and all employees and Training and Development.

2.1.1 Continuous Improvement

Implementing continuous improvement in managing everyday business activities is relevant to all those who participate in and contribute to the success of the organizations. Continuous Improvement entails Systematic measurement and focus on product/service, Excellence teams, Cross-functional process management, Attainment, maintenance and improvement of standards. Global competition for increasingly demanding customers has necessitated changing acceptable standards. What appear to be best products/services today may be disregarded tomorrow.

Customer expectations are increasing and changing with the dynamics of global environmental changes. Organizations are benchmarking one another so as to unravel the secrets behind their successes. According to Quirke (1995), the major challenge to organizations is how to acquire customers, retain them, build relationships with them and discover ways of being more valuable to them before the competition does. No organization can achieve this without continuously improving not only its products or services but also processes and people.

Continuous improvement refers to “the constant refinement and improvement of products, services and organizational systems to yield improved value to customers” (Stahl, 1995, p. 261). One unique attribute of continuous improvement which has paid-off for organizations that have focused on it, is that looking for ways to continuously improve the quality of products or services in the absence of customer complaints and problems may preclude a future problem (Stahl, 1995). In the words of Ho (1999, p. 30), “TQM is a necessity. It is a journey. It will never end.” Continuous improvement involves both innovation and maintenance, and improvement through small steps, however often leading to radical breakthrough (Wilkinson, Redman, Snape and Marchington 1998).

While the views of the aforementioned management scholars are in line with what any aspiring quality organizations are expected to implement, Nosakhare (2000) is of the view that as a requirement, Total Quality organizations should embark on benchmarking and self-assessment to drive continuous improvement. This will help to achieve the goal of continuous quality improvement in products or services and delivery processes. It will also avoid the common trap of allowing conformance to become a goal in itself.

2.1.2 Training and Development

Crosby in analyzing how he founded Philip Crosby Associates (PSA) in 1979 and the Quality College said that the idea of causing quality to become a normal part of an organization’s operating arsenal did not catch on automatically (Crosby, 1996). It takes training and development of staff towards the organizational objectives of continuous improvement to meet up with sophisticated customers needs and excel the competitors in the global market economy. Organizations should take into account that before external customers can be satisfied, some of the obstacles to the
internal customers, that is, the employees should be dealt with in order to create the conditions necessary for them to produce and deliver quality. It will be difficult if not impossible to meet and exceed the expectations of the external customers if quality is not delivered to and through the internal customers. Every employee in an organization must be provided with the necessary education and training. Although, many traditional organizations view employee training and development as unnecessary overhead and costly, but, it is the fulcrum in implementing the Total Quality Management process. Many Total Quality organizations view employee education and training to yield improvements in customers’ value as the key to organizational success. TQM will not work unless all employees are trained to use the tools”. Based on field research, Unruh (1996, p. 85) believes that “training is the number-one way that organizations focus their employees on serving customers”. Oakland (1995, p. 309) agrees with him in terms of the importance of training as he believes “that training is the single most important factor in actually improving quality, once there has been commitment to do so”.

In the past, organizations maintained the traditional notion of “If it is not broken, do not fix it”. But in today’s changing business environment where competition has increased the awareness and demands of customers, continuous improvement requires something more than the traditional method of solving problems when they arose. Today, “the spirit of continuous improvement” in Total Quality organizations, according to Stahl (1995, p. 47), is “If it is not perfect, make it better, and it strives for a continuous stream of base hits, rather than waiting for the home run”. This improvement theme requires several tools and different ideas, including understanding the kinds of variation in a process. It requires a proactive rather than a reactive mindset. The spirit of continuous improvement requires men and women who have the “can-do” attitude and desire for excellence. They must be committed to continually “improving a thousand things by one percent rather than one thing by a thousand percent”. The most effective means of doing this is to use the people who do the job to identify and implement appropriate changes. This can only be achieved if employees are given adequate training and development.

In commenting on the effectiveness of continuous improvement in achieving organizational quality objectives, Stahl (1995, p. 261) posits that training and development should not be seen as a one-time event but a lifelong process. Many organizations recognize today that due to the massive changes taking place in the business world, booster shots of training and development are needed throughout employee careers. This will help them to acquire the necessary skills to initiate improvement strategies that would add value to customers.

2.1.3 Recognition of staff

Recognition should be provided for both suggestions and achievements for teams as well as individuals. Employees strive to receive recognition for themselves and their teams. Detecting and recognizing contributors is the most important job of a supervisor. As people are recognized, there can be huge changes in self-esteem, productivity, quality and the amount of effort exhorted to the task at hand. Reward and recognition systems which emphasize the achievement of quality objectives truly motivate the work force to fully participate in quality improvement activities. Recognition comes in its best form when it is immediately following an action that an employee has performed (Bhavin, Bhanubhai, Dineshbhai, Nilesh, & Ashish, 2007).

2.1.4 Customer Focus and Satisfaction

Customer satisfaction is the driving force that propels organization existence. Customer Focused Satisfaction entails supplier partnership, service relationship with internal customers, never compromising quality, customer driven standards. In considering the extent of customer satisfaction in Total Quality practice, the US Department of Commerce in a 1993 quality award criteria examined organizations relationships with customers, and knowledge of customer requirements and of the key quality factors that drive marketplace competition. They infer that an understanding of customer requirements derives from thoroughness and objectivity of the organization, customer types and product/service features. Other key excellence indicators for customer satisfaction, according to Ross (1995) are a resolution by management to empower frontline staff, strategic infrastructure support for frontline employees and attention to hiring, training, attitude, and morale for frontline employees. Ross is of the view that these activities will help employees relate to customers in highly professional manners and also provide services/products that will satisfy their requirements. While the researcher agrees to some extent with the propositions of Ross, frontline empowerment and other issues raised are not in themselves sufficient conditions to providing focus and satisfaction to the customer. Proactive customer service systems, proactive management of relationships with customers, and the use of all listening posts – surveys, product/service follow-ups complaints, turnover of customers and employees, should also be adopted as key excellence indicators for customer satisfaction.

Since the quality of a product is not in itself but in what the customer says it is, customer focus and orientation should provide a common goal for all organizational activities and members. It incorporates the quality of design and conformance to quality specification. According to Unruh (1996, p. 23), “even if an organization is not focused on its customers, its competitors are. And the customers know where to find those competitors”. He also believes that
“customer focus is not a one-time-only program. It requires a permanent ongoing commitment of all organizational resources”.

For an organization to achieve success in any customer focus initiative, it is crucial that it has an understanding of customers. According to Unruh (1996) Customer needs and values should influence every aspect of the organization: strategy, employee staffing and performance, product and service development, sales and marketing programs, operational procedures, information and measurement systems. Customer focus and satisfaction not only enable organizations to know what customers think about them, their products, and their competitors, but also to know about the personal lives of their customers.

2.1.5 Commitment by senior management and all employees

Customer focus and satisfaction is related to management commitment. According to Unruh (1996, p. 37), “Do not start a customer focus initiative without top management commitment. Employees and customers will not take the effort seriously. It will end before it has had a chance to begin”. The focus on customer satisfaction applies to both internal customers and external customers. Ross (1995, p. 208) define Internal Customers as “the people, the activities, and the functions within the company that are the customers of other people, activities, or functions”. To achieve the involvement of every employee requires their commitment. Commitment requires understanding. Understanding requires training. Training requires management commitment, planning and time (Munro, Munro, & Bones, 1993). Every employee needs to understand the reasons for TQM, what it means to them and how they are equipped to contribute. Commitment and communication by top management also influence fundamental beliefs, values, and attitudes necessary for employees’ empowerment and commitment to quality and service (Quirke, 1995; Robertson, 2003). According to Mondy and Premeaux (1995, p. 572), “a TQM culture encourages more employee participation in problem solving and decision making.

3. The Nigerian Standards Organization and Quality Challenges

The Nigerian Standards Organization (NSO) was established by Decree No. 56 of 1971. It was vested with the sole responsibility for elaborating standards for products and processes, ensuring compliance with the Federal Government’s policies on standardization and quality assurance of locally manufactured goods, services, imported products, as well as metrology, throughout the country. The Decree has undergone three amendments since the promulgation.

3.1 The Functions of the Standards Organization of Nigeria

The functions of the Standards Organization of Nigeria as spelt out in its enabling Decree No. 56 of 1971 and its subsequent amendments include:

a) To organize and do everything necessary to ensure compliance with standards designated and approved by Council;

b) To undertake investigations necessary into the quality of facilities, materials and products in Nigeria so as to establish a quality assurance system including certification of factories, products and laboratories;

c) To ensure reference standards for calibration and verification of measures and instruments;

d) To compile an inventory of products requiring standardization;

e) To compile Nigerian standards specifications;

f) To foster interest in the recommendation and maintenance of acceptable standards by industry and general public;

g) To develop methods for testing of materials, supplies and equipment including items purchased for use by departments of the Government of the Federation or a state and private establishment;

h) To prescribe standards for mandatory status;

i) To establish and maintain such number of laboratories for its functions under the law;

j) To undertake preparation and distribution of standards samples;

k) To compile and publish general scientific or other data, resulting from either the performance of its functions under the law or other sources when such data are of importance to scientific or manufacturing interest or to the general public and are not available elsewhere;

l) To advise any department of the Federal Government or a State Government, on specific problems relating to standards specifications;

m) To sponsor such national and international conferences as it may consider appropriate;

n) To co-ordinate all activities relating to its statutory functions throughout Nigeria and to co-operate with corresponding national or international organizations in such fields of activity as it considers necessary with a view to securing uniformity in standards specifications;
o) To undertake any other activity likely to assist in the performance of the functions prescribed for it under the Act setting up the organization.

In Nigeria, the co-ordination of the National Standardization work is the responsibility of the Standards Organization of Nigeria (SON). The organization is charged with the task of formulating, reviewing and adopting for suitable use, the Nigerian Industrial Standards (NIS) for products, processes and services and to ensure compliance with the various National Policies on Standardization (Quality Assurance).

4. Methodological Approach

This research attempted to discover how many organizations implemented TQM in Nigeria and the level of successful implementation.

4.1 Samples for Investigation

To achieve a fair level of representation, one hundred and two (102) organizations, covering manufacturing, trading, oil and gas, banking, insurance, investments, services, and government controlled corporations were selected. Both the privately owned and publicly quoted companies were well represented. The key sub-sectors of the economy were also considered and the leaders were selected as part of the sample. Based on the Nigeria Stock Exchange capitalization, the quoted companies included in the sample represent over ninety percent of the total market. Organizations that are fully or partly owned by foreign interest were also included, but, with a higher representation of wholly indigenous organizations.

These organizations have a wide network of operations spreading over all nook and cranny of Nigeria. Covering the whole country as their market, with every major participating sector represented, results of the research is expected to give a fair representation of this big country. The complete list of organizations in the sample and those that actually responded can be found at the end of this article.

The fifty six (56) organizations that responded represent fifty five per cent (55%) of the total number sampled. Five questionnaires were sent to each organization giving a total of two hundred and eighty (280). Out of the five questionnaires per organization, some of those that responded actually returned two, three or four. They were to be completed by five senior executives and a total of two hundred and thirty six (236) were actually returned completed. The response was representative enough of the different segment of the sample size. These 56 organizations and 236 respondents form the sample size for the data analysis.

4.2 Method of Data Collection

Two methods of data collection were adopted which include:

4.2.1 Structured Questionnaire

A well-structured questionnaire was drawn and administered on companies from various sectors of the Nigerian economy, including manufacturing and trading concerns; companies in the service industry such as banks, insurance companies, hotels; and the energy sector. Government controlled or public corporations were also included. The questionnaire was designed to elicit information from senior executives of organizations about their organizations and their persons.

4.2.2 Personal Interviews

Personal interviews were conducted with two consultants at Trithel Consulting, Lagos, who specializes on Total Quality Management training for organizations in Nigeria, and key officers of a few organizations that have implemented TQM successfully. The purpose was to get external opinion on how TQM had impacted on organizational successes in Nigeria as well as the level of awareness and appreciation generally. Another reason was to get insider knowledge of the success stories of some organizations that have successfully implemented TQM and one of them is presented in this article. The questionnaires and personal interviews constitute the primary source of data.

4.3 Method of Data Analysis

Considering the objectives of the study and the nature of the research, the statistical methods employed in the data presentation is a simple statistical table of percentage of frequency with responses “YES” and “NO” as presented in tables 1 and 2, believing that fairly accurate judgments can be made using this approach based on the number and spread of organizations as well as the number of individual respondents.

4.4 Findings

Table 1 shows that 35 organizations (62.5%) have actually implemented TQM, while 21 (37.5%) have not. This validates proposition 1 which states that many organizations have implemented TQM in Nigeria.
Table 2 demonstrates that 32 (91.4%) organizations were successful in TQM implementation, while 3 (8.6%) were not. This further confirms proposition 2 which states that TQM implementation among organizations in Nigeria is successful.

The level of success among organizations that have implemented TQM in Nigeria is high considering the fact that thirty two out of thirty five organizations that implemented were successful. This should be very encouraging to organizations that are still contemplating its implementation. The story below further discusses and confirms this discovery.

4.5 TQM Success Stories in Nigeria - Owena Bank Plc

In its 1993 financial year, Owena Bank posted a loss of N215.8 million and it was mired in the mud of distress. At that time, customers were moving their businesses away fast and even employee morale and confidence was very low. The shareholders decided to put a new management in place.

The objective of the new management was to reposition, restructure, and refocus the bank. One of the strategies was the initiation of a customer service orientation that was considered the most innovative and most successful in the banking industry since the deregulation of the money market. They launched the programme code-named “Quality is Money (QIM)”, a domesticated version of Total Quality Management.

The programme was a comprehensive customer service package aimed at matching promises of quality with actual delivery. Under the programme, there was a scheme tagged “Error-Free Banking or We Pay”. The bank offered to pay varying degree of compensation to customers for every error committed in the course of serving the customer. There is a guaranteed compensation.

The success of QIM at Owena Bank earned the bank a new image of a customer service bank. The efforts also contributed to the bottom-line as well as staff morale. From a loss position of N215.8 million in 1993, the bank posted a profit before tax of N48.9 million and N50.4 million in 1994 and 1995 respectively. This figure grew to N122.3 million in 1997 and N235 million in 1998. The bank projected to post profit before tax of over N1 billion in 2000 (Nosakhare, 2000).

The bank has increased its market share and has won many awards including:

a). This Day Quoted Company of the Year Award for 1997
b) Bank with the highest Return on Investment (ROI) for 1997
c) PEARL Award for Market Excellence 1998
d) President’s Merit Award of the Nigeria Stock Exchange for 1998 as the company with the highest Return on Equity (ROE).

With the focus on continuous improvement of processes to meet and exceed customers’ needs and expectations by the bank, we cannot but agree with its slogan that “things are looking up at Owena Bank”.

Owena Bank Nigeria Plc is today a leader in customer service. In fact, it is the only bank in Africa to offer to pay customers if unable to provide timely service under its customer service guarantee scheme – “Error Free Banking” or “We Pay” - the objective according to the chief executive was to make it one of the five leading banks by the turn of the century using specific measurable performance indicators. (Newswatch, 1998).

5. Conclusion and Recommendation

The story above has proved that in every organization, the framework to total quality management and continuous improvement should be adopted and implemented. It should be flexible and capable of fine tuning to meet the business needs and requirements of the customers in this competitive global marketplace. Owena Bank Plc employed all the concepts of TQM discussed in this paper and exceeded that with their launched programme code-named “Quality is Money (QIM) and its customer service guarantee scheme – “Error Free Banking” or “We Pay” to exceed their competitors.

Team work should be established and become part of the organization’s method of working. Following these, task forces or project teams and cross-functional improvement teams should be established to address the major problem facing the organizations with lower quality.

Process analysis and improvement should be a continual part of the organization’s improvement process. Process planning should focus attention on customer relationship. Once key business processes have been identified along with their process, rationalization, identification and simplification of key performance measures can occur. Indeed, recent work suggests that the high failure rate of quality management initiatives results from a mismatch between these processes and critical problems in their respective environments; in short, that quality management should be seen and properly executed as a contingent process (Melcher, Khouja, & Booth, 2002; Das, Handfield, & Ghosh, 2000; Claycomb, Droge, & Germain, 2002; Wang, 2004)
Discussion with customers about the performance expected, their needs and expectations using a variety of techniques should be undertaken in every organization. The main objective is to build partnership with customers, to develop customer loyalty and hence to build competitive advantage.

Organizations should note that quality improvement in total business activities, with a focus on the internal and external customers throughout the entire organization is one of the main means by which they meet these demands. This is why quality of products and services are looked upon by many organizations as the means by which they can maintain a competitive edge over their rivals.

In addition, the role of people within the organization should be recognized. The way these people are treated is pivotal to quality improvement, since they are intellectual asset whose value to the organization can be increased by careful nurturing. The means of involving people, making them to be committed, training and developing them must be identified. A skill audit is a useful starting point for this.

Above all, if critical factors like Commitment by Top Management and all employees, Training and Education, Focus on Customer Satisfaction, Total Involvement and Participation, Co-operation and Teamwork, Employee Empowerment, Adequate Planning and Monitoring, Reward and Recognition, Strong Leadership, Effective Communication and Feedback Mechanism are effectively in place in organizations, quality improvement will be achieved successfully.

References


217


Table 1. Has your organization implemented TQM?

<table>
<thead>
<tr>
<th>Responses</th>
<th>Out of 56 organizations</th>
<th>Percentage Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>35</td>
<td>62.5</td>
</tr>
<tr>
<td>No</td>
<td>21</td>
<td>37.5</td>
</tr>
<tr>
<td>Total</td>
<td>56</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field study, 2000

Table 2. Was your organization successful in TQM implementation?

<table>
<thead>
<tr>
<th>Responses</th>
<th>Out of 35 organizations</th>
<th>Percentage Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>32</td>
<td>91.4</td>
</tr>
<tr>
<td>No</td>
<td>3</td>
<td>8.6</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field study, 2000

Table 3. The summary of the list of organizations sampled.

<table>
<thead>
<tr>
<th>Organizations</th>
<th>Number of Organizations</th>
<th>Sampled Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banks</td>
<td>26</td>
<td>19</td>
</tr>
<tr>
<td>Discount Houses</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Insurance Companies</td>
<td>11</td>
<td>4</td>
</tr>
<tr>
<td>Manufacturing/Trading Concerns</td>
<td>42</td>
<td>22</td>
</tr>
<tr>
<td>Energy Sector</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td>Hotels</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Government Corporations</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Courier Company</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Investment Companies</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>102</strong></td>
<td><strong>56</strong></td>
</tr>
</tbody>
</table>