

Networking for Quality

The Stakeholder Model of Quality and a Strategy for National Competitiveness

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QUALITY: A Dynamic and Continuously Changing Concept

The concept of quality existed even during the Stone Age, hundreds of thousand years back. Hunters even then strived to make their stone-arrow heads sharp enough to kill their prey. At that time, neither the concept of customer satisfaction nor competitors existed. Even the specification standards and cost-price relationship were meaningless. The concept of quality was only based on **functional use**. However, with the passage of time, as civilization became more and more competitive due to evolving socio-political structure and economic necessity, the concept of quality has been continuously changing in terms of its **definition, strategy and aims** it strives for.

The industrial revolution of the 20th century gave a very important impetus to quality. The development of mass production system, feeling of social power on economic development, technical innovations, and assortment of scientific and management educations have forced us to devise definition of quality in varied forms and dimensions. The definition of quality may vary from people to people depending on who is providing that definition and in what context. It started with a very technical definition like **conformance to specification**. In this, the quality strategy was inspection and control to ensure that defective products do not go to the market. The aim was to produce minimum percentage of defective products. For many decades, this concept worked perfectly for many organizations.

In the second half of the 20th century after the Second World War, specifically around the 1960s, the concept of quality changed from quality control to quality management. It changed radically as the world politico-economic structure changed. Quality became customer focused, and it became to be considered as everybody's job. The holistic view of quality was promoted by applying the strategy of **Total Quality Management**, that is, employee's involvement, supplier-customer relations building, continuous improvement in process as well as in product quality. Here, the aim was to enhance competitiveness and market share.

Since the last decade of the 20th century, due to rapid advancements made in information, communication and nano technology, globalization and free world trade breaking most barriers in trade and transit, and outsourcing and off-shoring business systems, the concept of quality management changed even more radically. The basic statistical quality control system and total companywide quality management of TQM were not sufficient to handle the challenges brought about by new business environment. Nor was it possible for an organization to be competitive enough by applying other quality management techniques like Six Sigma, Balanced Scorecard, and others advanced approaches. The third generation quality management concept appeared in business arena in the form of the **Stakeholder Model of Quality**.

STAKEHOLDER MODEL OF QUALITY: The Third Generation Quality Model

The Stakeholder Model of Quality can be seen as fundamentally different from any previous quality models. Indeed, it is so different that it can be seen as representing an emerging third generation of quality that will gradually replace those that came earlier. No doubt, its focus is still on quality, but the way in which quality is addressed is different.

Prof. David Foster of Faculty of Business, RMIT University, Melbourne and Jan Jonker, Research Fellow at School of Management, University of Nijmegen, Hoolland have provided a preliminary list of the characteristics of this so-called third generation model as shown in Figure 1.

Characteristics	First Generation	Second Generation	Third Generation
Perspective on Quality	Process	Holistic	Relational
Focus	Measurement	Assessment	Consensus
Type of Action	Reactive	Proactive	Engagement
Criterion for Success	Reliability	Efficiency & Effectiveness	Accountability
Orientation	Production	Policy and Planning	Relationships
Basic Assumptions	Control	Manageability	Inter-connectedness
Change	Improvement	Transformation	Transaction
Stakeholder Relationships	Non-existent	Peripheral/Emerging	Embedded

Figure 1: Characteristics of Three Generations of Quality Management

The above table depicts the way the third generation stakeholder model differs from the previous conceptualizations. While each characteristic may be debated individually, when considered as a whole, the difference between the 'generations' becomes apparent. The third generation quality management mainly focuses on **the role of stakeholders in integrating business into society**.

A stakeholder is anyone whose action can affect an organization or who is affected by the organization's action. Stakeholders are also the organization's contenders, that is, they depend on the organization for the realization of their goals. The organization, in turn, depends on the stakeholders for the full realization of its mission.

Thus, stakeholders of any organization, in a generic term may be identified as,

- Customers (buyers, consumers, etc.)
- Suppliers (vendors, etc.)
- Competitors
- Shareholders
- Marketing channels (stockists, dealers, retailers, etc.)
- Government regulatory agencies
- Employees
- Media
- Important interest groups (Civic society: consumer forums, environmental watchdogs, trade unions, etc.)
- Others (if any, in case of specific functional organization)

Lately, the prescribed quality management strategy to develop competitive advantage by an organization for achieving its aim is **the stakeholder model**. This calls for careful

consideration of all stakeholders. Only organizations capable of building good relationships and applying balanced win-win strategies by incorporating stakeholders as embedded partners for mutual development can survive in today's most complex and competitive business world.

NATIONAL COMPETITIVENESS: Growth through Quality and Productivity

Japan is the first country in the world to show that a sustainable national economic growth is possible through quality. The notion of *quality first, productivity follows and profit is its logical sequence* expressed by many business houses of Japan in the 1960s helped the country attain a continuous national economic growth of two digits for nearly three decades. Later, when the western countries, namely the USA and European countries, adopted this philosophy of 'Quality first', their economic growth also increased. The white-crane syndrome of the philosophy then began to evolve in Taiwan, Hong Kong and Singapore, and later, in the 1990s, in other newly industrialized countries of South-East Asian. From the turn of the century, China and India are exhibiting similar stupendous growth rates as those countries. They are also applying the same strong notion of 'Quality first' as the prime movers in all respect. We have to remember that the concept of Quality here is a little bit wider in dimension than in the previous ones explained earlier. The issues of quality strategy to cope with new environment and the aims and goals considered are derived from the Stakeholder Model of Quality.

At the micro level, an organization strives to develop its competitiveness by enhancing quality and productivity. Similarly, at the macro level, the national economic growth depends on the strategy the nation takes towards the direction of increasing competitiveness of all social and economic sectors through quality and productivity. Some western critics have written about the Japan Inc. and the Singapore Inc. They draw analogy of these countries operating as incorporated companies adopting the strategy of 'coopetitiveness' (Cooperation and Competition) and collaboration, that is, the government and private sector working together for their overall respective developments. The strategy is an extended version of the Stakeholder Model of Quality at the macro level. The nation accepting the concept of **building relationship among all stakeholders to take an overall win-win strategy for creating synergy for national development** will definitely achieve its economic developmental goals. It is difficult, but it is absolutely important to understand the concept of the stakeholder model and to accept the strategy of networking for building relationships between all social and economic stakeholders in the country for economic development.

Looking from the quality perspective, the social and economic sectors of a country can be listed as follows.

- Agriculture sector
- Manufacturing sector
- Financial sector
- Infrastructure and utility sector
- Health sector
- Education sector
- Social development sector

And, the major players and partners of these sectors are always

- Government policy makers and administrators as regulators and facilitators
- Private business houses as investors and operators
- Civil societies as watch dogs, facilitators and motivators

- Individuals as producers, service providers as well as consumers

It is indeed an arduous task to establish correct interconnection among the different stakeholders for national development activities by conceiving quality as the prime mover. The aims and purposes of different stakeholders may be different and sometimes conflicting. We have to identify them and properly understand the conflicting differences. If we were to focus on a win-win strategy whereby all stakeholders are to benefit, which no doubt is a prime mission of any quality movement; it is possible to intensify the economic growth we are talking about. This is what we call 'Networking for Quality'.

NETWORKING FOR QUALITY: A Vision to Create Value through Quality

During a number of interactions held in Kathmandu in May 2004 among various quality and productivity professionals, it was felt that sustainable growth and development in a nation are only possible in an enabling environment that focuses on enhancing the quality of life driven by certain core values. It was also felt that Quality as the key driver of economic prosperity of the nation has gained more significance today than before. And, it has thus become imperative to create synergies of efforts of various professionals and institutions that are actively engaged in the field of quality and productivity to drive the nation forward. The stakeholders and their interconnectedness for quality realization for national development were identified as shown in Figure 2.

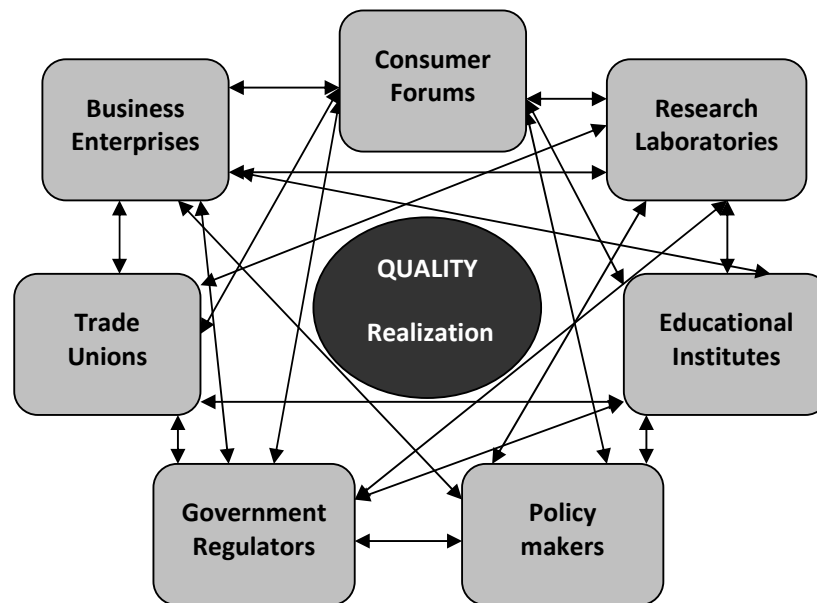


Figure 2: Stakeholders of the Quality Realization

In the course of the above interactions among different stakeholders of quality realization, it was felt that the nation would benefit tremendously through the establishment of a network for quality. A generic name "Network for Quality, Productivity and Competitiveness-Nepal (NQPCN)" was agreed upon to accentuate the interrelatedness and essence of the three key terminologies – Quality, Productivity and Competitiveness. The people involved in the initial ground work in establishing the network were entrepreneurs, managers, technologists, consultants, government officials and academicians with a common belief in quality as the overarching parameter of national economic growth and development. Figure 3 highlights

the institutional policy of the NQPCN as its core values, vision, mission, strategy, goals and activities.


 Network for Quality, Productivity and Competitiveness- Nepal	
Core Values	Harmony, Honesty and Humbleness
Vision	Creating Value through Quality
Mission	Enhancing competitiveness of individuals, organizations and the society as a whole through quality and productivity
Strategy	Instituting functional national and international networks of individuals and organizations who are stakeholders of quality realization, and sustaining the network as a not for profit civil society organization
Goals	Create, share and learn the knowledge and experience on quality and productivity and apply to enhance competitiveness in the nation
Activities	<ul style="list-style-type: none"> ▪ Creating knowledge through study and research ▪ Organizing learning-sharing forums ▪ Sharing resources through print and electronic media ▪ Involving in national and international conferences ▪ Networking with national forums and societies ▪ Networking with international forums and societies ▪ Collaborating with regional and international forums and societies to organize seminars and conventions

Figure 3: Institutional Policy of NQPCN

CONCLUSION: Stakeholders of Quality Realization Works for National Development

The concept of quality in terms definition, strategy and aims are continuously changing as per the changed business environment. The Stakeholder Model of Quality is most appropriate for enhancing competitiveness of an organization in the current business environment. If we aim for national development, the stakeholder model of quality realization, which is essentially about **networking for quality**, is the appropriate strategy. To actualize such a strategy, NQPCN strives to work toward creating win-win situations for all stakeholders and operate collaboratively for national development. Let us join hands in this endeavour.