Total quality management as a health care corporate strategy

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TQM must become a part of corporate strategy if it is to become a way of life in health care

While health care organizations grapple with the success or failures of total quality management (TQM), it is becoming increasingly clear that TQM must become a part of corporate strategy if it is to become a way of life in health care. Total quality management is a leadership philosophy. It is driven by the following nine key principles[1]:

(1) The need for top management to mobilize its workforce towards the achievement of the mission, vision, long-term and short-term goals of an organization.

(2) Pursuant to (1), is the need for every individual, function, department and division, to become inextricably linked to the organization's mission, vision, long-term goals, short-term goals and guiding principles.

(3) The recognition that the organization's most important reason for existence is its customers, and that its employees are its most valuable asset.

(4) Once adopted, TQM should become a way of life. It is a process, not a programme. It is not something an organization does to pass inspection by the Joint Commission for the Accreditation of Health Care Organizations (JCAHO). It is a never-ending process.

(5) TQM is driven by an understanding of the needs, wants and expectations of the customers (internal and external). It aims to create services that meet or exceed the expectations of the customers. It also aims to bridge the gap between the expectations of customers and what the organization is capable of delivering.

(6) It relies on the use of teams to solve problems. It is driven by the notion that no one knows the problems in a process better than those who work and live with the process on a daily basis. Every problem is treated as a defect in the system, and must be eliminated. It aims for long-term solutions

to problems by seeking to eliminate the root cause of the problems rather than quick fixes. It is the empowerment of workers. Everyone is involved in and affected by the transformation; receptionists, housekeeping, technicians, physicians, nurses, etc.

(7) Everything is a process. Every process requires inputs which then become transformed to produce some output. Processes are interrelated and depend on a series of cross-functional interventions. Pursuant to (6), it is the notion of work interrelatedness which drives the need for cross-functional teams. It calls for the breaking down of departmental barriers.

(8) It is the use of statistical thinking to manage processes. It is management by facts, not opinion, guesswork or gut feel.

(9) It is the elimination of waste and rework. It is when "good enough" is never good enough. It is the relentless pursuit of excellence in everything an organization does.

The type of transformation which TQM brings about cannot occur in isolation and certainly cannot be sustained unless it is part of a business strategy. Pearson[2] notes that "business strategy is concerned with how to make an individual business survive and grow and to be profitable in the long term". The main considerations are as follows[2]:

● the creation of customers;

● the identification of appropriate market niches where no competition exists;

● the identification of customer needs and how best they can be satisfied;

● the application of technology and its future development or substitution;

● the understanding of competitors and how direct competition may be avoided; and

● the motivation of people to put their efforts and enthusiasm behind the strategic aims of the business.

According to Lawrence and Early[3], "Quality efforts will fail if they are not firmly anchored in the health care organization's strategic direction and executive leadership". Health care organizations principally strive to achieve some or all of the following strategic goals:

- the improvement and management of clinical outcome;
- to attract and retain qualified clinicians;
- cost containment;
- profitability; and
- to achieve customer satisfaction.

The process of continuous quality improvement must be linked to the achievement of these strategic goals. According to Andrews[4]:

> Corporate strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals, and defines the range of businesses the company is to pursue, the kind of economic or human organization it is or intends to be, and the nature of the economic and noneconomic contribution it intends to make to its shareholders, employees, customers, and communities…[It] defines the businesses in which a company will compete, preferably in a way that focuses resources to convey distinctive competences with competitive advantages.

TQM must, first and foremost be seen and implemented as a vehicle for achieving corporate objectives and goals if it is to have any chance of succeeding. Peters and Waterman[5] define strategy as "a coherent set of actions aimed at gaining a sustainable advantage over competition, improving position *vis-à-vis* customers, and allocating resources". One of the objectives of TQM is to gain competitive advantage over the competition. The concept of TQM is driven by the notion that if you are not improving, you are falling behind the competition. The improvement of the quality of the services offered to customers and the need to gain competitive advantage are central to the objectives of TQM. Failure to make the TQM process an integral part of business and corporate strategy would confound constancy of purpose. Hax and Majluf[6] state that: "Strategic management has, as an ultimate objective, the development of corporate values, managerial capabilities, organizational responsibilities, and administrative systems which link strategic and operational decision-making, at all hierarchical levels, and across all businesses and functional lines of authority in a firm".

Pearson[2] makes a distinction between corporate and business strategy as follows: "Corporate strategy relates to the company's interface with the providers of its capital, while business strategy…is concerned with what makes the business prosper in relation to its customers, competitors and technologies".

TQM as part of corporate culture

If TQM is to become a way of life for a health care organization, it should be understood in the context of a cultural transformation. Schein[7] explains culture as follows:

> Culture is the set of basic assumptions which members of a group invent to solve the basic problems of physical survival in the external environment (adaptation) and social survival in the internal environment (internal integration). Once invented, these basic assumptions serve the function of helping members of the group to avoid or reduce anxiety by reducing anxiety and cognitive overload. Once invented, those solutions which work are passed on to successive generations as ways for them to avoid the anxiety which may have motivated the invention in the first place.

Culture is therefore a way in which individuals in an organization respond to external pressures from the environment, by creating rules and a way of thinking which then become the norms of behaviour for the group. As new employees become absorbed into the workforce, they too acquire the new culture through the process of adaptation. Some degree of moulding of values and ethics take place, formally or informally, and are accepted by everyone. Schwartz and Davis[8] provide a definition of culture which is fairly consistent with Schein's: "A pattern of beliefs and expectations shared by members of an organization. These beliefs and expectations produce rules for behaviour – norms – that powerfully shape the behaviour of individuals and groups in the organization." Organizations which choose to ignore the power and influence which culture can produce do so at their own peril. The critical challenge for top management is the creation of a work culture that unites every employee around the needs, wants and expectations of customers. When an organization has adapted successfully to this singleness of purpose in meeting or exceeding the expectations of its customers, the visible evidence can be felt by all customers from admissions to post-discharge, and from the receptionist to the chief executive officer of the organization.

Schwartz and Davis make a distinction between culture and organizational climate. Organizational climate measures the fit between the prevailing culture and the individual values of the employees. If the employees have adopted the values of the prevailing culture, the climate is "good". If they have not, the climate is "poor", and motivation and presumably performance suffer.

TQM calls for a cultural transformation which will lead to new values and a different ethic. In a mature TQM culture, every employee treats every customer as if he or she is the only customer. All employees are engaged in a relentless pursuit of perfection. There is a built-in intolerance for "defects", or customer dissatisfiers. Meeting or exceeding the needs of all internal customers is seen to be critical for the long-term survival of the

organization. If the concept of TQM is to have any chance of success, most or all of the individuals in the organization must be culturally socialized on the importance of the customers – internal or external. According to Conrad[9], some cultures value action, while others sanction activity. In an action-oriented organization, the emphasis is on creative work designed to have some positive effects, while in an activity-oriented organization, the emphasis is on merely appearing to be making contributions. The primary goal in an activity-oriented organization is to "fill time", regardless of what actually is accomplished. Conrad notes that "construction workers who learn to always keep moving, to always carry a tool in their hands, are part of activity-oriented cultures". So are organizations which reward employees based on some numerical goal or quota rather than the quality of the service provided. The emphasis is on results rather than how well the customers are actually served. Conrad notes that only when the outcomes of activity are also valued does a culture become action-oriented. TQM effort can only be sustained by an action-oriented culture. If TQM is not viewed as a business strategy as well as a vital process in the cultural socialization of the organization, the results could be disappointing.

Some health care organizations promote a culture which fosters a team approach to providing care, while others value and encourage exceptional individual effort. The concept of TQM is founded on team accomplishment. According to Lawrence and Early[3]:

> The outcome of a surgical procedure will, of course, depend on the surgeon's skill, but it will also depend on many other factors, including the speed and accuracy of laboratory tests, the availability of the right information at the right time in the patient's chart, the timely availability of the right material and equipment in the operating room, the appropriateness of prescribed postoperative care, the clarity and precision of the physician's orders, and clinical information from which the surgeon can identify more effective methods of care. Effectively using scientific knowledge to improve clinical outcomes requires a strategic commitment and active, cooperative leadership between physicians and other professional managers.

Some cultures encourage employees to make decisions which minimize risks by making changes in accepted ways of doing things only after carefully, laboriously making the decisions and thoroughly questioning every piece of evidence and every argument supporting the change. These risk-aversive organizations also tend to evaluate decisions only after long periods of time. Others foster high-risk actions by encouraging employees to use temporary "quick fixes" and provide immediate evaluation of employees' actions and decisions[9]. The concept of TQM seeks long-term solutions, not quick fixes. The primary focus is on the prevention of recurrence of problems.

It is not enough to have one person who shows a predisposition to the concept; nor is it sufficient to have one department embracing the philosophy. TQM is not a departmental activity, nor is it one person's job. Effective quality management begins at the top. There is always the temptation of delegating the TQM initiative to others. Godfrey *et al.*[10] note:

> It would be a rare, courageous, and perhaps short-lived director of quality management who would make an appointment with the CEO to say, "I've been thinking, boss. The job you are expecting me to carry out is, in fact, your job. You're holding me accountable for changes in culture, behavior, strategic priority, and organizational methods that only you, the physician leaders, and the board can really deliver. In the end, you might think that I let you down; but it's the other way around".

The transformation brought about by TQM requires a shift in paradigm. It calls for a change in management philosophy as it affects human resources, management information system, process design and redesign, customer knowledge systems, and benchmarking methods. Strategic planning must then seek to set the organization's priorities and help align the work of teams and departments with those priorities. If the activities of quality teams are not guided by the mission, vision, guiding principles, short-term and long-term goals of an organization, they will have a tendency to be self-serving. Traditionally, decisions in these areas have been made on narrow, tactical grounds, with little attention to business and corporate strategy.

Few health care organizations regard service quality as a source of competitive advantage. As we approach the end of the first decade of TQM implementation in health care, health care organizations which are not able to adapt their strategic vision to the ever-changing health-care industrial landscape will fall by the wayside. An organization's competitive strategy is the path which it intends to follow in achieving its objectives. For health care organizations, competitive strategy usually means a reassessment of the type and quality of services they intend to provide to their internal and external customers. In this sense, TQM can be viewed as a competitive strategy. One of the key factors in gaining a competitive advantage lies in the ability to anticipate the needs of customers many years into the future, and have it ready for them. While there are instances of failure to anticipate the needs of customers in health care, they are not publicized as one would find in manufacturing. The following quotes explain the point:

> Atari was so out of touch with its market that it failed to realize its customers were losing interest in video-game players and switching to home computers – a fatal oversight[11, p. 77].

> Digital Equipment's earnings decline was due to the company's failure to foresee the increasing importance of personal computers and desktop work stations[11, p. 86].

In a non-strategy-driven TQM environment, operating decisions are often prompted by an immediate need. A desperate need to contain costs, declining enrolment, and a dramatic increase in medical malpractice suits, are among the factors which help to shape the crises mode. The need is then addressed in a reactive and *ad hoc* fashion. Choices are based typically on narrow and ill-defined financial criteria. In a strategy-driven TQM environment, the choices made by a health care organization are educated by its mission, vision, long- and short-term goals, and guiding principles.

## Management on the basis of mission and vision

The greatest challenge for top management is to create an organization in which every employee, department and function is linked inextricably to the organization's mission and vision. But first, we must understand what is meant by mission and vision. Shores[12] explains a mission and vision statement as follows:

> The mission statement is an entrepreneurial statement of specific intent, purpose, and reason for an entity, business, function, or process. It explains why it exists and usually makes a statement about the market or customer, the product or technology, the competitive goal, and the investors.

Shore notes that: "It is the vision that focuses the goals and strategies for the future". Vision reflects where an organization is going, or what it wants to be in the future. The vision of a health care organization has to be expressed to provide a unifying theme to all organizational units, and serve as a compass and guiding force congruent with the corporate ethic and values. It should become a source of strength and inspiration for all clinicians and non-clinicians to draw on as they confront the challenges of their daily activities. Every health care provider and staff, housekeeping, dietary, receptionist, physician, nurse, pharmacist, etc. has to become an active collaborator in the pursuit of corporate objectives. Each worker must share the vision of the organization, and feel comfortable with the way in which the vision is translated or expressed. The behaviour and actions of health care workers will be conditioned by this framework of involvement and partnership through vision. Workers must feel an intimate bonding with this prescription for change and growth as articulated in the corporate vision, and must sense that by following the course charted by the organization's vision, their most personal needs for achievement will be met. It is within the purview of good leadership to articulate the organization's vision so that it has a personal message and meaning for the individuals in the organization.

One of the goals of TQM is to create a customer-driven organization as depicted in Figure 1. In a customer-driven organization, every employee must resolve that his or her most important duty is to the customer; the primary

Figure 1. *A framework for integrating TQM and corporate strategy*
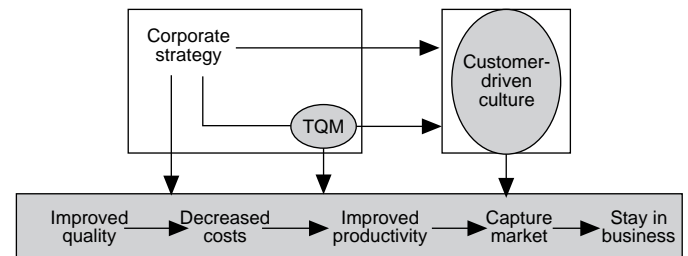
reason for the organization's existence. Also, top management must resolve that the employees are the organization's most important asset. Any form of weakness in either of these two resolutions would confound constancy of purpose. If TQM is to become part of corporate strategy, top management must create an environment that would foster these ideals. A customer-driven environment is based on the following:

- It is not possible to have happy customers if you do not have happy employees. Employee relations mirror customer relations.

- The need to focus on process rather than people as the source of problems in the organization.

- The recognition of an internal customer as any person or department that depends on your output in order to do his or her job. It is the realization that everyone is either serving a customer, or serving someone who is. Customer satisfaction is also important for internal customers.

- It is the recognition by every employee, that failure to meet or exceed the expectations of customers would ultimately result in the loss of market share and may even lead to the death of the organization. The organization's long-term survival would ultimately be determined by the extent to which the organization's customers are satisfied or dissatisfied. This notion would be ingrained in the mind of every existing and new employee.

- The organization would have a formal training process in place, as well as the necessary support system, to ensure constancy of purpose and consistency in the behaviours and attitudes of all employees regarding the importance of the customers.

- All the required behaviours and attitudes necessary to preserve the supremacy of the customers will not only become part of the organization's training repertoire, but would also become part of the employees' job descriptions.

- Establish a formal process for providing adequate, frequent, and timely feedback to employees, regarding all aspects of their work. The

establishment of a formal process for routeing customer feedback to appropriate employees.

- A built-in mechanism for gathering information on the "voice of the customer". A real commitment to probing the customers constantly for their views on all aspects of the service, and a process for taking corrective action (based on the information gathered) towards meeting or exceeding the expectations of the customers.

- Putting in place performance monitors and indicators to track the extent to which the needs of the customers are being met.

- Employees must be empowered. Employee empowerment should not be misinterpreted as an excuse to abdicate leadership.

- Continuously aiming to find and eliminate the root cause of problems, and prevent their recurrence.

- A focus on outcome management and process improvement.

Team building as part of TQM business strategy

The use of teams to work on and accomplish organizational objectives has been applauded loudly as one the key benefits of TQM. If TQM is to become part of a corporate strategy, the company strategists and policy makers must integrate the goals of the organization with the problem selection process of the teams. Problem selection can take the following forms:

- Team selects unimportant (low priority) projects.

- Team selects projects with small potential.

- Team selects area in which hospital is already far ahead of competition.

Without strategic direction, a team has a high chance of achieving a dissappointing outcome. Team problem selection must be guided by corporate strategy, if it is to avoid disappointing results. TQM activities must directly support strategic business plans. Organizations that do not adopt strategic planning would not have a clear, shared vision or well-defined key objective. Consequently, the quality improvement team projects selected may be the trivial many rather than the vital few. The following prioritization process (proposed by Health Care Advisory Board[13]) is suggested as a way to integrate problem selection and corporate strategy at a hospital:

- Does the project address the needs of the hospital's top priority customer groups?

- Does the project address important needs of the customer (i.e. which have a meaningful impact on customer's provider selection decision)?

- Is the hospital far ahead of competition in this area already (i.e. will improvement buy the hospital anything)?

- Does this project truly offer the hospital a good chance of making an improvement large enough to change customer behaviour?

- Will the project require investment of a size which would wipe out the potential gain?

- How does project rank (on the above criteria) in relation to other possible projects?

- Once the project is selected: is the team continuously assessing whether or not the project is the best one to move the department and hospital towards their goals?

Problem selection, analysis and solution must be pursued as they relate to the mission, vision, long- and short-term goals of the organization. If the strategic interests of a hospital are ignored, problem selection, analysis and implementation would achieve objectives which may or may not be congruent with the overall corporate objectives.

Reward and recognition – implications for TQM and strategy

There is demonstrable evidence of the value of TQM to the organization. The challenge faced by top management is to demonstrate to the individuals within an organization, the benefits of TQM with respect to their personal goals and needs. Gitlow and Melby[14] state that continuous quality improvement involves a chain of events: improvement in quality leads to decreased costs because of less rework, fewer mistakes, fewer delays and better use of people and materials; productivity improves; better quality and lower price facilitate capturing the market, staying in business and providing more jobs. There should be more emphasis on what is within the individual or environment that stimulates or sustains behaviour, i.e. what are the specific things that motivate people?

If a health care manager is to be successful in getting the workers to attain organizational objectives, he or she must understand at least the fundamentals of motivation. However, this is not an easy task. Motivation is an internal psychological process which occurs inside an individual. A manager cannot see motivation; he/she can only assume its presence (or absence) based on observance of worker behaviour. But there is a better approach to motivation: it is called need satisfaction. Everyone has needs that require satisfaction. In turn, these needs will cause the person to undertake some form of goal-oriented behaviour, which, hopefully, will satisfy the need.

Conclusion

Change does not occur in a vacuum, and certainly the kind of change needed to sustain a TQM transformation would take place in the absence of a strategy. TQM is not just teams, nor is it just the commitment of top management. Such a transformation requires a unifying point of focus (mission) to hold it together, a compass (vision) to point the organization to its destination, a customer-driven culture to make it a part of life, and a strategy to sustain it. If TQM is not a part of corporate and business strategy, it is likely to produce disappointing results.

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