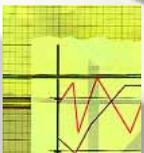


Management Focus

dynamic intelligence for today's leaders



Featured article

TQM: terrific quality marvel or tragic quality malpractice?



Guru interview

An interview with William J. McEwen

Interview by Alistair Craven

Welcome to Management Focus

... and welcome to the March/April issue.

William J. McEwen PhD is a Global Practice Leader at The Gallup Organization, where he consults with major clients on brand communications and brand equity management. Before joining Gallup, he spent 25 years in senior planning and account management positions with leading advertising agencies.

In this exclusive interview, read what Dr McEwen has to say about emotional connections in branding and brand names. Also discover what Dr McEwen would say to those who argue that branding is an overrated facet of marketing and that in many sectors brand loyalty is a thing of the past.

Total quality management (TQM) has gone from buzzword to fad in many people's opinion. Having seen a tremendous rise of popularity in the 1980s and the early 1990s, questions of the effectiveness of TQM arose, as many of the implementers did not collect the rewards of their investments. Our featured article attempts to answer the difficult question of whether TQM is a terrific quality marvel or a tragic quality malpractice. Find out more here.

In our popular Management Matters section, our resident guru draws on his years of professional experience in management to discuss how far he agrees with the statement that "today, more than ever, knowledge is the key to organizational success", as claimed in an article recently published on ManagementFirst.com. Read what he has to say in this issue.

To expand on the topics highlighted in *Management Focus*, log on to our website at www.managementfirst.com There you will find ten dedicated management communities full of articles, interviews and many other products and services designed to help you stay one step ahead of your competitors.

As always, we hope you enjoy this issue.

Debbie Read and Alistair Craven
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TQM: terrific quality marvel or tragic quality malpractice?

Total quality management (TQM) has gone from buzzword to fad in many people's opinion. Having seen a tremendous rise of popularity in the 1980s and the early 1990s, questions of the effectiveness of TQM arose, as many of the implementers did not collect the rewards of their investments.

A *Wall Street Journal* article, where executives were asked whether their TQM involvement had a significant impact on the financial outcome, received a lot of attention, since only one-third of the responses were positive. This was followed by an article in *Quality Digest* posing the question "Is quality dead?" The article included material claiming that only 20 per cent of the *Fortune* 500 companies were satisfied with their TQM processes. These results were of course unpleasant for the

TQM advocates, while bringing grist to the mill of the adversaries. Some people thought that they recognized the shortcomings of the TQM concept, added and retracted a few components and sold similar concepts under different names, such as Business Excellence, or recently Six Sigma.

But there is also more recent criticism against TQM. One group concerns implementation of TQM and its failure to deliver what has been expected. There is a

debate about whether the failing organizations really have adopted TQM or something else. The other form of criticism refers to the position TQM has as a general management theory. The criticism here is that there is a lack of consensus about definitions, that the main characteristics of TQM are not unique and, at the same time, that TQM is not linked to other management theories.

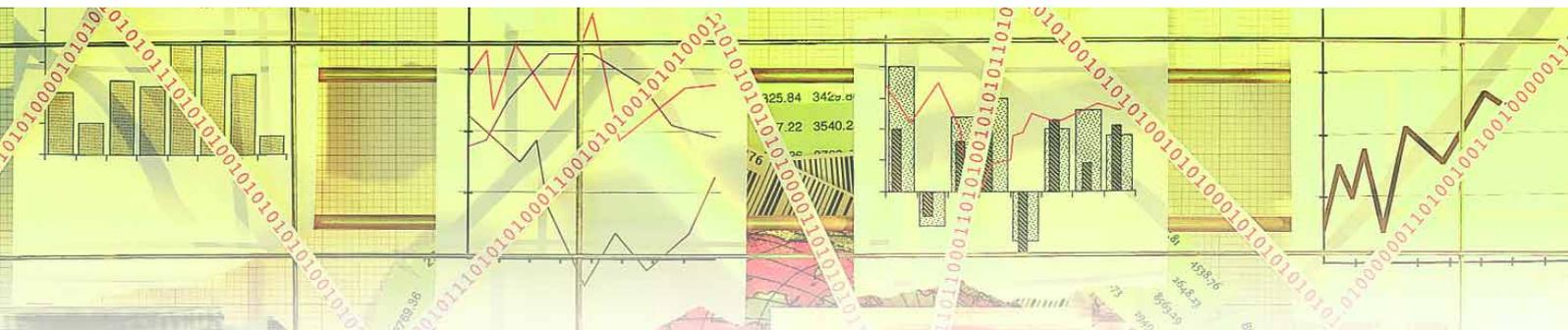
Several of the published definitions of TQM appear more as fairly vague descriptions. TQM has been described as a set of improvement tools useful in an organization, and as a management philosophy. It has also been described as a programme for changes based on organization culture, and as a management system. During the last decades, criteria for quality awards, such as the Malcolm Baldrige National Quality Award, have been used and seen as definitions of TQM by many different organizations in their work with quality. Some also propose that the label "TQM" should be replaced by "Business Excellence".

This confusion of diverging opinions is partly due to the TQM evolution and to the fact that the meaning of the word quality itself has shifted over time. There is no general agreement on where and when TQM was first used.

TQM and results as profit in commercial organizations

One of the main goals of a business is to stay in business and to be profitable for its





owners. Other goals may be that the work environment should be good, that customers are satisfied, and that the company has a good reputation and provides jobs. If the business is a loss, the other goals are of little value, as the business will go bankrupt. The big question for companies about to implement new strategies or working methods is thus often “Will it pay?”

Quality authorities think that, if the organization redirected efforts to improve quality, costs would decrease, productivity would improve, the competitive position of the firm would improve, firms would provide jobs and people would be happier.

There is empirical evidence of a link between customer satisfaction and loyalty or repurchase behaviour, but the link is not as compelling as one might at first suspect. The link is also strongly branch-dependent. For example, on the amount of competition that exists within a market and so on.

TQM reaches the public sector

From a situation where TQM was used only in goods, producing companies, it has now reached and also been used in the public sector. The interest in working with quality in this sector has grown during the last decade.

TQM in the educational sector

When studying the criticism against the use of TQM in the education sector, it seems that it can be divided into at least two different forms and that the criticism emanates from different perspectives. One of these forms is the criticism of the transfer of concepts from one context to another. One example is the introduction of methods and adaptation to ways of thinking and values that were developed in goods –

producing companies. Another form of criticism is also connected to the transfer of TQM to a new area, but also based on an ideological view.

TQM in other organizations

Non-profit organizations could also benefit from adopting TQM concepts. The systematic approach, the system view and the preventive thinking in TQM can be used

The big question for companies about to implement new strategies or working methods is often “Will it pay?”

not only in manufacturing and service-producing organizations, but also as a way of cooperating in societies. The literature on other than public or commercial organizations includes experiences of using TQM concepts in cooperation between organizations to achieve improvements. The experiences of such applications are both positive and negative. However, there is not much criticism of TQM in the context of community issues.

TQM: marvel or malpractice?

In the long term, the openness to various types of criticism will hamper quality management, since the definitions are vague. It is not only the development of TQM that is the subject of different

opinions. In international research there are several different descriptions of the concept of TQM, often lacking clear definitions.

The confusing definitions reflect not only the lack of a common theoretical basis, but also that the quality community has often responded to new ways of leading businesses as if they were methods within TQM. This was the case with business process reengineering, and so is the TQM movement responding to Six Sigma. The quality movement’s eagerness to respond to new challenges and working methods by adopting them and including them under the TQM umbrella is in line with the war-cry of “continuous improvement” and, indeed, TQM is constantly evolving. The major drawback of this is that the person who is a TQM enthusiast wanting to implement it will have little guidance on what to actually implement.

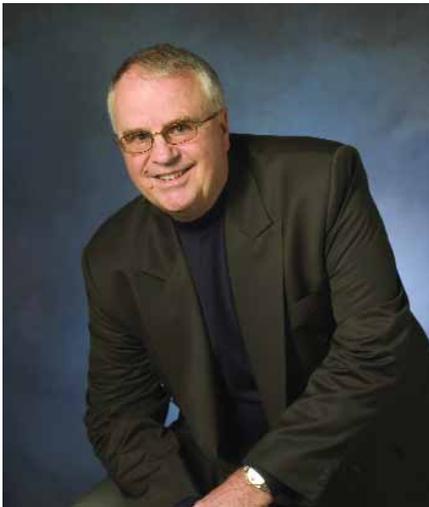
It is difficult to answer the question whether TQM is terrific quality marvel or tragic quality malpractice. The answer depends on several factors, for instance, to what type of organization the TQM concepts are applied and what definition of TQM is used. The definitions used by theorists and the studied practitioners must also be synchronized. Advocates and opponents often use the same word but mean different things. Although there are obvious problems with the concept, TQM still generates benefits if used properly.

Bjarne Bergquist, Maria Fredriksson and Magnus Svensson, Luleå University of Technology, Luleå, Sweden.

Read the full version of this article in *The TQM Magazine*, Volume 17 Number 4, 2005.

An interview with William J. McEwen

Interview by Alistair Craven



William J. McEwen PhD is a Global Practice Leader at the Gallup Organization with responsibility for Gallup's initiatives in managing brand equity, brand communications, and brand/customer engagement.

*Dr McEwen consults with many of Gallup's largest international clients in the automotive, retail, telecommunications, and financial services industries. He is the author of *Married to the Brand* (Gallup Press, November 2005).*

Prior to joining Gallup, Dr McEwen held senior research, planning, and account management positions for several multinational advertising agencies, including McCann-Erickson, FCB, and D'Arcy.

He also served as Director of Product Development for the California Milk Advisory Board and was a tenured Communication Sciences faculty member at the University of Connecticut. He has a doctorate from Michigan State University, has published extensively in marketing and advertising journals, and has been a frequent conference speaker

Q: You have said that most marketers still are not “emotionally connecting” with consumers. What exactly do you mean by this emotional connection? Is such a connection what customers are really looking for?

A: The emotional connections between a brand and its buyers/users have a rather well-defined structure, as we've learned from our research. The foundation of this connection is confidence – the firm belief that the brand will always keep its promise. The pinnacle is passion – the feeling that the brand has an essentially irreplaceable position in the mind (and heart) of the consumer. A fair number of brands have established a feeling of confidence among product/service users; only a special few have managed to create and sustain real passion.

While consumers may not volunteer that they seek a “passionate” connection with the brands they use, it's abundantly clear that they respond in powerful ways whenever they do. They become strong (and vocal) brand advocates, they visit/buy/purchase more often (and for longer) and they resist the blandishments of alternative offers. Consumers want – indeed they demand – brands that they're convinced they can absolutely trust. And they want brands that they feel offer them fair reciprocity and recognition for their patronage. In short, they want brands they can feel good about using and being associated with. And that's true in every industry we've investigated ... from banks to fast food, from fashion merchandising to autos.

Q: How important is a brand name in the pursuit of emotional connections with customers?

A: It's essential to have a unique and memorable brand name, because that becomes the definable “partner” with which the customer forms a relationship. There is considerable debate, however, as to whether the brand name must also convey a clear consumer benefit, that is, take on some of the job of communicating the brand promise. There are many successful brands whose names are simply family names (Ford), contrived neologisms (Exxon), letter combinations (IBM) or simply fanciful nomenclature (Yahoo!). They are all, however, distinct. And they attain meaning

– over time, it should be noted – through a consistency of associations and through the actual brand experience.

Q: In what ways can an organization monitor and evaluate the progress of its brand?

A: Each organization has the need both to acquire and to retain customers. Traditional performance metrics, however, often oversimplify the challenge – equating, for example, brand awareness with brand success, and confusing repeat purchase with true “loyalty.”

The challenge for any brand is to create and sustain connections. These can (and must) be measured. One useful set of measures, as presented in *Married to the Brand*, is the “engagement” measures we've developed for companies to use in monitoring their real progress in building their marketplace presence and success.

Q: What would you say to those who argue that branding is an overrated facet of marketing and that in many sectors brand loyalty is a thing of the past?

A: In some ways, it's a self-fulfilling prophecy. Brand loyalty is, and will be, a thing of the past in areas where marketers have set forth on a path to “commoditization.” Where the main marketing “weapon” is price and where the focus is on building transactions – as it is in a great many categories today, true loyalty will ebb, decline and may well disappear. That's not because customers don't want to be loyal or to have brand relationships; rather, it's because companies aren't earning it. Brand loyalty may well have been disappearing in coffee marketing, but then along came Starbucks. It may have been in decline in domestic airline selection, with customers only “loyal” due to frequent-flyer bribes. Then along came Southwest and JetBlue ...

The point is that loyalty will decline so long as companies pursue a path of parity promises and parity performance. They cannot then be surprised that consumers evidence behaviours that reflect the apparent interchangeability of brand options.

To read the full, exclusive interview with William J. McEwen, log on to www.managementfirst.com and click on the “Marketing” community.

Management Matters

Welcome to our Q&A section – *Management Matters*, where you can find actionable advice on today's top management issues.

Q. According to the article “The five pillars of organizational excellence”, published on ManagementFirst.com, “today, more than ever, knowledge is the key to organizational success.” How far do you agree with this statement?

Never has there been a more apt example of a statement simple to make, yet far from simple to qualify!

If we were to quickly survey a range of HR professionals, employees would without doubt factor as one of an organization's key assets. However, ask the same managers whether their companies have systems in place to manage and safeguard the knowledge of their staff and we might be faced with some very blank looks indeed.

Part of the problem here is the hysteria surrounding what we now glibly refer to as “knowledge management” (KM). Cited by some as a vital business tool and by others as simply another passing fad, whichever view you take, the fact remains that organizations generate knowledge – and lots of it – every single day. How this

knowledge is employed then becomes a keenly debated issue. What do we need to capture, and why? And, of course, what will all of this cost?

Information Week highlights the challenge succinctly: “The goal is to leverage intelligence, and a price tag simply can't be put on that.” Sadly, it can be convincingly argued that throughout the last decade organizations have blown comparative fortunes on failed KM “solutions.” According to KM guru Karl-Erik Sveiby, one of the biggest problems is that the very term suggests that knowledge is an object that can be “managed”, which is fundamentally wrong and has led companies to waste cash on more or less useless IT systems.

However, there are two sides to every story. Energy firm Schlumberger Ltd reported an

estimated 668 per cent ROI on a \$72 million investment in knowledge management over a period of six years. Also, the Dow Chemical Company claims to have saved \$40 million a year by reusing patents – a classic example of real knowledge in action.

With a mixed bag of results from knowledge management initiatives, it is easy to understand why this area remains blurry. My advice is to navigate through the hype and avoid being seduced by so-called “silver bullet” IT solutions. Remember that there is no substitute for involvement and ownership. Also remember that, as knowledge exists in every other company as well as in yours, it cannot *in itself* create wealth or competitive advantage.

According to Thomas H. Davenport, in the past too many organizations have relied on “hiring smart people and leaving them alone.” Those days are almost certainly over. However, knowledge can only become the key to organizational success if it encompasses a much broader understanding of strategy and people. To borrow from Sveiby once more, knowledge must become a human, not simply a technological, vision.

One of the best summaries comes from KM pioneer Dr Yogesh Malhotra of the BRINT Institute in New York. Eloquent in its simplicity, knowledge is “knowing what you know, and profiting from it.”

Maybe it really is time to get back to basics, after all.

Our resident expert has over 25 years' professional experience in management. If you would like to send him a question, write an e-mail to Web Content Manager Debbie Read at dread@managementfirst.com and the best submissions will be featured in a future issue of *Management Focus*.

Visit www.managementfirst.com and click on “Knowledge Management” for further reading.

Brand NEW volume of the *Journal of Business Strategy*: a gold-mine of practical strategy-making ideas, experience and techniques

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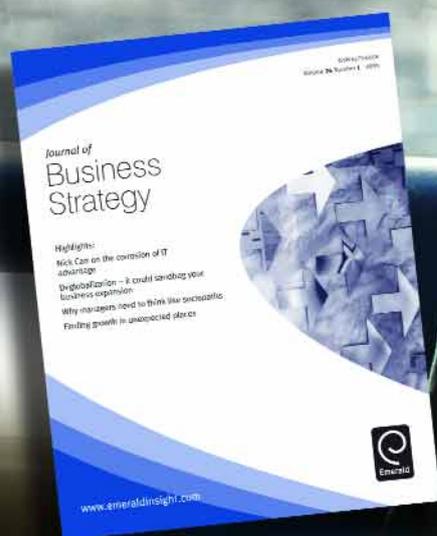
For a start, the Journal is no longer just "a forum for business thinkers to share ground-breaking ideas and best practices" – though it still does that. Its principal aim is to help you – and every single manager in your business – to make better decisions. If that seems like nothing more than a new mission statement – it isn't. The articles, reviews and case studies that we commission, edit and publish are all approached in that light: *Will this piece help readers make better business decisions?*

Here's just one example of a recent article you'll find in the *Journal of Business Strategy* KNOWLEDGE-BASE:

In an article entitled "A short, practical guide to implementing strategy", Michael Allio, strategy consultant, explains why so many strategic initiatives fail (57 per cent of senior operating executives interviewed for an *Economist* survey said that their firms were unsuccessful at implementing strategic initiatives). He then describes a three-phase strategy implementation tool – including a step-by-step guide to adapting and using it – which can be most effective in the critical few weeks immediately following the selection of a new strategy.

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Final thought ...

“The Internet can be a huge contributor to an enhanced customer relationship. But it can also, as is true for any other channel of customer contact, weaken and jeopardize the connection.”

William J. McEwen

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