

TQM Practice and Institution Innovation in China

Prof. Neng-Quan Wu

Director of Enterprise Management Research Centre, Sun Yat-Sen University, Guangzhou, China

Dr. Shu-Zhi Zhu

Lingnan College, Sun Yat-Sen University, Guangzhou, China

ABSTRACT

Quality is the language which helping product enters the world market. TQM, instead of traditional management, has been growing into the management mode of modern company. In last 10 years, TQM has made great progress in the whole world, but it did not get significant achievements in China. Although the exports from China always keep the image of “cheap and good” in international market, the qualified ratio of products calculated in domestic market is only around 75% and inferior and fake products are often exposed. Therefore, China needs to learn from the TQM experience and practice of advanced countries both in micro and macro field. The process from traditional management to TQM is based on not only corporate technology system, but also on social and institutional system. Our conclusion from China’s case is that the international competitive advantage of individual company came from excellent product quality, the excellent product quality is based on excellent TQM practice, and the excellent TQM practice rooted in whole country’s macro institutional system. Now, China is still in the stage of transforming public-owned-dominated planning system to individual-owned-dominated market-oriented system. There are many political and economic and social institutions and their policy, regulation, even ideology need to be innovated. Only by doing this, China’s companies could follow the foreign partner’s step, set up their long-term strategy and share profit with their employees and implement TQM completely to improve their international competitiveness.

Key words: TQM, Institution Innovation, China

1.0 Introduction

Product quality plays an important role in accelerating export growth In China. This achievement is due to Total Quality Management (TQM) practice in China. However, according to the data from the newspaper, the quality of domestic company’s products sold in the domestic and international market is different, the former’s qualified ratio is usually lower than the latter’s. The question here reveals that China’s companies can not implement TQM completely due largely to their macro institutional problem, not their micro technology or small-size problems.

2.0 TQM Practice in China

2.1 Implementation of TQM in China

The American quality experts asserted that, “TQM is a people-oriented management system, which aims at making customers satisfy continually by cutting cost continually” (James R Evans 2004), therefore TQM is popular in enterprises of different countries. Comparing with the foreign advanced enterprises, China’s domestic companies implement TQM in a fast and short-cut way, instead of a steady and holistic

way, because there is no suitable environment to compel companies to set up a people-oriented management system.

- (a) In late 70's of 20th century, TQM was first introduced and adopted among the China's domestic companies.
- (b) From 80's to 90's in 20th century, China paid attention to and started to carry out the implementation and certification of ISO9001 quality management system.
- (c) At the beginning of the 21th century, China introduced "5-S quality environment system, Six Sigma management system, and business excellent model based on the Baldrige National Quality Award model successively.

2.2 The Dual Phenomenon of Product Quality in China

(a) Dual phenomenon of product quality

On the one hand, because of the low cost and price and high quality, the products made in China sold in the international market has faced an increasing cases of relating to foreign anti-dumping sue, either in products or in regions. As the statistics from the WTO indicated, the number of anti-dumping investigations and anti-dumping measures taken by the members of the WTO is in a decreasing trend in the second half year of 2005. On the contrary, China is exposed to the most anti-dumping investigations and anti-dumping measures amongst all members of the WTO.

On the other hand, the quality in domestic market is deteriorating. The qualified ratio of many products, consisting of the basic necessities of life and medical treatment products, usually hovers in about 75%. The "inferior products" appear again and again. As the recent reports said, the Big Bridge of Hangzhou, claimed to be the longest in the world, is jerry-built. This made people think about the quality problems in home market once again. Recent years, multinationals also have certain problems in the product quality in China market, for example, Sudan Hong incident, and so on. In a word, TQM made a big progress in the past 10 years in worldwide, but in China, TQM has not taken a striking performance as a whole.

(b) Why Poor Quality?

Why are there so many domestic companies without long-term strategy and employee-oriented quality improvement policy in China? Though the quality is the basis of the enterprise's development, why TQM cannot be implemented completely in china? Why TQM cannot show its striking performance in china? What are the factors prevent traditional management into TQM? Are China's enterprises learning TQM from foreign advanced enterprise successfully? Each enterprise implementing TQM in China should give sufficient attention to that questions mentioned above. Otherwise, TQM practice cannot strengthen China enterprises' competitiveness by improving their product quality.

2.3 Obstacles of Implementing TQM in China: Defects in Institutions

Experience shows that, the world competitive power comes from superior quality, superior quality comes from superior TQM, but, where does superior TQM come from? An answer is to be found in this paper: superior TQM comes from institution innovation. The obstacles in TQM implementation in China is not the problem in technological system but in institution level.

Firstly, although the results of the research show that, the quality of the products from big business are usually better than that from small business, we don't think that scale of the enterprise is the

cause of inferior goods. In fact, there is no causal relationship between the scale and the quality of the products or services, and high-quality goods in small business are everywhere.

Secondly, whether the technology or equipments is advanced can influence the quality of the products? Generally speaking, the quality problems in China's market are not arisen from technology or equipments. The answer is that: even in listed companies and multinational companies which usually own advanced technologies and equipments, quality problems still exist.

In this paper, we assert that the universal quality problems in China's market seem arisen from that managers are anxious to success and pursue profits, at the expenses of institutional quality problems.

- (a) When it was at planned economy in China, the quality of the products and the projects is guaranteed although the enterprises are short of efficiency. Therefore the consumers set their hearts at ease when buying, eating and living. Unfortunately, after the reform of the market-oriented, the problems of products and projects has been more and more serious, this explains that system-transfer is one of main causes. During the period of the system transfer, uncertainty of the market environment has increased greatly, so it confirms the idea that being anxious to success and pursue profits held in quite a part of entrepreneurs (Liu, 2011).
- (b) The quality of the products is the barometer of the market. The qualified ratio of the products matters much with a perfect market. Why is the quality of the exports guaranteed, at the same time, the products sold in home market have serious quality problems? Why do the inferior goods from multinationals only appear in China's market? Obviously, imperfect market created a chance for inferior goods. From this standpoint, at present, the key to promoting the implementation of TQM in China's enterprises is not in the enterprise link, but in the external market environment.
- (c) For the negligence of the department for supervising, the punishment for inferior goods is so slight. It is also the main reason for frequent quality problems. As is proven, quality problems always in a high level has a casual relationship with the negligence of the department for executing, undemanding executing and defects in supervising institutions. In recent years, the investigations of the fake medicine incidents indicated that fake medicine even hurtful medicine actually hid a huge part of malfeasants. After investigation, it was found that many high-ranking governors drop the reins of government. It is obvious that medicine incidents have an inevitable relationship with corruption, and the direct cause is power corruption. Thus, a great lag in reform of administrative approval system is the root of the problem.

In short, the first important thing for implementation of TQM in China's domestic enterprise relies on institutional innovation. Otherwise, quality management and TQM is just becoming a slogan and propaganda, meanwhile it may bring forth a greater waste of resources because quality management also needs large numbers of manpower, material resources, and financial resources.

2.4 Institution innovation: The Premise of Implementing TQM

The transforming from traditional management pattern to TQM is not easy. The quality of products or services does not only attribute to maturity of technology system, but also to constructed and perfected society system and institutional system. System Inertia is the most troublesome obstacle among kinds of thinking inertias in China's enterprises, and it is also the most troublesome obstacle to put TQM into practice. So, for China's enterprises, the institutional condition of TQM being implemented is more important than its technology condition.

Firstly, the reform of administrative examining and approval system should be in agenda, so that protecting private property right can make a big progress administrative examining and approval system. Property right institutions are the baton for management actions of enterprise. Effective administrative examining and approval system is the necessary for normalizing market bargaining. Without these, the market and efficiency will be jeopardized. Simplifying procedures of administrative examining and approving, forbidding crossed rules of examining and approving from functional agencies of government, canceling the constraint of industry entry and license institution for some projects approved and admitted by industry policies, normalizing and diminishing processes of examining and approving for projects proceeding in examining and approving, and afterward supervision and management and its duties should be strengthened and assumed. All aspects mentioned above construct the main content of institutional reform.

Second is to strengthen enterprise's certification institution and perfecting entry into market institution.

Thirdly, perfecting the rules of market, punishing inferior products severely, and shaping the system of "good currency wipes out bad currency" are becoming more important than ever.

Fourthly, perfecting technology system of enterprise and enhancing the update of equipments in enterprise. To be sure, the improvement of quality comes from enterprise's efforts, so TQM will not get practical progress if there are no organization reform, process re-constructed and improving leadership, from a micro-technology view.

3.0 Conclusion

- (a) Our conclusion from China's case is that the international competitive advantage of individual company came from excellent product quality, the excellent product quality based on excellent TQM practice, and the excellent TQM practice roots in whole country's macro institutional system.
- (b) The analysis of TQM practice and dual phenomenon of product quality in China tell us that the macro institutions seriously prevent China's enterprises to implement TQM strategy effectively.
- (c) These institutional factors include that China needs a set of legal system to protect private property, which influence the enterprise to set up a long term strategy. Without this kind of strategy, enterprise can not implement TQM completely. Government officials dislike give up their interference actions and prefer to try every way to make use of the power to chase after their self-interest to public and even national fortunes. Under these conditions, enterprises have to lobby the officials instead of implementing TQM. Industrial policy and its related preferential treatment discriminate domestic private companies, resulting in a shortage of research fund and motivation to do R & D work by themselves. Moreover, public and communist party's dominant ideology do not favor rich people and entrepreneurs. As a result, most of them choose to go abroad with their money and then come back as a foreign investor. Under this situation, the leaders of these enterprises will not be motivated to cultivate their employees, and in return they do not pay more attention to TQM.

References

- Badiru, A.B. (1990), 'A System Approach to Total Quality Management," Industrial Engineering, 1990, March , p.33-36
- Grgory H. Watson (2001), "Cycles of Learning Observations of Jack Welch" , Six Sigma Forum Magazine Vol 1, November 2001, pp13
- Harry J. Levinson and Chuck DeHont (1992), "Leading to Quality" ,May 1992, pp55
- Ho K. M. Samuel (1999), " TQM : An Integrated Approach ", School of Business Hong Kong Baptist University Press.
- Liu, Songbai (2011), "Research on the function of leadership in quality management of Chinese SMEs", in *Sustainable Development through Innovation, 15th International Conference on ISO & TQM, Malaysia, 26-28 July 2011*, APBEST Academy & UNITEN, pp 125–126 & CD, available at: www.hk5sa.com/icit
- Song, Yanjun (2004), TQM, ISO 9000 and the Quality Management of Service Industry, Publishing House of Machinery Industry, 2004

Authors' Backgrounds

Prof. Neng-Quan Wu is the Professor and Director of Enterprise Research Institute, School of Management, Sun Yat-sen University, Guangzhou, China. He is an expert in Human Resource Management and International Business and Chief Consultant of Consultant Company.

Dr. Shu-Zhi Zhu is the Associate Professor & Director of Lingnan College, Sun Yat-sen University, China. Her current research activities focus on Human Resource Management, knowledge management and Enterprises' Growth.