CHAPTER TWO

LITERATURE REVIEW

2.1 Previous Study Review

An organization is established to achieve certain goals or objectives. It has to plan, organize, control, evaluate and lead the work related activities to ensure that all available resources diverted into meeting the organizational objectives. Most planned organizational change follows a somewhat logical and fixed pattern : recognizing a problem, gathering data, making a diagnosis, planning a change action and evaluating the results. Evaluation which attempts to answer the query usually will be derived from some data that among others, may be in the categories economic, human, financial, effectiveness, quality, productivity or sales. Porras and Berg (1978) found only 20 out of 160 organization evaluate their change results through research studies that assessed organizational work and group change.

Bartunek, J.M (1991) found that companies need a particular mind set for managing change, one that emphasizes process over specific content, recognized organization change as a unit by unit learning process rather than a series of program and acknowledge the payoffs that results from persistence over a long period of time as opposed to quick fixes, this mind set is difficult to maintain in an environment that presses for quarterly earning, but we believe it is the only approach that will bring about successful renewal.

Cummings and Worley (2001. pp174) states that Institutionalization involves making a particular change a permanent part of the organization's normal functioning. Its ensures that the results of successful change programs persist over time.

Quality gurus such as W.Edwards Deming, Philip Crosby and others have long advocated the positive relationship between productivity and quality performance. Deming's assertion is that as quality improves, cost decrease because less rework, fewer mistakes and fewer delays. Although accepted, Deming's philosophy has its skeptical fact, many organizations pursue quality and productivity management practice in an independent fashion . the traditional view is that high quality levels result in increase production cost, higher prices and therefore reduce productivity Milflora (1997. pp429)

According to Grant, Shani and Krishnan (1994. pp321 - 332) quality is a process of perfection that has intrinsic value, a quality product is a work of art in a sense that it embodies the human quest for perfection. On the other hand, defines quality as the satisfying or delighting of the customer need. Quality is also multidimensional, quality in manufacturing can be described as per below :

- performance – a product's operating characteristics, features, reliability and so on
- conformance – the extend to which physical and performance characteristics of a product match per-established standards
- durability
- serviceability – the extend to which one has the ability to repair product quickly and easily
- perceived quality

service quality, although not as easily quantified and measured as per manufacturing quality, can be defined in terms of the following dimensions.

- Time – how much time a customer wait
- Timeliness – the extend to which a service will be performed as per promised
- Completeness – the extend to which all items in order
- Courtesy – the extend to which front line employees greet each customer cheerfully and politely

9

- Accessibility and convenience – the extend to which service is easy to obtain
- Accuracy – the extend to which the service is performed right at the time
- Responsiveness – the extend to service personnel react and resolve unexpected problems. Lindsay and Pertrick (1984)

The considerable direct and indirect cost of achieving ISO 9000 registration has been justified in terms of such benefits as management commitments to quality, operational savings and developing new business, particularly in international market. Both market and firm level studies have investigated the realization of such benefits. From the market standpoint, the reaction of 252 US firms stock price to the announcement of ISO 9000 registration was examined by Docking and Dowen (1999), the market reacted positively to registration announcements by small but not larger companies. Two interpretations are that first, larger, well known companies do not need an external signal of quality, and second the markets expects the costs and benefits of registration for larger companies to balance each other out. Three firm level study provide interesting findings, a study of 316 Norwegian companies found that operational aspects of performance(reject rates, complains, cost reduction) were enhance in ISO 9000 registered companies. However market position and competitiveness was less stronger related to registration, leading Sun (1999) to conclude that some companies view ISO 9000 registration as an end in itself rather than a means to help achieve TQM.

Lee and Palmer (1999) draw the same conclusion – particularly to small companies from their research on ISO 9000 registration in New Zealand Companies. A third study of ISO 9000 registration and business performance in the US electronics industry presents mixed results. Simmons and white,(1999) in support with the adoption of ISO 9000, the study found that on average, ISO 9000 registered companies were more profitable than non registered companies.

However the notion that standards act as a means of improving operating performance and sales not be supported by the data.

Communicate and co-ordinate all activities is a guiding principle which is vital to a success of any quality system, its purpose in the workplace is to enable the employee to have the information need to perform their work best. Stamatis, (1994, pp 48-52), according to Gatchalian. (1997 pg 429-433) if there are barriers to communication, people will be prevented from accurately conveying the much needed information to perform well. Besides, for one to weave-in fully into an organization's business process, one should first have to know the company's values and behavior expectations. One needs to understand the expectation of people whom he/she deals with to have the work done. Not only should company goals and directions be adequately communicated, they must also be co-ordinated company wide.

Commitment

Everything starts with a committed and passionate leader of the business organization. A leader who is really committed to making fundamental changes. Without that very little else is possible. Porter and Parker (1993, pp 13-22)

Commit and co-operate towards continuous improvement is expected to be the guiding principle for everyone from top-down in the organization. Ingredients for successful implementation of quality system require, first and foremost management commitment and leadership. Ramirez (1993, pp. 38-40) downwards to all employees. This emphasizes the need for a shared company mission/vision which allows employee to focus and align their direction towards common goals.

Oakland and Porter (1994) highlighted that one of the responsibility of senior management at the outset of introducing a quality system is need to set up a

11

defined quality organization structure in order to create a framework which will enable quality improvement to develop and flourish .Juran (1991).

Oakland and Porter recommended that every senior manager should be at least one committee, and believes that this provides the top-down support for full employee participation, through either a quality improvement team or quality circle programme. The committees control the quality improvement teams and assist by selecting projects, appointing team members, themselves cross functional are brought together to tackle and solve specific problems on a project basis.

Kanji (2000, pp. 979-98) found the importance of senior management commitment in making standards "work" and of employee buy in as a barrier to implementation.

Training

Training is forever emphasizes the urgency of enlightenment as a means towards achieving continuous empowerment. Quality education at all levels in the organization become imperative as the quest for empowerment heightens. It must be emphasized, at this point involves sustained education and training senior executives about quality management. Gatchalian, (1997. pg429-433)

Reward Allocation

Crossby. (1989) considers recognition as one of the most important steps of the quality improvement process. Many other authors also talk about recognition and rewards as being part and parcel of a well defined quality process.

Titman and Callium (1991), in discussing the experience of Exxon Chemicals Ltd UK, see reward and recognition as an essential element of the TQM process and a prerequisite to achieving and maintaining a corporate culture which embraces the total quality process. At Exxon, both reward and recognition system are in place. The reward mechanism comprises an across the board salary increment and individual merit awards. Those who behavior is in line with company

business needs are made known to management and encouraged. Individuals who succeed in establishing the desired behavior and results are provided with higher benefits. Rewards do not have to be monetary, Health (1989, pp. 51-59). Employees are motivated by different kind of things and organizations need to ascertain in each what these are. A system where employees cannot have direct impact on the achievement of the goal will cause frustration and a lack of identification with the goal, Johnston, C.G (1991).

Team Work

Team work is a critical element if ISO 9000 is to succeed Bank, J. (1992). teamwork promotes a bottom up thrust for quality improvement Health, P.M (1989, pp. 33-37) and delivers synergistic enhancement for quality efforts Reeves, C.A (1993, pp.41-44).

Successful organizations are run with teams – for improving quality, for introducing new processes and products. Compared to employees who work individually, effective teams tend to have pride in the job and the company Thigarajan (1997, pp.279).

Getting employees together in groups does not guarantee a successful outcome, member need to work effectively as a team. Organization keen to promote integration through teams create an enabling system which promotes teamwork and eliminates barriers to successful performance. Florida Power & Light Company employees are trained on how to work in teams and have officially been given the responsibility ad authority to form natural teams as they see fit. Thiagarajan (1997. pp 280)

Quality system implementation problems

Walker (1992, pp. 473-8) cites the definition of empowerment as the "process of enhancing feelings of self-efficiency among organization members through identification of conditions that foster powerlessness and through their removal by both formal organizational practices and informal technique of providing efficacy information. Some cause of failure in implementing quality system are. Gatchalain (1997. pg 429-433)

1. resistance of top management
2. erratic quality programme implementation
3. jolting but unsustained enthusiasm for quality system
4. communication management strategies not in place
5. teams for quality improvement not functioning effectively

Resistance of top management to educate themselves regarding quality system has been generally observed. Many among the top management resist getting themselves educated about managing improvement Sinclair and Collins (1994, pp.19-29) and this usually results inadequacy of leadership. According to Juran (1998), upper management's limited experience and training in quality management are a major obstacle to their active participation in the company's quality implementation efforts. Gatchalian,(1997. pg 429-433).

14

2.2 ISO 9001 MODEL

In the system of world activity, an entity is required to work out a particular conceptual as its boundaries Checkland & Scholes, (1990). The ISO 9001 is one of the formal system concepts that can be used as a guide for this study. Standards are documented agreements containing technical specification and other precise criteria to be used consistently as rules, guidelines, or definitions of characteristics, to ensure that materials, product and services are fit for their purpose. The value of the formal systems model is that it enables questions to be framed and allows the influences of the model on the environment to be measured by taking into account the system's activities.

The ISO 9001 system is about evaluating how and why things are done, documenting how things are done and recording the results as a means of performance indicator. Implementing of this system will not automatically lead to improvement of work flow processes or produce quality products. However the system should be used as a means for having a more systematic approach to the business or activities done.

In general, ISO 9001 specifies requirements for a quality management system for any organization that needs to demonstrate its ability to consistently provide outputs that meets customer and applicable regulatory requirements that is aimed to enhance customer satisfaction. The ISO 9001 offers standards development procedures which are open and transparent. The ISO system has a strong capacity to resolve differences. The standards represent the best possible consensus between all affected parties on the technical requirements needed to facilitate exchange of goods, service and ideas among the peoples of all nations. The system specifies twenty one systems requirements that need to be incorporated in the organization in order for it to be fully effective and efficient. As such, assessment on an organization's current system in comparison to the

15

systems requirements of ISO 9001 will be valuable for improving and maintaining its performance.

Because of its increasingly widespread acceptance, ISO 9000 is becoming important factor in international trade, almost an imperative for company that export to European Union, wherein many cases buyers expressly require ISO 9000 certification Agus and Abdullah (2000). Independence large company such as Corning, Exxon Dupont and etc, which operate in different countries, have initiated vigorous company programs in order to implement these standard at their operating sites. Moreover, numerous large government purchasers including Ministry of defence UK and Singapore, NASA and the U.S food and Drug Administration (FDA) have ISO registration as a requirement for their large contract suppliers Robins, (2001).

The success of ISO standard is still growing, and it is internationally to note that, up to the end of December 1998, at least 271,966 ISO certificates had been awarded in 143 countries worldwide. This is an increase of about 50,000 certificates over the end of December 1997. ISO 9000 is becoming a critical factor for company involved in manufacturing and service. But is this popularity due to the fact that certification can effectively, contribute to improving firm's performances, or is it merely fashion that will soon be overtaken by new developments. If certification offers a tools that can reinforce competitiveness which performance are most affected by it. Can certification be used as a means to effectively improvements by any type of firm itself, or does it have different effects depending on the size of the firm itself, on the sector, or on the level of exportation of the firm.