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# Case studies

## Co-ordinating change through continuous improvement

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### Abstract

The co-ordinating nature of the European Foundation for Quality Management (EFQM) model for business excellence means that it can provide a clear framework for those organizations seeking business excellence and also for those introducing change programmes or that have a number of improvement initiatives under way. The model has the ability to link new and existing programmes, aid and co-ordinate their roles, and focus their impact. The role of the EFQM model is examined in a case study setting in the context of its introduction on an incremental, unit-by-unit (or peripheral change) basis in a large mature service organization with an established strategic process.

### Introduction

This paper examines the initial experiences of an organization introducing an organization-wide change that will create impacts in terms of its operational and strategic functioning. This coincides with an already turbulent environment which is the result of the dynamics of the industrial sector and the changes that have occurred with the organization in recent years.

The need for change and the choice of continuous improvement is discussed, the method of change introduction reviewed, and the early stage impacts are examined as part of the initial analysis of this longitudinal study and are presented in a narrative format.

The co-ordinating nature of this change initiative and importantly the “natural” incremental method of change in this instance provide an interesting scenario.

### Servcom

The company involved in this research (which will be referred to as Servcom) is a large, mature, service organization with an established strategic process. Servcom has essentially three elements to its business model; namely wholesale, distribution and retail operations. Working within and between these elements are a number of business units.

Servcom currently has a major market share in its sector; however, in recent years there has been an increase in competition due to new entrants to the marketplace, the threat of substitutes and greater bargaining power on the part of the buyer. Due to this changing environment Servcom over the last few years has undertaken a significant re-evaluation of itself in terms of its structure and processes. These changes were still in the final stages of implementation when this research began and the adoption of the European Foundation for Quality Management (EFQM) model was decided on (Finn and Porter, 1994; Ghobadian and Woo, 1996). Therefore, it is in this changing and uncertain environment that this initial review of Servcom is set.

### The case study

Servcom wishes to develop world-class performance methodologies throughout the key aspects of its business, driven through the EFQM model. This represents another

significant period of change for Servcom, since it is not only introducing a new set of methodologies but indeed a new business philosophy, and so it will experience changes not only in terms of its operations but also in terms of its approach to its customers.

This provides a unique opportunity to monitor and analyse the actual dynamics involved, from a strategic perspective, when continuous improvement and self-assessment are implemented into a large strategically aware organization. So the reasons why key decisions are made at these initial stages can be explored and the strategic reasoning and the true view of continuous improvement and its application can be examined.

To achieve this a case study was established to be carried out on a longitudinal basis involving observational research and in-depth interviews with a range of those involved in the change process including; the change agent, facilitators and functional (business unit) managers.

As this research develops the opportunity will arise to evaluate to a greater degree the impact of continuous improvement at corporate strategic level. Currently evidence exists of an ambiguity in regard to the role of continuous improvement within the corporate strategic process. Kaye and Dyason (1995) concluded that quality management in many cases did not permeate the strategic process and this was supported by Morgan and Piercy (1996) who found that quality was not used as part of an overall strategy.

There is then a need for an evaluation and clarification of the role of continuous improvement in relation to corporate strategy with particular reference to prior research such as that of Tillery and Rutledge (1991) who discussed the quality-strategy connections as well as Madu and Kuei (1993) and Feigenbaum (1982) who described integrated strategic quality management. Indeed the argument of total quality being of an integrative, Garvin (1988) or holistic, Wilkinson and Witcher (1993) nature would also need to be reviewed.

### **The need for change and the role of the EFQM model**

The Chief Executive of Servcom has the view that the organization needs to adapt and change, and indeed over the last few years a number of changes have taken place. From

this experience of managing within this environment came a realization of the need for a more formal, planned and co-ordinated approach to continuous improvement.

“The view was that we knew we had to change the culture, we had to change the role of people in the organization, we knew we had to change the processes in the organization so...we needed something that would pull all of that together and allow us to actually achieve things on the ground in a way that managers and staff could relate to” (change agent).

Servcom required something that would “allow the management of quality in the business rather than having it as an entity in itself and with the focus on business improvement”. As the change agent stated, “we wanted...to find an approach to quality that would allow us to drive the business performance forward...in addition to that we had a lot of things going on in the company...we didn't want to disregard what we had or alienate the people who were promoting these things, we wanted something that was fairly embracing...the European model for business excellence...gave us the overview on the business which we needed, it gave us the strategic direction, it allowed us to place into that framework things we were already doing or planning to do.”

Primarily, Servcom wanted to achieve, through continuous improvement, standards of performance which in its view are critical elements in determining its quality of service. But from a more strategic perspective the organization has recognized the need to be more proactive in relation to its competitors. Part of doing that is being able to prove to customers and clients, the company's “credibility as a provider of a service, credibility as a quality company...our current standards of performance our current quality management...would all be issues which would be influential...it is important to have a clear, well-ordered professional approach to how we actually manage...That management competence in a sense is really what we are looking to sell” (change agent).

The view from the functional level is that the introduction of continuous improvement will allow Servcom to “compete with the best within the service industry...to treat customers and suppliers with the right attitude, in order to do that we need to say OK where are we focused, in getting our day-to-day work

done regardless of the effect it has on others or do we want to make sure that the way we work takes into consideration our links with other people?” (functional manager).

The facilitators related similar reasons for Servcom implementing continuous improvement, referring to the “tremendous business pressures” that Servcom is facing, “the need for a structured approach to continuous improvement, the need to have some measurement mechanism”.

As one facilitator put it, “the general objective is to adopt a more professional approach to how you manage quality throughout the organization, what rigour do you build in to the way you assess current performance, act on areas for improvement, measure resultant improvement?” In relation to resultant improvements another facilitator pointed out that the initial driver was “internal efficiencies”; however, “I think that the actual introduction of the self-assessment and focus on the European quality model has brought the customer very much into focus.”

### **The facilitator/change agent structure**

Servcom has over the years used the services and expertise of a number of consultancies. The recent experiences of consultancy influence during a re-evaluation of Servcom’s business processes, led many to conclude that often the consultancy had learned and achieved more during the process than Servcom itself. In that case Servcom went on to build up its own expertise in the field due to its own hands on experiences of analysis and implementation emphasizing to management the added value of retaining control at this level.

Therefore, when the EFQM model was accepted as a structured approach to introducing continuous improvement it was recognized as essential that Servcom retain control and ultimate responsibility of implementation and therefore, ensure that Servcom itself would be creating, guiding and implementing its own form of continuous improvement. However, Servcom had limited experience and expertise of the EFQM model for business excellence and the various tools and techniques that would be required and so an alternative to consultancy was required. It needed to tap into a source that would help it to acquire a critical mass of knowledge relatively quickly but that would provide a value

added service and support. Servcom approached the Ulster Business School (UBS).

The UBS which had a strong track record of long-term partnerships with industry focusing on knowledge and technology transfer, was also a centre for quality management research and training, in successfully introducing TQM and the EFQM model into various industrial settings and establishing lasting industrial relationships. A partnership was established between Servcom and the UBS to guide the introduction of continuous improvement with the UBS providing the expertise, training and advice.

It was from this partnership and structure that the roles of facilitator and change agent were formulated. The UBS representatives facilitated the Servcom initiative supporting the change agent who worked within Servcom. The change agent is responsible not for delivering quality but rather the co-ordination of the methodology, tools, techniques, discipline and support for the line managers in each of the business units to do exactly that.

“My group is small, I have three staff, our role is to be internal consultants, facilitators working with the line people.” This ensured that managers and staff received ownership and responsibility for quality and did not have the false impression that a central quality unit would “deliver quality”. This also encouraged a greater dissemination of information and work to the various company locations.

### **Peripheral change**

Servcom has opted to introduce continuous improvement through a sub-unit by sub-unit approach rather than across the organization in a whole scale approach. Evidence suggests that change often evolves naturally from small or sub-units on the periphery of an organization in this manner, when a small unit perhaps due to its innovative nature, tries out a new practice or methodology, and achieves success. This experimentation when seen as successful, is often adopted unofficially by other units and generally more successfully, as they have learned from the mistakes of the initial introduction and experimentation.

Change is often initiated in this way by small units which do not have the problems of widespread locations or large numbers of staff with which to cope in co-ordinating change, and since it is informal it is low cost. In other words “change spreads step-by-step through

the emulation of success, with initial success often stemming from new behaviours and approaches discovered to solve business problems” (Doz and Thanheiser, 1993, p. 299). So Servcom is actually using a natural method of change introduction and development.

As pointed out earlier this form of piloting and experimentation allows decisions, in terms of the expansion of an initiative, to be based on the success of a pilot unit. So the success of continuous improvement in Servcom’s sub-units will directly influence senior management as to its potential, therefore, the ultimate strategic impact of continuous improvement initially rests with these pilot units.

Actually Beer *et al.* (1990) are of the view that when such peripheral change is successful at the peripheral level, that unit may wish to develop the initiative further of its own accord. So a critical point can be reached at which the CEO must be willing to transform the company to allow alignment with the new practices that have been successfully developed at the periphery. Although certainly management have the prerogative not to introduce and invest in continuous improvement if they feel it has not been successful at the experimental level, they must have enough initial commitment to drive and implement change if successful and not waver until the momentum is lost.

### **Introducing the EFQM model via peripheral change**

Due to a bad experience in attempting a large scale change in the past there has been a natural tendency within Servcom to move cautiously in this instance. The CEO’s “approach would be that we would rather light small fires around the company than try and do one blaze of glory...we are going to do it bit by bit and we will change the culture by doing it rather than saying what we are going to do” (change agent).

Since this is a large organization with diverse aspects of work, “to try and take on all those things at once and match your quality programme to all those different sets of requirements is going to be too difficult” (change agent).

In the case of Servcom we had to “play a more softly softly incremental approach because quality is an emotive word and there

has been so much tied up with change programmes” in recent years, so that this continuous improvement needs to prove itself in providing results and gaining the confidence of the staff and so not be seen as simply “another initiative” (facilitator).

Therefore, a pilot approach was established. That is, developing continuous improvement at peripheral aspects of the organization or business unit by business unit. Working initially with individual business units, a number of quality tools and techniques could be piloted, “one part of our approach in one area, pilot another one in another area and in the next turn of the wheel swap them around so to speak and accumulate all the time” (change agent). This allows the experience from one unit to be transferred to the next, the rotation of techniques creates an accumulation of experience and provides a testing of techniques throughout the company.

While five units had been initially identified for involvement, the greatest focus has initially been on two of these units. The first business unit to adopt continuous improvement and use the EFQM model was the smallest, and it began with self-assessment. “It is compact and self-contained and we had all their buy in” (facilitator).

### **The approach**

“We came up with a...two-pronged approach, we needed something from the top down that would give us a planned co-ordinated way of tackling the problem by breaking the problem down...which would give our management team and staff the confidence that, yes this is something that is on here...but at the same time we wanted something at the bottom of the organization so that people would feel involved in something different so that the culture change would come from the ground roots” (change agent).

The general approach to the introduction focused initially on the two key business units beginning with preliminary introduction exercises followed by self-assessment training workshops to introduce the management team to the EFQM model and its application.

“What we are trying to do this time is rather than telling everybody that they are going to be a team, we approach them in a quality programme, brief them about quality, use training in quality as one of the new techniques (EFQM self-assessment), as the team

building mechanism, and then have that team carry forward because they are now in a new mode of working so that the experience matches what we taught them before about quality and that fits all the fundamental philosophy of lighting small fires as we go” (change agent).

A team from each business unit was then established and after training used a proforma approach for information gathering against the enablers criteria. This information gathering process allowed each team member to involve other members of the staff right across and down the line and so acquiring a significant amount of information and opinion from a section of the company while simultaneously creating awareness and involvement throughout Servcom.

The strengths and areas for improvement were then compiled, a consensus meeting held and a report compiled for review and validation. The business units then prioritized the areas for improvement while considering in parallel the existing business unit policies. What was created was a new prioritized focused set of policies that subsumed, replaced or reprioritized the previous policies. This resulted in an action plan for implementation. Key managers and teams are currently being assigned to begin impacting on the relative areas for improvement.

### **The unit influence**

Despite this overall framework of induction and training each unit had to be considered on its own merit. “We are not saying here is a whole raft of quality stuff...we take it from business-unit-to-business-unit...we quite deliberately let them influence it.”

The selection of the first unit was primarily based on its size (with 100 staff) and the fact that the unit was based at one location and so it provided a natural pilot unit. They had also “done more over the last couple of years than other units to react to changes that Servcom have had to go through and it was felt that there would be more structure in place in terms of how they have aligned their business objectives” (facilitator).

In addition to the management training a series of lunches were used to ensure that all the staff would have an introduction to the concepts of the EFQM model, its potential impact and to provide the opportunity for questions to be asked.

The second business unit had a staff of 1,000 distributed throughout five locations and so this created a much greater challenge in terms of communication and achieving training. A team was created comprising a manager from each of the five office locations to carry out workshop training and begin the initial scoring process. To ensure that each team would focus on what was meaningful to them, each went back to their own offices and sought help in gathering data which created an active involvement right down the line.

More time was spent on gaining consensus in this unit's case. “We appreciated the need to customize it as best we could in particular due to their disparate nature, so...making the criteria more appropriate to their context” (facilitator).

By this stage the third unit was just entering its introduction and self-assessment training.

### **Early impacts and opinions**

The approach to date, “in my opinion (change agent) has worked extremely well, in their opinion (the unit managers) they are very comfortable with it”. “So far things are going quite well, the perception of the senior managers in the company is that things are going good.”

A facilitator reflected that although there was some nervousness and issues around the rigour of scoring and assessment initially, these were purely natural issues for those just introduced to self-assessment and were resolved through assessment training. “The temperature of the water really did change when we came back having tried to do the initial data collection in terms of identifying the strengths and areas for improvement” (facilitator).

In terms of the reaction of unit staff to continuous improvement and the EFQM model, initially “the staff thought here we go another initiative”. “Some felt that yes there was a method to help put a priority on some things coming through...people felt there are a lot of projects ongoing at the moment and people really hadn't seen a result or there wasn't a lot of those that helped them with their work.”

“These things (the application of the EFQM model) are being piloted to see if we could prove there was a value in doing them, where the process we established was right

before we roll it out to this department. The feeling is we have identified these actions (areas for improvement); some may take a fair length of time, we need to move quickly on one or two, maybe try and gain a quick win in order to say we have been through the process, we identified this, we done this, look now people can see the benefits” (functional manager).

In terms of accepting the introduction of the EFQM model one functional manager explained, “we were conscious that it would be nice to measure ourselves against another part of the organization. EFQM was seen...as the way forward for the company...We had a look at that without making any commitment; we had during the health check been down part of this road (in terms of identifying areas for improvement some months earlier in a unit review), we were comfortable with the findings, the approach to it, and thought yes this is a way to move forward and it was our identification of processes and things that needed to be improved.”

The facilitators also view this “incremental” method of introduction as being successful so far. “It is easier to deliver on a pilot basis than it would on a company-wide basis, massive communication issues when you do it company-wide and you know, the lag time between communicating and getting work started and getting people involved and raising expectations, all those particular issues” (facilitator).

“It has worked well...this approach is much more realistic, so you weigh up each of these sections (units)...we now have something that is fairly tailored...with each group they are getting different bits and pieces to suit their needs as to where they are at and to the type of role they do because...in some respects they are like...different businesses” (facilitator).

Another facilitator pointed out the developmental aspect of the pilot approach, in that it can “develop the structure to see whether it worked, to then be replicated throughout...in terms of self-assessment...in general terms of how you focus the whole structure around continuous improvement activities, what the reporting mechanisms are, what the tools and techniques are”.

#### **Summary of impact and benefits of peripheral co-ordinated change**

- Ease of the introduction of quality.
- Accumulation of experience.

- Change experienced throughout the company.
- Identification of areas for improvement.
- Alignment/prioritization of business unit policies.
- Natural change introduction and development.
- Piloting of new techniques.
- Transfer of expertise.
- Focus on the customer.
- Driving improvement.
- Provision of a strategic framework.
- Team building.

#### **Acceptance of the EFQM model and change**

This is due to:

- Piloting to establish the value of the EFQM model.
- Unit influence in owning and tailoring the implementation to its individual needs.
- Potential direct positive impact on work.

At the time this paper was drafted the first units were preparing to carry out projects on the selected areas for improvement; therefore, considering that implementation is only in its initial stages, reactions have been positive. Currently, “you can see people are more clued in terms of the business imperatives behind this...there is an awareness that they have to be more strategic...the work we are doing here will demonstrate that there is benefit in taking the strategic approach” (facilitator).

However, “the more you go down the road the more people start looking and rightly so for some quick wins, what actually has improved the bottom line...and we see some early wins coming” (facilitator).

#### **Conclusion**

The co-ordinated nature of the EFQM model for business excellence provides a particularly useful framework for many organizations today which have introduced change or that have a number of improvement initiatives under way and as a result are experiencing a confusing environment. The EFQM model can provide a clear framework which links new and existing programmes, co-ordinating their roles and focusing their impact.

With regard to the natural and peripheral approach to change introduction and development; the basic principles which emphasize the creation of a nurturing environment for

change creation, innovation and ownership can be used in any setting. However, for the full application of peripheral change the most practical context is a large decentralized multi-SBU organization or a multi-site business. The application to a small business environment would not be practical simply because the organizational setting would have lost its aspects of peripherality with its diminishing scale.

This longitudinal research will continue to monitor the experiences of the other business units in their exposure to the EFQM model and the overall success of this programme of change. The continued success of continuous improvement in the pioneering units is critical to its ultimate expansion company-wide. It is also crucial that active learning or strategic learning (Franklin, 1996) and feedback is developed between units, especially the pilot units and the units yet to "come on line" to stimulate and fast-track awareness and motivation, and so increase the success of implementation.

It is also essential that the commitment given by the business units is supported and encouraged by senior management, who require an understanding of continuous improvement in strategic terms. Currently the application of the EFQM model has impacted on the pilot units' objectives, but the extent to which it extends towards the corporate level and is incorporated in the decision-making process at that level, has yet to be determined. This represents part of the learning and development of continuous improvement by Servcom and is currently being examined.

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