

Course 08: Importance of customers and suppliers within TQM

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Lectures for second-year Master's students in
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- **Consumer:** According to Philip Kotler and Gary Armstrong, consumers are “**all the individuals and households who buy or acquire goods and services for personal consumption**”.

(Household = a *group of people, often a family, who live together in a house or flat*).

- **Customers** are individuals or organizations who purchase, have purchased, or may potentially purchase a good, product, or service from another business or organization.

- **A supplier** is a person, business, or entity that provides products or services to another entity.

Interdependence Between Customers and Suppliers

In TQM, suppliers and customers are interconnected:

- Customer demands drive the requirements for suppliers.
- Supplier performance affects customer satisfaction.

By integrating customer and supplier perspectives, TQM creates a comprehensive approach to quality, benefiting the organization, its partners, and end consumers.

Importance of Customers in TQM

- **Customer-Centric Philosophy:**
 - TQM is fundamentally focused on delivering value to customers. Meeting and exceeding customer expectations is a core principle.
 - Customer satisfaction is a key measure of quality.
- **Understanding Customer Needs:**
 - Gathering customer feedback helps identify quality gaps and areas for improvement.
 - Techniques like surveys, focus groups, and direct feedback are used to align products and services with customer needs.
- **Continuous Improvement:**
 - Insights from customer complaints and suggestions fuel the continuous improvement cycle (Plan-Do-Check-Act or PDCA « **Deming wheel** »).
- **Customer Retention and Loyalty:**
 - High-quality products and services lead to repeat business and stronger brand loyalty.
 - Satisfied customers are more likely to recommend the business, enhancing reputation.

Importance of Suppliers in TQM

- **Quality of Inputs:**
 - High-quality raw materials or components are essential for producing quality products.
 - Suppliers directly influence the consistency and reliability of the end product.
- **Collaborative Relationships:**
 - TQM encourages long-term partnerships with suppliers to ensure mutual growth and quality enhancement.
 - Collaboration enables better communication, joint problem-solving, and innovation.
- **Just-in-Time (JIT) Production:**
 - Close coordination with suppliers supports JIT systems, reducing waste and improving efficiency.
- **Supplier Development:**
 - TQM involves helping suppliers improve their processes and quality standards.
 - This reduces defects, costs, and risks throughout the supply chain.

Customers and suppliers

- There exists in each department, each office, each home, a series of customers, suppliers and customersupplier interfaces. These are “the quality chains”, and they can be broken at any point by one person or one piece of equipment not meeting the requirements of the customer, internal or external.
- The failure usually finds its way to the interface between the organisation and its external customer, or in the worst case, actually to the external customer. Failure to meet the requirements in any part of a quality chain has a way of multiplying, and failure in one part of the system creates problems elsewhere, leading to yet more failure and problems, and so the situation is exacerbated. The ability to meet customers’ (external and internal) requirements is vital.
- To achieve quality throughout an organisation, every person in the quality chain must be trained to ask the following questions about every customer-supplier interface:

Customers (internal and external)

- Who are my customers?
- What are their true needs and expectations?
- How do, or can, I find out what these are?
- How can I measure my ability to meet their needs and expectations?
- Do I have the capability to meet their needs and expectations?
(If not, what must I do to improve this capability?)
- Do I continually meet their needs and expectations?
(If not, what prevents this from happening when the capability exists?)
- How do I monitor changes in their needs and expectations?

Internal Customers

Internal customers are individuals, teams, or departments within the organization that rely on other parts of the organization to provide goods, services, or support. They exist within the organization and contribute to its operations. Examples include:

- The marketing team relying on the design team for promotional materials.
- Employees depending on the IT department for tech support.
- Managers receiving reports or analyses from the finance department.

External Customers

External customers are individuals, businesses, or entities outside the organization who purchase or use its products or services. They are the end-users or buyers who generate revenue for the organization. Examples include:

- A person buying a product from a retail store.
- A company contracting services from a consultancy.
- Clients subscribing to a software platform.

Key Difference

The main distinction lies in their relationship to the organization:

- **Internal customers** are part of the organizational structure.
- **External customers** are outside the organization and typically provide its income.
- Both internal and external customer satisfaction is crucial for an organization's success, as smooth internal operations directly impact the quality of service provided to external customers.

Suppliers (internal and external)

- Who are my internal suppliers?
- What are my true needs and expectations?
- How do I communicate my needs and expectations to my suppliers?
- Do my suppliers have the capability to measure and meet these needs and expectations?
- How do I inform them of changes in my needs and expectations?

As well as being fully aware of customers' needs and expectations, each person must respect the needs and expectations of their suppliers. The ideal situation is an open partnership style relationship, where both parties share and benefit.

- **The internal suppliers** of an organization are the departments, teams, or individuals within the organization that provide goods, services, or information to other parts of the organization. For example, the IT department supplying technology solutions to the marketing team, or HR providing recruitment services to other departments.
- **External suppliers**, on the other hand, are entities outside the organization that provide goods or services. These could be vendors, contractors, or service providers such as raw material suppliers, software vendors, or maintenance service providers.
- The distinction ensures efficient management of relationships and resources both within and outside the organization.

- **Poor practices**

To be able to become a total quality organisation, some of the bad practices must be recognised and corrected. These may include:

- Leaders not giving clear direction
- Not understanding, or ignoring competitive positioning
- Each department working only for itself
- Trying to control people through systems
- Confusing quality with grade
- Accepting that a level of defects or errors is inevitable
- Firefighting, reactive behaviour
- The *“It’s not my problem”* attitude

How many of these behaviours do you recognise in your organisation?

