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Module: Introduction to Business Management

Level: Second year LMD

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Lecture 03 : Recent trends in Management
(Quality Management)

Objectives :

1. Understand Quality Management Fundamentals
2. Learn Key Quality Principles
3. Recognize the Benefits of Quality Management
4. Identify Quality-Related Costs
5. Explore Levels of Quality Management Maturity

Structure :

- 1- Introduction**
- 2- Definitions**
- 3- Principles of quality management**
- 4- The Importance of Quality Management**
- 5- Quality related costs**
- 6- Levels of Quality Management**

1- Introduction :

Quality management is a fundamental concept in modern business that encompasses systematic efforts to maintain and enhance the quality of products and services.

This area of management involves four core components: quality planning, quality control, quality assurance, and quality improvement, each contributing to creating a consistent and high-quality output.

Key principles, such as customer focus, strong leadership, and continuous improvement, are essential for organizations aiming to meet and exceed customer expectations. Additionally, widely recognized frameworks like Six Sigma and Total Quality Management (TQM) are discussed for their role in minimizing variability, reducing waste, and promoting a culture of precision and excellence.

Quality management also aims to boost customer satisfaction, increase revenue, reduce waste, and encourage collaboration within organizations.

2- Definitions :

Quality management is a principle that ensures quality in a company's products and services

Quality can be defined as "delivery of reliable information within an agreed span of time under agreed conditions, at agreed costs, and with necessary aftercare"

Quality management has four main components: quality planning, quality control, quality assurance and quality improvement. Quality management is focused not only on product/service quality, but also the means to achieve it.

3- Principles of quality management

The principles include:

- a) **Customer focus**, Since the organizations depend on their customers, therefore they should understand current and future customer needs, should meet customer requirements and try to exceed the expectations of customers. internal and external customers are satisfied.
- b) **Leadership**, Leaders of an organization establish unity of purpose and direction of it.
- c) **Involvement of people**, People at all levels of an organization are the essence of it.
- d) **Process approach**, the desired result can be achieved when activities and related resources are managed in an organization as process.
- e) **System approach to management**, An organization's effectiveness and efficiency in achieving its quality objectives are contributed by identifying, understanding and managing all interrelated processes as a system.
- f) **Continual improvement**, One of the permanent quality objectives of an organization should be the continual improvement of its overall performance.
- g) **Factual approach** to decision making, Effective decisions are always based on the data analysis and information.

- h) **Mutually beneficial supplier relationships**, Since an organization and its suppliers are interdependent, therefore a mutually beneficial relationship between them increases the ability of both to add value.

Six Sigma Management Guide

Six Sigma is a business management strategy for improving the operational performance of a business by eliminating variability and waste.

Six Sigma Program Examples

- Total Quality Management Guide
- Quality Management Presentation
- Quality Manager Job Description,
- Equipment Maintenance Log
- The Preventive Corrective-Action Report
- The Smart Vendor Audit Checklist
- Packing List Order Form

4- The Importance of Quality Management

Product quality, Through the use of a quality management program, the company can produce a product that performs according to its stated promises. The will endure normal, everyday use.

Use quality management programs to improve the quality of a product and to design new products.

- a) **Customer Satisfaction**, Conduct customer satisfaction surveys to understand the qualities of the product important to the customer. Also conduct surveys with those who are not the company's customers.
- b) **Increased Revenues**, Quality products and services give the company a spotless reputation in the industry. This reputation allows the company to gain new customers and sell additional products and services to existing customers. A quality management program also removes inefficient processes within the system.
- c) **Reduce Waste**, Companies that house inventory are paying for the storage, management and tracking of the inventory.
- d) **Teamwork**, Quality management systems force company departments to work as a team. Different areas of the company become reliant upon one another to produce a quality product that meets and exceeds the customers' expectations.
- e) **International Competition**, Business competition increases as more businesses operate not only on a national level, but also internationally.
- f) **Organizational Culture**, Introducing quality management into a company's organizational behavior involves modifying the organizational culture inside the company.

5- Quality related costs:

Cost of poor quality/ costs of non-conformance /failure costs.

- a) **Internal failure** - costs the provider incurs directly; prior to delivery to customers, as a result of defective output. Eg. Wasted time,
- b) **Rework costs**; the costs of fixing defective products to conform to quality specifications.
- c) **Scrap costs**: the costs of poor quality products that must be discarded, including labor, material and indirect costs.
- d) **Process failure costs**: The costs of determining why the production process is producing poorquality products.
- e) **Process downtime costs**: The costs of shutting down the production process to fix the problem.
- f) **Price downgrading costs**: The costs of discounting poor-quality products- i.e. selling products as "seconds", repair, bad feelings.
- g) **External failure** - costs to the provider when defects are discovered after delivery to customers and are basically related to customer service.
- h) **Customer complaints costs**: The costs of investigating and satisfactorily responding to a customer complaint resulting from a poor- quality product.
- i) **Product return costs**: the costs of handling and replacing poor-quality products returned by the customer.
- j) **Warranty claim costs**: The costs of complying with product warranties.
- k) **Lost sales costs**: The costs uncured because customers are dissatisfied with poor-quality products and do not make additional purchases resulting in lost goodwill,
- l) **Product liability costs**: The litigation costs resulting from product liability and customer injury.

6- Levels of Quality Management :

- a) **Uncertainty or Dormant**: management has no knowledge of, and/or does not recognize and appreciate quality as a positive management tool. Quality is not an issue and is not discussed at all,they do not feel any market threat and are happy with their income.
- b) **Awakening**: dramatic change in market forces; i.e. loss of market share, reduction in revenue, profits deep, employee morale is low and they are openly disgruntled. Management awakens and recognises that there is a crisis.
- c) **Enlightenment or Groping**: management realises that they have to something in the area of quality. But they lack sound knowledge on quality management. Nonetheless they embark on trial and error methods acquired from seminars and conferences.
- d) **Wisdom or action**: the trial and error methods may fail and management decides to engage formal quality programs for a more effective change; where problems are identified and implemented with employees participation.
- e) **Certainty or Maturity**: full customer satisfaction is achieved through perfect processes in all area of the organisation. Quality programs are applied and at this level, the organisation trains for TQM and gets certified by reputable quality standard organizations.

Conclusion :

Quality management plays a critical role in an organization's ability to succeed in today's competitive global marketplace.

Through the strategic application of quality management principles, companies can reduce inefficiencies, improve customer satisfaction, and embed continuous improvement into their organizational culture.

Managing quality-related costs and recognizing stages of maturity in quality practices are also integral to achieving long-term success.

By understanding these dimensions, businesses can achieve high-quality standards that enhance product reliability, bolster their reputation in the industry, and foster customer loyalty, ultimately contributing to sustained organizational growth.

Summary

1- Definitions :

Quality management ensures the delivery of reliable products and services through effective processes. It focuses on quality planning, control, assurance, and improvement, emphasizing not just outcomes but also methods.

2- Principles of Quality Management

- **Customer focus:** Meet and exceed customer needs.
- **Leadership:** Provide direction and purpose.
- **Involvement of people:** Engage all levels of the organization.
- **Process approach:** Manage activities as interrelated processes.
- **System approach:** Integrate processes for efficiency and effectiveness.
- **Continual improvement:** Strive for ongoing performance enhancement.
- **Factual decision-making:** Base decisions on data and analysis.
- **Supplier relationships:** Foster mutually beneficial partnerships.

3- Importance of Quality Management :

Quality management improves product quality, enhances customer satisfaction, increases revenue, reduces waste, promotes teamwork, strengthens competitiveness, and shapes organizational culture.

4- Quality-Related Costs

- **Internal failure:** Costs before delivery (e.g., rework, scrap).
- **External failure:** Costs after delivery (e.g., complaints, returns, warranty claims, lost sales).

5- Levels of Quality Management

- **Uncertainty/Dormant:** Lack of focus on quality.
- **Awakening:** Recognizing quality issues due to market challenges.
- **Enlightenment/Groping:** Initial efforts to improve quality through trial and error.
- **Wisdom/Action:** Formal programs and employee involvement for change.
- **Certainty/Maturity:** Achieving customer satisfaction and certification.

GLOSSARY

English	Arabic
Quality management	إدارة الجودة
Costumer focus	التركيز على العميل
Continous improovement	التحسين المستمر
Total Quality Management (TQM)	إدارة الجودة الشاملة
Reliabe information	معلومات موثوقة
Involvement of people	إشراك الأفراد
Process approach	المقاربة العملية (الإجرائية)
Factual approach	المقاربة الواقعية (القائمة على الحقائق)
Mutually benficial	منفعة متبادلة
Interdependent	متربط
Variability	التباين
Waste	الهدر
Audit	التدقيق
Surveys	الاستبيانات (الاستطلاعات)
Reputation	السمعة
Storage	التخزين
Inventory Management	إدارة المخزون
Teamwork	فريق العمل
Organizational Culture	الثقافة التنظيمية
Internal /external Failure	الفشل الداخلي / الخارجي
Rework cost	تكلفة إعادة العمل
Scrap cost	تكلفة الخردة
Process downtime costs	تكاليف توقف العملية
Price downgranding costs	تكاليف تخفيض الأسعار
Customer complaints costs	تكاليف شكاوى العملاء
Product return costs	تكاليف إرجاع المنتجات
Warranty claimn costs	تكاليف المطالبة بالضمان
Lost sales costs	تكاليف فقدان المبيعات
Product liability costs	تكاليف مسؤولية المنتج
Litigation	التقاضي

Uncertainty/ dormant	عدم اليقين / الخمول
Awakening	الصحوة
Enlightenment / Groping	التنوير / التحسس (البحث التجريبي)
Seminars and conferences	الملتقيات والمؤتمرات
Wisdom	الحكمة
The trial and error methods	أساليب التجربة والخطأ
Certainty / maturity	اليقين / النضج