



Planning the Strategy of Quality

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Instead of worrying about the future, let us labor to create it!

Hubert H. Humphrey

I. Introduction

As a milestone to achieve the Millennium Development Goals¹, 2015 is approaching while periodical reports reveal that most countries remain far from such achievements. In fact, the situation is bound to deteriorate worldwide with moving financial disasters, rising fuel prices, prevailing food crisis, worsening environmental conditions and ongoing conflicts. Issues of health, safety, and security are universal challenges as well. Other issues that are not restrained by geopolitics or national territories include organized crimes, smuggling drugs, people migration, epidemics, to name a few.

A wave of hope invaded all of us last year, but many decades might pass before the full picture of the "Arab Transition" becomes clear. Nevertheless, the current movements carry positive effects as citizens find self-confidence and confidence in others, a cornerstone to the ability of cooperation towards a free and dignified future.

Some may wonder why highlight these phenomena while addressing an Excellence or a Quality forum. In my view, if poverty, unemployment, disparities and exclusion, being the deep roots of the social and political disturbances are not addressed, concepts such as quality, strategy, competitive advantage, synergy, and social responsibility sound like a cry in the wilderness.

Accordingly, my current preoccupations are not out of context in this setting. On the contrary, "a crisis should never be wasted." Whenever it difficult to comprehend and manage change it is the time to think the unthinkable. Difficult times invariably carry along unique opportunities.

From this perspective, the themes of "Towards Excellence II" forum sound timely and relevant. Researchers, experts and policy makers continue to develop scenarios and approaches to respond to the ever-growing scope of challenges. Many suggest that excellence is achieved by building quality into the people (People-oriented Quality Strategy). Others use models like the "4Ps" (People, Partnership, Process, and Product). Concepts of sustainability and innovation cut across proposed policies and strategies. In my view, and in a context characterized by limited resources, governments and organizations have to adopt some Cost Managements Strategies. This is what I will explore here today giving a particular attention to the Activity-Based Budgeting. I will conclude by presenting my comprehensive synergy model.

¹ Following a summit organized by united Nations in 2000, the selected targets to be met by 2015 are:

- 1- halve the proportion of people living on less than \$1.25 a day (at purchasing-power parity);
- 2- ensure all children complete primary school;
- 3- educate boys and girls equally;
- 4- reduce the mortality rate among children under five by two-thirds;
- 5- reduce the maternal mortality rate by three-quarters;
- 6- halt and begin to reverse the spread of HIV/AIDS, malaria and other major diseases;
- 7- halve the proportion of people without access to safe water and sanitation;
- 8- increase aid and improve governance.

II. Cost Management Strategies (CMS)

CMS concept is characterized by its proactive role in planning, managing, and reducing cost before the costs are incurred as opposed to simply reporting cost. This approach assures the continual improvement in eliminating non-value added costs. It addresses activity accounting for traceability and control and constitutes a logical framework to integrate cost accounting, performance measurement and investment management.

The overall goal of the CMS is to help organizations produce products and services that are competitive in term of costs, quality, and timing. It helps to identify the cost of significant activities, determine the efficiency and effectiveness of activities, identify and evaluate new activities - all this in an ever-changing environment.

The principles of the approach consist of identifying the costs of non-value added activities such as inspection, move, and wait time, establishing cost centers for homogeneous groups of activities, and assigning technology cost directly to product. Another principle is that performance measurements highlight the visibility of cost components and link activities with strategy. Consequently, investment decisions will be consistent with the organizational goals and strategy.

The Cost Management Strategies are many. I will choose those which are relevant to our context:

- Focus investments where social return is greatest. Job creation is surely of utmost importance in the contemporary era in the Arab world where tens millions of youth are seeking dignity and esteem;
- Reassess and update project portfolio. In our Lebanese context, it is wise to terminate obsolete projects and salvage avoidable cost;
- Convert fixed to variable costs. Costs associated with finance, IT, and other forms of corporate overhead have historically been viewed as fixed. It is no longer the case.

Because of its exceptional importance for the service industry (public sector) where almost all the costs are overhead, I will take a little time in exploring Activity-Based Budgeting (ABB).

ABB holds great promises as a common sense solution to the faults and frustrations of traditional budgeting methods. Traditional budgets do not identify waste. It focuses on workers, departmental cost, fixed versus variable cost, and it measures effects. Whereas ABB exposes non-value costs, focuses on workload, on process cost, on used versus unused capacity and it assists the quality professionals in defining causes of the problems.

The traditional accounting system lumps together as "overheads" many productive factors such as designers, planners, innovators and managers. This can mislead the quality professionals when appraising the improvements initiatives or budgeting for quality cost. Activity based costing and budgeting techniques assist in overcoming that fault. Added to that, these techniques are appropriate to identify the products and services that might be outsourced or re-engineered. It is a discipline that first investigates the requirements of the customer, develops the level of activity needed to satisfy those requirements, and takes into consideration the potential economic change and cost-savings through quality improvement. Consequently, quality managers can identify the non-value added tasks such as delays in data processing, and gauge the effectiveness of their quality planning and budgeting activities. The fact-based balanced score-card reports quality cost breakdown, budgeting reviews, and the data to drive quality improvements for the next period.

III. Synergy Model: towards a culture of quality

The paper already referred to the contemporary issues of turbulence and desired. The perspective of quality and excellence prove to be appropriate to sustain the changeable environment and to promote inclusive economic growth. However, this leads to more detailed examination to highlight the positive synergies between the MDGs and to formulate key policies in support of productive capacity building, employment and decent work.

Because quality has no boundaries, I propose to foster a trinity of "Individuals, Organizations and Societies to attain a broad multi-stakeholders engagement. The following model presents a comprehensive system to synergize potentialities and to integrate roles, responsibilities and returns. It comprises five stakeholders – the Public Sector, Private Sector, Civil Society, Academia, and International Organizations. Each plays three roles.

First: *The Public Sector* – expanding options through securing an appropriate environment for invigorating the culture of quality. Its roles are:

1) The "Good" State or the State of Quality adopts the concepts and methodology of quality in its performance. It is of elemental importance especially in developing countries, where the state still plays a direct role in providing health, educational and social services and in managing the electrical power and water resources. As the government plays the role of the service provider, it needs to abide by the methodology and tools of quality.

2) The Regulatory State sets the necessary legislative framework, as well as sectional legislations related to the infrastructure of quality, such as specifications, technical conditions, and standards. Furthermore, it assesses adherence to set standards and norms and monitors markets.

3) The Facilitating State provides political and moral support to forums concerned with quality. It prioritizes the major related options, sets up specialised task forces that encompass all sectors, and establishes focal points in all ministries with the sole task of encouraging quality initiatives and activating them.

Second: The Private Sector – maximizing returns or creating added value. This sector:

1) Leads other sectors and acts as a catalyst for quality initiatives and a leader in synergy among all stakeholders;

2) Produces quality and adopts the methodology of quality in continuous improvement of products and processes, and creates employment opportunities;

3) Incubates and assimilates innovation through adopting policies of incentives and rewards, and also provides necessary funds in the form of laboratories, grants and researches.

Third: Civil Society Organizations (CSOs) – empowering the vulnerable through social services, and encouraging innovation through academic institutions. At the level of services and empowerment, this sector:

1) Monitors needs and society's expectations, as well as potential side effects on different social groups;

2) Links successful local experiences to those of other organizations and societies;

3) Ensures continuity of quality projects and expansion of their impact to reach various groups, especially the marginalized, the vulnerable, and those with special needs.

CSOs have extended their role beyond protecting the interests of their members (such as syndicates). They now struggle for a participatory rule, i.e. democracy, and thus face the "nationality-less" and "title-less" forces. Civil society is becoming the solid nucleus of a modernizing society and a guarantee against extreme alternatives. Interdependence and trans-national networks may well be an adequate response to chauvinism and invading hegemonies, as civil society may be the gate to the culture of quality.

Fourth: *Academia*

Special attention should be given to educational institutions and research centres as a distinct concerned entity within the civil society. In fact, the central components of quality remain learning, facilitation and innovation, especially as wealth formation increasingly depends on the brainware.

The competitive advantage of the higher education (as well as higher technical education) sector can be fostered in:

1) Development: modernizing specializations and programs in accordance with the latest technological advances and through establishing research centres and laboratories;

2) Framing: Organizing specialised forums and workshops; and host events for various industries to exchange expertise, understand their needs, and address their expectations regarding the required skills and market orientations;

3) Excellence Incubator: Discovering innovators and providing the environment necessary to unleash their utmost capacities.

Fifth: *International Organizations*

Sustainable development concerns are acknowledged as global and thus transcend national and political boundaries. This describes global environmental and health threats (ocean and river pollution, depletion of the ozone layer, bird flu, etc.), especially with the disintegration of boundaries that resulted in an influx of commodities, individuals, ideas, capital, and debt problems as well. Such global challenges require collective efforts, where international and regional organizations are best placed to fulfil the crucial need for collaboration. These organizations thus became the instrument, the arena, and the actor all at once.

International organizations need to play the following roles:

1) Convenors: Facilitating discussions and meetings as international organizations are widely accepted as representative and relatively neutral bodies;

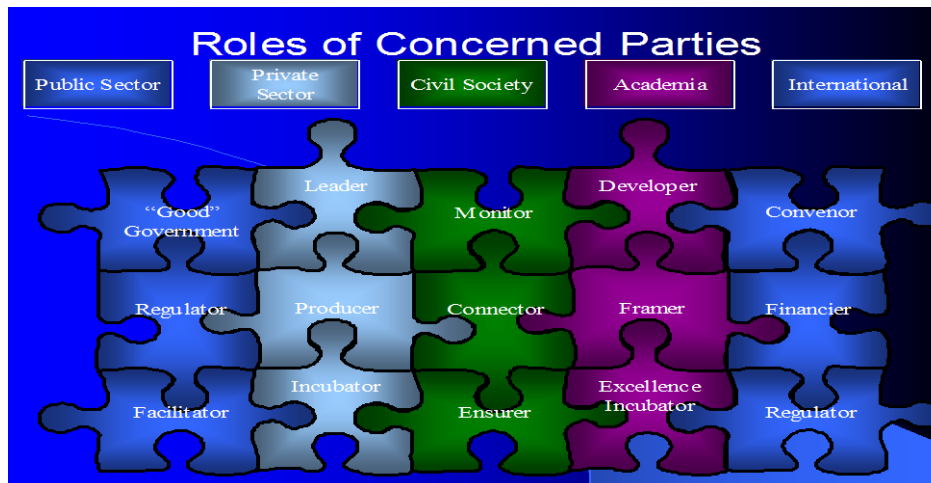
2) Financiers: Many international funds are established to handle global or human problems such as the World Environmental Organisation, the Food and Agriculture Organisation, the World Bank, etc.;

3) Hubs: At a time when most governments adopt decentralization to achieve local development and partly relinquish sovereignty to the benefit of

multi-party alliances, international organizations can connect local, national and international efforts;

4) Regulators: Set legislations and standards that are to be globally abided by. These could protect ecological and meteorological systems, provide ratings and patents, as well as facilitate fairer commercial transactions that contribute to solving development problems in many countries.

The following chart puts all pieces of the puzzle together:



IV. Conclusion

Regardless the quality approach once might select, few fundamental principles will remain:

- Excellent organizations and nations are those who value their people, seek to empower them for the balanced achievement of national, organizational, and citizens objectives;
- Competitive advantage and excellence in the globalized market cannot be assured but through innovation;
- Only solid partnerships are eligible to counterpart the global challenges;
- A new mind-set positioned on the trinity of economic-social-ecological responsibilities should be a prerequisite to adhere the decision-making spheres.

Thank you.

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