

The Evolution of Management Practices Based on Eight Key Perspectives

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ABSTRACT

In order to pursue business excellence and greater growth, the profit organizations will introduce and implement many management practices. The continuous adoption of new management practices is an ongoing endeavor that never stops. However, these management practices prevail in different time periods, and have evolutionary levels. Therefore, in this research, we investigate the evolution of the management practices based on eight perspectives: business, customer, product, quality, efficiency, performance, people, and resource. Firms can examine the implementation level of practices for every perspective, and give the suitable score respectively. According to the self-assessment scoring, managements need to put more efforts into those perspectives with low-level scores.

Keywords: Management Practices, Perspectives, Focuses

1.0 Introduction

Nowadays, profit-organizations encounter different environments with high uncertainty, profound irregular changes, and heavy competitive pressures (Petts, 1997; Nadler and Tushman, 1999). Additionally, the attainment of business excellence can be considered a long-term, ongoing endeavor. However, the firms adopt very different approaches for this long-term endeavor. Many organizations perform effective management systems such as Just in Time (JIT), Kaijen (Continuous improvement), Total Quality Management (TQM), Six-Sigma, and etc., all in an attempt to enhance the best parts of these initiatives to build a flow of core competences (Petts, 1997; Yang, 2004).

The aforementioned initiatives and strategic practices adopted by the industries are somewhat effective for achieving business excellence, but their effects are partial, unless these initiatives and practices are re-organized, implemented, and integrated structurally. In this research, we will discuss the development of management practices involving eight perspectives. Based on this management practices structure, firms can assess the integrated management level score by themselves.

2.0 The Development of Management Practices from Main Perspectives

The development of the best prevail practices is ongoing, based on the early effective practices or management systems. We develop these practices based on the following eight perspectives:

(1) Business-focused

In the very early age, companies' business was narrowly focused on manufacturing and sales of "products". But due to competition pressures, they must produce the products with lower cost and better quality. This called for a focus on the whole "production line".

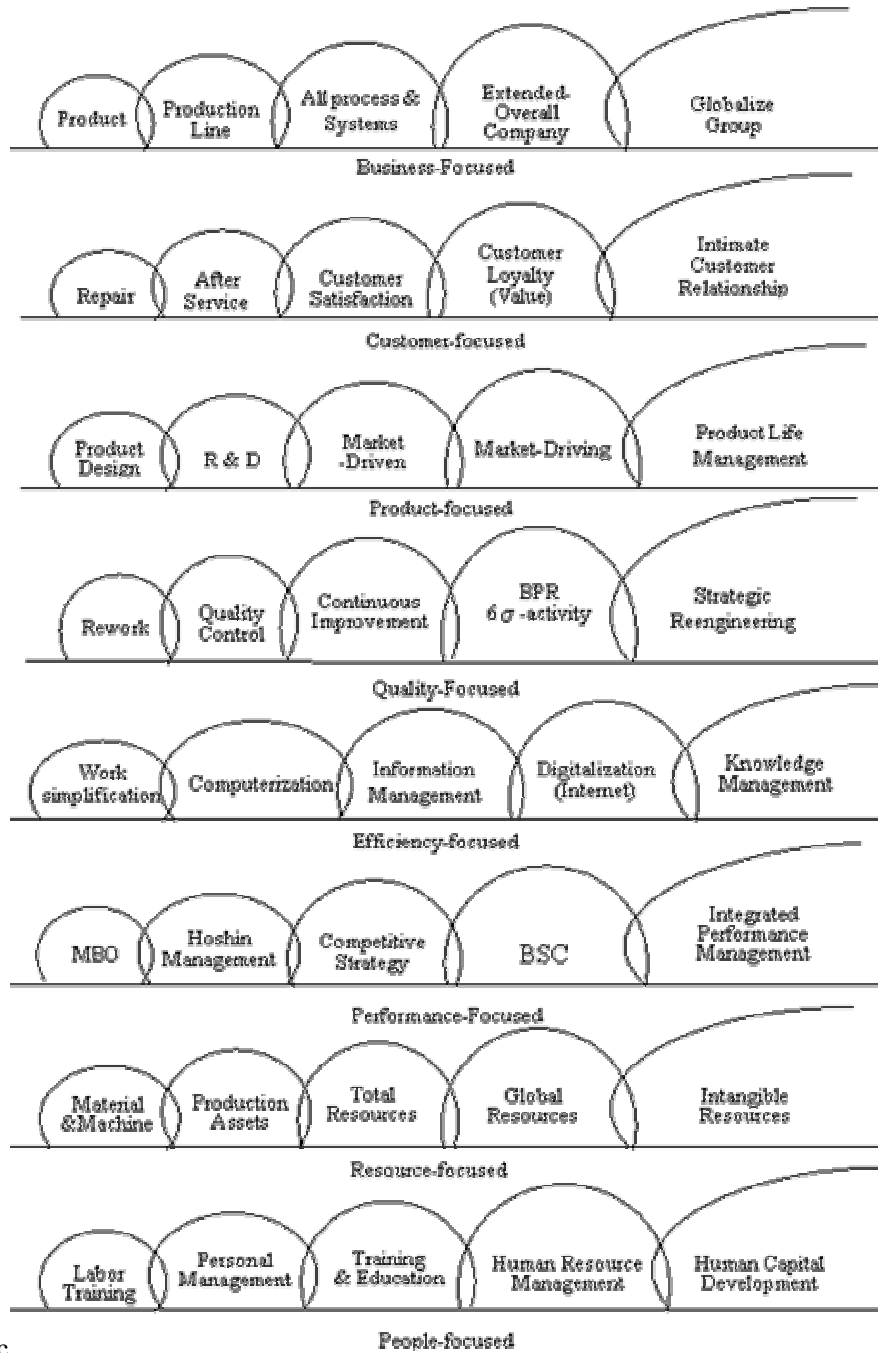
As the concepts of total quality control (TQC) and company-wide quality control (CWQC) propounded, businesses' focus extended to cover "all process and systems". Over the last eighty years, many new concepts and technological tools emerged, such as total quality management (TQM), the application of information technology and the Internet, and reengineering, all caused companies to place a strong emphasis on what defines the "overall company",

More recently, indirect works have been outsourced to international specialists or foreign companies (Ohame, 2005). As a result, these companies are emerging as a "globalized group", and their business is also becoming globalized (see Figure 1).

(2) Customer-focused

The relationship between profit organizations and their customers has been radically changed. Throughout the first half of the 20th century, firms only provided the service of "defected product repair",

and then changed to “after service”. Ever since TQM was introduced in the 1980s, firms became more customer-focused. Since “quality” ultimately involves the understanding as well as the fulfillment of the customers’ requirements, enterprises were pursuing product and service quality with the aim of “satisfying customers”.



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Figure 1 : The development of management practices from main perspectives

At the present time, the focus has shifted to “customer loyalty”. To sustain competitiveness and long-term profitability, companies not only need to devote themselves to attracting new customers, but also retaining old customers. Enhancing customer loyalty should therefore be one of the main concerns of any business (Gorst et al., 1998). Even more, firms will pursue “customer delight”, which is thought to be the key to the more elusive goals of inducing loyalty and achieving loyalty-driven profit. An effective way for a firm to delight customers is through on-going activities that physically and mentally engage the “intimate relationship with customers” (Kumar et al., 2001).

(3) Product-focused

During the early development of this perspective, the seller determined what was offered for sale. As a result, firms focused only on “product design”. Gradually, consumers were buying products with more functions and attractive features. The competition caused firms to emphasize the “research and development (R&D)” aspect of their business. Research and development programs, like other business units, were under pressure to yield concrete results. More often than not, companies were moving away from technological impetus-emphasis on R&D at the corporate level during the 1960s. During the 1970s, companies moved toward “demand-driven” research topics that were determined by the market place (Quélin, 2000).

It is no longer sufficient just to satisfy current demand. The truly competitive firm must anticipate customers’ needs. The competitive edge is now coming from the ability to satisfy new customer needs with product offerings that have been developed prior to customers asking for them (Petts, 1997). It is therefore that the companies will be moving away from responding the “market-driven” demands and toward realizing the concept of “market-driving” (Berghman et al., 2006).

In order to achieve the aforementioned aims, firms should emphasize on the strategic initiative “product life management (PLM)”. PLM is an integrated, information-driven approach comprised of people, processes/practices, and technology to all aspects of a product’s life from its initial design through its manufacture, deployment, and maintenance, culminating in the product’s removal from service and final disposal (Grieves, 2006).

(4) Quality-focused

At the beginning of the 20th century, industries used the method of inspection to control product quality. When defects of a product were detected, the front line operators would take the “rework” activity to repair the product. The way of quality control caused manufacturers to suffer serious costs of poor quality. Therefore, the concept and activities of process “quality control” were adopted by the industries during the 1930s and 1940s. Consequently, the product quality and costs of poor quality were improved, but still could not be controlled properly. Thus, Feigenbaum (1961) propounded the concepts and practices of total quality control (TQC). TQC has been regarded as an effective system for “quality assurance”.

By the 1980s, total quality management (TQM) became the prevailing business strategy adopted by industries around the world (Yang, 2003). The implementation of TQM emphasizes the “continuous improvement” of all aspects of a firm’s business (Snee, 2004). Since General Electric (GE) initiated its “Six-Sigma program (GE-6σ)” in 1995, an increasing number of companies have also initiated the GE-6σ program as a business improvement and reengineering strategy (Lucas, 2002). The future direction for Six-Sigma is that it will become integrated within organizations’ overall quality management system, rather than being a standalone initiative (Hoerl, 2004; Snee, 2004). It is said that organizations will implement the “strategic Six-Sigma” to link to their vision and strategy, and use it as an effective method of change management.

(5) Efficiency-focused

In the early period, organizations used “work standardization and simplification” to improve efficiency. To make manual work productive was the great management task during that period. After computers were comprised and used by the industries and other business sectors, “computerization” was the essential business for every organization. Onward the development of computer systems, “information management system” was widely developed by most organizations.

Nowadays, information technology has become an indispensable element for organizations to have a competitive edge. Hence, “digitalization” and the use of the “Internet” are the strategic and critical decisions for many organizations. Besides, the industries need to develop “knowledge management (KM) system”, and become knowledge-intensive. Knowledge management system contains skills, techniques, know-how, experiences, customer information, and other aspects. Therefore, effective usage of KM system will help employees to create innovative products, new processes, unique strategies that together produce long-term competitiveness.

(6) Performance-focused

“Management by objective (MBO)” is a useful initiative widely implemented by the industries, non-profit organizations, and governments (Kaplan and Norton, 1992). Although it was first originated in the early 1960s, it is still being widely adopted by many organizations. However, MBO management system also fails to provide organizations with the guidance and hierarchical responsiveness that are required to achieve their strategic objectives constantly (Bechtell, 1996). With a view to obtaining such

guidance, it has been asserted that Hoshin Kanri (which is also called “Hoshin management” in the Western world) is a navigational system. Many world-class firms outside Japan have also adopted Hoshin management (Bechtell, 1996; Lee and Dale, 1998). The implementation of Hoshin management by Japanese organizations has a shortfall, which is the lack of “competitive strategy” and “strategic planning”. Porter (1980) emphasized that firms must have differential strategies comparable to their competitors, which are unique, thorough, and will result in synergistic effects.

Recently, there has been a trend towards the adoption of broader performance measurement systems with a view to delivering long-term strategic objectives. This trend led to Kaplan and Norton (1992) developing the “Balanced Scorecard (BSC)”. There are some common practices among these three systems that are Hoshin Management, Strategic planning, and BSC. They are the development of vision, objectives, strategies, and an evaluation of execution performance. Hence, these three systems can be integrated as an “integrated performance management system”.

(7) Resource-focused

In the early time, the environment of manufacturing was very simple. For that reason, manufacturers paid much attention on the “materials and machines”. But due to the competition, the pursuit of production efficiency was the critical issue for the manufacturers. Thus, they extended the attention to the “production assets”. While TQM has been widely implemented by industries since the 1980s, the concept of total quality caused the firms heighten the effective utilization of “total resources”. Currently, effects of the global economy are clearly evident throughout the world. Firms are all players on the global stage (Ohmae, 2005). For these companies, it is necessary to integrate their “global resources” located in several countries, and effectively utilize such global resources. In the coming age, intangible assets are the sources of the greatest value. Most companies are quick to acknowledge that intangible assets are crucial to their company’s success (Lev, 2004).

(8) People-focused

Since the early age, the industries emphasized more on the efficiency of production. Firms took care the basic practices of “labor training” in order to raise employee productivity. Gradually, organizations explored that they must hire suitable employees to develop the incentive system, and well tackle the salary management. Thus, they began to take account of “personal management”.

To make knowledge work productive will be the great management task of this century, just as to make manual work productive was the great management task of the last century. Many famous companies around the world invested much money on the employee “training and education”, and resulted in tremendous advantages. As the economy environment becomes more complex, only conducting employee training and education is not enough. Many organizations extend the initiatives involving human development to cover the range of “human resource management (HRM)”. Beyond human resource management, firms should also develop the “human capital”. Firms then will attract, motivate, and retain competent and committed people.

3.0 The Scoring of Best Practices

We have discussed the best practices from eight key perspectives. To achieve the best practices on these perspectives is a long-term endeavor. For any perspective, firms need to start from the lower levels up to higher levels. Accordingly, we can use “score” as the assessment to evaluate the implementation level of each perspective. For every perspective, we divide its implementation status as five levels, thus we use 1, 2, 3, 4, and 5 as the “score” of the five levels respectively. We use a case to illustrate how “scoring” of the implementation level of each perspective works. Firm A is a famous PCB (printed circuit board) manufacturer in Taiwan and around the world. We had assessed firm A corresponding to these eight perspectives, and described the implementation levels listed in Table 1. Based on the description of the implementation levels, we gave them the “scores” indicated in the last column of Table 1. We also used the “radar diagram” to present the assessment results as shown in Figure 2.

4.0 Conclusion

Most organizations eagerly pursue excellent performance and long-term development. Thus, they will introduce and implement many management practices altogether. However, what are the appropriate practices to be adopted confused them frequently. These management practices have their evaluation stages. In this research, we organized the evaluation levels by considering eight key perspectives. The management practices constituted in these eight perspectives cover almost all the prevailing ones over the

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Author's Background

Prof. Ching-Chow Yang is a Professor of Industrial Engineering Department at Chung Yuan Christian University. He also teaches at the graduate school of Business Management at National Chiao-Tung University. Dr. Yang was honored the Individual Award of the ROC National Quality Awards. He is a member of the Chinese National Accreditation Board, the Judgment Committee for the ROC National Quality Awards, and Board Member of the R.O.C. Quality Society. Dr. Yang is the author of six books (including *Hoshin Management*, *Quality is the Best Strategy for Competition*, *Human Resource Management*, and *Service Quality*, etc.). He has years of experience with theory and practice of several fields. His research interests include total quality management, strategy management, service quality, and Six-Sigma. Dr. Yang has published many papers in journals and conferences. He has also been a Senior Consultant for many famous companies in Taiwan and China.