Quality and Global Competitiveness

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The Relationship between Quality and Competitiveness

Companies that used to compete only on a local, regional, or national level now find themselves competing against companies from throughout the world. Some of these companies find the competition to be more intense than any they have ever encountered. **Those who are able to produce world-class quality can compete at this level**.

Cost of Poor Quality

The costs of poor quality include the following: waste, rejects, retesting, rework, customer returns, inspection, recalls, excessive overtime, pricing errors, billing errors, excessive turnover, premium freight costs, development cost of the failed product, field service costs, overdue receivables, handling complaints, expediting, system costs, planning delays, late paperwork, lack of follow-up, excess inventory, customer allowances, and unused capacity.

Competitiveness and the U.S. Economy

The U.S. came out of World War II as the only major industrialized nation with its manufacturing sector completely intact. A well-oiled manufacturing sector and the availability of abundant raw materials helped the U.S. become the world leader in the production and export of durable goods. This resulted in a period of unparalleled prosperity and one of the highest standards of living ever experienced by any country. While the U.S. was enjoying its position as the world's preeminent economic superpower, the other industrialized nations of the world, particularly Japan and Germany, were busy rebuilding their manufacturing sectors.

As Japanese and German manufacturers rebuilt, two things became apparent to them:

1. In order to succeed, they would have to **compete globally**; and
2. In order to compete globally; they would have to **produce goods of world-class quality**. This meant producing better goods but at reasonable competitive prices.

Competitiveness and the U.S. Economy

U.S. manufacturers were slow to catch on that the game had changed from mass production with acceptable levels of waste to quality production with things done right the first time every time. With foreign companies, through a combination of better people, better technology, and better management began to eat away at markets, U.S. companies, mistakenly seeing cost rather than quality as the issue, learned that quality was the key to success in the global marketplace, Japan, Germany, Taiwan, and Korea had made major inroads into global markets previously dominated by U.S. manufacturers (i.e., steel, automobiles, computers, and consumer electronics).

Competitiveness and the U.S. Economy

Impact of Competitiveness on Quality of Life

A nation's ability to compete in the global marketplace has a direct bearing on the quality of life of its citizens. Because the ability to compete translates into the ability to do a better job of producing quality goods, it is critical that nations and individual organizations within them focus their policies, systems, and resources in a coordinated way on continually improving both quality and competitiveness.

Factors Inhibiting Competitiveness

Business- and Government-Related Factors

Those U.S. companies trying to compete in the global marketplace are rowing upstream while dragging an anchor. Factually, they drag three anchors. This was pointed out many years ago by W. Edwards Deming when he first set forth his Seven Deadly Diseases. His second, sixth, and seventh deadly diseases are as follows:

Emphasis on short-term profits fed by fear of unfriendly takeover attempts and pressure from lenders or shareholders

Excessive medical costs

Excessive costs of liability inflated by lawyers working on contingency fees

Factors Inhibiting Competitiveness

Family-Related Factors

Human resources are a critical part of the competitiveness equation. Just as one of the most important factors in fielding a competitive athletic team is having the best possible players, one of the most important factors in fielding a competitive company is having the best possible employees. Consequently, the quality of the labor pool is important. The more knowledgeable, skilled, motivated, and able to learn members of the labor pool are, the better.
Single parents who must work full-time have little or no time to help their children excel in school. Children with parents who do not value education are unlikely to value it themselves. If the family has a strong influence—positive or negative, by design or by default—on the attitudes of children toward learning and work, the United States faces deep-seated problems that must be solved if its companies are going to compete in the global marketplace.

Factors Inhibiting Competitiveness

Education-Related Factors

The quality of a country's education system is a major determinant of the quality of its labor pool. The higher the quality of the labor pool, the higher the quality of entry-level employees. The higher the quality of entry-level employees, the faster they can become productive employees and contribute to the competitiveness of their employers. Consequently, a high-quality education system is an important component of the competitiveness equation. What all this means is that businesses in the U.S. are forced to spend money helping employees learn the basic skills of reading and writing while their competitors are able to devote their training dollars to developing advanced work-related skills. If international competition can be viewed as a footrace, this is the equivalent of forcing U.S. firms to start 100 yards behind the other competitor in a 200-yard race.

Factors Inhibiting Competitiveness

Figure 2–3
Comparison of per-Pupil Funding in Selected Industrialized Countries
Source: The Management Institute, *Global Update* (January 2008): 13.

Country	Annual Funding ($)
United States	**4,291**
Canada	3,868
Italy	2,956
West Germany	2,761
France	2,752
United Kingdom	2,748
Japan	2,191

Figure 2–4
Comparison of School Days per Year in Selected Industrialized Countries
Source: The Management Institute, *Global Update* (January 2008): 14.

Country	School Days
Japan	240
Korea	222
Taiwan	222
Israel	215
Scotland	191
Canada	188
United States	**178**

Factors Inhibiting Competitiveness

Figure 2–5
Mean Achievement Scores by Country in Mathematics Literacy
Source: The Management Institute, *Global Update* (January 2008): 14.

Country	Mean Achievement in Mathematics Literacy
Netherlands	560
Sweden	552
Denmark	547
Switzerland	540
Iceland	534
Norway	528
France	523
New Zealand	522
Australia	522
Canada	519
Austria	518
Slovenia	512
Germany	495
Hungary	483
Italy	476
Russian Federation	471
Lithuania	469
Czech Republic	466
United States	**461**
Cyprus	446

Figure 2–6
Mean Achievement Scores by Country in Science Literacy
Source: The Management Institute, *Global Update* (January 2008): 14.

Country	Mean Achievement in Science Literacy
Sweden	559
Netherlands	558
Iceland	549
Norway	544
Canada	532
New Zealand	529
Australia	527
Switzerland	523
Austria	520
Slovenia	517
Denmark	509
Germany	497
Czech Republic	487
France	487
Russian Federation	481
United States	**480**
Italy	475
Hungary	471
Lithuania	461
Cyprus	448

Factors Inhibiting Competitiveness

- Today 27% of children born in the United States will live in poverty. Thirty years ago it was approximately 12%.
- The top 1% of income earners in the United States accounted for 60% of the total income increase realized in the 1990s.
- In 1998, the top 1% of the wealthiest U.S. citizens had as many assets as 92% of the poorest U.S. citizens.
- The real hourly wage of a worker in the United States today is 16% less than it was in 1979.
- Today the United States has the most unequal distribution of wealth of any industrialized country in the world.

Figure 2–11
Selected Economic Indicators
Source: The Management Institute, *Global Update* (May 2008): 8–9.

Comparisons of International Competitors

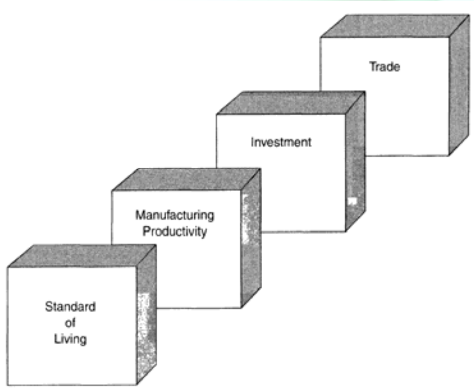

Figure 2–12
Critical Indicators of National Competitive Status

Comparisons of International Competitors

According to a report published by the World Economic Forum, the United States has reclaimed its place as the most competitive country in the world community. This is good news, since the United States had slipped to fifth place during the 1990s. This means that in spite of the poor performance of students in the United States when compared with the performance of students in other industrialized nations, the United States has managed to improve in the areas of standard of living, manufacturing productivity, investment, and trade, which are critical indicators of national competitive status.

Human Resources and Competitiveness

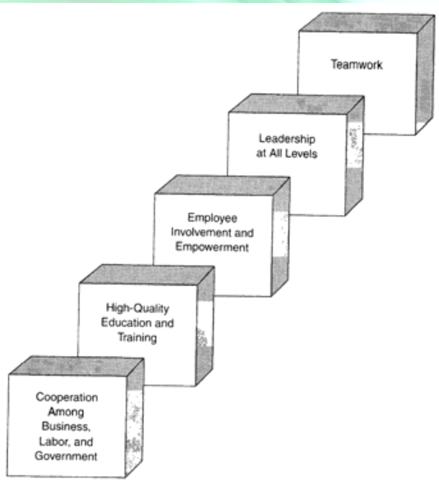

Figure 2–13
Strategies for Human Resource Competitiveness in Japan and Germany

Characteristics of World-Class Organizations

It is often said that only "world-class" organizations can compete in the global marketplace. But what is a world-class organization? In an attempt to answer this question, the American Management Association (AMA) conducted a global survey. According to this survey, the following are the top 15 areas in which organizations are concerned about doing well as they attempt to compete in the global marketplace:

1. Customer service
2. Quality control and assurance
3. Research and development/new product development
4. Acquiring new technologies
5. Innovation
6. Team-based approach (adopting and using effectively)

Characteristics of World-Class Organizations

7. Best practices (study and use of)
8. Manpower planning
9. Environmentally sound practices
10. Business partnerships and alliances
11. Reengineering of processes
12. Mergers and acquisitions
13. Outsourcing and contracting
14. Reliance on consulting services
15. Political lobbying

of the 15 areas listed in the survey, several are directly associated with the larger issue of quality. Customer service, quality control and assurance, innovation, team-based approach to work, partnerships and alliances, and reengineering of processes are all topics that figure prominently in any discussion of total quality.

Characteristics of World-Class Organizations

In addition to these issues, the AMA survey found that respondents were concerned about a number of human resources topics. The 10 most important of these are as follows:

1. Worker productivity (improvement)
2. Employee training and development
3. Open communication between management and employees
4. Employee benefits and perquisites
5. Codes of workplace conduct
6. Conflict resolution
7. Employee satisfaction
8. Flextime arrangements
9. Management—employee—union relations
10. Child care

Characteristics of World-Class Organizations

World-Class Manufacturing: What It Takes

Organizations in business sectors ranging from banking to commercial transportation attempt to compete on a global scale. The most prominent of these come from the manufacturing sector. World-class manufacturers are those that consistently provide superior value (quality, cost, and service) for customers. The methods of world-class manufacturers include:

1. Competitive Analysis Strategies
2. Production and Supply Chain Strategies
3. Customization Strategies
4. Electronic Commerce Strategies
5. Compensation Systems

Management by Accounting: Antithesis of Total Quality

Management by accounting puts organizations at a competitive disadvantage in the following ways:

- It creates an analytically detached approach to decision making in which managers study financial printouts instead of gaining the insight that comes from firsthand knowledge of the situation.
- It promotes a focus on short-term cost reduction to the exclusion of long-term improvements to people and processes.
- It makes for narrowly focused managers who view every problem from a finance and accounting perspective when what is needed by organizations that must compete globally is a broadly focused view that integrates many functions, such as marketing, production, finance, and human resources.

U.S. Companies: Global Strengths and Weaknesses

As business continues the current trend toward globalization, how are companies in the United States faring? A business trying to compete in the global marketplace is like an athlete trying to compete in the Olympics. Nowhere is the competition tougher. Correspondingly, no country in the world gives its businesses such a solid foundation from which to work. The following factors account for a country's ability to compete in the international marketplace:

1. An economy that is open to foreign investment and trade
2. A government that minimizes controls on business but does a good job of supervising financial institutions
3. A judicial system that works well and helps reduce corruption
4. Greater transparency and availability of economic information
5. High labor mobility
6. Ease of entry by new businesses

U.S. Companies: Global Strengths and Weaknesses

In the global marketplace, the United States is the world leader in the following industries: aerospace, airlines, beverages, chemicals, computer services, electrical products, entertainment, general merchandise, motor vehicles, office equipment, paper products, pharmaceuticals, photographic and scientific equipment, semiconductors, soap and cosmetics, and tobacco. Some of the reasons the United States is able to lead the world in these key industries include

1. Strong entrepreneurial spirit
2. Presence of a "small capitalization" stock market for small- and mid-sized companies
3. Rapidly advancing technologies
4. Comparatively low taxes
5. Low rate of unionization
6. World-class system of higher education (colleges and universities)

U.S. Companies: Global Strengths and Weaknesses

Global Disadvantages of U.S. Companies

In spite of the many strengths companies in the United States can bring to the global market- place, and in spite of this country's world-leading position in several key industries, there are still some disadvantages with which companies have to deal. The primary global disadvantages of U.S. companies are these:

1. Expanding government regulation
2. A growing "underclass" of have-nots
3. A weak public school system (K—12)
4. A poorly skilled labor force and poor training opportunities
5. An increasing protectionist sentiment (to restrict imports)
6. Growing public alienation with large institutions (public and private)

References

Quality Management for Organizational Excellence: Introduction to Total Quality, 6th Edition, David Goetsch and Stanley Davis, copyright 2010, Pearson, ISBN: 978-0-13-501967-2.