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General Principles of Competitive Quality

The terms connected to the concept of quality often have different meanings according to the context in which they are used. It therefore seems necessary, in order to be sufficiently precise in the description of the main characteristics of "competitive quality", to give a few definitions. These conform to the continuity of those definitions that are commonly used in Total Quality Management (TQM).

1.1. What meaning should we attach to the term "quality"?

We propose a characterization of the concept of "quality" that differs from those hitherto put forward. It is normal that the definitions of certain socio-economic concepts should evolve as Society evolves. These definitions serve as bases upon which to construct markers to guide continuous progress in response to the needs and expectations of humanity. Academics are well aware of the fact that a definition is destined to be debunked and replaced by another after having guided the evolution of knowledge for a certain amount of time. The same is true of the definition of the concept of quality.

Today, there are a wide variety of meanings given to the term "quality". For instance, in the ISO 9000 standards, quality is defined as: "an aptitude of a set of intrinsic characteristics to [fulfill] requirements", whereas a well-known accredited certification body defines quality as: "the result of a trade-off between consensual sacrifice and perceived satisfaction". However, this organization is supposed to certify the conformity of companies' management systems to these ISO standards. Today, the confusion seems to be even more widespread. In our book on effective TQM practices [MAI 11] we have shown that people tended to: "*adapt quality to all purposes*". This tendency strips the concept of "quality" of all value.

A sociological study carried out in 20 companies of varying sizes by Professor Pierre Tripier [TRI 91], a major specialist in workplace sociology, shows that in a company, within the same production unit, there are extremely varied “indigenous views” on what quality is. In such conditions, how are we to make the players in these units work together as a team on projects aimed at improving quality?

Although the economist Garvin [GAR 92] said that “*quality is an extremely nebulous concept, because it is easy to visualize and exasperating to try to define*”, we shall take the risk of coming back to its definition.

One generally distinguishes the notion of perceived quality from that of quality of conformance.

The perceived quality of a product is: ***the way in which one perceives the fulfillment of one’s expectations*** *The main classes of expectations can be expressed in the form:* *– having confidence in the ability of the product to conform to the advertised performances;* *– being able to understand, procure, appropriate and use the product;* *– satisfying needs by using the product;* *– turning a profit on the efforts needed to understand, procure, appropriate and use the product.*

Table 1.1. *The concept of perceived quality*

Consequently, it is possible to divide this global perception of the fulfillment of expectations into categories of perceptions, each one relating to one of these types of expectations. These categories are called “*quality perceptions*”.

The main classes of quality perceptions are: *– perceptions of expectations relating to:* *- access to use of the product,* *- satisfaction of expectations by possession and use of the product,* *- the “rentability” (profitablity) of the efforts needed to understand, procure, appropriate and use the product,* *– perceptions of confidence in the product’s capability to conform to the advertised performances.*

Table 1.2. *The classes of quality perceptions*

Conventionally, this concept goes hand-in-hand with that of quality of conformance, which is defined as follows:

A product's quality of conformance is the way in which one perceives its performances and techniques specifications, compared to the performances and specifications fixed as a goal.

Table 1.3. *The notion of quality of conformance*

The performances or technical specifications fixed as a goal are set either by the company or by the stakeholders who wish to procure the product. They are defined in such a way that an objective measure of conformity can be taken by both parties (metrology).

Quality of conformance requires that a "contract" be agreed upon beforehand between the manufacturers of the product and the beneficiaries. Sometimes this contract is implicit or forms part of typical conventions between the two parties. In a hair salon, for instance, a not-very-explicit contract is agreed upon between the customer and the hairdresser. When the customer is used to a particular stylist, the contract may be limited to: "the usual", with all the risks that this entails in terms of the results.

When a product is considered a "work of art", the contract is between the artist and him/herself. This *self-definition* of a *quality* contract sometimes occurs in companies with people who consider themselves to be experts.

Quality of conformance is present in all activities of serial production. The quality contracts are often between the client who lodges an order and the supplier.

Any service has three levels of products: a standard product, an "if… then …"-type product (source variety), and an improvised, personal product which is essentially based on the skill of the producer (residual variety).

The quality of conformance of a service usually relates to:

– the performances and technical specifications of the "standard" component;

– the performances and technical specifications of the source varieties;

– the performances and technical specifications of the skills of the service provider.

We introduce the notion of a stakeholder to show that a company must not limit the scope of its investigations into the topic of quality to trading relations with its clients.

The stakeholders of a company are: *– investors,* *– clients,* *– suppliers,* *– employees.*

Table 1.4. *The stakeholders of a company*

Historically speaking, companies' approaches to quality have been focused on clients. Today, the best-performing companies use the culture of quality that they have built up within their social context to extend these approaches to all their stakeholders. These approaches are collectively known as "Total Quality Management" (TQM – see [MAI 11]).

For instance, if the stakeholder is a client, the perceived quality of a product provokes a judgment of quality which triggers his act of buying, thereby securing his loyalty as long as he has the capacity to make the purchase, and which makes him a long-term carrier of the company's reputation.

Table 1.5. *The effects of a client's judgment of quality*

Each client may make a different judgment of quality. Thus, the quality of a product is specific to each client or group of clients when they share a common vision of certain characteristics of the product.

The quality perceived by an investor of a likely return on an investment provokes a judgment of quality that triggers the injection of the funds asked for by the company, so long as he has the means to make this investment, and enables the company to find other investors (word of mouth).

Judgments of quality made by the directors of companies about one of their products express whether that product is able to attract recompenses from a certain category of stakeholders that fulfill the directors' expectations.

Table 1.6. *A company's judgment of the quality of a product*

NOTE.– It is this type of judgment of quality that will always be at the heart of our methodological developments.

The conduct of actions in a company that ensure the directors make judgments of quality about the company's products and services offered to its stakeholders is called "T-scar management". The term "scar" is a contraction of the terms: satisfaction, confidence, accessibility and rentability (profitability).

Table 1.7. *T-scar management*

If a client has to make what he perceives as too great an effort to gain access to a product or service, he will not buy it. He will look to a competitor for a similar offering which requires less effort of himself. If a client perceives that he cannot satisfy a significant expectation by using the product offered to him, he will not buy it. If a client has the impression that all the efforts he has made to understand how to use a product, procure it, learn to use it and then use it are too great in relation to the significance of the uses he intends to make of the product, he will not buy it, or he will not buy it again. Finally, if the client does not have confidence in the truth of the advertisements presented to him regarding the performances of a product, he will not buy it, or not buy it again.

In any case, he considers it not to be a quality product.

The same reasoning can be applied with the other types of stakeholders.

Thus, if a stakeholder does not make a positive judgment of the quality of a product or service, he will not trade with the company on the conditions that the company requires, or he will not repeat a prior exchange. If that stakeholder comes into contact with a competitor, and deems that the quality of their offerings is better, he will prefer to procure those offerings, or will ask the first company to lower its demands for recompense (sale prices if the stakeholder is a client).

Any judgment of quality is therefore at the root of the inception or renewal of a trade relationship with a stakeholder. This judgment becomes a competitive edge when the company is in competition with another. Therefore, we introduce the notion of judgment of competitive quality.

The judgment of competitive quality made by a stakeholder about a product is an appreciation of its perceived quality which produces a long-lasting relationship with the company based on the exchange of the product for the recompense sought by the company in spite of pressure from the competition.

Table 1.8. *The concept of a judgment of competitive quality of a product*

Thus, it is a judgment of relative quality. When this judgment is less attractive than that of the competitor, the company must look for other ways to reverse this trend. In such cases, companies tend to reduce the demands for recompense for the products and services they offer (e.g. by lowering sale prices). Later on, we shall see that care must be taken when employing this type of behavior, because it weakens the company if it cannot be compensated by an increase in the revenue from exchanges with other stakeholders. In certain situations, it is unavoidable.

For instance, an investor who considers that a company is unable to quickly provide him with the desired return on an investment will prefer to invest more profitably in another company. An employee who believes he is not being paid enough for his skills will leave the company to join another that makes him a better offer.

This presentation of the concept of quality shows that quality results from a complex alchemy between certain intrinsic characteristics of a product or service, and certain characteristics of the potential for consumption of that product or service by a stakeholder in the company.

Based on the concept of a judgment of competitive quality, it is possible to define the notion of "competitive quality" as follows:

The competitive quality of a product is the quality perceived by its potential beneficiaries, which gives rise to judgments of competitive quality.

Table 1.9. *The notion of competitive quality*

The competitive quality is perceived before the relation is (or is not) formally contracted with the company. This is why we call the stakeholder the "potential beneficiary". If a client is not satisfied with a product, he will not buy it again. In this case, the quality perceived when using the product becomes a negative competitive quality when the time comes to buy it again.

In order to produce services in the company which gives rise to positive judgments of competitive quality, we introduce a particular approach which fits in with the company's other value-production activities, called a "competitive quality production".

The aim of a competitive total quality process is:
– to identify the company's working mechanisms upon which it can act in order to take better advantage of its stakeholders' judgments of competitive quality so they will inject the resources the company needs to pursue its policy;
– to design or transform these mechanisms in order to optimize their contributions to the stakeholders' judgments of competitive quality in the long term;
– to qualify the aptitude of the new configuration of these mechanisms to serve the objectives needing to be attained;
– to ensure the performances of these mechanisms are maintained over time;
– to fuel improvements to the performances of these mechanisms by way of feedback.

Table 1.10. *The aim of a competitive total quality process*

Later on, we shall explain these mechanisms, and that alchemy which must be found between a competitive total quality process and the company's other activities, and formulate the main principles of its actions. First, though, in the wake of the definitions and characterizations given above, we prefer to attempt to give a more accurate assessment of the role that quality can play in a company's competitiveness.

1.2. The role of quality in a company's competitiveness

Once again, we are dealing with a concept which is not clearly defined: competitiveness. Note that everyone uses this term, but with very varied meanings attached to it. Furthermore, in order to be able to precisely link the concept of quality with that of competitiveness we feel it is crucial to give it the meaning described in the following table. This definition may seem vague to a specialist's eyes, but nowhere in the body of literature on the subject have we found a more relevant description.

Again, we take the risk of proposing the following definition.

A company's competitiveness is its capacity to bring its stakeholders to procure the products/services it wishes to provide them with, rather than those of its competitors, in spite of the efforts the company requires of the stakeholders in order to procure, appropriate and use these products/services.

Table 1.11. *A company's competitiveness*

In order to act on a company's competitiveness, one must identify and act on its competitive factors.

For instance, obtaining greater profit margins than those of competitors is a competitive edge in the eyes of the investors, the employees and even the suppliers, because these profit margins mean the company has a greater capacity for investment on equity, which enables it to adapt to changes in its environment. The competitive factor attracts the investors, employees and suppliers because it increases their confidence in the company's capacity to fulfill their need. It enables the company to be more demanding in terms of the resources that it asks of them in return.

The more intense the competition, the more the company must capitalize on its competitive edges.

Competitiveness is born out of competition. It enables the company to continue to sustain itself by drawing resources from its environment in spite of the attraction exerted by other companies on the entities which supply these resources.

In certain luxury sectors, for instance, the competition is extremely fierce in terms of relations with suppliers who possess highly-specialized technical skills, which are increasingly rare. In other domains, competitiveness is important for relations with potential future employees who are in high demand from one's competitors. We note that the stakeholders' perception of a company's competitive factors does not change at the same rate in the different types of trade relations that a company maintains with its various stakeholders.

For example, investors in companies that are not listed on the stock market have only periodical summaries – often distributed annually – about the company's activities and performance at their disposal to make a judgment of quality about the gains they are likely to receive from their investments. However, the investors in companies that are floated on the stock market have daily indicators that help them to make a judgment about the value of the company's shares and thus about the quality of their investments. Employees are surrounded by a constant stream of indicators about the "health" of the company, which can help them to make a judgment of quality regarding their working conditions, their means of remuneration or foreseeable changes in their contractual relations with the company, etc.

Similarly, there are different forms of inertia that change competitive factors. For instance, it is quicker for the company to react to a loss of competitiveness as regards potential employees by acting directly on the jobs market, rather than entering into negotiations with its trade-union partners.

The company can play on these different rhythms to define priorities in terms of creating or heightening its competitive edges. When a company's competitors are more attractive to certain stakeholders, it must seek – by any means necessary – to establish new competitive edges, thereby enabling it to maintain or even further develop its relations with at least one particular faction of this group of stakeholders. Otherwise, it risks going under, because of the lack of resources that only this type of stakeholder is able to provide.

The central question is:

How can quality be a competitive factor, or how can it contribute to the emergence of other competitive edges?

When a stakeholder makes a *judgment of competitive quality* about some of the products or services that the company provides him with, this means that the company is *more competitive* than its competitors in that stakeholder's view. We can refine this idea still further by introducing the notion of the level of attractiveness of a judgment of competitive quality, which we shall define as follows:

The level of attractiveness of a judgment of competitive quality made by a stakeholder about one of the company's products is the intensity of the force inspired by that judgment to create or renew a trade relationship between the stakeholder and the company, caused by that product.

Table 1.12. *The level of attractiveness of a judgment of competitive quality*

The higher the level of attractiveness of a judgment of competitive quality, the surer the company is to maintain commercial exchanges with the stakeholder in the longer term, based on the rules that led to that judgment. The company's competitors would have to invest a great deal of energy over an extended period of time in order to have a hope of winning a seat at that table in that economic exchange. It takes a very long time for the strong image of a product amongst a population of consumers to be eroded and then erased by a rival product. The idea of the reliability of Japanese cars and the image of robustness of German products endure in spite of their rivals' very extensive efforts to adopt the same register by putting products on the market which, when viewed objectively, are more robust or more reliable.

Is the reciprocal of this proposition also true?

This reciprocal argument is formulated as follows:

"When a company is *more competitive* than its competitors in the view of one of its stakeholders, this means that that stakeholder makes a *judgment of competitive quality* about certain products or services that the company offers, and which are similar to those offered by its competitors."

Although it appears an interesting topic, we shall not seek to demonstrate this reciprocal here. We prefer to continue with the thread of this book, seeking to help the reader make the best possible use of competitive quality to develop long-lasting competitive edges.

Let us simply take a few examples.

When the company produces an innovation, i.e. when it finds the means to design a new product or service which is able to exploit an idea in order to fulfill a significant need, which is not adequately covered by other existing products or services, does quality have a part to play? Can we go beyond quality and make the innovation itself a competitive factor?

If the aim of the innovation is to fulfill a need which is not adequately catered for by other existing products or services, we must seek to make the potential beneficiaries of that innovation express a judgment of quality that is more attractive than that which they make about those other products or services.

Hence, innovation can be one of the possible mechanisms in a competitive total quality process, when the aim is to persuade the company's stakeholders to make a judgment of competitive quality about the products or services that will benefit from the innovation.

Table 1.13. *Innovation: a mechanism in a competitive total quality process*

However, like any mechanism in a competitive total quality process, innovation may have a greater or lesser impact. Certain stakeholders in the company at whom the innovation is particularly targeted may not make a judgment of competitive quality about the products or services which will benefit from the innovation that is much greater than that made about the competitors' similar products or services. In this case, the company's returns on its investment may not live up to the expectations that the innovative project has aroused.

The mechanism of innovation, which entails significant risks because it projects the company into a future which is not immediate, in which its environment will have evolved in ways which it is difficult to anticipate, must include guidance systems which enable it to adapt to the moving target that it is hoping to hit, by attempting to find the most efficient path to attain a level of "performance quality" that is profitable for the company.

We shall come back to how to use innovation to produce attractive judgments of quality, later on.

In this example, we see the emergence of the notion of *"quality performance" of a mechanism in a competitive total quality process*, which is the level of attractiveness of the stakeholders' judgment of competitive quality triggered by the activation of that mechanism.

We use the term "quality performance" of a mechanism in a competitive total quality process to denote the level of attractiveness of the judgment of quality made by the company's stakeholders in response to the activation of that mechanism.

Table 1.14. *Quality performance of a mechanism in a competitive total quality process*

The activation of a mechanism in a competitive total quality process may have more than one significant impact on the level of attractiveness of a judgment of quality. We must therefore illustrate the set of mechanisms of the approach which produce even the slightest meaningful impact, and estimate the importance of the contribution of the mechanisms in question to that overall impact. Conventional "Quality Function Deployment" (QDF)-type methods aim to demonstrate these contributions.

For instance, putting a guidance system in place on a workstation can help reduce the risks of non-conformity to the technical specifications of an item. This contribution can only lead to attractive judgments of quality by certain clients if these specifications of the item, themselves, contribute to the arousal of competitive quality perceptions in the clients' minds, leading them to express a judgment of competitive quality.

In addition, the example of innovation shows that a level of quality performance of a mechanism in a total quality process may be more or less profitable for the company.

Let us take another example: that of certification in accordance with the ISO 9001 standard. This is a particular mechanism of the total quality process that is more global and systemic. We act on the organization of the company's system of management, to make it conform to a reference model: ISO 9001. It is a mechanism of the total quality process because the aim here is to raise the level of attractiveness of the judgment of quality made by certain stakeholders about the products and services provided to them by the company. Can we be certain of systematically attaining quality performance which is profitable for the company, by virtue of this particular mechanism of the competitive total quality process, as the proponents of this standard maintain? Capitalization on feedback shows that it is not always as simple as that. The stakeholders do not always make judgments of competitive quality when the company activates this mechanism. Often, they deem conformity with this norm to be a necessary condition but not a sufficient one to envisage trade relations with the company. Nowadays, we are increasingly seeing instances where it is no longer even a necessary condition. It seems that this conformism leads to a degradation of some of the company's employees' judgments of competitive quality, and that directors consider it to be a pointless source of constraints.

This does not, of course, mean that one must reject certification, but rather use it wisely like any mechanism of a competitive total quality process. Depending on the company's situation within its socio-economic environment, and depending on its activity, its *modi operandi* and the culture of its staff, we have to be able to choose, from our total quality process "toolbox", the most appropriate mechanisms to bring about new competitive edges, without being dogmatic.

Jean-Claude Watrin, who for many years was the Quality Director at Alstom and President of the *Institut de Recherche et de Développement de la Qualité*, often – and quite rightly – repeated the following lemma: "When you haven't got a hammer in your toolbox, each and every problem looks like a nail". The complexity of these mechanisms means that the appropriate choice of them is insufficient: we must then be able to implant them in the company, in the same way as a doctor implants a medical device into a patient's body, whilst overcoming rejection responses. We must also ensure they are maintained, and constantly monitor their performances. We saw earlier that in order to overcome the complexity of the mechanisms at the root of the judgments of competitive quality made by a company's stakeholders, it is necessary to use models that enable us to put markers in place to guide these mechanisms. *T-scar management* describes a number of such models which are commonly used in the best-performing companies. In particular, it is based on the concepts of *quality perceptions* put forward above.

For the continuation of our discussion, we shall accept that:

A quality perception belonging to one of the classes of perceptions described above is a ***perception of competitive quality****, when it helps persuade a stakeholder who holds that perception to make a judgment of competitive quality.*

Table 1.15. *Competitive perceptions of quality*

When a company is in a situation of near monopoly in relation to one of its stakeholders, it does not need to act on competitive quality in order to profit from that relationship. Today, though, it is well known that these positions of monopoly do not last unless they are artificially maintained or created by political policy.

A competitive total quality process should always be begun by a process of diagnostics aimed at anticipating or highlighting situations of competitions in terms of certain categories of stakeholders, caused by *perceptions of non-competitive quality* of some of the company's products or services. In general, the personnel at the company who are in contact with these categories of stakeholders, to help encourage the exchanges which the company has to maintain with these socio-economic actors, are capable of providing all the information needed to effect this process of diagnostics.

1.3. Conclusion

We have not risked comparing a company's competitiveness with its capacity to persuade its stakeholders to make a judgment of competitive quality about some of the products or services it offers them, although we are convinced that this is the case.

We have seen that there are many ways to implement an effective competitive total quality process in a company. The choice of the most efficient configuration of such an approach depends on many intrinsic and environmental factors of the company which have a specific effect on it. These approaches can, of course, draw inspiration from general effective methodologies which are widely used today. However, the company must always stay on top of the choice of these methodologies in the same way as a doctor must stay abreast of the treatments which are best adapted to a particular patient's pathology, and personalize the use of such treatments. The complexity is of a similar order to that in medicine.

1.4. Summary of the basic ideas and concepts developed in this chapter

The perceived quality of a product is:

the way in which one perceives the fulfillment of one's expectations

The main classes of expectations can be expressed in the form:

– having confidence in the ability of the product to conform to the advertised performances;

– being able to understand, procure, appropriate and use the product;

– satisfying needs by using the product;

– turning a profit on the efforts needed to understand, procure, appropriate and use the product.

The main classes of quality perceptions are:

– perceptions of expectations relating to:

- access to use of the product,

- satisfaction of expectations by possession and use of the product,

- the financial viability of the efforts needed to understand, procure, appropriate and use the product;

– perceptions of confidence in the product's capability to conform to the advertised performances.

A product's quality of conformance is the way in which one perceives its performances and techniques specifications, compared to the performances and specifications fixed as a goal.

The stakeholders of a company are:

– investors;

– clients;

– suppliers;

– employees.

The judgment of competitive quality made by a stakeholder about a product is an appreciation of its perceived quality which produces a long-lasting relationship with the company based on the exchange of the product for the recompense sought by the company in spite of pressure from the competition.

The competitive quality of a product is the quality perceived by its potential beneficiaries, which gives rise to judgments of competitive quality.

The aim of a competitive total quality process is:

– to identify the company's working mechanisms upon which it can act in order to take better advantage of its stakeholders' judgments of competitive quality so that they will inject the resources the company needs to pursue its policy;

– to design or transform these mechanisms in order to optimize their contributions to the stakeholders' judgments of competitive quality in the long term;

– to qualify the aptitude of the new configuration of these mechanisms to serve the objectives needing to be attained;

– to ensure the performances of these mechanisms are maintained over time;

– to fuel improvements to the performances of these mechanisms by way of feedback.

A company's competitiveness is its capacity to bring its stakeholders to procure the products/services it wishes to provide them with, rather than those of its competitors, in spite of the efforts the company requires from the stakeholders in order to procure, appropriate and use these products/services.

The level of attractiveness of a judgment of competitive quality made by a stakeholder about one of the company's products is the intensity of the force inspired by that judgment to create or renew a trade relationship between the stakeholder and the company, caused by that product or service.

Innovation is one of the possible mechanisms in a competitive total quality process, when the aim is to persuade the company's stakeholders to make a judgment of competitive quality about the products or services that will benefit from the innovation.

We use the term "quality performance" of a mechanism in a competitive total quality process to denote the level of attractiveness of the judgment of quality made by the company's stakeholders in response to the activation of that mechanism.

A quality perception is a ***perception of competitive quality****, when it helps persuade a stakeholder who holds that perception to make a judgment of competitive quality.*