

14 Quality and business excellence promotion

14.1 Overview of quality and business excellence promotion

The concept of quality, which is “the degree to which a set of inherent characteristics fulfils requirements”, indicates that quality is a pervasive and broad theme in all aspects of industry and society. The concept of business excellence is equally broad and relates to the continuous improvement activities leading to excellence in customer satisfaction, employee satisfaction, impact on society, supplier and partnership performance and business results.

This review focuses on two specific aspects of quality and business excellence promotion in South Africa. The first aspect was to investigate and recommend on the role of Government in promoting quality, and the second was to investigate and recommend on the long term role and positioning of organisations active in the promotion of quality and business excellence in South Africa. It essentially entailed a review of the role of the key players involved (by and large at a non-technical level) in the system that promotes quality and business excellence. The key players identified were:

- The Government, which has a role in promoting quality and business excellence (especially in developing economies).
- The South African Quality Institute (SAQI), which is the primary organisation aimed at quality promotion amongst a broad spectrum of stakeholders. Reference is also made to other organisations in the quality arena such as South African Society for Quality (SASQ), Southern African Auditor and Training Certification Association (SAATCA), etc.
- The South African Excellence Foundation (SAEF) which is responsible for business excellence promotion and the custodian of the South African Business Excellence Model.
- Industry, which is a stakeholder to the Government and quality promotion organisations, as well as a recipient of services in the quality field. Industry also has a strong internal focus on quality promotion, which should also be promulgated upwards as input to Government and other organisations.

14.1.1 The South African situation

In the SQAM environment many organisations play a role in quality promotion. The SABS promotes quality through standards, SANAS through its accreditation service to certifiers, who in turn certify organisations that comply with quality standards.

The objectives of some of the more prominent organisations with specific roles in the quality and business excellence arena, and not previously described in this document are as follows:

- **SAQI:** SAQI's priority is to promote quality awareness in South Africa, to influence the general public to expect quality products and services, and to spontaneously include quality in all their activities. SAQI's activities are focussed on a broad spectrum of organisations and the public at large.
- **SASQ:** The society is aimed at individuals who have an interest in quality.
- **SAEF:** SAEF supports and promotes programmes for performance excellence in South African companies. It has developed its own Excellence Model (SAEM), based on the Malcolm Baldrige National Quality Awards (USA) and the European Excellence Awards.
- **BENSA:** This organisation recently changed from a Section 21, not for gain organisation, to a privately owned company. It promotes benchmarking as a quality tool and provides commercial services in this area.
- **SAATCA :** This organisation provides certification for quality auditors.

a) The role of SAQI

The primary objectives of SAQI are to unify the quality fraternity into an aligned federation with one strong voice, to coordinate all quality initiatives into a national quality system, to promote an understanding of the importance of quality in all human endeavour and to facilitate the creation and fair distribution of wealth by promoting business excellence.

SAQI's priority is to promote quality awareness in all South Africans and to influence the general public to expect quality products and services, and to spontaneously include quality in all their activities. SAQI maintains and participates in the membership of the World Quality Council, as well as the American Society for Quality.

On 31 March 1999 SAQI severed all ties, managerial and financial, with the SABS and was registered as a "not for gain" Section 21 company. A Board of Directors that meet regularly to

discuss the Institute's progress governs SAQI. A full-time Managing Director and a team of 12 employees manage the daily operations of the Institute.

b) The role of Government

The DTI is of the opinion that the country requires the establishment of a quality culture as a strategic element of economic growth, and is currently investigating quality activities in the country (Quality Infrastructure Development Program) with a view to developing a national policy.

The DTI indicated that a MOU may be put in place between DTI and the South African Quality Institute (SAQI) in the year 2000/01. The aim is to support softer quality issues such as training and education. The rationale for this can be questioned. SAQI is essentially a private organisation and not the sole representative of, and for, the quality "movement" in South Africa. For the DTI to place an MOU in place with SAQI would essentially recognise it as the official Government representative organisation, and such recognition would be misplaced.

The DTI and NTSIKA are also busy developing a Quality Infrastructure Development Programme to assist SMMEs to implement quality programmes. The Competitiveness Fund of the Government provides support to organisations for ISO 9000 certification.

c) The role of SAEF

In the field of business excellence, which focuses on the "performance" level of organisations, i.e. directed toward Chief Executives and leadership rather than the quality of products and services, the South African Excellence Foundation (SAEF) represents the voice and interests of Business. The custodianship of the South African Business Excellence Model is vested with the SAEF and the primary focus is the annual National Excellence Awards.

The South African Excellence Foundation (SAEF) was launched during 1997 as a Section 21 (not for gain) company with the support of local industrial leaders. Some of the founding organisations are Daimler Chrysler South Africa, Honeywell SA, Ingersoll-Rand SA, CSIR, the SABS, SAQI, Armscor, Eskom, Standard Bank and ABSA Bank.

The SAEF Model was adopted by the South African Development Community (SADC) in July 1998 and SAEF currently represents the DTI on the Task Team responsible for implementing the Quality Model and awards process within SADC. SAEF has also assisted the German Initiative for Southern Africa (SAFRI) in conducting an SMME workshop as part of the SADC

involvement and has had indications that SAFRI would be prepared to provide financial support for similar SADC training activities.

Internationally, SAEF has established Memorandums of Agreement with the European Foundation for Quality Management (EFQM) and the Australian Quality Council (AQC) which offer equivalent Excellence Awards.

14.1.2 The international situation

To obtain an international perspective, the arrangements for quality promotion in four countries (Australia, Brazil, Malaysia and the UK) were surveyed in the current study.

The quality-related organisations in these countries had developed from a variety of backgrounds (engineering, business, economics) and represented the following spheres of activity:

- Development of technical skills in quality management (evolving from an engineering/quality control background).
- Adoption of management systems based on international standards such as ISO 9000 and ISO 14000 (evolving from a combination of technical and business backgrounds).
- Certification of auditors (allied to adoption of management systems).
- Business excellence or quality awards (evolving from a productivity/economics background).

a) Involvement of government

None of the surveyed countries had a formal centralised arrangement for co-ordination of quality-related activities, although the UK provides an opportunity for communication through the National Forum for Conformity Assessment and Quality Policy.

In Brazil and Malaysia, there has been strong government promotion of quality philosophies, both to industry and the community at large. In these countries, consumers have been educated through public campaigns to be more demanding of quality in products and services, thus encouraging industry to deliver better output. Regular public statements by senior political figures, including at prime ministerial level in Malaysia, have fostered community and business awareness that quality is an essential ingredient of competitiveness.

Government programs to promote quality have been used in all countries, particularly in Brazil and Malaysia. However most respondents held the view that financial support from government should decline after the awareness-building phase, and that quality-related services should become part of the general marketplace. The only examples of continuing government funding were for the National Productivity Corporation in Malaysia, which has a wider remit to provide industry productivity data for government planning purposes, and for the Brazilian Institute of Quality and Productivity which obtains funds from government programs on a competitive basis. Otherwise most quality-related organisations operated on a fee-for-service basis.

In Malaysia, government has also recognised that quality in public sector performance is an essential component of lifting quality in the economy as a whole. To address negative public perceptions about integrity and efficiency in the public sector, the government has established a program of quality improvement in government departments and is managing the process through a unit within the Prime Minister's department.

b) Trends in the quality industry

Three primary questions arose in predicting the future directions of the quality industry, and a variety of observations were provided in the surveyed countries. The questions and observations are listed below.

What philosophies and practices are wanted by industry ?

Although the quality movement had its genesis in the quality control processes introduced into manufacturing industry, the approach to quality management from this perspective is being displaced by a more business-oriented attitude. The application of quality management practices has broadened from its traditional base in manufacturing, and the main driver of current developments are the service industries.

In Australia and the UK, it was pointed out that firms now expect auditors to add value to the business practices of organisations and that the "traditional" audit against management system requirements is insufficient to meet this demand. There was also concern about whether the auditors who are currently certified have the appropriate background or adaptability to address this new business challenge.

In the UK, the trend towards industry-specific variants of generic management standards was noted. While this confers benefits on industry sectors, it presents problems in international acceptance of these practices and in the training of auditors.

What promotes uptake of quality principles and demonstrates real improvement in industry ?

Business excellence or quality awards at the national level appear to be contested by well-developed firms often with an international profile and/or operation. The Foundation for the National Quality Award (FPNQ) in Brazil and the National Productivity Corporation (NPC) in Malaysia both identified the need for sub-national awards to promote the adoption of business excellence frameworks across a wider cross-section of businesses. A variety of programs are in use to encourage firms to improve their performance by progressive adoption of business excellence components. For example, Malaysia provides awards at local level for performance against a specific target, followed by awards at a regional level for performance against a more complex set of targets, right through to the Prime Minister's Award which is modelled on international business excellence criteria. The awards are also divided into categories according to the size of firm to encourage SMMEs to participate. A similar process applies at state and national level in Brazil. Winners in all categories are encouraged, and sometimes obliged by the award, to share their experience through seminars and hosting visits to their firms.

How is international comparability being established by individual firms and by quality-related organisations ?

For firms to establish national or international comparability in their business performance, the techniques of benchmarking are often used. In Malaysia, the National Productivity Corporation has established an on-line benchmarking tool to allow Malaysian firms to assess performance against their industry average or their industry "best practice" standard.

Quality-related organisations are establishing their international comparability by a variety of techniques. Participation in regional or international organisations is one avenue of obtaining "best practice" information. Most business excellence award organisations are members of the Global Network of Quality Award Organisers, and developing economies often benchmark their own award criteria against long-standing awards such as the Baldrige Quality Award.

However several organisations warned about the difficulties of adopting quality philosophies from one cultural context into another. In both Brazil and Malaysia, there was an emphasis on adapting international practices to suit local conditions.

14.2 Funding

SAQI is funded by its members and until 2000 Government funding was indirectly through the SABS. This might change in the foreseeable future, with SAQI being funded directly by the DTI on a project-by-project basis.

Government funding levels for SAQI, which are indirect through the SABS, are as follows.

Table 24: Funding of SAQI as a percentage of total funding

Year	Amount	% of total turnover
1996	R 815 000	90%
1997	R 1 200 000	83%
1998	R 1 500 000	81%
1999	R 2 000 000	80%
2000	R 2 000 000	70%

SAEF is currently funded by membership subscriptions, based on company turnover, from approximately 65 organisations. In addition, interest is received from a trust fund established by four founding members. No direct funding is received from the Government although indirect funding is allocated via the CSIR, with them providing the SAEF Chief Executive on secondment.

SAEF has been contracted by Government to develop a Business Excellence Model for SMEs. It is noted that SAEF's membership is geared towards larger organisations, and that SMEs have virtually no knowledge of SAEF or the Business Excellence model. The development of a Business Excellence model for SMEs can not be criticised, but it is unclear to what extent SAEF will use this opportunity to expand its membership, and therefore provide ongoing services, to SMEs.

In terms of government funding of quality promotion there is virtually no funding of such organisations in Australia and the United Kingdom. In Brazil there are various quality and productivity bodies which operate with government support. Malaysia also has a number of organisations involved in quality and productivity promotion and business excellence activities. The quality professional society (IQM) and its subsidiary (MRCA) receive no government funding. On the other hand, the Malaysian Administrative Modernisation and management

Planning Unit (MAMPU), which has quality improvement objectives within the public sector, is totally funded by government. The National Productivity Corporation which is also involved in quality promotion and business excellence is heavily funded by government although this funding is declining (74% in 1996 and 58% in 1997).

It is concluded that governments in developing countries do have a role to play in the funding of development of a quality and business promotion infrastructure. Such funding should be driven by an explicit Government policy on quality and business excellence promotion. In developed countries such development processes are by and large complete, and the continuation of relevant activities is done by the private sector. Countries very rarely have single bodies or organisations that can be regarded as the sole or peak player in the quality and business excellence arenas and this means that there are multiple players with varying skills and abilities across these domains ranging from academia, institutes, councils, professional services firms etc. For government to directly fund any one institution would not be good governance. Government needs to identify specific programs and drivers which underpin its strategy and policy and then should fund the organisation (possibly on a tender basis) which can best provide the support needed to achieve these defined goals.

14.3 Meeting the needs of South African industry

14.3.1 SAQI meeting the needs of industry

The industry survey conducted as part of this review indicated the following:

	Very High	High	Average	Low	Very low	Don't know
Awareness	11%	11%	19%	24%	26%	8%
Importance	15%	19%	19%	15%	21%	8%
Effectiveness	0%	13%	32%	15%	11%	28%

Since SAQI can be regarded as the most prominent organisation focussed at promoting quality in industry, the low level of awareness (50% of respondents to the survey indicated an awareness that is below average) is of concern. It is noticeable that awareness levels amongst SMMEs are especially low. It is however recognised that SAQI has been in existence for less than 10 years in its present capacity. If one considers that industry is united in its opinion that Government is not doing enough to promote quality, then SAQI has not demonstrated the capability to position itself as the "national body for quality". It is also noticeable that only a small percentage of organisations that were able to comment of the effectiveness of SAQI, rated it to be above average, with 26% rating it to be below average.

14.3.2 SAEF meeting the needs of industry

The industry survey conducted as part of this review indicated the following.

	Very High	High	Average	Low	Very low	Don't know
Awareness	4%	2%	6%	17%	55%	15%
Importance	8%	8%	21%	21%	21%	15%

The awareness of SAEF, which has a limited number of member organisations, is extremely low, an indication that SAEF has not achieved a great degree of success in penetrating its chosen market. In fact, more than 50% of organisations have no knowledge of SAEF. The importance of its activities are also deemed to be very low, probably due to ignorance of its activities and benefits.

SAEF has such a low market profile that no effectiveness assessment could be done

14.3.3 The role of Government

The survey conducted as part of this review indicated that industry organisations are united in their view that Government should play a stronger role in the promotion of quality of product, quality of service and quality of organisation. In fact, more than 95% of respondents to the industry survey conducted as part of this review indicated that Government is not doing enough to support quality promotion.

14.4 Conclusions

In summary, the international quality landscape seems to have the following characteristics:

- Government provides an environment that educates firms and consumers to expect quality in products and services. However the specific quality-related services are delivered by private sector organisations, albeit with some government endorsement or support where there are common interests (e.g. national quality awards).
- It is rare to find national co-ordination of the activities of the organisations that deliver quality-related services, although there is some evidence from informal forums that this communication can be beneficial.
- In promoting the adoption of quality philosophies or practices, it is necessary to ensure that the benefits reach beyond an elite group of firms to industry at large, and that the philosophies and practices are appropriate to the cultural context.
- The international framework for organisations that deliver quality-related services is not as highly developed as the international framework for standardisation, metrology and accreditation organisations. Therefore the “quality” organisations operate relatively independently and make their own selections of collaborators and comparator organisations.

It is concluded that an effective strategy in developing nations is for government to play a leading role in promoting quality during the development stages of economic development, and then to reduce its involvement gradually as the country reaches a stage of mature economic development.

In South Africa quality and business excellence are areas that requires specific attention. The quality promotion system (DTI, SAQI, etc.) is currently not having the desired impact, and is flawed in that there is no clear policy, there are no appropriate mechanisms for policy and strategy determination, and the roles of the various organisations are poorly defined.

- It is recognised by all stakeholders that the promotion of quality is of vital importance in a developing nation such as South Africa, and that Government should provide strategic direction. It is noted that industry, in particular, has indicated that there is a need for Government to play a stronger role in establishing a “quality culture” in South Africa. The DTI recognises this need, and is currently investigating quality activities in the country (Quality Infrastructure Development Program) with a view to developing a policy. The continuation of the development of such a policy is strongly supported by this Review.
- The lack of an appropriate mechanism to guide Government policy formulation is of concern. At present there is no appropriate mechanism in place to advise Government on quality policy formulation. SAQI is often perceived to be the organisation that should fulfil such a role, but it is clear that SAQI can not do this, as it is not a representative organisation. It has not been able to become the “umbrella” organisation in the quality arena, and its profile amongst industry, especially SMMEs is low.

The potential positive role of a “SQAM coordinating body”, with extensive stakeholder representation, in the development of a national policy or strategy, is recognised.

- There is a lack of role clarity amongst organisations in the quality arena. At present organisations such as SAQI are performing activities for three “clients”. It provides services to its members, it provides services to Government, and it provides consulting (brokering) services to industry. It can be readily asked whether there is a conflict of interest in being the perceived “Government agency” for national quality promotion as well as a service provider for industry. Although SAQI and the DTI will argue that SAQI is not the Government “agency” for quality promotion, but a service provider to Government, it is clear that the process by which SAQI is contracted by Government to promote national quality closely resembles that of providing funds for statutory bodies. This process contrasts with a typical “tendering” process used by Government when contracting services. Other service providers in the quality arena are questioning the role of SAQI, as well as the policy of the DTI towards quality promotion.

Recommendation 53: No organisation in the quality arena should be recognised by Government (by means of a MOU or other direct mechanism) as the “official” Government quality promotion organisation. Funding mechanisms should reflect this approach with funding allocated on a contract-by-contract basis.

- The fragmented nature of the quality arena in South Africa is of concern. Although SAQI has initiated actions to try and unify the various bodies under their umbrella, little success has been achieved. It has become evident that the primary driver of such an amalgamation is access to government funding.
- Lack of SMME focus. Research conducted as part of this review as well as research conducted by the DTI indicates that organisations such as SAQI, and in particular SAEF, have a very low profile amongst SMMEs. This is also reflected in their membership profiles.

Recommendation 54: The South African Government play a more active role in quality and business excellence promotion through national policy and strategy formulation and targeted Government funding that reflects that strategy

Government needs to take a strong pro-active stand in the development of a National Quality Strategy and Policy. Such a national strategy must be formulated in consultation with a broad range of stakeholders, and the recommended SQAM Forum could play a meaningful role in this regard. Although the content of such a strategy requires detailed preparation, the focus of the strategy should be aligned with national socio-economic objectives and should be prepared in close consultation with all stakeholders especially those who stand to benefit the most from the policies i.e. the manufacturers and service providers. The following needs to be considered in the establishment of the strategy:

- The need for the establishment of a quality culture in South Africa.
- The need to raise the level of awareness on the importance and benefits of quality at all levels of society and industry.
- The need to ensure that the education and training system within South Africa has an appropriate focus on the achievement of quality in society and industry.
- The need to raise the quality of products, processes and organisation to levels of international competitors.
- The need to build capacity in organisations to implement quality initiatives

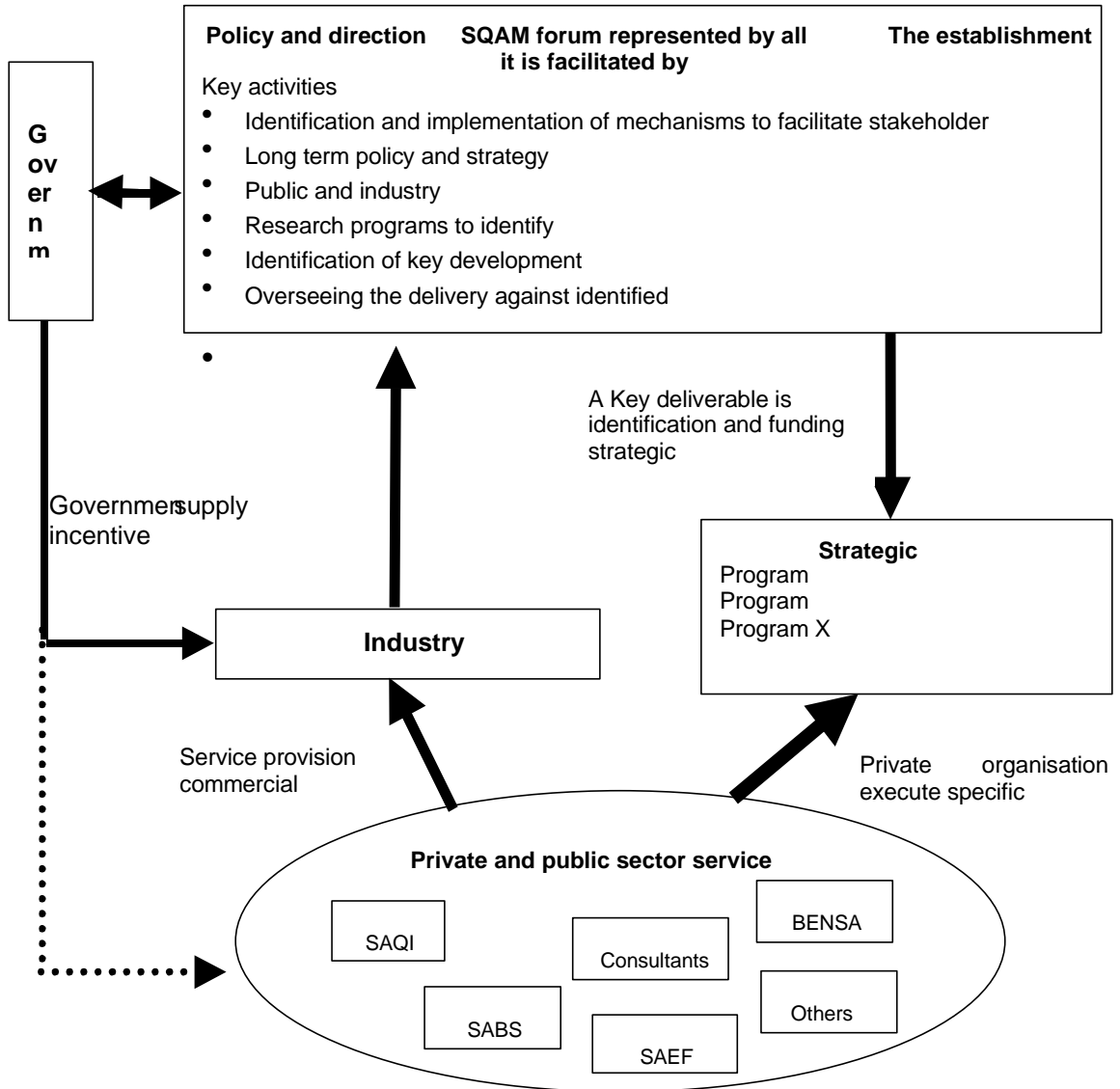
- The need for supply-side incentives (as is currently the case) to stimulate the introduction of quality philosophies and tools in industry, especially within SMMEs.
- The need to ensure that SMME promotion does not compromise quality principles.
- The use of Government procurement to enhance quality within organisations.
- The need to recognise that better informed consumers promote quality through better informed choices.
- The need to design and implement a “best practice” quality system which will facilitate the interface between Government, industry, service providers, and other stakeholders.

It has been demonstrated throughout the world that only direct Government endorsement at the highest levels will provide the necessary awareness and changes in attitude. While the DTI should drive and coordinate the development of an appropriate policy and strategy, it is imperative that it should be endorsed at Cabinet level, and actively promoted by Cabinet Ministers.

Recommendation 55: A system for quality and business excellence promotion be established, with the SQAM Advisory Forum advising and assisting Government in developing national strategy, identifying projects and prioritising funding allocations for agreed activities.

The following model represents key elements of a “best practice” system for South Africa. It outlines some but not all of the activities required, as well as the roles of the various stakeholders within the proposed structures. It does however provide a basis from which further development could be done.

Figure 19: An integrated model for quality and business excellence promotion



a) The role of the stakeholder groups

The following principles regarding the role of various stakeholder groups are considered in the design of the system:

- The role of Government centres on the provision of funding, and the establishment of an national over-arching strategy for quality promotion. Government plays a leadership role in facilitating the establishment of co-operative mechanisms that can advise Government on policy formulation and can coordinate the execution of Government funded initiatives that support such policies.
- The role of organisations active in the quality and business excellence promotion area is one of service provision. This includes the more technically focussed organisations such as the SABS and SANAS, as well as the less technically orientated organisations such as SAQI, BENSAS, SAQA, and SAEF, as well as the host of conformity assessment service providers and consultants operating in this area. Their role is one of service provision to both industry and Government, on a competitive basis. It must be recognised that organisations such as SAQI and SAEF are not Government agencies, but service providers to Government and industry.
- The role of industry is two-fold. Industry provides input to Government policy and utilises the services of quality practitioners. Industry uptake of specific services such as ISO 9000 certification, is stimulated through appropriate supply side incentives.

b) The need for a policy and strategy advisory SQAM forum

It has been recommended that a SQAM forum be established which can advise Government on SQAM policy and strategy matters, and also provide the mechanism for co-ordination between SQAM institutions. The scope of such a forum should include quality and business excellence and include representation from a wide variety of stakeholders including Government, Industry (including SMMEs), Labour, the SQAM institutions, and service providers in the SQAM arena.

The forums' scope of activities related to quality and business excellence should include:

- The identification of mechanisms to obtain their stakeholders' involvement. Representatives on this forum will therefore undertake activities to obtain inputs from their constituents, thereby ensuring adequate representation on a wide front.

- The forum would debate and formulate long term quality policy and strategy issues, and advise Government and other stakeholders accordingly.
- The forum would identify research activities that need to be performed as underpinning to strategy and policy formulation. Research will be conducted on behalf of the forum on a contract basis by appropriate public and private sector organisations.
- The forum would identify specific development programs in the area of quality and business excellence promotion. Such programmes will be executed by private and public organisations on behalf of the Government, based on insights from the proposed forum. Programmes could cover a variety of areas, including:
 - Public awareness programs.
 - Industry awareness programs.
 - The development of “quality toolkits” in specific areas .
 - Training and education programmes.
 - Programmes aimed at infrastructure and capacity building, for example the establishment of a national database of industry performance benchmarks.
- The forum, or mechanisms identified and constructed through the forum, would support Government in overseeing the execution of such programs.

c) Funding

The proposed SQAM advisory forum would perform no revenue generating activities. Government funding would be focussed in two areas, with separate mechanisms controlling it, as follows:

Government funding for specific programs

- Both research and quality promotion programs need to be funded by Government, as advised by the SQAM advisory forum. The ultimate decision regarding fund allocation however vests with government.
- Service providers would be contracted through a competitive contracting process, supervised by the advisory forum.

- The forum would oversee service delivery against program deliverables and advise the Government regarding payment or otherwise.

Government supply- side funding for quality promotion

Under the Competitiveness Fund a matching grant is already available to organisations, and especially SMMEs , that wish to become ISO 9000 certified. The range and extent of supply - side financial incentives in the quality and business excellence promotion area would need to be periodically reviewed by the SQAM advisory forum, and extended beyond the ISO 9000 support.