



BUSINESS STUDIES
GRADE 12
TERM 2
CHAPTER 11
NOTES ON QUALITY OF PERFORMANCE
2019

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CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES**Learners must be able to:**

- Define the following:
 - Quality
 - Quality control
 - Quality assurance
 - Quality management
 - Quality performance
 - Quality management systems
- Explain the advantages/benefits of a good quality management system.
- Explain/Discuss how the quality of performance can contribute to success and/or failure of each business function.
- Outline quality indicators for each business function.
- Discuss the following elements of Total Quality Management(TQM):
 - Continuous skills development/ Education and training
 - Team work (including the importance of quality circles)
 - Total client/customer satisfaction
 - Top management involvement/ Commitment.
 - Involvement of all employees/ People Based Management
 - Adequate financing and capacity
 - Continuous improvement to processes and systems (including the application of the 'PDCA' model/cycle)
 - Planning
 - Monitoring and evaluation of quality processes
 - Management by facts
- Discuss/Explain/Analyse the impact of TQM elements on small and large businesses.
- Explain how TQM can impact on the reduction of the cost of quality, etc.
- Compare the impact of the elements TQM on small (sole traders) and large (big companies).
- Discuss the impact of TQM if poorly implemented by businesses.

Terms and definitions

Term	Definition
Quality	Products and services that satisfy needs and exceeds customer
Total Quality	Involves all levels of businesses, all functions, processes and people
Management	Planning and management of quality through strong leadership and
Business functions	The various aspects of the business that perform different roles e.g.
SABS	South African Bureau of Standards, body that sets quality standards and
ISO 9001	Provides the guidelines for quality management. A company may not export any products unless it registers as an ISO 9001 company.
Standards	The specification of what is acceptable in terms of technical
Total client satisfaction	It is a measure of how products and services supplied by a company
Continuous skills	Developing employees' skills that will add value for the organisation and
Continuous improvement to	It is an on-going effort to improve products, services, or processes
Monitoring and evaluation	A process that helps to improve performance and achieve results. Its goal is to improve current and future management of outputs
Quality circles	A group of workers who do the same or similar work, who meet regularly to identify, analyse and solve work-related problems.

Quality concepts

Definition of quality concepts

Quality

- Quality refers to a good/service's ability to satisfy a specific need.
- The efficiency of services and the ability to provide an effective outcome without too many delays.
- It is measured against specific criteria such as physical appearance/reliability/durability/sustainability/after-sales services.

Quality control

- A system that ensures the desired quality is met by inspecting the final product to ensure that it meets the required standards.
- Checking raw materials/employees/machinery/workmanship/production to ensure that high quality standards are maintained.
- Includes setting targets/measuring performance and taking corrective measures.

Quality assurance

- Checks carried out during and after the production process.
- Ensure that required standards have been met at every stage of the process.
- Processes put in place to ensure that the quality of products/services/ systems adhere to pre-set standards with minimal defects/delays/short-comings.
- Ensuring that every process is aimed to get the product 'right the first time' and prevent mistakes from happening.

Quality management

- The process of managing all activities needed to ensure a business produces goods and services of consistently high standard.
- Refer to techniques/tools used to design/ improve the quality of a product.
- Can be used for accountability within each of the business functions
- Aims to ensure that the quality of goods/services is consistent/Focuses on the means to achieve consistency

Quality performance

- Total performance of each department measured against the specified standards.
- The assessment and analysis of processes, goods and services in order to measure the performance of a business.
- Can be achieved if all departments work together towards the same quality standards.

Differences between quality control and quality assurance

Quality control	Quality assurance
<ul style="list-style-type: none"> • Inspection of the final product to ensure that it meets the required standards. 	<ul style="list-style-type: none"> • Carried out during and after the production process to ensure that required standards have been met at every stage of the process.
<ul style="list-style-type: none"> • Includes setting targets/measuring performance and taking corrective measures. 	<ul style="list-style-type: none"> • Ensures that every process is aimed at getting the product right the first time and prevents mistakes from happening again.
<ul style="list-style-type: none"> • Checking raw materials/employees/ machinery/ workmanship/products to ensure that high standards are maintained. 	<ul style="list-style-type: none"> • The 'building in' of quality as opposed to 'checking for' quality

Distinction between quality management and quality performance

Quality management	Quality performance
<ul style="list-style-type: none"> • Techniques/tools used to design/ improve the quality of a product 	<ul style="list-style-type: none"> • Total performance of each department measured against the specified standards
<ul style="list-style-type: none"> • Can be used for accountability within each of the business functions 	<ul style="list-style-type: none"> • Can be obtained if all departments work together towards the same quality standards
<ul style="list-style-type: none"> • Aims to ensure that the quality of goods/ services consistent/ focuses on the means to achieve consistency 	<ul style="list-style-type: none"> • Quality is measured through physical product/ statistical output of processes/ surveys of the users and/ or buyers of goods/ services

Benefits of a good quality management system

- Effective customer services are rendered, resulting in increased customer satisfaction.
- Time and resources are used efficiently.
- Productivity increases through proper time management/using high quality resources.
- Products/Services are constantly improved resulting in increased levels of customer satisfaction.
- Vision/Mission/Business goals may be achieved.
- Business has a competitive advantage over its competitors.
- Regular training will continuously improve the quality of employees' skills/ knowledge.
- Employers and employees will have a healthy working relationship resulting in happy/productive workers.
- Increased market share/more customers improve profitability.
- Improves business image as there are less defects/returns.

Contribution of business functions to the success of a business/ Quality indicators

Quality indicators of the general management function

- Develop/Implement/Monitor effective strategic plans.
- Efficient organisation/allocation of business resources to provide for the successful achievement of long-term and short-term plans.
- Structured standards and norms should be in place so that control mechanisms can be implemented.
- Learn about/understand changes in the business environment on an on-going basis.
- Effectively communicate shared vision, mission and values.
- Set direction and establish priorities for their business.
- Be prepared to set an example of the behaviour that is expected from employees in terms of ethics as well as productivity.
- Be proactive and always seeks to improve competitive advantage over competitors.
- Ensure that all departments/the business meet their deadlines/targets.

Quality indicators of the production function

- Provide high quality services/products according to specifications.
- The production/operating processes of a business should be done correctly through proper production planning and control.
- Products and services should be produced at the lowest possible cost to allow for profit maximisation.
- Businesses should clearly communicate the roles and responsibilities to the production workforce.
- Products must meet customers' requirements by being safe, reliable and durable.√√
- Businesses should have good after-sales services and warranties.
- Empower workers so that they can take pride in their workmanship.
- Get accreditation from the SABS/ISO 9001 to ensure that quality products are being produced.
- Specify the product or service standards and take note of the factors that consumers use to judge quality.
- Monitor processes and find the root causes of production problems.
- Implement quality control systems to ensure that quality building products are consistently being produced.
- Utilise machines and equipment optimally.
- Accurately calculate the production costs.
- Select the appropriate production system e.g. mass/batch/jobbing.

Quality indicators of the purchasing function

- Buy raw materials in bulk at lower prices.
- Select reliable suppliers that render the best quality raw materials/capital goods at reasonable prices.
- Place orders timeously and regular follow-ups to ensure that goods are delivered on time.
- Effective co-ordination between purchasing and production departments so that purchasing staff understand the requirements of the production process.

- Required quantities should be delivered at the right time and place.
- Implement and maintain stock control systems to ensure the security of stock.
- Maintain optimum stock levels to avoid overstocking/reduce out-dated stock.
- Monitor and report on minimum stock levels to avoid stock-outs.
- Effective use of storage space and maintain product quality while in storage.
- Involve suppliers in strategic planning/product design/material selection/quality control process.
- Ensure that there is no break in production due to stock shortages.
- Establish relationships with suppliers so that they are in alignment with the business's vision/mission/values.
- Have a thorough understanding of supply chain management.

Quality indicators of the marketing function

- Increasing their market share.
- Winning customers by satisfying their needs/wants/Building positive relationships.
- Adhering to ethical advertising practices when promoting products/services.
- Identifying a competitive advantage to focus/improve on marketing strengths.
- Differentiating products in order to attract more customers.
- Constantly reviewing value issues.
- Communicating effectively with customers to get feedback about their experience of products sold/services rendered.
- Co-ordinating distribution with production and advertising strategies.
- Using pricing techniques to ensure a competitive advantage.
- Determine gaps between customer expectations and actual experiences, so that problems/unhappiness may be diagnosed and addressed.
- Making adjustments and changes to products/services based on feedback from customers/results of market research.
- Using aggressive advertising campaigns to sustain/increase the market share.

Quality indicators of the financial function

- Obtain capital from the most suitable/available/reliable sources.
- Negotiate better interest rates in order to keep financial cost down.
- Draw up budgets to ensure sufficient application of monetary resources.
- Keep financial records up to date to ensure timely/accurate tax payments.
- Analyse strategies to increase profitability.
- Invest surplus funds to create sources of passive income.
- Implement financial control measures/systems to prevent fraud.
- Implement credit granting/debt collecting policies to monitor cash flow.
- Draw up accurate financial statements timeously/regularly.
- Accurately analyse and interpret financial information.
- Invest in strategies that will assist the business to remain profitable.
- Avoid over/under-capitalisation so that financial resources will be utilised effectively.

Quality indicators of the public relations function

- Dealing quickly with negative publicity/less/little/no incidents of negative publicity.
- Providing regular/positive press releases.
- Implement sustainable Corporate Social Investment (CSI) programmes.
- Good results of/Positive feedback from public surveys on business image.

- High standard of internal publicity/appearance of buildings/professional telephone etiquette, etc.
- Deliver quality goods/services that promote the brand/image with key stakeholders/customers/suppliers/government/service providers.
- Compliance with recent legislation, e.g. BEE compliant.

Quality indicators of the administration function

- Fast and reliable data capturing and processing systems.
- Make reliable information available to management on time.
- Make relevant information available for quick decision-making.
- Handle complaints quickly and effectively.
- Use modern technology efficiently
- Implement effective risk management policies to minimise business losses.
- Quality assurance/Control/Evaluation is recorded accurately
- All documentation is kept neatly and orderly in a safe place.
- Easy to recall/find information/documentation.
- Financial documents are kept up to date and recorded accurately.
- All systems and processes are documented.

Quality indicators of the human resources function

- Makes sure there is a good recruitment policy that attracts best candidates.
- Ensures fair and equitable selection process
- Fair remuneration packages that is aligned to the industry.
- Offer performance incentives for staff to enhance productivity.
- Good relationship with employees.
- Low rate of staff turnover in the business

NOTE: You will either be asked to explain/discuss how quality of performance can contribute to success or failure of each business functions or to outline the quality indicators of business functions.

Total Quality Management (TQM)

Description of total quality management (TQM)

- TQM is an integrated system/methodology applied throughout the organisation, which helps to design/produce/provide quality products/services to customers.
- It is a thought revolution in management, where the entire business is operated with customer orientation in all business activities.
- TQM enables businesses to continuously improve on the delivery of products/ services in order to satisfy the needs of customers.
- Management ensures that each employee is responsible for the quality of his/her work/actions.

Impact/Effectiveness of Total Quality Management elements on large business

Impact/Effectiveness of continuous improvement to processes and systems on large businesses

Positives/ Advantages

- Large businesses have more resources to check on quality performance in each unit.
- Enough capital resources are available for new equipment required for processes and systems.
- Large businesses have a person dedicated to the improvement of processes and systems.
- Willing to take risk on/try new processes and systems because they are able to absorb the impact of losing money.
- They can afford to use the services of the quality circles to stay ahead of their competitors.

AND/OR

Negatives/ Disadvantages

- Large scale manufacturing can complicate quality control.
- Systems and processes take time and effort to implement in large businesses as communication/buy-in may delay the process.
- Risk of changing parts of the business that are actually working well.
- Not all negative feedback from employees and customers is going to be accurate, which may result in incorrect/unnecessary changes to systems and processes.

Application of PDCA model/cycle in improving the quality of products

PDCA model/cycle is part of continuous improvement to processes and systems

Plan

- The business should identify the problem.
- Develop a plan for improvement to processes and systems.
- Answer questions such as '*what to do*' and '*how to do it*'.
- Plan the method and approach.

Do

- The business should implement the change on a small scale.
- Implement the processes and systems

Check/Analyse

- Use data to analyse the results of change.
- Determine whether it made a difference.
- Check whether the processes are working effectively.
- The business should assess, plan and establish if it is working/if things are going according to plan

Act as needed

- Institutionalise the improvement.
- Devise strategies on how to continually improve.
- If the change was successful, implement it on a wider scale.
- Continuously revise the process.

NOTE: The PDCA model forms part of the TQM element continuous improvement to processes and systems

Importance of quality circles in TQM

- Solve problems related to quality and implement improvements.
- Investigate problems and suggest solutions to management.
- Ensure that there is no duplication of activities/tasks in the workplace.
- Make suggestions for improving systems and processes in the workplace.
- Improve the quality of products/services/productivity through regular reviews of quality processes.
- Monitor/Reinforce strategies to improve the smooth running of business operations.
- Reduce costs of redundancy in the long run.
- Increase employees' morale/motivation.
- Quality circles discuss ways of improving the quality of work/workmanship.
- Contribute towards the improvement and development of the organisation.
- Reduce costs/wasteful efforts in the long run.
- Increase the demand for products/services of the business.
- Create harmony and high performance in the workplace.
- Build a healthy workplace relationship between the employer and employee.
- Improve employees' loyalty and commitment to the organisation and its goals.
- Improve employees' communication at all levels of the business.
- Develop a positive attitude/sense of involvement in decision making processes of the services offered.

NOTE: Quality circles form part of the TQM elements e.g. continuous improvement to systems and processes and team work as both elements make use of quality circles.

Impact/Effectiveness of total client/customer satisfaction on large businesses**Positives/Advantages**

- Large businesses uses market research/customer surveys to measure/ monitor customer satisfaction/analyse customers' needs.
- Continuously promote a positive company image.
- May achieve a state of total customer satisfaction, if businesses follow sound business practices that incorporate all stakeholders.
- Strive to understand and fulfil customer expectations by aligning cross-functional teams across critical processes.
- Ensures that cross-functional teams understand its core competencies✓ and develop/strengthen it.
- May lead to higher customer retention/loyalty and businesses may be able to charge higher prices.
- Large businesses may be able to gain access to the global market.
- May lead to increased competitiveness/profitability.

AND/OR

Negatives/ Disadvantages

- Employees who seldom come into contact with customers often do not have a clear idea of what will satisfy their needs.
- Monopolistic companies have an increased bargaining power/ so they do not necessarily have to please customers.
- Not all employees may be involved/ committed to total client satisfaction.

Impact/Effectiveness of continuous skills development/Education and training on large businesses**Positives/Advantages**

- Large businesses have a human resources department dedicated to skills training and development.
- Human resources experts ensure that training programmes are relevant to increased customer satisfaction.
- Ability to afford specialised/skilled employees.
- Large businesses could conduct skills audits to establish the competency/education levels of staff performing work which could affect the quality of products/processes positively.
- May be able to hire qualified trainers to train employees on a regular basis.

AND/OR**Negatives/Disadvantages**

- Poor communication systems in large businesses may prevent effective training from taking place.
- Trained employees may leave for better jobs after they gained more skills.
- De-motivates employees, if they do not receive recognition for training.
- Employees who specialise in narrowly defined jobs may become frustrated/ demotivated.
- Employees may not be aware of the level of competency they should meet in order to achieve their targets.
- It may be difficult to monitor/evaluate the effectiveness of training.

Impact/Effectiveness of adequate financing and capacity on large businesses**Positives/ Advantages**

- Large businesses have sufficient financing to test everything before implementing.
- They can afford to have systems in place to prevent errors in processes/defects in raw materials/products.
- Able to afford product research/market researchers to gather information.
- Can afford to purchase quality raw materials and equipment

AND/OR**Negatives/ Disadvantages**

- If the demand for company's product increases, orders begin coming in faster than expected, and the company lacks the capital required to fund the production of the stock to fill the orders.
- These rapidly growing companies can consume large amounts of capital as they try to balance normal operations and expansion.

Impact of monitoring and evaluating quality processes on large businesses**Positives/ Advantages**

- Prevents product defects and minimises wastage/customer complaints.
- Good quality checks/procedures minimises the replacement/breakdown of equipment/machinery on a regular basis.
- May be equipped to get things done right the first time.
- Improve performance and maintain high quality standards.
- Improve current and future management of quality outputs/outcomes/impact.
- Provide clear indication about quality aspects that are contributing to the achievement of goals/targets.
- Modify interventions that may improve the efficient use of resources.
- Support management to acquire information needed to make informed decision about processes.
- Cost of production is reduced as deviations from set standards can be corrected.
- Strategies are revised in order to improve the quality of the product and services/business image.
- Allows for quality control checks and procedures at key points.
- Key performance indicators are carefully selected to monitor and evaluate the outcome.
- Benchmarking is used to find best practices in order to determine the competitive position of the business.
- Quality circles meet on regular basis to evaluate the progress in terms of quality.
- Continuous research is conducted on latest developments to ensure that TQM planning is up to date.

AND/OR**Negatives/ Disadvantages**

- Large businesses are often divided and the departments work in silos. It is difficult to get everyone to communicate.
- It often takes longer to detect problems or respond to weaknesses
- It is not viable to check quality of all the products

Impact of TQM if poorly implemented by businesses

- Setting unrealistic deadlines that may not be achieved.
- Employees may not be adequately trained resulting in poor quality products.
- Decline in productivity, because of stoppages.
- Businesses may not be able to make necessary changes of products/services to satisfy the needs of customers.
- Business reputation/image may suffer because of poor quality/defective goods.
- Customers will have many alternatives to choose from and the impact could be devastating to businesses.
- Investors might withdraw investment, if there is a decline in profits.
- Decline in sales as more goods are returned by unhappy customers.
- High staff turnover, because of poor skills development.
- Undocumented/Uncontrolled quality control systems/processes could result in errors/deviations from pre-set quality standards.

Impact of TQM on the reduction of the cost of quality

- Introduce quality circles to discuss ways of improving the quality of work/ workmanship.
- Schedule activities to eliminate duplication of tasks.
- Share responsibility for quality output amongst management and workers.
- Train employees at all levels, so that everyone understands their role in quality management.
- Develop work systems that empower employees to find new ways of improving quality.
- Work closely with suppliers to improve the quality of raw materials/inputs.
- Improve communication about quality challenges/deviations, so that everyone can learn from experience.
- Reduce investment on expensive, but ineffective inspection procedures in the production process.
- Implement pro-active maintenance programmes for equipment/machinery to reduce/eliminate breakdowns.