

# TQM in Perspective the Balanced Score Card

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**Abstract**—Total Quality Management or TQM is known as the company to provide an overview of how the integrative unified vision and mission in building customer satisfaction. Balanced Score Card or BSc developed by Kaplan is a performance management system with emphasis on the four perspectives: financial, customer, internal business, learning and growth. The purpose of this study was to look at the implementation of TQM to the synchronization-based performance management BSc. Assessment methods used are literature study is to analyze the key elements of TQM and performance management-based synchronization with BSc. Assessment methods used are literature study is to analyze the key elements of TQM and performance management-based synchronization with BSc. Based on the results of the study showed that 8 elements in TQM-based performance management is integrated into the BSc with distribution as follows: a consumer perspective as much as 2 elements of (1) consumer focus and (2) Strategic and systematic approach, moreover the internal business perspective, there are 3 elements of the TQM (1) Process-centered, (2) Continual improvement and (3) Fact-based decision making, and the learning and growth perspective is adopted 3 TQM elements (1) Total employee involvement, (2) Communications, (3) Integrated system. While not distributed financial perspective of the key elements of TQM because it is the result rather than the process. Acknowledgment is thus concluded that the implementation of TQM in a company will show simultaneous performance on 4 BSc perspective.

**Keywords**—Total Quality Management, Balanced Score Card.

## I. INTRODUCTION

**T**OTAL Quality Management of is a method to improve the quality of products produced by the company in order to win the competition. In the achievement process involving the entire organization starting from the lowest level to the top level of management. Birth of TQM is an evolution of the meaning of quality in the corporate stage, which began in 1911 Frederick W Taylor with a very famous book "The principles of Scientific Management". Taylor concerned with a scientific approach to problem-solving process in the company. TQM is one answer to the growing industry of Japan during the 1970s, when it was oriented into the Japanese industry while the quality of American industry into cost-oriented. Japanese industry in the 80s especially automotive and electronics control global trade, because it puts the quality. Until the 21st century the current orientation towards quality still plays an important role in the control of both local and international competition.

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TQM attempts to introduce a method to maintain the ability to compete with quality orientation

Map current competition is getting tougher and heavier proven many companies that are financially healthy but several years later met adversity. The shorter the life of the product along with advances in technology and human knowledge

Before the 2000s the company was used to assess the performance of the company through the financial health by analyzing the balance sheet and income statement. But now if only relying on the financial health to assess the performance of the company will find, and constraints in the ability to compete. Kaplan and Norton (1996) introduced a performance management based on Balanced Score Card or BSc with not only financial analysis as a benchmark measurement but include consumers, internal business processes, learning and growth as an additional measure of performance.

Two major concepts mentioned above, namely TQM and often confusing BSc company has long adopted the TQM system, or who just want to start whether to TQM or BSc. From this phenomenon, the authors are interested in further analyze how the synchronization between TQM and BSc whether or contradictory interconnections.

### A. Aims and Objectives of research

- To view the key elements in the implementation of TQM
- To view the key elements in the BSc
- To analyze synchronization key element in the performance management system of TQM with a BSc

## II. CONCEPT OF TQM, BSC

### A. Concept of TQM

Total Quality Management (TQM) is a customer-oriented approach by introducing a systematic change management and continuous improvement of the processes, products, and services of an organization. Total Quality Management process begins with the customer and ends at the customer anyway. ([www.referensimakalah.com](http://www.referensimakalah.com)). The combination of all the functions of a company into a holistic philosophy that is built on the concept of quality, teamwork, productivity, and understanding as well as customer satisfaction (Ishikawa, 1993, p.135)

Some concepts and definitions of TQM can be summed up as a scientific method or approach that involves the whole

organization functions to produce the optimum product quality. Hensel and Brunell (1993) there are four main principles of TQM. The four principles are: (1) customer satisfaction (2) Respect for each rang (3) Management based on facts (4) continuous improvement.

While Goetsch and Davis (1994) mentions 11 elements of TQM are: (1) Focus on the Customer (2) obsession with quality (3) The scientific approach (4) long-term commitment (5) Cooperation Team, (6) continuous improvement (7) Education and training (8) Freedom is controlled, (9) the unity of purpose (10) employee Engagement. Deming (<http://scm.aurino.com/total-quality-management-4/>) says there are 8 elements in TQM implementation: (1) Ethics (2) Integrity (3) Trust (4) Training (5) Teamwork (6) Leadership (7) recognition (8) Communication.

ASQ ([asq.org/...quality/total-quality-management/.../ove](http://asq.org/...quality/total-quality-management/.../ove)) mentions 8 key elements of TQM is : (1) customer focused, (2) Total employee involvement (3) Process-centered (4) Integrated system (5) Strategic and systematic approach (6) Continual improvement. (7) Fact-based decision making (8) communication.

Based on these elements of the authors analyzed using the following table

TABLE I  
ELEMETS TOTAL QUALITY MANAGEMENT

Elemen TQM	Hensel	ASQ	Goetsch	deming
Customer focus	×	×	×	
Obsession with quality			×	
Scientific approach		×	×	
Long-term commitment			×	
Team Work	×		×	
Continous Improvment	×	×	×	
Education and training			×	×
Freedom of control			×	
Unity of purpose		×	×	
The involvement and empowerment of employees		×	×	×
Fact-based decision making	×	×		
Communication		×		×
Process centered		×		
Ethics				×
Leadership				×
Recognition				×
Trust				×

In this study will use the elements of TQM is based on the analysis of AQS. From the table above shows that the study of the ASQ more comprehensive than other studies .

### B. Concept of balanced score card (BSc)

The concept of Balanced Score Card is a performance management system developed by Kaplan and Norton. Kaplan argues that during this very perpetuate the company balance sheet and income statement as a reference in assessing the performance of a company. This concept is more focused on paying less attention to the process of assessment results to achieve those results. In many cases we often encountered financially successful company with the financial statements indicated that it did not last long nice to be able to compete

Kaplan (2000) suggests there are four sections, or perspectives that should be used as a reference in assessing

the performance of the organization. The four perspectives are:

#### 1. Financial Perspective

The first perspective is used as a reference in assessing the performance based method BSc is a financial perspective. In this perspective organizational performance assessed based on the financial health of the organization which can be read in a profit and loss statement and balance sheet. Some of the measures used in this perspective are: profitability ratio, activity ratio, debt ratio and liquidity ratio. Profitability ratios include gross margin, net profit margin, the return on assets, return on equity rate etc.. For the ratio of activity include: accounts receivable turnover, inventory turnover, the ratio of debt to net worth, current ration, quick ratio, etc.

#### 2. Consumer Perspective

Kaplan argues that a sound financial must be obtained from the level of customer satisfaction, and therefore the health of the financial aspects of the organization must be obtained or circuitry as the high level of customer satisfaction. Several indicators are used as benchmarks in evaluating performance consumer perspective are: the level of consumer satisfaction, market share, customer retention, customer acquisition and customer profitability.

#### 3. Internal Business Perspective

High customer satisfaction according to Kaplan to be driven by a reliable internal business. Therefore, in development based performance management BSc third perspective is the internal business. This concept states that the company must have the ability to generate continuous improvement. Some of the indicators that can be used as a reference for this perspective are: a decrease in the amount of scrap, improved product performance, the number of new products, the value of the investment in the design and improvement of products, level of innovation, new product sales presentation, the amount of time scaling processes, simplification of procedures, reduction in costs etc.

#### 4. Growth and Learning Perspective

Last perspectives presented in BSc-based performance management is a process of learning and growth. This perspective convey the level of growth and learning that takes place at the company's employees. Kaplan said that the internal business process best be achieved if the process of learning and growth within the company can be run properly. Some of the indicators that can be used as a reference in this process include the retention rate of workers, the level of employee satisfaction, employee productivity, employee involvement in training, improvement of skills and knowledge of workers etc.

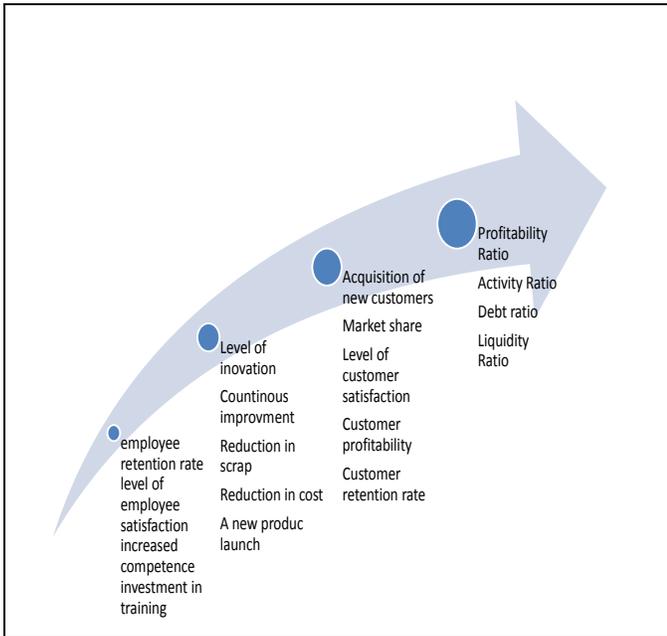


Fig. 1 The Balanced Scorecard Is Based on an Understanding of the Basic Building Blocks of the Strategy

### III RESEARCH METHODOLOGY

Assessment methods used in this paper is the study of literature in which the variables studied variables for further analysis compared comprehensively

### IV . ANALYSIS STUDY

In the assessment process begins with a variable or variables describing elements of the BSc-based performance measurement, to further analyze the TQM approach using TQM-forming elements

#### 1. Perspective Financial

In this perspective the role of TQM appears to be no, because the financial perspective is the result of a process. But if we examine more deeply the company upon ability to produce a quality product will result in improved profitability for the company's ability to compete will be higher

#### 2. Consumer perspective

Elements of TQM elements that support performance measures BSc consumer perspective is:

- Customer Focus: the element of TQM is customer focused products and services that are made should be based on the desires and expectations of customers. Customer satisfaction TQM became the dominant element in this case is in line with performance measures BSc measured on the consumer perspective of consumer satisfaction. Will give birth to a decrease in customer satisfaction and customer retention resulting in increased market share and new customer acquisition

- Strategic and systematic approach: the attention to the importance of these components incorporate elements of quality in strategic planning including vision, mission and

goals of the organization. By including elements of strategic planning, the quality of the performance measures BSc in meeting customer satisfaction in line with these TQM elements.

#### 3. Internal Business Perspective

Elements of TQM elements are aligned with the internal business perspective are:

- Process-Centered: The Elements of TQM requires management to focus on the process rather than the outcome. This concept is in line with the thinking that a good process will produce a good output. The orientation process is one of the efforts to foster internal business processes that will be spawned numerous attempts to reach the level of innovation, process improvement, and continuous improvement.
- Continual improvement: Performance-based BSc with internal business perspective is measured by how many companies do continuous improvement, the condition is in line with the TQM elements where continuous improvement becomes very important to achieve the high quality and dynamic in line with the pattern of changes in consumer that is constantly changing
- Fact-based decision making. This indicates that the TQM elements in the decision-making process must be based on data and facts, the scientific research into the pillar. This condition will give birth process improvements that could be accounted for so there will be sporadic. This element of performance measures in line with the level of innovation and kaizen.

#### 4. Growth and Learning perspective

In Performance-based Management BSc growth and learning perspective is the foundation company because it involves human resources. Some elements of TQM into the performance measure learning and growth perspective:

- Total employee involvement. In this element of all workers participate in process improvement or process improvement, this condition will result in a growth of employee satisfaction and learning among employees
- Communications. Elements of TQM is to teach the process of communication between units or parts of the organization that will give birth to a harmony between members of the organization who will give birth to job satisfaction, increased motivation to work so that the lower level of employee retention .
- Integrated system. This element requires the integration of horizontal and vertical cross-section of the organization. This condition is consistent with the perspective of learning and growth that will give birth to job satisfaction, skills enhancement.

Based on these two elements of TQM is or how to achieve the performance of the BSc approach. Schematically, the explanation can be summarized in the following picture

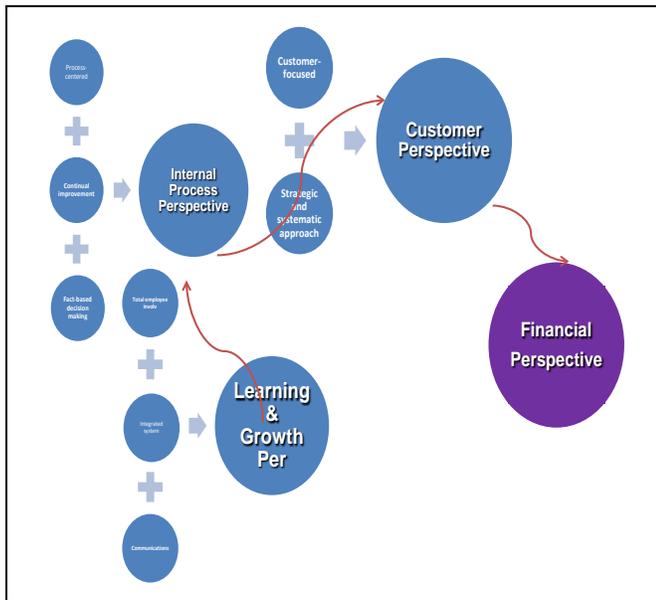


Fig. 2 TQM in Perspective The Balanced Score Card

### III. RESULTS AND DISCUSSION

#### A. Conclusion

- There are 8 elements of TQM : (1) customer focused, (2) Total employee involvement (3) Process-centered (4) Integrated system (5) Strategic and systematic approach (6) Continual improvement. (7) Fact-based decision making (8) communication.
- There are 4 Performance Measures based Balanced Score Card (1) Financial (2) Customer (3) Business Internal (4) Growth and Learning
- The occurrence of synchronization between the implementation of TQM to support the performance-based system of Balanced Score Card: Consumer Perspectives consists of TQM elements: (1) Focus of consumers and (2) Strategic and systematic approach, internal business perspective, there are 3 elements of TQM: (1) Process-centered , (2) Continual improvement and (3) Fact-based decision making, the learning and growth perspective adopting TQM three elements: (1) Total employee involvement, (2) Communications, (3) Integrated system. Thus concluded that the implementation of TQM in a company will support the achievement of performance based on balanced score card

#### B. Suggestion

Based on the literature review, it is for companies that already run TQM in the company do not hesitate to use the model of Balanced Score Card in the measurement of organizational performance, because both models support the competitiveness of complementary funds

For companies that have not implemented TQM and want to use the Balanced Score Card in the performance appraisal process, it is advisable to use the elements of TQM in the process of establishing a quality culture to facilitate the

achievement of the three perspectives: customer, internal business and learning and growth

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