

# NEW TRENDS IN THE QUALITY MANAGEMENT

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## ABSTRACT

This article begins with access to Quality Management. Further, it deals with the ways of applying Quality Management in the everyday working practices of the Ahold Central Europe (ACE) Company - made up of the Czech Republic, Slovakia and Poland. The rest of the article aims at a description in greater detail of the “World Class” philosophy and the components that the above-mentioned company could use to fulfil the same. The article provides the answers to the following questions:

- How should a quality approach perform in general?
- What should a quality approach function not do in general?
- What is the most frequent quality approach function?
- Where do we need to concentrate on, in the future?
- What activities in a quality approach are missing?

**Key words:** Quality Management

## 1. INTRODUCTION

We can indisputably consider the three main competitive weapons of an enterprise to be: **Quality, Costs, and Time**. Of the three indices, we shall orient ourselves on Quality – but more than on the theory behind this index, this article will concern itself with the practical approaches and procedures to care for quality in the Ahold commercial retail chain.

Quality represents a summary of characteristics and features of a product (i.e. product or service) which determines the fulfilment of the requirements for which the given product was/is intended. The **Official definition of Quality** – according to the International Organization for Standardization –ISO 8402 norms, which states: “Quality is a summary of the characteristics and features of products or services, determining their ability to satisfy established or anticipated needs or requirements.

## 1. BASIC APPROACHES TO QUALITY MANAGEMENT

Over the past ten to twenty years, a wide variety of concepts have been put forward for the creation of a quality management system – of which today, it is possible to recommend two approaches to the successful development of quality and its systematic assurance:

**The (QMS) - Quality Management System:** Extensive throughout Europe, it creates and maintains mechanisms capable of preventing unwanted behaviour through internal controls and independent (external) controls demonstrating credibility towards customers. This

approach is based upon the **documentation and standardisation of procedures, their stabilisation, and improvements in the form of corrective and preventive measures, and is based upon the standardised directives** and models described in the **ISO 900X** set of norms, whose foundations were laid outside of Europe. These norms have also been, however, adopted into EU policies in the field of adjudicating correlations (homologations), and which depend upon – among other things, the certification of the quality management system, and which more than 350,000 organisations around the world have already undergone. This conception also is in absolute dominance in the Czech environment – with all of its positive and negative consequences. Even if evaluation of the returns provided by such a conception of the returns on investment is not all that easy – see, for instance, Zámečník [4].

The first (**TQM - Total Quality Management**) models originally spread across Japan and the USA, and oriented on the exploitation of the knowledge and skills and abilities of people in resolving problems, constant improvement of processes, **achieving customer satisfaction, ensuring success, and the development and satisfaction of co-workers, the management, and owners of an enterprise**. This conception – which is rather, a philosophy of management, and which in practice is implemented in line with a variety of models, is mainly known in Europe as the so-called **EFQM Model of Excellence**. [3]

## 2. THE AHOLD COMPANY

The Ahold Company was founded in Amsterdam (The Netherlands) in 1887 (as the “First Shop” (of) Albert Heijn). Today, the activities of this supranational concern concentrated not only in Europe where they see cca 27% of their overall sales turnover, but also in the USA, from which they make cca 72% of their sales turnover. In 2004, overall sales turnover amounted to 52 billion EURO and flow into Ahold’s coffers in part thanks to more than 200,000 commercial partners. The number of sales outlets in 2003 was some 5,600 – of which 60% were supermarkets. Ahold achieved its leading position in the sale of foodstuffs in the USA and the position of the most significant and well-known retail outlet chain in the Netherlands. In 2003, Ahold Central Europe (ACE) was established and apart from the Czech Republic, it also includes Slovakia and Poland. The overall number of ACE outlets – in the two years since they were opened, has increased by almost seventy others and, by the end of 2005 it exceeded 500 outlets. ACE’s overall sales turnover in 2004 amounted to almost 1.7 billion EURO. A brief history of the company’s activities in the Czech Republic: In 1990, Ahold opened Mana, its first wholly-owned chain in the Czech Republic. In 1998, Ahold opened its first Hypernova hypermarket in the Prague district of Průhonice. In 2000, the Sesam and Mana retail chains were renamed Albert, and a year later, Prima stores were renamed Hypernova. Two years later, the acquisition of the Meisl chain took place. By 2004, Ahold Czech Republic, a. s. (Joint-stock Company), served more than 145 million customers in its more than 230 Albert and Hypernova outlets and employed more than 13,000 people.

Ahold is, without discussion, one of the fastest growing retail outlet chains and at the same time - it is one of the ten largest employers here. The Albert chain of stores also offers a range of non-foodstuffs goods in its sales outlets – these amount to some five or six percent of the overall sales turnover. In the

Hypernova stores, these goods have a more than 30% share in overall sales turnover.

### **3. THE COMPANY'S MISSION AND VISION**

ACE's vision is defined precisely how a vision should be defined – it is succinct (brief and to the point) and crystal clear: “A better place to buy in, a better place to work in.” The mission statement is based on this, and more precisely formulates the basic principles set out within the context of the vision: “We want to be successful as the most dynamic, flexible, and first entrepreneurial entity to react to the market with foodstuffs in Central Europe.” [2]

### **4. QUALITY AND AHOLD**

The Ahold Company clearly understands its social responsibilities, and for this very reason, it is set on the concept of permanent sustainable development. The basic principles of its quality concept can be defined in the following points:

- Its customers hold the key position – the company is built on its customers.
- The company offers an appropriate selection of goods and a structure of good quality products and services in locally accessible outlets.
- The company has shown the ability to continually satisfy all of its shareholders.

We can therefore understand quality to be a priority for all of the Ahold outlets, because:

- The highest level of hygiene safety and foodstuff quality is a requisite for all.
- All have appropriately and professionally educated staff, a well-elaborated and implemented food hygiene safety policy – based on a scientific base, practical operational knowledge, the best available technology and the appropriate training. (*Source: Fons Schmid, SVP Quality: June 2005*).

One of the facts that complicate this vision and the aims results from the employees themselves – and that is due to the great fluctuation in their numbers – requiring training and retraining over and over again for employees who frequently leave the company. The mission described above is further re-worked in the form of the core tasks for the quality department, and on their basis – four basic problem areas have been defined, as follows:

- We know what we have to do.
- We want to do it.
- We are allowed to do it.
- We know how to do things correctly. [2]

### **5. QUALITY AND THE DEVELOPMENT OF THE COMPANY**

Now, we shall look at the extensive spectrum of relationships on which Ahold's permanent sustainable development is based, including the quality field. This has to do with two extensive areas - the contractual relationships field and the context-related field. Contractual relationships: These are clearly closed with

members of the supply chain, financial institutions as well as with internal partners. Context relationships: These are created and expanded in the external communications area and in public relations. In order to provide you with an idea of just how wide a field the surrounding environment of the company, here it is the structure in greater detail. These include:

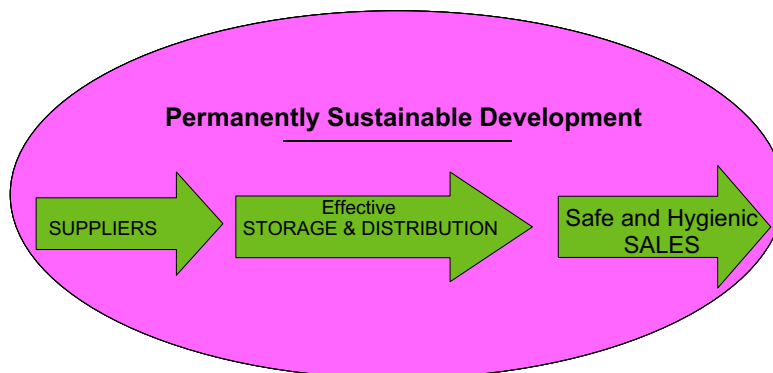
- The customers.
- The outlets themselves.
- The distribution centres.
- The transport firms.
- The wholesalers and importers.
- The manufacturers and suppliers.
- The raw materials suppliers.
- The processors of the raw materials.
- The farmers.
- The livestock feed suppliers.
- The seed-stocks suppliers.
- The pesticide suppliers.
- Scientific institutions and centres.

The financial institutions are made up of:

- The shareholders.
- Banks.
- Accountancy companies (i.e. Auditors).
- Legal services firms.
- Insurance agencies.

The field of so-called Internal Partners is no less important as regards contractual relationships and has to do with the following:

- The employees in the outlets.
- The Top Management.
- The Supervisory Board.
- The regional teams.
- The special project teams.
- The employee associations.



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**Fig.1** Basic processes in the Ahold Company leading to permanent sustainable development. [2]

Pressures in the Context Relationship field continue to strengthen – just as they do for the public relations field. These are caused by:

- Various communities.
- Local (national) governments.
- Administrators.
- Local parliaments.
- Advisory bodies.
- Commercial organisations.
- Consumer organisations.
- Special interest groups.
- The WHO (World Health Organisation).
- The Codex Alimentarius (Foodstuffs regulatory codex).
- Trade union organisations.

Recently, external communications with regard to relationships with the print media, broadcasting services and television stations have been the subject of a great deal of media interest. The relationship between quality and price functions like joined containers in the commercial chain. In essence, the following basic strategies exist, by which commercial organisations must guide themselves in relation to quality and price:

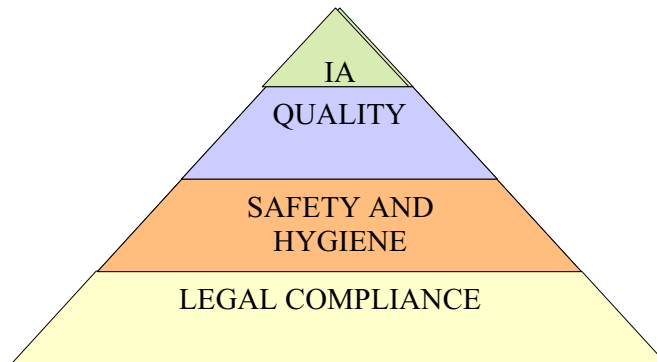
- Low prices – low quality >>> The “Poverty” strategy.
- High prices – high quality >>> The “Exclusive Club” strategy.
- A fair price for reasonable quality >>> this strategy may lead to problems in the perception of quality on the side of the customer.
- Good quality for a reasonable price >>> which is the Ahold Company’s strategy.

There are several reasons why the company has chosen precisely this strategy:

- It is the approach which has the best evaluation from the customers` side.
- It best reflects the substance of the social responsibility felt by the company.

This however, requires that every new project begins by the defining of the qualitative requirements and only after this – in the second phase to decide upon a price. What quality means for all of the employees is set out in the pyramid describing the standing of quality here below. If we were to divide the level of quality management into the following areas:

- A Reactive Approach – Managed only in line with legislative requirements, inspections, internal standards and the company’s approach can only be characterised as “do nothing”.
- A proactive Approach – For which inspections, management of processes, internal and sector-based standards are typical.
- World Class Company – Which is the level at which – apart from sector-related standards, elements of Reengineering and the maintenance of the basic principles and philosophy of TQM (Total Quality Management) are typical. For this level, exceptionality and innovation are typical elements.



IA = Innovative approach of a sustainable company

**Fig. 2** Pyramid showing the standing of quality in the company. [2]

We could say that today, the Ahold Company is roughly at the proactive approach level, but is clearly directed towards a World Class Company approach and philosophy, which we shall cover briefly in the next section. [2]

## 6. A World Class Company

Achieving a World Class level is based upon:

- A tendency to grow quickly and to achieve higher profits than their competitors.
- The employment of workers and managers so capable that other enterprises continually endeavour to attract them away and to themselves.
- Much prompter reactions than the competition, for instance to changes in the market situation – or to movements in prices and in launching new products on the market.
- Continual improvements in the production operations process, support systems, and employee qualifications in order to continually and to an ever greater extent exceed and expand upon earlier considerations of the limits and possibilities (i.e. always trying to “stretch the envelope”).

World Class Enterprise principles are:

- To create room for employee participation in change.
- Under all circumstances to apply process orientation.
- To orient oneself on non-physical investments with higher rates of return.
- To dynamically eliminate waste in operational and other work areas, as well as elsewhere.
- To assure the strategic and even tactical application of classical and modern industrial engineering methods.
- To introduce internal and external Just – in – Time (JIT) elements.
- To continue to develop the supply chain and delivery systems.
- To create a quality management system in the sense of complex quality management -TQM.
- To exploit teamwork in all of the enterprise’s activities.

- To reduce the time needed for the development and launching of new products onto the market through the use of simultaneous engineering.
- To apply cost and structured management at all times.
- To continually educate and train employees in key areas.

The World Class Model is one of the tried-and-tested models (“schools”), but only in accord with “World Class” strategies. It always appears as the most appropriate approach to maximising the success of changes of the enterprise into a dynamic enterprise – in line with previously elaborated company change models. The World Class Model is, in such cases, one of a whole pleiad of such models.

The main causes of failure and obstacles to success in the process of changing traditional enterprises (functioning according to traditional principles) into dynamic enterprises often are the following:

- Insufficient support from the management.
- A poorly chosen model for any changes.
- Poor management of the changeover project.
- Traditional access to selected consultants (access to advisors rather than trainers).
- Ineffective training of employees, etc. [1]

## **7. REQUIREMENTS ON SUPPLIERS AND ON LOGISTICS**

The basic point for quality control for commercial enterprises is based upon the fact that whatever gets into the system cannot – under any circumstances, be improved in any way. Delivered products can only be stored as is. The Ahold Company today has set out on the path of audits and certification by accredited firms. In addition, key suppliers in the “Fresh Products” category are audited directly by the Ahold Company itself. Private brands suppliers have been asked to furnish either BRC or IFS certification. For fruit and vegetable suppliers – requirements for EUREPGAP certification were defined and set. Logistics – has as its task the provision of the outlets with the correct quantities of good quality products at the right time. At present, they are going through the HACCP certification process and working on a BRC certification project.

## **3. CONCLUSION**

In conclusion, we may state that the Ahold Company (in its ACE context) is aware of its social responsibilities in relation to the customer and is actively working on improving the overall level of quality management and of understanding quality in the Central European region. It is also possible to support this statement not only through the facts and measures mentioned above, but also with other concrete acts:

- In the permanent sustainable development context, the company is actively working on the projects within the EUROKOMERCE framework.
- It is actively betting on the implementation of BRC/ IFS and EUREPGAP certification.

- The Ahold Company holds conferences worldwide on “Healthy Lifestyle” and “Fight against Obesity” themes.
- In April 2005, the Ahold Company prepared a two-day seminar in conjunction with the Czech Ministry of Agriculture for suppliers entitled: “Standards for Chains for the Safety and Hygiene of Foodstuffs as a Chance for Czech Suppliers.”

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