The Model of Organization Performance Comprising the Relationships with Stakeholders from the Aspect of Total Quality Management

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Cooperation with stakeholders is the key attribute of organizations having no boundaries and open to innovations. In order to be successful in a very competitive and unstable environment companies must have ‘pervious’ boundaries and be open to information, ideas and people. This will enable to see the straight direction for the fast and effective performance. Such ‘boundless’ organizations are very dependant on relationships.

How should such an organization look like? Firstly, top managers establish conditions and secure relationships nurturing such values as reciprocity and trust. Secondly, open and fair interrelation is promoted together with minimization of red-tape whereas employees’ participation in inter-functional or cross-functional groups is understood as a part of daily work. The groups are set up of different organizational levels and departments. They identify and mobilize resources and liaise with organization. Authorization of taking a decision is delegated into the hands of people that are directly related with this activity. Thirdly, employees present ideas on how to increase efficiency of organization performance.

The model includes both proactive and reactive improvement elements where qualitative and quantitative indicators are used. Successful implementation of total quality management depends on infrastructure, i.e. on organizations promoting total quality management, legal environment, scientific research, establishment of new methods, dissemination of information, practical training, etc.

**Keywords:** stakeholders, harmonization of needs, satisfaction of interests, total quality management, organization processes and model.

**Introduction**

Mutually beneficial cooperation with stakeholders is a metacapacity leading to a new competitive advantage (Liedtka, 1996; Ashkenas et al., 1995; Margolis et al., 2001). Cooperation joins minds and opinions allowing to create collective strategy to solve arising problems. This is a process when parties with the different view on the aspects of the problem can positively scrutinize differences and find solutions that are not limited within the one party’s vision. Such kind of relationship begins from the share of information (Pfeffer, 1998; Grant, 1996; Beccerra and Gupta, 1999; Kumar, 1996), definition of a problem or possibility, aggregate work or contribution allowing to change preconception and enabling to find as well as implement joint solutions. Cooperation always allows to find creative solutions of the problems though this is not the case of finding the compromise or dominating upon others, this is the case of finding mutually beneficial solution. It can be concluded that mutual beneficial relationships are based on the search of creative solution, synthesis and integration of ideas and information (Peteraf, 1993; Post, 1978; Limerick et al., 1998, Post et al., 2002).

Organization thrives when it is aligned by joint interests, vision and cooperation with its all stakeholders. However stakeholders have a power that must be properly balanced (Waddock and Graves, 1997; Windsor, 1999). Not taking into account some of the interests results in having unsatisfied customers or/and other stakeholders.

**Scientific problem:** can stakeholder interests be balanced and integrated into the organization performance.

**Research object:** stakeholder interests and needs and their influence on the organization activity.

**The goal of the paper:** designing the model of organization activity integrating stakeholder needs and interests and based on principles of total quality management

**Research methods:** scientific literature review, the analysis of analytical and empirical studies.

**Measurement and evaluation of organization processes**

General goal of organization evaluation is to define internal processes where the company can improve its performance (Wang and Dewhirst, 1992). Approach that is focused on the processes which can determine successful financial results and satisfaction of stakeholders joins realization of organization goals and satisfaction of stakeholders expectations.

Achieving high performance requires a strategic approach in managing the organization, its people, resources and processes that should be all aligned to meet stakeholder needs and expectations. Often organizations appear dysfunctional and from as senior management perspective
differently departments or function can appear:
- pursue different or conflicting objectives;
- become focused on initiative performance rather than business performance;
- be fragmented;
- lack meaningful key performance indicators and other measures;
- be focused on department or function performance rather than on stakeholder experience.

Organization models abound but often have a common theme. For example high performance organizations can be seen as(The HPO, 2005):

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Figure 1. Organization management focused on the satisfaction of stakeholder needs
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There are many inter-related processes that must be seen and measured (Priem and Butler, 2001). However only measurement and management of separate processes cannot have straight influence on the strategic organization management. The presented model in this research highlights not only internal processes but also the measurement of all pack of processes that corresponds balanced-scorecard theory. Processes describe the numerous connections that cut across the organization, the interaction of staff and departmental activity and the flow of work that actually occurs, to ultimately deliver stakeholder satisfaction.

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Figure 2. Format of processes
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Thereby all the organization performance is measured in this case -- from identification of stakeholder needs and interests to the final implementation of them.

Designing the management model of organization

There are six components in the organization model:
1. identification of stakeholders needs and expectations;
2. strategic planning;
3. management of processes;
4. measurement and evaluation of processes;
5. revision of management;
6. system of continuous improvement.

This model comprises focus on stakeholders (step 1), compatibility of inner processes (step 2,3,4), continuous progress revision and evaluation (step 5) and the development of the model and its structure (step 6).

Stage 1: identification of stakeholder needs and expectations

All processes are closely connected with the knowledge and satisfaction of stakeholders needs. Stakeholders can be identified according to these criteria (Kochan and Rubensten, 2000; Svendsen, 1998):
1. They supply resources that are critical to the success of the company.
2. They place something of value at risk; that is, their own welfare is directly affected by the fate of the enterprise.
3. They have sufficient power to affect the performance of the company, either favourably or unfavourably.

Every stakeholder must satisfy at least two of these criteria. Needs and interests are identified through the informal talks or with the help of questionnaires. This is the time for private contacts where all the stakeholders are involved in the dialogue. Following step in this stage would be harmonization of processes in the direction to satisfy stakeholders needs but not to sub optimize separate stages to create value. A good example of this could be when purchasing department thinks that its primary objective is to find cheap raw materials though the main requirement of customers’ is delivery of goods on time. Also it is necessary to secure that all company departments know the needs of stakeholders and can harmonize their goals (Vercshoor, 1998). The results of identification of stakeholders ‘needs are used in stage 2 where data are transformed into implementation of strategies.
Stage 2: strategic planning

This stage undergoes integration of stakeholders needs into the most important concerns of the company (cash flow, inventory, efficiency, decrease of rejects, automation, etc.). In this stage cooperation with the stakeholders is identified as a strategic direction and stakeholder approach is reflected in the organization mission. It is inevitable to involve employees into this process and to ensure their participation (Waddock and Graves, 1997; Windsor, 1998). This stage is time for benchmarking, prioritization, sorting out of goals, establishing strategies and action plans.

The results of strategic planning are used in managing the processes and design of general plan where all sub processes (purchasing, management, manufacture, marketing, engineering) are joined. One mistake should be avoided in this stage when the strategic plan of every different process is designed and later they are put together and called as a strategic plan of the company.

Stage 3: management of processes

In this stage process “trustees” are assigned to each strategy. Process trustees are people who are responsible for pursue of strategy and take part in the revision of management as well as steps in correction of organization action strategy and performance. Hereby organization readiness for satisfaction of stakeholder needs is monitored (measured), current systems and structures are reviewed, employees’ attitudes and skills are assessed. If process trustee defines that functions of departments or
divisions overlap in the strategy implementation process, then a multifunctional team from relevant representatives is formed. In this way interests of the department simultaneously striving for satisfaction of stakeholder needs are assured. Information exchange, harmonization of interests and goals with all the stakeholders is very important at this stage.

**Stage 4:** measurement and evaluation of processes

Measuring and evaluation criteria should be envisaged in this stage. They would be used to evaluate performance of every strategy. Strategy evaluation criteria enables abstract satisfaction of stakeholders needs convert into tangible result (Tipping, 1999) which can be measured and evaluated by questionnaires, tests or stakeholder audit. Permanent channels for relationships with the stakeholders are established, harmonization of interests/values is tuned between stakeholders and organization. It is very important to notice success and learn from mistakes (Steger, 1998; Porter, 1998).

**Stage 5:** revision of management

Revision of management is stimulus in business (Mitchell et al., 1997; Morgan, 1983). Strategy implementation criteria, response from customers and other stakeholders are reviewed in this stage. It is needed for assurance of organization right performance direction and pace. During the revision of management these points must be cleared:

- Were the set goals achieved?
- Are goals and strategies harmonized with the needs of stakeholders?
- Is there a need of more/less objectives to achieve results?

The results of this stage are used in strategic planning and identification of needs.

**Stage 6:** system of continuous improvement

This stage must assure that when there is a change of conditions not only implementation of the model but the model itself can be adjusted. Continuous improvement of relationships and intensive consultations are typical for this stage.

Aligning internal systems and structures requires an ongoing effort (Svendsen, 1998; Jensen, 2000; Granroos, 1992). No organization will ever be completely ready for collaboration because organizational readiness is multidimensional. Senior management must visibly and consistently support stakeholder collaboration, employees must understand their role in relationship building, multiway communication systems must be accessible, and rewards and recognition must be tied to the success of stakeholder relationships, not just to short-term financial indicators.

**Integration of total quality management principles into the model**

Designed model comprises fundamental principles of total quality management:

- Satisfaction of current and anticipatory needs of stakeholders.
- Total participation (determination to take actions; development of organization joint vision and values; focus on employees; provision of action freedom for employees; promotion if initiative; recognition and reward; team work; staff training).
- Continuous improvement (problem solution in teams; initiative; communication of employees; pursue of innovations).

The model includes both proactive and reactive improvement elements where qualitative and quantitative indicators are used. Successful implementation of total quality management depends on infrastructure, i.e. on organization promotion of total quality management, legal environment, scientific research, establishment of new methods, dissemination of information, practical training, etc. (Vanagas, 2004).

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**Figure 4. Constituencies of total quality management (Shiba, et al, 1993)**

An employee attitude survey and a review of existing structures, systems, and policies can help to further refine the answers to the questions and identify where changes are needed (Jones, 1992; Kano, 1996). The information can be used to build senior management support for stakeholder collaboration, map out process for
addressing gaps and inconsistencies, and identify areas where new policies or programs are needed such as training for staff, policies governing resources for partnerships, or a review of community-relations strategies and budgets.

The results can also be used as important input into a process for developing the company’s social mission. Knowing more about employee attitudes and values and their role in building stakeholder relationships can help in organization to plan an appropriate process for developing an organization mission and goals.

The following are the tasks involved in assessing and evaluating the state of relationships within an organization:

1. Organization should identify the measurement information to meet the needs of stakeholders (other than customers), in relation to the processes of the organization in order to balance the allocation of resources. Such information should include measurements relating to the people in the organization, owners and investors, suppliers and partners, as well as society (Lietuvos standartas LST EN ISO 9004. Kokybės vadybos sistemas. Veiklos gerinimas. Rekomendacijos (ISO 9007:2000).
2. Employee attitude survey. An employee survey can provide useful information about employee attitudes toward collaboration and employee awareness and understanding of relationship building approaches and techniques. Various research techniques can be used, ranging from a self-completed questionnaire distributed to all employees to a series of focus groups with a sample of employees or series of in-depth interviews with employees from all levels of the organization. The choice of which technique to use depend on your time frame, budget, and the size of organization.
3. Review of organization systems, policies, and practices. A review of organization practices and policies related to relationships with key stakeholder groups such as employees, suppliers, and communities provides an indication of where the organization has placed the greatest effort and attention and where more effort is needed. Usually, companies have well-developed employee relations policies and a host of practices that support collaboration between employees. Policies governing relationships with external stakeholders such as suppliers and community members are often less developed.
4. Identifying gaps and inconsistencies. With the results of employee survey and the review of policies and programs, organization should be able to identify any major gaps and inconsistencies in policies and practices. This information will help to determine what needs to be changed to foster collaboration.

Conclusions

1. Mutually beneficial cooperation with stakeholders increases competitive advantage.
2. Cooperation always allows to find creative solu-
tions of the problems and show the way how to satisfy stakeholder needs.
3. Achieving high performance requires a strategic approach in managing the organization, its people, resources and processes that should be all aligned to meet stakeholder needs and expectations.
4. There are six components in the model of organization performance comprising the relationships with stakeholders from the aspect of total quality management: identification of stakeholder needs and expectations; strategic planning; process management; revision of management; system of continuous improvement.
5. Alignment of internal systems and structures is a permanent continuous process.
6. In order to evaluate the level of organization relationships with the stakeholders employee and management survey, review of organization systems, policies, and practices, identification of gaps and inconsistencies should be carried out. It is also obligatory to clearly define what information for measurement of satisfaction of stakeholder needs concerning organizational processes is needed.
7. No organization will ever be completely ready for collaboration because it is a continuous and multidimensional process.

References

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Abipusiškai palankus organizacijos bendradarbiavimas su suinteresuotųjų šalių veiklos modelį sudaro šeši komponentai:

1. suinteresuotųjų šalių ir jų poreikių identifikavimas;
2. strateginės planavimos;
3. procesų valdymas;
4. procesų įvertinimas;
5. vadybos peržiūra;
6. nuolatinio tobulinimo sistema.

Šis modelis apima dėmesį suinteresuotuosios šalies 1-asis etapas, vidinių procesų suderinimą siekiant padidinti vartojamu vertytį (2-asis, 3-asis ir 4-asis etapai), nuolatiningą procedūrų ir informacijos panaudojimą (puoselėjimą) tobulinimą (6-asis etapas).

1-as etapas – suinteresuotųjų šalių poreikių nustatymas

Visi verslo procesai yra susiję su vartotojų ir kitų suinteresuotųjų šalių poreikių žinomu ir jų patenkinimu. Suinteresuotosios šalys turi būti identifikuojamos remiantis šiais kriterijais (Kochan, Rubenstein, 2000; Svendsen, 1998).

1. Jie teikia išteklius kompanijos veiklos teikiamoms paslaugoms.
2. Jie įvairiai veikia ir informacijos panaudojimą (puoselėjimą) tobulinimą.
3. Jie turi pakankamai įvairių veiksmų, arba neįvairių veiksmų, arba netiki kompanijos veiklą.
4-as etapas – procesų įvertinimas
Šiame etape turi būti numatyta, kokiais įvertinimo ar matavimo kriterijais bus naudojami vertinant kiekvienos strategijos vykdymą. Strategijos įvertinimo kriterijai leidžia paversti abstraktų suinteresuotųjų šalių pasitenkinimą į apčiuopiamą rezultatą, kuri pamatouti gali būti pastebėtos įvairios apklausos ir tyrimai, suinteresuotųjų šalių auditas.

5-as etapas – vadybos peržiūra

Darbuotojų ir vadovų požiūrio, nuomonų apklausa bei esamų struktūrų, sistemų ir politikos apžvalga gali duoti atsakymą į daugelį įkylančių klausimų ir nustatyti, kokius praradimus (Jones, 1992; Kano, 1996). Surinktą informaciją galima naudoti patraukiant vadovų dėmesį į pozityvų bendradarbiavimą su interesuotuosiomis šalimis aspektą, planuoti procesus, padedančius įveikti spragas ir neatitikimus bei identifikuoti sritis, reikalaujančias naujus politikos ar programų, pvz., darbuotojų mokymas, ištekių valdymo politika, susijusi su partnerystės ryšiais, peržvelgiant ryšių su bendruomenės strategiją bei biudžetą. Gauti rezultatai taip pat gali būti svarbus įžvalgos formuojant kompanijos visuomeninę misiją.

6-as etapas – verslo tobulinimo sistema
Sudarytas modelis apima pagrindinius visuotinės kokybės vadybos principus: suinteresuotųjų šalių esamų ir numatomų poreikių tenkinimą, visuotinė dalyvavimą (vadovų pasiryžimas veikti; bendros vizijos ir organizacijos vertybų sukūrimas; dėmesys darbuotojams; atsakomybės ir veiklos laisvės darbuotojams suteikimas, iniciatyvos skatinimas; apdovanojimas, skatinimas, kompensavimas; komandinis darbas, darbuotojų įtraukimas į produktivyvią veiklą; darbuotojų mo- kymas) bei nuolatinį tobulinimą, įvertinant komandinis problemų sprendimas; iniciatyvą; darbuotojų bendravimus; naujovių siekimas). Šiame mode- lyje procesai apima tiek proaktyviniu, tiek reaktyviniu tobulinimo elementus, naudojant kokybinius ir kiekybinius rodiklius. Sėkmingas visuotinės kokybės vadybos įgyvendinimas priklauso nuo infrastruktūros, t.y. nuo visuotinės kokybės vadybą propaguojančių organizacijų, socialinės propagavimo veiklos, teisinio reglamentavimo, mokslių tyrimų, naujų metodų kūrimo, informacijos skleidimo, praktinio mokymo ir kt. (Vanagas, 2004).

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Raktažodžiai: suinteresuotosios šalys, poreikių harmonizavimas, interesų patenkinimas, visuotinė kokybės vadyba, organizacijos procesai ir modelis.

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