

Penyampai : TAN SRI DATO SERI AHMAD SARJI BIN ABDUL HAMID
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Berdasarkan hakikat bahawa persaingan yang sengit diperingkat perdagangan antarabangsa, Malaysia hendaklah memastikan hasil keluaran eksportnya memenuhi standard kualiti antarabangsa. Untuk mencapai objektif ini Ketua Setiausaha Negara menyarankan supaya pengusaha- pengusaha Malaysia melaksanakan sistem Pengurusan Kualiti Menyeluruh (Total Quality Management) di semua peringkat dan sistem organisasi. Dengan komitmen dari semua peringkat kakitangan sudah tentulah hasil-hasil keluaran negara akan sentiasa berada di hadapan.

I would like to take this opportunity to thank the Palm Oil Research Institute of Malaysia (PORIM) for inviting me to address this conference on the implications of quality in international trade. Today, the world economy is characterised by greater globalisation and an increasing number of centrally planned economies shifting to the market type economies. At the same time, we also saw the emergence of trading groups such as the North America Free Trade Area (NAFTA), ASEAN Free Trade Area (AFTA), and the Single European Market. These developments have turned the international trade scene into a highly competitive marketplace. The competition will become even more intense with the increasing trend of trade liberalisation. The ASEAN region for example witnessed greater cooperation which has attributed in part to the sustained growth of the region. While the West and Japan experienced a slow down, these countries continue to grow at an average rate of more than 6 percent a year. Indonesia is now well known for its sports shoes which have even made its way into the Japanese markets, while Singapore produces more than half of the world's hard disk drives. Malaysia, the large producer of rubber and palm oil in the world and the major exporter of air conditioners is also a champion exporter of computer chips. These countries are well poised to become major exporters in the next decade if they can sustain their momentum and overcome the ever growing competition in the international trade arena. With increasing global competition in international trade, both the public and private sectors have an increasingly crucial role to play in ensuring the competitiveness of Malaysian goods and services in the international market place. In the case of Malaysian palm oil, the commodity is sold to over 80 countries worldwide. In 1991, when palm oil secured more than 30 percent of the world trade in oils and fats, Malaysian palm oil was the dominant oil accounting for over 20 percent. Taking cognizance of the fact that competitors are always bent on taking an increasing market share, it is wise for Malaysia to redouble its efforts to remain internationally competitive. The emergence of Japan as the world leader in trade is well documented. Japanese products are sold almost everywhere in the world. They have not only penetrated the lucrative traditional markets of Europe and USA but they are also found even in the remotest and unheard of markets. Many theories have been put forward to explain the phenomenal success of the Japanese in international business. The secret of their success lies in their undying devotion to quality, that is, to generate products to keep customers satisfied better than before, and better than others.

Therefore, if we are to compete successfully in international trade, we need to emulate the Japanese by practising the culture of quality. This can only come about through the conscious implementation of Total Quality Management (TQM) in a systematic and comprehensive manner. Three Critical Elements in TQM In TQM, three critical elements must be emphasised. These are customer orientation, cost consciousness and timeliness. Customer orientation means satisfying customers by meeting their requirements and expectations. In international trade, meeting prescribed trade standards imposed by buyers should be the main concern of any exporter. For example, imports into Japan are subjected to the most stringent quality standards in the world. It is encouraging to note that the palm oil industry has started to implement quality assurance systems like the ISO 9000 as a commitment to quality. With the rapid change in consumption patterns, customers' preferences, tastes, life-styles and Government policies, business organisations have no choice but to stay close to the customers. Close to the customers means more than just listening to your customers. It means understanding and anticipating their needs. It also means matching the products to a market. In this way, the customers get what they want when they want it. Therefore customer feedback is very important as their current as well as future needs can be ascertained. These needs can then be fulfilled by making improvements to existing products and introducing new products into the markets. This customer-driven approach will enable an organisation to maintain its

competitiveness and in some cases, even increase its market share. After all the basic rule of business is that consumers will buy what they want or need if it is reasonably priced and of acceptable quality. In short, know what the market wants and what you should offer. Another crucial element of TQM is cost-consciousness. With TQM, the mind-set of every member of an organisation should be geared towards a culture of doing the right things right the first time. Doing it right the first time means you do not accommodate rework. Whatever work is to be done has to be done right the first time around. What do you think are the costs and consequences to your organisation if everybody does their job or task wrong the first time? If you employ 300 workers and all of them make mistakes everyday, you would need the same number of people to rectify the errors if they are correctable at all. If the cost of correcting a mistake is a conservative RM1, then the total cost per day would be RM300. Assuming a year of 300 working days, this would then add up to a total cost of RM90,000 annually. This figure may even be very much bigger if the errors are corrected a second time around and the cost of scrap are taken into account. And the end result is a highly bloated operational cost. An organisation beset with non-quality and unproductive practices will incur a lot of unnecessary time on repairing, reworking, recycling, rechecking, retyping and redoing of operations. The consequences of such practices are compromises on the final product quality, frayed customer relations, waste of everybody's time in endless meetings and problem solving, and greater stress inflicted on the people involved. The effects of these consequences may sometimes be hidden from view as people are normally more concerned with the final product which would ultimately be corrected. However, if it was the manager who made the mistake, for example, a wrong decision, the adverse consequences suffered by the organisation will have far-reaching implications. Such consequences can be averted if everybody is committed to doing their jobs right the first time. With a "do it right the first time" attitude among its employees, an organisation is well on its way in reducing the defect or error rate in the production of its output. This can be seen when the Japanese management system with its total dedication to quality was introduced into floundering American companies. As an illustration, when Sanyo took over the moribund Warwick TV plant in Forrest City, Arkansas in the mid-seventies, within two months it managed to slash the defect rate down from 30 percent to 5 percent with the same group of workers and same equipment. Similarly, when Matsushita bought the Motorola TV plant in Franklin Park, Illinois, it brought the defect rate down from 150-180 per 100 TV sets to only 3 or 4 per 100 TV sets.

Therefore, with fewer product defects and increased customer confidence, an organisation will gain more loyal and more repeat customers. Thus, it follows that with the implementation of TQM, a quality product can be produced at a low cost. The lower the cost, the lower you can price your product. The lower the price, the more competitive you become. Lower cost also enables the company to enter new markets or increase its market share because through low pricing, it is able to promote its product as giving more customer value. The third integral element of TQM is timeliness. Delivery of goods and services on time is a hallmark of a quality organisation. A product may be designed and produced according to specifications of the customer but if it reaches the customer late, he may have no need for it. Therefore, it is imperative that we cut the lead time from order to delivery. The shorter the lead time, the shorter the order time and response time to customers' needs and changes in these needs. Besides, the delivery performance will be more timely, thus beating the competition and at the same time, reducing the inventory levels. The Japanese automobile industry, an acknowledged world leader, places great emphasis on timeliness. For instance, the "just-in-time" system of Toyota has been world-emulated. Therefore, by focusing on time, an organisation can use it as a crucial competitive tool. Strategic Leadership In this new era of highly sophisticated and demanding customers where competition for their loyalty has become increasingly tough, the art of coping with the pressure to produce goods of higher quality, at lower costs and with faster delivery requires a manager with a vision and strategic mind. In striving for market supremacy, a manager must first be able to visualise the world as a market, and the potential that it offers. He must think globally and beyond the parameters of the domestic market. The Malaysian manager, for example, must start to think globally as Malaysia becomes more industrialised and its products continue to penetrate new markets. He should lead and inspire the organisation to embark upon a quality vision that strives to make the organisation a market leader instead of a market follower. With such a mind-set, the manager should then go about managing the organisation along the path of the quality journey that aims to give maximum satisfaction to the customer. As the Chairman and CEO of IBM once said, "Customers are the final arbiters of how good we are. Without satisfied customers, there is no bottom line." Strategic leaders have to plan for more effective strategies like

diversification of products, new market segmentation, lower production cost, better product features, improved image, improved after-sales service, better distribution systems and supply lines. Malaysia, for example, has diversified and expanded trade links with the South countries such as Vietnam, Mexico and China where exports to these countries have increased significantly. Effective strategies are however dependent upon the existence of a strong leadership. In fact, the implementation of TQM cannot be delegated to a quality department. In an organisation that is serious about becoming customer-driven, senior leadership is the quality department. It is interesting to note that over the last few years, top management's interest in quality has evolved from merely one of paying lip service to what it is today, that is a strong personal commitment manifested through strategic leadership. For the successful implementation of total quality management, quality leaders must smash obstacles that can stifle innovation and obstruct continuous improvement initiatives. There are seven critical leadership principles and actions that make the quality process work. Seven Critical Leadership Principles First, leaders must live the quality strategy. Too often, management makes exhortations and promises of change in the organisation's direction and approach without living up to it. As a result, any improvement effort implemented may not benefit from any real leadership guidance nor follow-up and follow-through actions. Leaders might not be willing to commit the resources to put in place those systems which are crucial to the success of total quality management in an organisation. Nothing speaks more truth than the phrase "leadership by example." If you want every member in your organisation to implement quality, then you as a leader has to prove that you are living by a new set of rules, that is one which embraces the values of quality and customer focus. Stew Leonard, President of Stew Leonard Dairy Store, one of the excellent companies highlighted in the book "In Search Of Excellence", expressed this leadership principle as "People watch you. Quality is in your heart." Second, leaders must communicate the quality vision. Successful leaders subscribe to the belief that they are responsible for promoting, on a continuous basis, the vision of customer-focused quality throughout the organisation. There are several ways of achieving this. Some of the more effective means of communication to promote the quality vision include the use of slogans, posters, newsletters, magazines, memos, seminars, forums, meetings, assemblies, competitions, etc. and the list goes on. At Corning Inc., for example, the Chairman insisted on making major addresses to employees at all levels of the organisation. However, it is not only important to communicate the organisation's expectations on quality to your employees but equally important to let all your customers and suppliers know of the organisation's quality vision. In communication, a mutual willingness to listen and discuss is fundamental to building trust and cooperation. Third, leaders believe in and invest in people. It has been said that management is getting things done through people and that the most important asset of an organisation is its people. The criteria that differentiates successful leaders from unsuccessful ones is that the former knows this and acts on that belief while the latter does not. Successful leaders involve employees at all levels in setting directions, making decisions and solving problems. They clarify roles together with employees, provide all necessary information and training, and develop the organisation's manpower in order to enable each employee to do the right task in the right way. They reward those who have contributed their efforts in satisfying customers' needs. They know that the skill level, knowledge and motivation of their employees hold the key to the production of successful products. Fourth, leaders are students for life. We must not forget that we are operating in an ever-changing environment. What holds good today may not hold good tomorrow for tomorrow the organisation might be operating under different circumstances. Thus, a quality leader must always keep on learning and re-learning. This also makes him modest, a virtue that will draw him close to his employees and help to break down barriers and earn him the respect of his competitors. In fact, as Dr. Juran once commented of the Japanese management style, learning makes the Japanese modest and their modesty further facilitated the learning process, which in turn answers in part why they are so successful today. Fifth, leaders always put the customer first. Leaders spend a lot of their time with customers. They will go to client organisations and meet with the people who are actually using their products and services. Within the organisation, a good customer relations unit must be instituted to listen to the customers. Up-to-date information about customer requirements must always be at hand to enable wise decisions to be made quickly. Total quality is focusing on customers and meeting the needs of those customers. Once that is done well, profitability will follow. Sixth, leaders make teams work. Teamwork is the basis for any improvement effort. It builds the mutual trust and reliability that is necessary to build the customer-focus strategy. Problem solving groups, work improvement teams, or quality circles thrive on teamwork. Teams are used at all levels of the organisation to share information and develop ideas. Cross-functional teams are used to closely link the customer to the product. Team building is thus one of

the primary responsibilities of an enlightened quality leader. The difficult part and thus the challenge of any total quality management effort is perhaps to get the different departments which have different goals working together in the interest of the customer. Seventh, leaders stay the course. Total quality management is a long-term and continuous process that requires persistence and patience. Quality leaders do not give up when faced with rejection or problems. They have to stay with the process and keep on improving. This mentality of persistence will pervade throughout the organisation and enable it to become an organisation with great staying power in the pursuit of quality and success. As we are all aware, perseverance forms the basis for the way the Japanese compete. For example, we may ask why Sony despite its Betamax setback of the early 1980s, is still pushing its new 8mm standard against the VHS format of arch rivals JVC and Matsushita? Or why Minolta despite a drop in the Japanese market share to 8 percent in 1980 and a further drop to 4 percent in 1984 still persisted and how after two years rose to the number one position with a 26 percent market share. Today, Minolta is fighting fiercely with Canon for the number one position in the industry. None of these companies ever gave up in competing in what seemed to be a mature industry. As an economist at the Industrial Bank of Japan claims, "Japanese companies never quit any product area so they do not lose the technology, even if it means going to China to make black-and-white televisions." One critical tool used to persist successfully is the identification of a target company to catch up with. Slogans like "Let's Beat Xerox" at Canon, "Let's Encircle Caterpillar" at Komatsu, and "B-M-W or Beat Matsushita Whatever" at Sony are some of the catch-up attitude of many Japanese corporations. Targets evolve over time as can be seen in the automotive industry. When Toyota and Nissan moved into the US back in the late fifties, Japanese cars did not sell. Volkswagen, at that time the most successful imported brand, was selected by the Japanese as the company to catch up with. By 1975, the two manufacturers had beaten their German rival and were number one and two in the US imported car segment. General Motors and Ford then became the next targets. In the late 1980s, Mercedes and BMW were to become the targets for Toyota's, Nissan's and Honda's luxury car range. By continuously emphasising a new target, rather than feeling satisfied and contented over its last achievements, the company practises the value of persistently striving for improvement. Persistence is in fact an underlying factor of competitiveness in Japanese firms. As people in the business circle may well be aware, if your company competes head on with Japanese corporations, you had better take a long term view of the fight and not be ready to give up easily because the Japanese will not. Need for Innovations An organisation wishing to succeed in a competitive environment has to constantly think of ways to introduce changes that will put it above its present and future competitors. An organisation must always be on the look-out for opportunities to introduce new innovations whether in the area of products, technology, approaches, structures or systems which would give it greater competitive advantage. If it procrastinates, economic opportunities, for example, might be lost to others who are more receptive to changing situations. This calls for a culture of believing in innovations. As Peter F. Drucker said, "The organisation must be made receptive to innovation and willing to perceive change as an opportunity rather than a threat. It must value innovation rather than holding on to what already exists." In order to encourage such a culture, innovation must be made attractive and beneficial to every member of the organisation. For example, the 3M organisation, one of the most innovative in the world, has actually built structures to encourage, almost force, innovation. Each of 3M's 45 divisions is expected to produce 25 percent of dollar sales each year from products that did not exist five years ago. 3M allows its engineers to develop new products or value-added innovations of existing products and to form their own venture teams to develop new ideas. If the team fails, there is no penalty. Team members merely go back to their old jobs. In the public sector, the Government has already recognised the importance of innovations. Towards that end, it has introduced an award to recognise and encourage the introduction of innovations. This award is called the Public Service Innovation Award. The Award was given for the first time last year where out of a total of 115 innovations submitted, a total of 20 innovations implemented by Government agencies were given the award. The Government's efforts in encouraging innovations in this way have been well received by its agencies and employees judging from their keen participation in the competition. Beginning this year, the Government has introduced another category of award known as the Joint Research Innovation Award Between The Public And Private Sectors. The purpose of introducing this Award is to recognise innovations which are the result of collaboration between the public and private sectors especially in the area of research and development, information technology, consultation and publication. This award is also to acknowledge and foster efforts made to achieve the objectives of the Malaysian Incorporated concept. A maximum of three such awards will be given annually as from this year. The innovation submitted for consideration by a Government agency has to be

a joint effort with one or more private sector agencies. Cooperation can be in the area of sharing of cost, materials, equipment, manpower or information. Several conditions have been outlined for selection purposes. One of them is that the innovation must satisfy the applicability criteria, that is, it must have the potential of being able to be applied to other organisations. It must also have the potential to be commercialised whether inside or outside the country. Lastly, it must be either in the area of product development or system development. The winning partner from the public sector will receive a cash prize of RM5,000.00, together with a souvenir and a certificate while the winning partner from the private sector will receive a souvenir and a certificate. Selection of winners for the Awards will be judged according to the extent of benefits derived as a result of the implementation of the innovation.

The benefits assessed by the judges are in terms of reduction in operational costs, reduction in time, increase in work output and increase in the level of customer satisfaction. In the Public Service, after three years of seriously pursuing Total Quality Management founded on the premise of an excellent work culture, we are beginning to feel the effects of the customer-driven transformation. The last three years have also seen the Malaysian economy experiencing robust growth. With continued vigour, the outlook is positive that the momentum can be sustained. Recognising the fact that in order for the corporate sector to sustain its performance, the Public Service has a crucial role to play as equal partners in development, the Government is committed to improve the quality of its products and services. Conclusion To conclude, we may recapitulate by asking ourselves one question, that is, how do we build a business that can compete not only within a country but on a global basis? This question is becoming increasingly crucial with the world-wide trend towards trade liberalisation. Every organisation that exists today must have an answer to that in order to survive and succeed. The answer, I believe, lies in the new management technology of today which emphasises the organisation's single-minded devotion to its customer. It is the duty of every organisation to thoroughly understand its customer's needs in relation to the business it is in and in relation to its competencies. It is also its duty to ensure that everyone in the organisation are aware of what kinds of satisfaction the customer seeks from the products and services that are offered, and that they are ready, eager and able to serve the customer's needs. To achieve this objective, management must nurture a passion for quality, a determination that every product produced will serve the customer's needs and that he will come back for more. Quality assurance is now the minimum standard required of every organisation. Organisations operating in the international arena are faced with no choice but to relentlessly work to eliminate defects not only from the products but from the processes as well. If the need arises, they should bench-mark and emulate world class companies like Sony, Proctor and Gamble, and Motorola which aim to bring their defect rates down to 3.14 units per million. Organisations must also develop in its members an abhorrence of waste. Waste is a result of not meeting customers' requirements and is manifested in the occurrence of defects and rework. It can amount to an average of 40 percent of annual net revenue.

This means that an organisation netting \$100 million will have \$40 million in waste every year. Wasteful practices erode the organisation's ability to compete successfully. Waste can be in the form of waste in materials, waste in capital, waste in time and waste owing to loss sales or opportunities. Leadership emerges as the sole primary factor in ensuring the success of an organisation, more so an organisation that is competing internationally. We are talking more and more of leaders with vision and what we need are thinkers who see the larger perspective without losing track of the daily operations. Leaders however should not forget the contributions of their employees. Next, a penchant for innovations is bound to put the organisation in good stead as an organisation that continuously strive for improvements is one that truly understands the philosophy of total commitment to quality. As we are all aware, quality is a moving target. Therefore, we must continuously delight our customers. The goal is not to be Number 1, but to stay Number 1, a far Number 1 from the Number 2. This is the reality of competing in the 20th century and the coming 21st century.