**Rationalization & Quality Management**

**Rationalization *- the process of making changes to improve productivity.***

* Going global often means that businesses must re-organize their plants, employees, manufacturing processes, marketing strategies and even their product to meet global demands.
* Fierce global competition encourages companies to be more efficient, productive and competitive leading them to rationalization
* It may involve making small changes such as combining departments to make them more efficient or it may involve much larger changes such as building new factories, developing new technologies, acquiring new businesses, downsizing or merging with other companies.

**Causes of Rationalization**

-Making changes is always difficult for companies and their employees and it is not always possible to guarantee a positive outcome.

-Making decisions to restructure a company is a complex and risky process.

* + Changes in customer demand.
  + Demographics (statistics about human population such as age or income) may determine a company’s future potential growth.
  + Difficult economic times
  + World events may help or hinder success.
* To sustain a competitive advantage a country or business must always be on the lookout for ways to make improvements.
* Businesses must look at quality control, and management functions to improve their chances on the international marketplace.

**Quality Control**

* It would appear to be common sense that a company would ensure that its products were of good quality but the concept of ‘quality control’ is relatively new.
* The idea of quality control on a large scale was promoted by an American management and quality expert, W. Edwards Demming.
* Demming’s ideas were ignored by the United States, but adopted by the Japanese after WWII. The Japanese found their economy in ruins after their defeat by the Allied forces and the United States and they knew they would have to focus on productivity and quality if they were to become an economic success.
* Kaizen – Japanese phrase for continuous success
* Demming’s ideas enhanced the reputation of Japanese products and by the early 1980’s their products were challenging those of the United States.
* The United States began to pay attention to the idea of quality control when the reputation of Japanese products such as electronics and automobiles began to surpass the reputation of American made products.
* Quality control argues that all products produced by a company must be of good quality because the reputation of a company or country is so important.
* American companies often considered quantity of production more important believing that the production of a certain number of inferior goods was a trade-off that permitted higher production and more short term profit.
* Demming argued that companies should look to the long term and that the most important factor for success in business was a reputation for quality.
* He proposed “14 points for Management” that included:
  + - Product or service should be continuously improved.
    - Worker education should be encouraged.
    - Workers should take responsibility for and pride in their work.
    - There should be good communication between management and the factory floor
    - Departments should not compete but should work together to improve quality

**Total Quality Management (TQM)**

* To ensure a commitment to continuous improvement of product, processes, and the work habits of employees a company needs excellent management.
* Total Quality Management is a management philosophy that argues management should consistently meet customer needs.
* To do this TQM argues management must be market-driven and must be flexible, able to adapt quickly, respond to change and use information and knowledge effectively. This is especially true in a global environment where change is constant.
* Companies must consider consumer demand for their product in another country, they must be aware of trade balances, the business climate, and political and social factors that impact on business.

**The International Organization for Standardization (ISO)**

* You may have observed banners or symbols displaying a sign saying ISO9000 and wondered what that meant.
* The symbol indicates that the company displaying the ISO symbol has met certain international standards.
* The ISO is a non-governmental organization (NGO) that has published standards on quality management and quality assurance.
* The ISO 9000 standard symbol means that the company has met the requirements of the ISO, and those standards have been verified by a third-party registrar.
* The symbol is used in over 140 countries and many large companies and government buyers in Canada and in other countries require that their suppliers meet certain ISO standards.