



## Total Quality Management and Business Excellence in Croatia

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### ABSTRACT

Considering the nature, function and different dimensions of morality, especially in the areas of quality and delivery of services in the field of tourism, this article emphasizes on the position of morality as one of the strategic aspects of Total Quality Management (TQM). It is important to note that the ultimate aim of directors, respecting the law of “do not deceive customers at all”, besides considering of the moral and tourism components and hospitality has been collecting moral principles along with respecting the legal regulations and framework. The rules of business, besides keeping ethics, describe also ethical standards of achieving a reasonable and custom earning. Studies suggest an increased level of business competitiveness in the light of the use of standards of business ethics. The main purpose of this article was reviewing and the analysis of various functions of business ethics and effective set up of approaches relating to management of TQM in the target country, i.e. Croatia, which is done through library and comparative studies. The methodology used in this paper is based on the selection of library studies and several internal and abroad papers, which resulted in a coherent research to achieve tangible achievements in this field. Croatia is trying to join the Europe Union, which its prerequisite is reaching the Europe standards in all areas of work and endeavour. The purpose of this paper is consolidation of the excellent position of the business morals in the field of tourism and aiding and assisting Croatia for achieving the ultimate quality standards in Europe. Results showed that, basically, quality is multi-dimensional and multi-faceted issue. However, it can be measured through qualitative and quantitative criteria, statistics and the analysis of data. In particular, as a general result, it can be said that ethics and social responsibility in Croatia have many differences with Europe standards.

**KEYWORDS:** ethics, business ethics, social responsibility, tourism, TQM

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## 1. INTRODUCTION

Total Quality Management is a comprehensive strategy, which can improve learning and increase the competitive advantage of organizations (Lam et al., 2008. p. 445). Rapid changes in the market and reduced life of products are major challenges in competitive markets, which have led organizations to use technological innovations (Parjogo & Sohal, 2003, p: 906). In organizations, managers/leaders get energy through satisfying customer needs and organizational survival, which are the core philosophies in TQM. TQM has been a holistic approach to quality improvement for companies with the aim of improving performance in terms of quality and innovation in the past two decades. Organizations that use TQM have had many benefits, including the production of higher quality products, more satisfaction for customers, reduced costs, financial improvement, quality and innovation in performance and finally employee satisfaction. In addition, if TQM were implemented successfully, it would provide a competitive advantage. Several studies have shown a positive relationship between organizational results and TQM. The concept of TQM reached its peak in 1980s (Easton, 1993, Lawler, 1994) and was used in organizations of many countries around the world (Ernst & Young, 1992; Lawler et al., 1992). Evaluation of the effectiveness of TQM has resulted in many different results.

But, in fact, what are TQM, and what results we can expect of it? In a short definition, TQM is customer-oriented management approach in which all individuals in a continuous manner work to improve their business processes, whereby providing services and products with better quality to all our customers (School of Management, University of Adelaide).

## 2. LITERATURE REVIEW

In recent decades, formation of professional ethics movement has led to the creation of scientific movement in the field of business ethics. At present, the professional ethics has become an academic discipline and many books, articles and specialized journals are published in the field of applied ethics. Unfortunately, the Persian literature in the field of professional ethics, especially in field of business ethics, is not so widespread. This shortage is observed specifically in the field of Islamic business ethics. Muslim scholars, despite the valuable heritage of Islamic morality, have not entered yet seriously into business the area of business professional ethics, including the fundamental issue of Islamic business ethics.

Faramarz Gharamaleki (2014) in his book on professional ethics refers to business ethics as a necessary condition to succeed in the contemporary business world. In his opinion, the development of business ethics can be by creating a mutual trust between manufacturing firms and customers results in greater success of businesses. He in different parts of the book, sporadically, emphasizes on this realizes only we avoid adoption of instrumentalist approach to business ethics. Faramarz Gharamaleki and Nocheh Falah extend this point in a book on barriers to the development of professional ethics in organizations. According to them, instrumental customer orientation prevents the spread of professional ethics in economic organizations and enterprises.

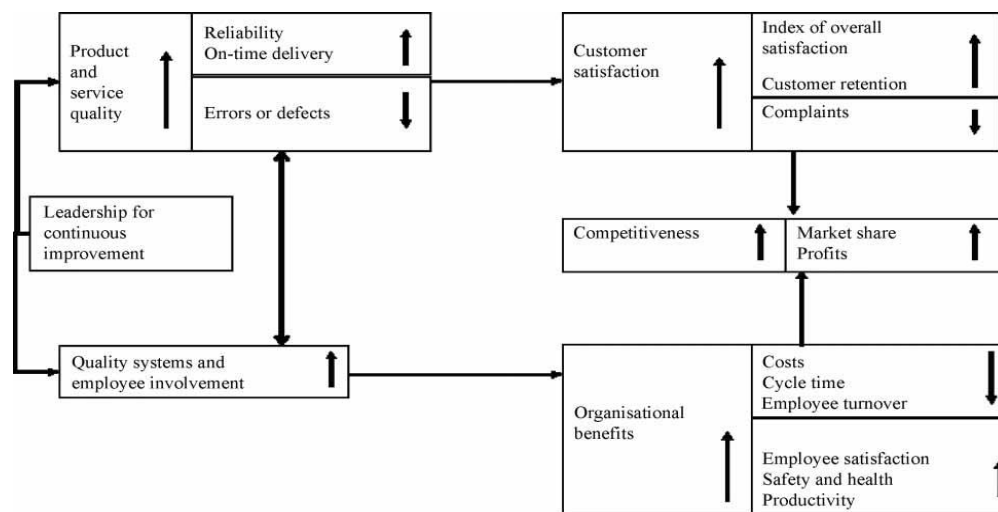
Sharifi (2012) in the analysis of the life ethics refers to the impact on ethics in the success of business. Referring to the traditions narrated from the Imams, we can observe the positive impact of good ethics on the development of blessings as well as effect of bad behaviours on poverty and poverty. Outstanding point in this analysis is in referring to the development of blessings, which in addition to encompassing material benefits includes also spiritual blessings, e.g. improving the success in worshipping the God. Masoominia in an economic analysis inspired by life theory of Chapra defines morality as an invisible hand of Islamic economic system for defeating the market failure. Albert Salamon (2012) in an article about ethics in business with passing functional analysis extends the social responsibility of businessmen and professionals in the framework of the theory of social responsibility. Paul Camenisch, distinguishing between profitability and the supply of goods and services as two determinant elements in business, refers to the business ethics as the second element.

Banner and Tuchman (2009) concluded that TQM should not be considered a barrier to innovation. Benner and Tushman (2003) in reviewing the integration between TQM and technology management using indexes of performance quality and innovation found that TQM had strong power to predict qualitative performance, while it had no significant relationship with innovation performance (Farsijani and Samii Neiestani, 2010).

Another research on the impact of TQM on innovation in developing countries reached the conclusion that TQM has a positive impact on organizational innovation (Dinh & et al., 2006).

Where does a business ethic belong within business excellence models? Kanji's Business Excellence Model can be used as a good illustration (Figure 2). Business ethics is a part of 'Leadership' since managers should be guided in their work by the principles 'be honest' and 'be socially responsible'. These principles should be applied towards all interested.

Figure 1. Total quality management model.



Source: US General Accounting Office (1991) Management practices: U.S. companies improve performance through quality efforts, GAO/NSIAD-90-190, May, p. 15, in: Ivancevich et al. (1994).

### 3. THEORETICAL FRAMEWORK

#### 3.1. Introduction: quality – a challenge for tourism

Conditioned by fierce competition and increasing consumer demands, quality has become the fundamental factor for market survival, profitability, competitiveness and a country's overall economic development, especially in the specific areas of activity and in the types of companies found in tourism, leisure and hospitality (Smith, 2008).

What is quality?

- Quality refers to the ability of a product or service to consistently meet or exceed customer expectations.
- Quality means getting what you have paid for.
- Quality is not something that is adopted as a special feature; instead, it is an integral part of a product or service.

An ever-increasing number of manufacturers and firms offering services are entering the business battle-for-quality to win the ISO-9000 certification. The persevering winner is rewarded with a secure and firm position on the market. Quality is an advantage and necessity of market competitiveness. Total Quality

Management (TQM) is a system that guarantees a stipulated quality. Quality is, therefore, the result of a TQM system defined for specific activities, for a company, and for the specific tasks and activities within the company. A highly complex system, TQM can best be illustrated by Figure 1.

TQM is a system of enhancing and improving flexibility and effective and efficient business performance. All employees and all activities from the most menial jobs to the highest management levels are included. TQM endeavors to secure and create conditions in which all the employees through a joint effort effectively and efficiently fully achieve one objective: when, where and how to produce a product and offer a service to the buyer and consumer. The concept of TQM is based on a process of constant advancement and improvement and lasting quality and teamwork, all of which result in permanent improvement.

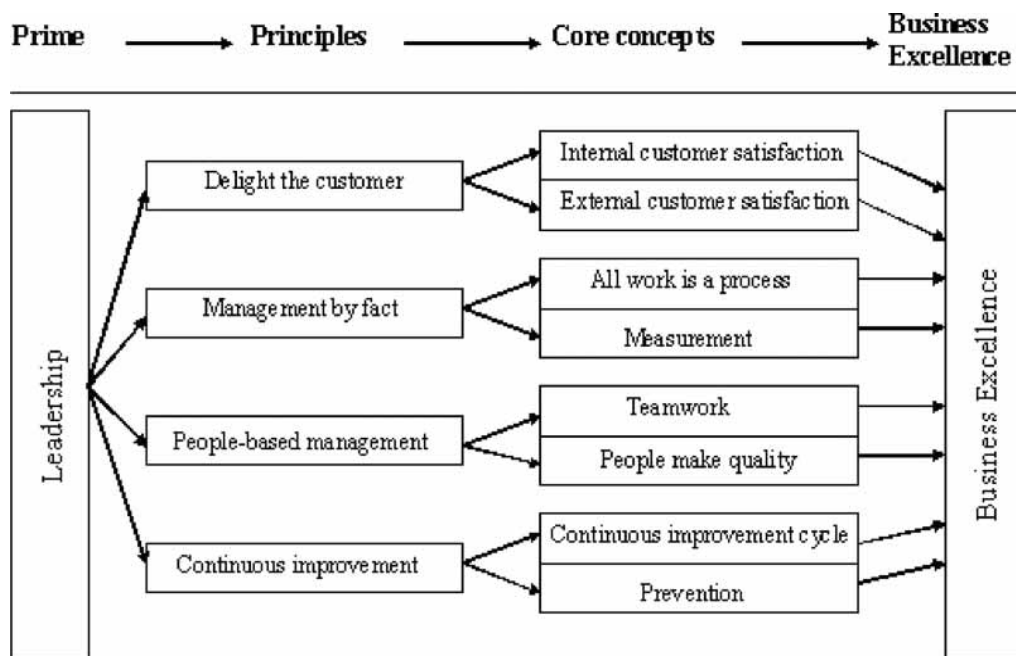
The TQM system is totally market oriented and customer driven. In a total quality system, the customer is king. The process begins with the customer (what does the customer want) and ends with the customer (a satisfied customer). Every participant in creating quality is important:

Every employee works, makes decisions and is responsible for his task.

The advantages a company can gain by introducing a TQM system have been confirmed in Practice. These include:

- Improved quality of products and services
- Greater customer satisfaction
- Better competitive ability and market strength
- Reduced business costs
- Increased business profits
- Greater employee satisfaction
- Enhanced management quality
- Better company reputation and reliability
- Increased social responsibility and ethics.

Figure 2. Kanji's Business Excellence Model.



Source: Kanji (2002).

parties: customers, employees, partners and society as a whole. The result of honest and responsible management is the satisfaction of all involved parties and market and social reputation. The concept of total quality is based on respect for the individual and on social responsibility. Quality is culture. Quality has to be rewarded. The highest award for quality is the Malcolm Baldrige National Quality Award established in 1988, following a bill introduced in 1986.

Named after the US Secretary of Commerce, Malcolm Baldrige (1981–1987) who constantly improved the efficiency and effectiveness of the American Government, the award is designated to foster and continually improve the quality of products and services. It is awarded every year for three categories of enterprises: marketing companies, service organizations and small firms, and it is aided by the American Society for Quality Control.

Building on the American experience, Europe has established its own European Foundation for Quality Management and European Organization for Quality (EFQM), which consists of national foundations for quality from individual European countries.

Quality is a process that has the ability to shape the future. Quality today is not produced, but used as a management tool. Quality today is a strategy. The strategy of sustainable tourism development should be based on the Balanced Scorecard measurement system (BSC) and on value-based Strategic Maps, a guide to aligning intangible assets (Kaplan & Norton, 2004).

BSC represents a modern approach to the strategy of managing performance and creating values for all stakeholders: partners, investors (shareholders), customers, and citizens (illustrated in Figure 3). The BSC system is based on the assumption that, in addition to financial economic performance indicators, it is necessary to create and actively use other values, that is, intangible or immaterial (invisible) assets, which include:

- Human capital and ethics,
- Information systems and files,
- The high quality of processes,
- Customer relations and brands,
- The potential for innovations, and
- Culture

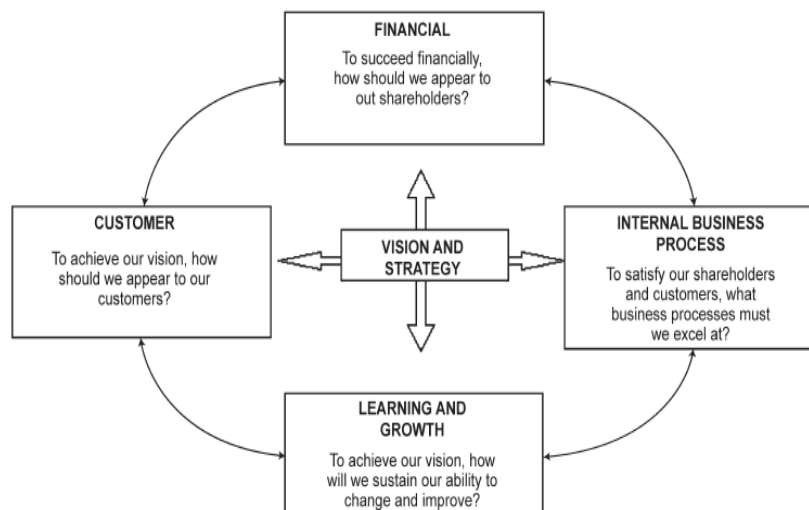


Figure 3. The Balanced Scorecard.  
Source: Kaplan and Norton (1996).

Where does a business ethic belong in this system? The answer is that it has a place in human capital, customer relations, a company's brand and in organizational culture. Although these are assets that cannot

be measured and expressed numerically, they nevertheless represent a potential that needs to be identified and tapped through strategically designed activities to achieve the optimum performance of those assets, which can be measured. Hence, BSC provides a basic framework (system) that takes into account all assets in order to formulate a strategy of future optimum sustainable development that can equally meet the needs of all stakeholders.

The effectiveness of management is reflected in its ability to detect all assets and potential, and to satisfy the interests of all concerned. A balanced system of internal and external performance indicators is based on continuous advances through quick and constant learning and training.

The value-based Strategic Map or BTS works from four long-term perspectives:

- Financial perspective,
- Customer perspective,
- Internal perspective, and
- Learning and growth perspective.

The complexity of strategic mapping and BSC is evident in the need to strike a balance between the conflicting interests of various stakeholders. This in itself is a condition and necessity if sustainable development is to be achieved. Market demands contained in the customer perspective include the following values: prices, quality, usefulness, choice, functionality, after-sale service, partnership, brands and ethics. Meeting the needs of customers must be balanced out with satisfying all other values contained in other strategic mapping or BSC perspectives.

### 3.2. The quality of Croatian tourism

The total quality management of a tourism product is not only possible, but also essential. With tourist demands becoming increasingly sophisticated, the objective of the tourism industry should be to satisfy and exceed tourist expectations. Building on the example and good results of the manufacturing sectors, the service sector has adopted the rule of business by which productivity, quality and profit constitute a singular unity. This has provided the motive for the improvement and development of quality tourism services. Quality is becoming a decisive factor of efficiency and competitiveness on the turbulent tourism market. Tourists/guests – consumers, in general – are no longer willing to tolerate mistakes. They demand quality for money. This has compelled tourist agencies, hotels and other participants of the tourism offer to introduce quality control, standards and the TQM system.

What is the quality of Croatian tourism? Low and unsatisfactory due to three main reasons (Avelini Holjevac, 2002):

- The tourism offer does not match tourism demand.
- The price and value indicator is unfavorable.
- There is a lack of ethics and social responsibility.

The causes for this situation are:

- The TQM system has not been implemented.
- Privatization as an incentive to entrepreneurship has just begun.
- Tourism employees are poorly paid and unmotivated.
- Quality is not a strategy of tourism.

How do we go about implementing TQM in Croatian tourism? First, it is necessary to identify the quality elements of a selective tourism offer for the country as a destination, and then, the quality elements of a selective offer for the individual regions and cities as tourist destinations; these elements will in turn provide the quality elements of the country as a whole.

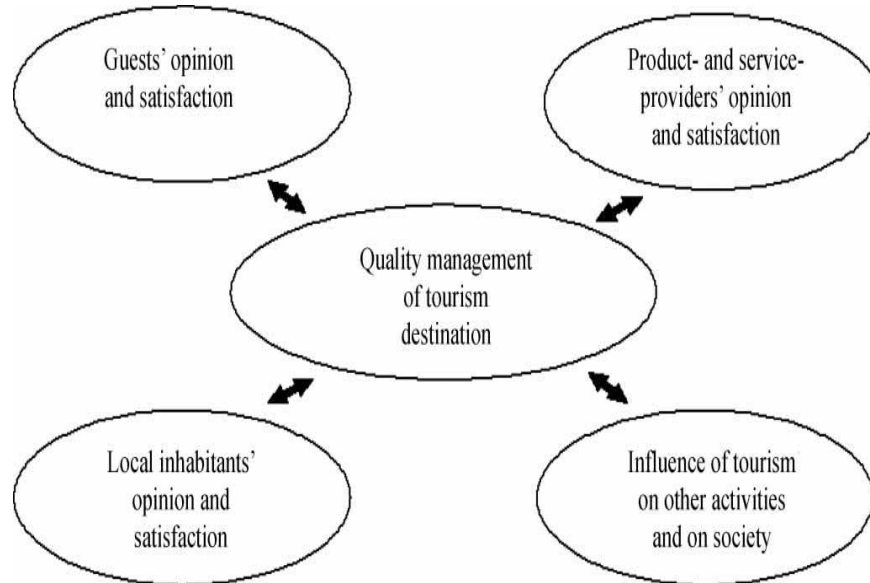
What defines the quality and the quality elements of the country as a tourist destination?



(Figure 4)

There are four groups of stakeholders: product/service providers, guests, residents and society. The opinions and interests of all four groups must be coordinated, and an optimum level of quality found that will meet the interests of all those involved.

Figure 4. Integrated quality management of a destination.



Source: European Commission (2000, p. 10).

### 3.3. Ethics and business ethics

What are ethics, morality and business ethics? Answers to these questions can be found in the detailed definitions of these terms. People may think they know the meanings of these terms, but actually they do not (Avelini Holjevac, 2002). Ethics (Greek e<sup>-</sup>thos – custom, habit, significance, disposition) – teaching doctrine on morality; its task is not only to acquaint us with what morality is, what its basic components are, but also to take a critical disposition towards the existing moral practices; the goal of ethics is not only to identify all the various views of people but also to give an evaluation and identify real and true values; critical philosophical ethics should identify not so much the moral judgments that people make but how these judgments should be made concerning certain characteristics and procedures; an ethicist should focus not only on the description and analysis of the existing norms but also on discovering new norms; adj. ethical – one referring to ethics; colloquial – one who is honourable, morally correct, honest, who distinguishes good from evil, etc. (Klaic<sup>´</sup>, 1979)

### 3.4. Ethics is linked to morality

Moral (Latin moris – custom) 1. a set of rules of a society and social classes on the contents and manner of interrelations between people and communities; 2. Correctness, honesty, honour, chastity, virtuousness, ethics [see above] in general; 3. Respectable sex life, chastity, decency; 4. Vivacity, enthusiasm, awareness of discipline, mental mood, high spirit, readiness for task-fulfilment, bravery (ex. army moral); 5. Message, lesson, meaning of a story; 6. Manner of thinking, spiritual life; attitude toward life; 7. Moral insanity lack of ethical sense and judgment, acting unscrupulously; type of insanity characterized by antisocial urges; adj. moral – following moral rules, chaste, honest, Correct, virtuous, ethical, of reputable sex life, honorable, disciplined, committed to duties; psychological, spiritual, inner; legal. (Klaic<sup>´</sup>, 1979) Ethics is related to a profession, and we most

frequently refer to legal, medical and journalistic ethics. Business ethics is often neglected and is referred to less frequently, although it is of the same importance (e.g. the current Croatian problems of corruption). Business ethics – application of ethical principles in business relations and activities. Many companies have formal written codes of ethics which help managers and other employees synchronise their behavior with codes and principles of business ethics. (Baletic, 1995). Business morality – a set of moral principles that define the behavior of participants in business communication; unwritten rules of behavior that every business person should obey. Even at litigations, courts as a rule rely on principles of business morality, which often supplement legal norms and serve the legal practice as a source of interpretation when drafting the contents of legal norms. Rules of business morality require correct, good, well-meaning, honest, etc. relations, as well as fulfilment of all obligations precisely and on time (Baletic, 1995).

Etiquette (Fr.: *bonton*, appropriate behaviour) – a set of rules on refined (hospitable, polite) conduct in the company of others. These rules, which vary in different social environments and are constantly subject to change, regulate for example the form of greeting, encountering and addressing persons of various age, status, sex; table manners and the use of cutlery; dress-codes; forms of correspondence; manners of congratulating others or expressing condolence, etc. A number of strict rules of refined (gallant) conduct have been rejected in recent times as prejudices and anachronisms. Since the Baroque era, the rules of elegant conduct have often been formulated in special books called the book of etiquette (Brozovic, 1999).

The great philosophers paid special attention to ethics, honesty and fairness in their life and work, and taught other people that these are permanent values that should be cultivated, respected and applied.

According to Aristotle's system, problems of ethics should be classified as practical philosophy, since that part of philosophy investigates the actions of people and their aspiration for happiness and satisfaction. However, there is no generally valid specific norm in their actions that would define the contents of happiness, but reason (the influence of Socrates) enables the human will to always direct people's actions so that they can perform good and useful services. There are certain standards attached to reason and to the will that is related to reason and acts in accord with it, and people are responsible for their actions.

Aristotle classified virtues into two groups according to the rational and volitional activities of people:

- (1) Rational
- (2) moral-ethical.

The virtues in the first group are higher in value, and great importance is placed on contemplation and a firm knowledge of what is being investigated. Importance is also placed on common sense when performing practical work.

Among the moral-ethical virtues (e.g. moderateness, justness), the middle course always proves the best option for us, that is, the option between what is considered as too little and what is considered as too much. Thus, for example, generosity as a virtue falls in the middle between selfishness and mindless prodigality.

That practical aspect of ethics is much closer to people than Plato's demand that we reach what is good in itself (the idea of Goodness). Aristotle's ethics includes notions characteristic of a stratified class society. Not all persons within one society hold the same position, nor are they equal in power, and therefore one cannot insist on equal ethical norms for all people.

Each person is allotted his virtues according to his social rank and nature. Women should obey different rules than men; slaves in turn follow different rules than free men. People are equal only within the same rank (just distribution, and in their rights and honors stand above people of lower ranks (?). However, a state should be founded on justice (formal equality of men and women) and should focus on the activities of men and women rather than on individuals. Only a just state can ensure the life of the whole, and these issues have already been stated in Aristotle's politics (Bosnjak, 1956).

This text illustrates, in the best way, the importance of ethics and morality for the society, but also the connection between the development of society in a certain period of time with ethics and morality.



Ethics and morality preserve the state of the society, social relations, humanization of the society and other social dimensions. The society evolves and necessarily its ethics and morality change (i.e. to speak today of 'a man and a woman' or different norms for people represents the violation of basic human rights).

Philosophers teach us that ethics is related to a human need, that it is necessary to do good and useful things in order for people to be happy. People should be responsible for their actions and should avoid all excess. A state should be founded on justice since only a just state can ensure a good quality of life and equality for all.

Socrates teaches us that knowledge is good and necessary, as only those who know can be good, whereas those who lack adequate knowledge often err. Education is one of fundamental dimensions of the quality of life and the contemporary Total Quality Management (TQM) theory.

Confucius taught that uprightness, wisdom, kindness, faithfulness and decorum belong to the category of permanent values. And today these are the real values.

Gandhi listed the following as society's sins:

- Richness without work,
- Leisure without conscience,
- Wisdom without character,
- Trade without moral values,
- Science without humanity,
- Cult without sacrifices

All the previously named sins are present in Croatian society. Great ignorance and practical 'moral principles':

If you help me, I will help you. To be fair means to be a fool.

Wrong! If we want to succeed in work and life, we have to work and live honestly. Correct!

Kant's ethics is founded on the concepts of free will and responsibility: we must have free will, yet we should not do everything that we are capable of doing.

How do we know whether our actions are ethical?

Blanchard and Peale (1990), the authors of *The power of ethical management*, suggest that when we are in doubt during decision-making we should ask ourselves the following three questions:

(1) Is it legal? Will I break any civil laws or company regulations?

(2) Has the relationship balance been achieved? Is it fair towards all it may concern, in both short- and long-term perspectives? Does it promote the relations of mutual profits?

(3) How shall I feel afterwards? Will it make me proud? Would I feel good if my decision was published in the newspapers? Would I feel good if my family found out about it?

Business morality can be summarized in the following two recommendations:

- Do as you say.
- Say as you do.

Ultimately one sentence can serve as a summary: ethics and morality is what you do, and not what you say.

Ethics and social responsibility

Iron Law of Responsibility:

Those who do not take responsibility for their power ultimately shall lose it. (Davis & Blomstrom, 1966, p. 174) Quality can be defined in various ways, but all definitions agree that quality is something good. Quality is a complex concept, consisting of several criteria, elements and dimensions, depending on the concept, object, phenomenon or activity that a particular quality refers to. Defining the quality of something or somebody implies getting well acquainted with that something or somebody prior to outlining all the quality elements that form the quality cluster or its total quality. Defining the total quality

of a society is a difficult task and is not the goal of this paper. It can only be stressed here that there are many of dimensions that define the quality of a society and encompass all social phenomena (culture, politics, education, business, etc.).

We shall isolate business and business ethics as dimensions of the total quality of a society. These dimensions of quality are characterized by the social responsibility of corporations, companies and enterprises and are becoming increasingly important for the preservation and development of the society and for market competitiveness and company reputation. The internal and external aspects of ethics and social responsibility are best illustrated in Figure 5. Both internal and external aspects are reflected through six different perspectives.

Practice proves that business ethics largely affects the development of society. A company has responsibility not only towards its owners and employees but also towards the community within which it operates, and towards all people and the environment in the widest sense of the word. The European Foundation for Quality Management (EFQM) provides a model of business excellence that clearly shows that business results should be evaluated with reference not only to profit but also to the community (Figure 6).

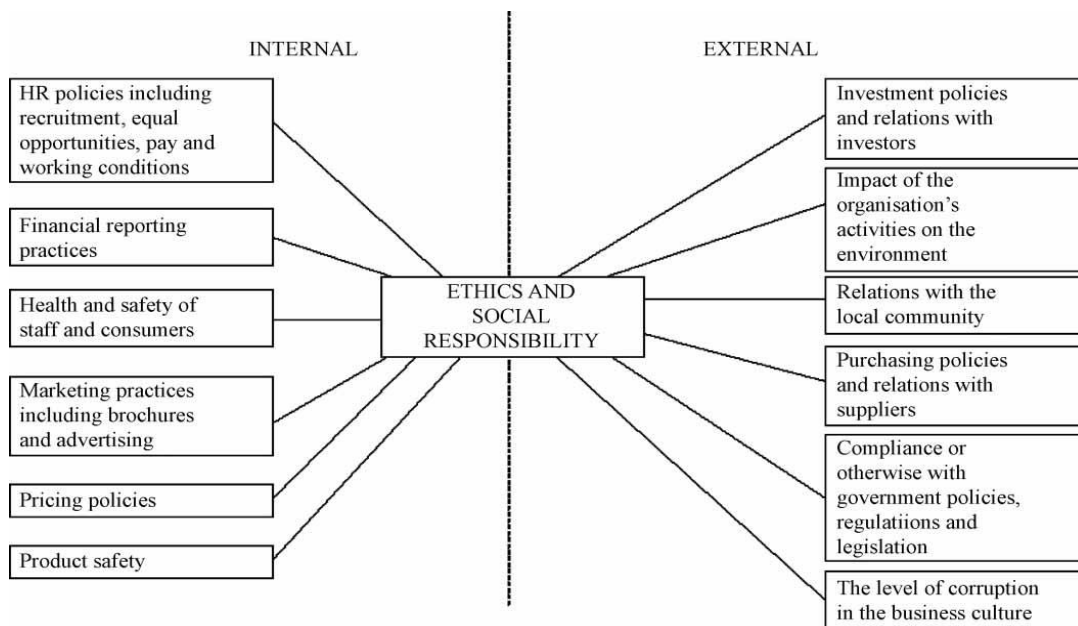


Figure 5. Aspects of ethics and social responsibility.

Source: Horner and Swarbrooke (1996).

#### 4. CONCLUSIONS & DISCUSSION

Overall, quality is multi-dimensional and multi-faceted issue. However, it can be measured through qualitative and quantitative criteria, statistics and the analysis of data. In this context, with respect to the subject and content of the article, two major standards, i.e. ethics and morality, can be named that considering the defined standards and indicators have important role and contribution in complete achievement to the quality in life and work. However, the survey results have shown that ethics and social responsibility in Croatia is far from those of European standards. Existence of a great gap in moral attitudes and social responsibility further reveals the gaps. The gaps cannot be filled unless with full compliance of Europe principles and adoption of new European quality standards, which is the case we can speak of Croatia's accession into EU. Finally, for restoring confidence and trust in business, Croatia's ethical leadership more than any other time needs to percept the importance of ethics. At the same time,

we pointed out that given the originality and newness of the subject of investigating relationship between business ethics and management of, it was not possible to compare our results with those of other similar fields, which shows the necessity of entering into areas such as comparative study. At the end, given the lack of research in the field of comparative TQM, it suggests performing a similar study in Iran and comparison of its results and those of several foreign countries.

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Authenticity of the texts, honesty and fidelity has been observed.

## CONFLICT OF INTEREST

Author/s confirmed no conflict of interest.