

# LOGISTICS OF QUALITY AND ITS RELEVANCE TO SOCIAL RESPONSIBILITY

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**Abstract:** *In this paper, we define the term logistics of quality and its role in supply chain to understand the effect of increased emphasis of companies and organizations on supply chain management, on the practice of quality management and their correlated impact on society and environment.*

**Key words:** *Management, Supply chain, Social Responsibility, Logistics, Quality, Value perception*

**Abstrakt:** *V tomto príspevku definujeme termín Logistika kvality a jeho rolu v dodávateľskom reťazci pre pochopenie zvýšeného dôrazu spoločností a organizácií na manažment dodávateľských reťazcov, praktizovanie manažmentu kvality a ich korelovaný vplyv na spoločnosť a prostredie.*

**Kľúčové slová:** *Manažment, Dodávateľský reťazec, Sociálna zodpovednosť, Logistika, Kvalita, Vnímanie hodnôt*

The increasing emphasis on quality and supply chain management is causing organizations, managers and researchers to rethink the models and frameworks for quality management that have been developed for the field of operations management. Impact of the today's choices on tomorrow, is the new leading approach for this behaviour transformation. For any business that wants to sustain in the new world of 21<sup>st</sup> century, it is no more the approach of counting up short-term dollars and cents. Wise decision makers look down the road and count every impact today's choices will have: on people, community, environment and especially on the opinions of customers with quality and supply chain issues on their minds.

In last few years a new language had been adapted by the leaders of industries. So called "socially responsible" means in today business language that people and especially organizations behave ethically toward social, cultural, economic and enviromental issues.

This evolution was triggered in recent years due to the fact, that many consumers have been upset by widely publicized examples of fraud by executives and harmful products. In these days we face new shocking wave of news about Toyota and the possible recalls of its products affecting milions of customers. It is especially critical, because Toyota has always been the „mythic“ business, with its world-class manufacturing system. Any company that wanted to play big, had tried to apply the philosophy of Total quality management, Just in time, and many others developed directly by Toyota.

As a result of the company mistakes and misbehaves, consumers have become more conscious of whom they are doing business with, and which products they should buy. Many companies who are looking for long-term profitability are looking for ways to become more socially responsible. It will be interesting to look how Toyota will deal with this kind of situation.

According to the International Organization for Standardization (ISO): “In the wake of increasing globalization, we have become increasingly conscious not only of what we buy, but also how the goods and services we buy have been produced. Environmentally harmful

production, child labor, dangerous working environments and other inhumane conditions are examples of issues being brought into the open. All companies and organizations aiming at long-term profitability and credibility are starting to realize that they must act in accordance with norms of right and wrong.”

The social responsibility can be "negative", meaning there is exemption from blame or liability, or it can be "positive," meaning there is a responsibility to act beneficently. Socially responsible is a subjective phrase, and we are dealing with big confusion what is and what it is not.

As to the logistics and quality, the issues about social responsibility are very imminent. To do business means to do choices. In business we make choices each day which shape the world we currently live in and create the world we and our customers will live in tomorrow. The idea for Logistics of quality and its social responsibility is based on the fact, that we do have to control the world that we create through our actions and products, and we should need to know, how will the tomorrow look like that we are creating today.

To support this idea we need to stop for a moment at this point and define the basis for quality logistics.

### **Quality and quality management**

While the Quality and Total quality management literature base is very extensive, much of it has been just descriptive of tools and performed poorly by helping in guiding the deployment of quality management programs.

Not until the late 1980s, when the big companies had still problems to adopt the basically Toyota approaches to quality, was an attempt made to identify the underlying constructs of quality management. Visionary leadership, internal and external cooperation, process management, and employee fulfillment can be seen as key constructs of quality management. Moreover, these demonstrated that the quality constructs are drivers of customer satisfaction.

As for the quality by itself the term can be defined in many different ways. As for the purpose of this article, we will mention the basic ones, which are commonly accepted around the business and research audience:

ISO 9000: "Degree to which a set of inherent characteristics fulfills requirements." [1]

Joseph M. Juran: "Fitness for use." [2]

Genichi Taguchi: "Uniformity around a target value." [3]

Peter Drucker: "Quality in a product or service is not what the supplier puts in. It is what the customer gets out and is willing to pay for." [4]

Robert Pirsig: "The result of care." [5]

We leave the reader to make his own perception of the term Quality. From our point of view, we can say that all of these, and many more, are pointing moreover in the same direction, but looking at the term from different angles and perspectives.

We can see a direct linkage between the strive of businesses for quality and the social responsibility. A product that is not capable to meet the customer expectations, or is even dangerous for him to use, is rarely seen as a quality product at all, and therefore has a bigger

chance to be a burden for the society as a whole in a way more than a benefit, when taken just from the resources point of view. Quality should be therefore, the business main goal as how to be socially responsible and vice versa. To be socially responsible can be perceived by the customer as a qualitative sign.

Research in quality management has often focused on internal versus external views of quality, with the internal view focusing on process and the external view focusing on the customer. This approach needs to change when considering the social responsibility playing bigger role in future. As firms adopt the systems approach implicit in supply chain management, they must merge these views as they go downstream in supply chain processes with their own. At this point we need to define the term of logistics and supply chain philosophy.

### **Supply chain management and logistics**

Supply chain concept stands for a group of companies collaborating to leverage their strategic position on market and to improve operating efficiency. This includes partnering with other companies and establishing relationships that result in downstream benefits directly to the customers. Similarly, from the total quality management perspective we traditionally considered systems consisting of processes, people, plants, etc. and their performance as means of creating excellence in products and services for end customers. Supply chain as a concept of managing the stream evolved from logistics.

Logistics by itself stands most times for a group of processes, that are performing "time-related positioning of resources". Logistics of quality can be then defined as a systems-based approach to position and deliver the quality through supply chain to the end customers. This approach of definition was intentionally chosen due to the necessity for this kind of activities.

The supply chain should not only be considered by value adding activities, their optimization and management, but also how it is performing to deliver the quality through the whole chain to the end customer. The main difference between Logistics of quality and Supply chain quality management stands in the value chain perception. The social responsibility concept suggests that organizational responsibilities go beyond purely economic considerations such as profit maximization. The concept recognizes that organizations have responsibilities not just to shareholders, but to other relevant stakeholders, such as customers and local communities, as well. These need to be included into the scope of supply chain perception from inside out.

While supply chain quality management is trying to optimize the value added operations by positioning quality checks, quality departments, and other quality tools around the supply chain to eliminate or reduce all the wastes inside of it, logistics of quality is aiming for the positioning of the quality throughout the whole supply chain so the perception of the end customer is affected in beneficiary way. This different perception is needed due to the complexity of supply chains, that are right now in place, or will evolve in near future. The basic difference is in the idea that the value is perceived not through dollars and cents, but by customer eyes and feelings. This shift was made due to the customer rising awareness of supply chains and their performance. The value is no more perceived only from the point of the product and its benefit and final fit for the end user, but also by the supply chain performance and its behaviour in the environment. Companies that abuse the rights of children and use children workforce for manufacturing of pieces, are struggling to deliver

their products to customers, because and only because of the customer awareness of the problem.

It is therefore possible that sometimes non-value added steps are even needed to be implemented into the supply chain, just to satisfy the customer needs and expectations. Therefore an optimization of the supply chain can evolve even in a final construct that is in its actual state less “productive” than it was before, but meeting the customer expectations.

It is the choice of today that is shaping tomorrow. And in many cases, companies that didn't evolved with the customer needs and value perception, are not existing any more. Customer development in last few decades is radical and is more shifting to social responsibility awareness at all. The spread of information through new means like internet and its apps like emails, blogs, twitter, etc. is changing the way how customers are affected and make decisions. That's why it is critical to not to optimize only the value chain from dollars perspective, but also to perform the analysis how we are delivering and positioning the quality to our customer. The balance between these two separate issues can lead to new constructs that can be much more sustainable in future.

The most socially responsible firms tend to emphasize strategies including redesign of logistics systems for greater social responsibility; promote industry cooperative efforts; reject suppliers who lack social responsibility concerns; and promote more socially responsible personnel. Likewise, these firms tend to rely upon a comprehensive set of strategies rather than just one or several.

In conclusion, social responsibility is increasingly viewed as a necessary component of any corporate strategy. Logistics of quality is a new way how to look at the supply chain. If the disciplines of logistics and quality are to reach their full potential, it must become more accepting of the concept that managers have a responsibility to seek socially beneficial results along with economically beneficial (Poist, 1989; Stock, 1990). This is leaved at this point for future research that needs to be performed in this direction. Indeed, more widespread acceptance of the social responsibility concept should go toward successfully addressing the socially relevant issues facing the logistics discipline during the initial decades of the 21st century.

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