



UNIVERSITY OF COLOMBO, SRI LANKA

FACULTY OF MANAGEMENT & FINANCE

**Postgraduate & Mid-career Development Unit**

Master of Business Administration 2015-2017 (Weekend) Programme (Semester III Second-half)  
Examination – July 2017

**MBAGM 615 – Managing for Quality**

**Three (03) Hours**

Answer **Five (05)** Questions in all, including Question 1

This is an Open Book examination.

The paper comprises of eight (08) questions printed on eleven (11) pages.

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1. Read the following case and answer the questions given at the end of it.

**“Reminiscing McDonald’s”**

**At a Glance**

McDonald’s has gone through quite a few changes with its changing CEO’s over the years, but the company seems to be on track with CEO Jim Skinner, named in 2004. Skinner was named the new CEO just in time to clean up after McDonald’s first ever quarterly loss. He succeeded by showing that McDonald’s revenue had climbed 11% during 2006 and net profits had climbed 36%. Jim Skinner had to clean up a big mess after the 2003 slump, and did so by coming up with a strategy to turn everything around. His strategy had to consist of staying competitive with the numerous other fast food restaurants popping up all over the world. In order to maintain this, they had to reorganize the way they presented themselves to the community. Jim Skinner did so by cleaning up the customer service, cleaning up and modernizing the physical buildings, and changing the menu to the changing tastes of their customers using techniques of “Total Quality Management.” McDonald’s also introduced their slogan “I’m Loving It” to reach out to the younger customers. The advertising is very much targeted toward teens and young adults.

## Issues and Challenges

- **Rush Time** This refers during the time break for working hour. Customers often complain about the disordered multiple waiting lines to approach the service counter. When they fail to examine the menu, customer often will be intent on looking for ways to improve their position in the line. The confusing menu design will cause the customer who stand a distance behind the service counter not able to read the menu. With this matter, the customers will be undecided when is their turn to order and prolong the ordering process which cause dissatisfaction of other customers. McDelivery will put a risk in the safety of workers who involve in delivery as they have to deliver in fast speed to ensure the food being deliver in the limited time or else they will being penalize.
- **Threat of New Competitors** The threat of new competitors for McDonald's and the fast-food industry is low. With so many different kinds of fast-food restaurants already in the industry, entering at this point would cause struggle for the new entrant.
- **Bargaining Power of Suppliers** There are 3,700 new outlets being built each year in the U.S., meaning the power of suppliers is not an issue for McDonald's.
- **Bargaining Power of Buyers** Consumers have more power over buying McDonald's products because they can demand what type of products they want to see from them. Today, consumers are demanding healthier food and beverage choices from fast-food restaurants such as McDonald's. After the documentary film "Supersize Me" by Morgan Spurlock came out in 2004, McDonald's had to reclaim its name by showing America that their company cares about the health of their customers and cut out their "supersize" program.
- **Substitute Products/Services** In the fast-food industry, including McDonald's, the threat of substitutes is greater now more than ever with the convenience food industry growing. More convenience food stores are offering similar products as the fast-food restaurants. The convenience store / gas station, quick trip, sells many food items such as hot dogs, egg rolls, pizza stuffed breadsticks, and countless beverage choices.
- **Competitive Rivalry** The "fast casual" food chains such as subway are tougher competition to the fast-food chains in both the U.S. and international industries. Some franchisers were also complaining that McDonald's was granting too many franchisees too close to each other and actually stealing business away from each other.

## **Course of Actions and Solutions**

### **• Employee Involvement**

For McDonald's, TQM involves that the employees are at work on time, are neatly dressed, and are clean. The employees must make sure that the customers constantly receive safe food, which implies that the employees must wash their hands often to remain clean. Moreover, the employees must follow certain Standard Operational Procedures, so the customers always receive exceptional quality and service. This includes the employees using plastic gloves when they prepare the food, that the meat and fries are properly fried, and that the vegetables are thoroughly washed when used in the food. Another TQM is that the employees rely on teamwork and high energy to get the job done, so that the customers do not have to wait long for their food. Furthermore, McDonald's management emphasizes that their restaurants should be clean. This involves that the restaurants are tidy, sparkling and spotlessly clean. As McDonald's illustrates the quality is that the employees delivers fast, accurate and friendly service with a smile.

For TQM programs that do not have management commitment and employee involvement are bound to fail. This will contribute to poor business results and employee turnover. High turnover rates are a challenge for any company in the food service industry, including McDonald's. Both managers and academics believe that, with commitment from senior management, by involving employees in problem solving, decision making, and business operations, performance and productivity will be increased. Employees should be encouraged to control their destiny and participate in the processes of the organization. To be effective, employees should be given power, information, knowledge, and rewards that are relevant to business performance. The Restaurant People Strategy is designed to offer a compelling employment value proposition by providing unique benefits, training and opportunities that meet the needs of today's workers. McDonald's benefits program is designed to attract, retain and engage talented people who will deliver strong performance and help McDonald's achieve their business goals and objectives. These benefits include health and protection such as employee and dependent life insurance, dental, travel and business travel accident insurance; pay and rewards such as base pay and incentive pay, profit sharing, paid holidays and vacation, educational assistance and several other benefits. This will help in higher levels of employee commitment in the countries where the company operate, which in turn, will continuously improve employee retention rates.

### **• Customer Focus**

McDonald's brand mission is "to be our customers' favorite place and way to eat." McDonald's operators, suppliers as well as employees cooperate to achieve customers' need in McDonald's unique

ways. They also have the best ideas with both large scale efficiency and local style through the most dominant grouping of entrepreneurial spirit and System wide position around their Plan to Win. McDonald's provides the customers with high quality of food and better-quality services in a friendly, hygienic and enjoyable environment at a great value as to make their customers feel good when having McDonald's foods and beverages.

McDonald's takes into account of the customers' nutrition. Researches had being carried out to measure and create a menu which match the daily nutrition of their customers. In this busy lives nowadays, McDonald's concern with the calories consuming and other diet-related concern from the foods they provide as they want their customers to stay within their goals for the day. Besides, McDonald's aim to inspire and motivate people to live balanced, active lives with their Balanced, Active Lifestyles (BAL) efforts by bring in the global theme which is "it's what I eat and what I do." Furthermore, McDonald's introduced children's nutrition meal named "Happy Meals" which were originally designed for young-age children in suitable portion sizes with essential nutrients such as protein, calcium, iron and vitamins B.

McDonald's hamburger patties are made with 100% United States Department of Agriculture (USDA) inspected beef in U.S. the hamburger patties only cook and prepared with salt and pepper which without added any preservatives and fillers. Besides, McDonald's hamburger buns are made from North American grown wheat flour, the world famous French fries are made from potatoes and cooked in a canola-oil blend. To ensure customers are under protection and satisfaction, McDonald's improve their food safety and quality standard to the highest rank in the industry. They source their ingredient from suppliers that hold on to strict standards for food safety and quality, including behaves a controlled, well-maintain and clean environment throughout their entire supply chain. They conduct stringent procedures for handling, storage and minimize exposure, which will contribute to the presence of microorganisms as to maintain the quality of their foods.

Furthermore, McDonald's approach to environmental responsibility over the pass thirty years, they come out with the solutions that are good for their business system and also to the world in which they operate. The new environmental responsibility of McDonald's is "The 2010 Global Best of Green." This is a progress that demonstrated on multiple fronts including energy, packaging, anti-littering, recycling, logistics, communications, greening the restaurants, greening the workplace, sustainable food and suppliers leadership.

There are also 24-hour McDonald's restaurant to serve customers as to improve customer satisfaction. Besides, McDonald's introduces McValue Lunch from 12 noon to 3 p.m. from Monday

to Sunday. Nevertheless, McDelivery is available from time to time with only a minimum charge based on every delivery.

- **Continuous Improvement**

In order to comprehend the need for improvement in the construction industry and to better manage their project and construction companies especially like McDonald's. To be competitive in market, McDonald's has provided more consistent quality and value to their owners or customers. Such goals demand that a continuous improvement (CI) process be established to provide total quality management. So that McDonald's give lot attention to the satisfaction level of their customers with improve quality standards such as trained employees, improve product quality and improve performance and exercises a good strategy for its human resources.

More than that lot expenditure is made in the quality maintenance and improvement researches. McDonald's maintains the following quality rules such as maintaining strict standards of quality and safety, so that the customers can feel comfortable fitting any of the food products into their personal eating styles. Second, is serving a variety of nutritious, high-quality food products and portion size, including new salad, fruit, and vegetable offerings Happy Meal Choices. Beside, McDonald's providing nutrition information to help customers make smart choices that address their individual lifestyle needs. Furthermore, the company informing the customers about energy balance and fun, practical ways to incorporate physical activity into their everyday lives and motivating kids to be active by engaging Ronald McDonald's as ambassador for play and activity. Finally McDonald's sponsoring major sports competitions, including the Olympics and the FIFA World Cup soccer matches.

More to the point, McDonald's creates connection between the quality of product and the ability of employees by give training to their employees. Employees were having training for it work. Besides, workers in McDonald's consist of on-the job-training and largely vocational. More than those new workers were given orientation. McDonald's also has a training room for their employees. During the training, trainer is use a series of checklist. It is important for McDonald's to create quality employees. In addition McDonald's uses the strategy "right person on right job" means that allocates resource in different areas according to the abilities, qualifications, and experiences of employees. Beside, McDonald's has different departments for different functions.

Another strategy that McDonald's use is Employee's job satisfaction means that provides training opportunities to its employees. So it results in enhanced performance and they become more

interested to work in good manner, which gives a good reputation to the organization and trains its employees of all departments to enhance their capabilities and to improve their skills.

A key part of the McDonald's philosophy is continuous improvement, not only in the restaurants but with its primary and secondary suppliers as well. McDonald's has developed a 'Supplier Quality Index' (SQI) by which all suppliers are measured. It allows companies to monitor performance of suppliers across the many agricultural and non-agricultural product and services. McDonald also conducts regular audits each supplier including the two plants of Esca Food Solution Ltd.

McDonald's also introduces a sophisticated system of monitoring performance of its meat suppliers. Based on a number of Key Performance Indicators (KPIs), it benchmarks quality performance both against other suppliers and the past performance which operates in real-time.

### **Quality Circle**

Quality Circle (QC) is one of the methods to enhance the employee participation. It implies the development of skills, capabilities, confidence and creativity of the people through cumulative process of education, training, work experience and participation. It also implies the creation of facilitative conditions and environment of work, which creates and sustains their motivation and commitment towards the work excellence. A QC is a small group of 6 to 12 employees doing similar work who voluntarily meet together on a regular basis to identify improvements in their respective work areas. It is "a way of capturing the creative and innovative power that lies within the work force." The performance of employees at McDonald's is assessed not only on their work plan accomplishments, but also on the extent to which they demonstrate the Global Leadership Competency and McDonald's values.

McDonald's believes that good governance is a journey, is not a destination. Accordingly, it commits to review its governance principle at least annually with a view to continuous improvement. It is a kind of self-development. Moreover, improved organizational culture is also the main objective. It provides positive working environment with total involvement of people at all levels. Thus, higher the motivational level of employees is the due participation of them in the management process. McDonald's values were recently integrated into their Global Leadership Competency Model, which has in turn, been embedded into their Performance Development System (PDS). As a result, the performance of its every employee is assessed not only on their work plan accomplishments, but also on the extent to which they demonstrate the Global Leadership Competency Model and McDonald's values.

- **Six Sigma**

By using Six Sigma, the work begins with management. The management identifies and measures the processes before the work is done. This is a process where the activities and steps are provided by the supplier to take inputs, to add value and to provide products to the customer. The Six Sigma has been adapted to McDonald's based on the following key concepts.

**Critical to Quality:** McDonald's has used the food safety management system in place, including Good Manufacturing Practices (GMP), sanitation program, an approved Hazard Analysis Critical Control Point (HACCP) plan, as well as crisis management and food security program. Supplier Quality Management System that including food safety and high expectations for all McDonald's suppliers throughout the world has been updating by McDonald's in 2007.

**Defect:** McDonald's management would also like to keep the companies from contaminated when received complaints from customers who fail to get what they want. The company will try to deliver the desired products by customers to their homes.

**Process Capability:** McDonald's has used the system to facilitate the drive-through customers to buy without having come down from the vehicle and providing a home delivery service.

**Variation:** McDonald's has introduced a variety of menus for customers to make choices and feel the food. By the way, in each month it tries to introduce new menu items to the customers.

**Stable Operation:** McDonald's management has increased its operations from year to year with the introduction of new products to enhance customers' willingness to dine in their restaurants.

**Design for Six Sigma:** McDonald's has been encouraging businesses to focus on its customers. Under the entrepreneurial spirit and harmony of system wide, it plans to win enables them to execute the best ideas to the efficiency of large-scale and local talents.

McDonald's has been referred to as DMAIC (Define, Measure, Analyze, Improve, and Control) which provides a structured way for its own to approach and solve problems. McDonald's is also learning Six Sigma through the Six Sigma program introduced at General Electric, based on the notion of at the customer and for the customer (ACFC). McDonald's Management has gained a new perspective on their business through this program and this could help it to grow further. It is a disciplined approach to decision making. Six Sigma philosophies involve measuring weakness in a process and determining how to change the weakness for the advantages of cost reductions, less waste, and improved understanding of customer needs. McDonald's management has minimized costs, the problems of pollution, waste management, water and energy conservation, and building up green restaurants.

- **Reduced Cycle Time**

In McDonald's company, the ways it uses to reduce cycle time have been introduced in its McDelivery and drive-through for 24 hours. The simplification of work cycles, including dropping barriers between work steps and among departments and removing worthless steps in the process, enables a TQM program to succeed. Even if an organization decides not to use quality circles or other techniques, substantial improvement is possible by focusing on improved responsiveness, acceleration, and effectiveness of activities into a shorter time. For example, by doing McDelivery, customers do not have to take a long time and queue up in McDonald's restaurant to make an order. Besides, the company can prevent wastes by doing such services. People just need to stay in the car instead of go inside the restaurant. Just get in queue, look at the menu and place their order. After that, they collect their order and enjoy their meal. This service is fast and customers will not be bored to eat meals of McDonald's. The workers' energy is needed and used up all the time. Workers can cooperate nicely with their customers and will increase the company profits. Since McDonald's felt that those services are effective, so it will continuously use the services and keep on improving it. Thus, McDonald's can process most order within a short time after the order is received. Hence, McDonald's can reduce the cycle time efficiently and effectively.

**Summary**

TQM is a very important concept used to apply in an organization or company in its daily operations. TQM principles must be supported at all levels of the organization or company as to be effective in improving quality from the lowest-level hourly employees to the highest managerial department. The financial benefits from using TQM included cut down costs, improve returns on sales and investment and the ability to charge higher rather than competitive prices. Besides, TQM increases the reputation as a quality organization or company, develops new innovations using short period of time, increases customer retention levels and improves access to global markets, as what McDonald's did.

(Source: <https://www.scribd.com/doc/Study-into-Total-Quality-Management-of-McDonalds-pdf>).

- i. Critically evaluate the quality management principles adopted by McDonald's as pointed out in this case.

(30 Marks)

- ii. Discuss how the quality management principles you evaluated in above i. are being practiced in McDonald's outlets that operate in Sri Lanka.

(10 Marks)

**(Total 40 Marks)**



2. "Quality of a product can be measured in terms of its performance, reliability and durability. Quality is a crucial parameter which differentiates an organization from its competitors. Quality management tools of an organization ensure changes in its systems and processes which eventually result in superior quality products and services of the organization."

- i. State five (05) arguments each for and against quality management practices (QMPs) of contemporary organizations.

(10 Marks)

- ii. Describe the evolution of quality management principles with practical examples taken from Sri Lanka.

(05 Marks)

**(Total 15 Marks)**

3. Select any 'international framework of quality management' and discuss its applicability to Sri Lankan organizations.

**(15 Marks)**

4. "Improvement of productivity in an organization involves far more than simply changing work processes in individual departments. To succeed in today's business environment a firm has to develop a strategic plan involving each process and procedure and to integrate everything into a system that delivers maximum productivity."

- i. Briefly explain five (05) major issues faced by organizations in Sri Lanka in enhancing their productivity.

(05 Marks)

- ii. Describe how Toyota Motor Corporation (TMC) has developed and maintained its productivity and quality to the world-class level. Your answer should be based on the relevant video presentation you watched in the classroom.

(10 Marks)

**(Total 15 Marks)**

5. "A core definition of total quality management (TQM) presents a management approach to long-term success through customer satisfaction. In a TQM effort, all members of an organization participate in improving processes, products, services, and the culture in which they work."

- i. Briefly explain the key terms (total, approach, long-term success, all members, and culture) mentioned in the above definition with practical examples.

(07 Marks)

- ii. Describe the process of TQM implementation using the relevant journal article discussed in the classroom.

(08 Marks)

**(Total 15 Marks)**

6. Assume that after completing your MBA degree programme, you have been appointed to consult an organization on the ways it should design and deploy its Quality Policy successfully.

- i. Consult on major steps that the organization should consider in designing its Quality Policy successfully.

(08 Marks)

- ii. Consult on possible five (05) major issues which can be faced in deploying the designed Quality Policy within the organization and propose one solution to address the each issue.

(07 Marks)

**(Total 15 Marks)**

7. "Implementing a total quality management (TQM) system has become the preferred approach for improving quality and productivity in today's organizations. TQM, which has been originally adopted by leading industrial firms, is a participative system empowering all employees to take responsibility for improving quality within the organization. Instead of using traditional bureaucratic rule enforcement, TQM calls for a change in the corporate culture, where a new organic work climate can emerge."

i. Compare a traditional HRM oriented organization with a new TQHRM oriented organization.

(05 Marks)

ii. Briefly explain five (05) ways to achieve successful worker empowerment in quality management efforts of an organization.

(05 Marks)

iii. Discuss the role HR leadership in cohesion of continuous improvement efforts of an organization, as per the journal article discussed in the classroom.

(05 Marks)

**(Total 15 Marks)**

8. i. Discuss the nature of quality management challenge faced by managers of Sri Lankan organizations.

(05 Marks)

ii. Briefly explain five (05) strengths of Sri Lankan National Quality Award (SLNQA) in initiating total quality movement in Sri Lanka.

(05 Marks)

iii. Explain the vitality of using a sense making perspective on everybody's involvement to contextualize the quality management efforts in an organization, as per the journal article discussed in the classroom.

(05 Marks)

**(Total 15 Marks)**