Quality Management
And the World’s Largest Corporations
by Robert Karaszewski

Many of today’s global corporations are more powerful economically than some countries. Decisions made in offices by board members can influence the course of events worldwide, sometimes to the same extent as decisions made by politicians—but with less publicity.

For most of these firms the question of quality might seem unimportant, especially if they perceive themselves to be at the top of the heap—the embodiment of quality and perfection. Unfortunately, such an attitude is often a signal of an oncoming problem, since attaining a leading position is sometimes easier than maintaining one long-term. To remain at the top requires a continuous focus on or goal of attaining perfection. This demands an ongoing process of quality improvement in all areas of the business.

To better understand the role and importance of quality management within top global corporations, a survey was taken among the 500 largest. The usable response rate was 15.6%. The majority of responses came from the United States, Germany and Japan—although the largest number of responses from a single country was from Switzerland with a response rate of 55%. (See “The Survey” for additional information.)

Survey results cover three essential areas in which quality management can help determine success—strategy, competitive position, and mergers and acquisitions. Nearly 90% of the respondents, representing some of the world’s largest corporations, confirm quality management constitutes an integral part of their overall strategy. In most of these companies, the strategy serves as a roadmap supporting major decisions related to critical organizational and managerial solutions.

While opinions might vary to some degree by geographical location, most corporations see quality management as important or critical to maintaining a competitive global advantage. Less than 3% of the corporations surveyed perceive quality management to be unimportant.

When deciding about mergers or takeovers, almost 57% of corporations take into consideration the level of quality management and the systems in place to assure ongoing success.

**Strategy**

Survey results prove that among the respondents, a strong relationship exists between incorporating quality management systems (QMSs) as part of corporate strategy and certain indexes used to determine the success of the firm. The fact that nine of 10 corporations surveyed incorporate issues of quality management into their general strategies would appear to indicate the world’s largest corporations, despite their unquestionable success in the global economy, do not want and cannot allow themselves to ignore the influence of quality management.

When categorized by profitability and capital productivity index ratings, those with the highest ratings unani-mously confirm the integration of quality management into general corporate strategy. Similar conclusions are drawn with comparisons to the sales profitability index. Among those showing the highest sales profitability index (more than 10%), only a small number (8%) do not see quality management as an integral part of corporate strategy.

In terms of geographical differences, corporations located in the European Union (EU) most often do not share the opinions of the majority surveyed. The percentage of those claiming QMSs are not an element of their overall strategy turns out to be almost 18%. In the case of U.S. corporations, a smaller number of such indications

**TABLE 1**

<table>
<thead>
<tr>
<th>Evaluation</th>
<th>United States</th>
<th>Country/region</th>
<th>Far East</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>The most important</td>
<td>7.7%</td>
<td>4.5%</td>
<td>28.6%</td>
<td>7.5%</td>
</tr>
<tr>
<td>One of the most important</td>
<td>84.6%</td>
<td>68.3%</td>
<td>57.0%</td>
<td>73.1%</td>
</tr>
<tr>
<td>Important</td>
<td>7.7%</td>
<td>22.7%</td>
<td>7.2%</td>
<td>17%</td>
</tr>
<tr>
<td>Necessary</td>
<td>0%</td>
<td>4.5%</td>
<td>7.2%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Less necessary</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Unimportant</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Note: Represents a total of 78 responses.
is observed—only 8%. As for the Far East, all corporations surveyed in that region state quality management constitutes an integral element of their strategies.

By business type, one-third of insurance companies in the survey confirmed quality management is not incorporated into their general corporate strategy. Similarly, 20% of motor vehicle manufacturers state quality management is not intrinsic to their strategic planning, counter to the petrochemical, pharmaceutical, electric and electronic equipment industries findings, which indicate much greater emphasis on quality management in strategic planning.

**Competitive Position**

Regarding perceptions of how QMSs affect the competitive position of firms (see Table 1), results for the total population surveyed confirms the majority of corporations (more than 80%) rate quality management as the most important or one of the most important factors influencing the general competitiveness of economic organizations. None regard quality management as less necessary or unimportant.

A breakdown by region, while representing relatively small numbers, provides interesting data. Contrary to EU corporations, of which 27% regard quality management as important or necessary, U.S. and Far Eastern corporations more frequently regard quality management as a key determinant of a company’s competitiveness. Within the group of U.S. corporations, nearly 93% find quality management the most important or one of the most important determinants.

Among Far Eastern corporations, the percentage is closer to 85%.

However, within this particular group we find the highest percentage of corporations (29%) regarding quality management as the most important factor enabling a firm to maintain or gain a competitive advantage.

When we look at types of business activity, the differences become less significant, as shown in Table 2. Interestingly, the insurance businesses, which generally have little or no experience with QMSs, have the highest percentage in the most important column—16.7%. However, none in the electronics and electrical equipment or

### The Survey

This study of the importance of quality management among large global corporations began with in-depth analysis of secondary sources. Unfortunately, research on the use of quality management systems and complex analyses of solutions applied by the world’s largest corporations had not previously been carried out. This made it impossible to make any comparisons with similar surveys.

Therefore, construction of the survey instrument involved consulting both with representatives of potential respondents and with members of the academic and scientific community.

After the questionnaire was created, the next essential step was to select a database of the world’s largest corporations. Both the United Nations Conference on Trade and Development and the World Bank said one of the most exhaustive and objective sources of information on this subject is presented by Fortune magazine. Therefore, the 2001 Fortune Global 500 database was used.

All 500 corporations were invited to participate in the research, and 78 (including Siemens, Toyota, Michelin, GlaxoSmithKline, Nokia, BMW, Eastman Kodak, Coca-Cola Enterprises and Volkswagen) completed the survey questionnaire. Ten others cited corporate policies as the reason for not responding.

Nicolaus Copernicus University Press published the complete report in Polish this July. An English version of the complete research can be requested from the author at mba@econ.uni.torun.
pharmaceutical businesses rate quality management as most important. In pharmaceuticals, there is total unanimity as 100% of the respondents rate quality management as merely important. But among motor vehicle industry respondents, fully 90% say quality management is either the most important or one of the most important factors.

Analysis based on economic indexes does not show any clear trends. Whether looking at the value of assets, sales revenue, level of profitability, sales income or productivity, the majority of corporations (usually no fewer than 80%) depict the quality management factor to be the most important or one of the most important determinants of competitive ability.

Slight differences are noted only when it comes to the evaluation of quality management based on the number of employees. Nearly 92% of corporations employing up to 50,000 people claim quality management is the most important or one of the most important factors affecting competitiveness. For those exceeding 100,000 employees, the percentage is 73%.

Practically every corporation that participated in the research depicts quality management as a factor that decisively influences the possibilities and the actuality of gaining a competitive advantage.

Mergers and Acquisitions

The last question in the survey looks at the importance evaluation of QMSs can have relative to mergers and acquisitions. Prior to making any decisions in this regard, companies look for the most vital information revealing the potential of the target company as well as the range and scale of investments that will have to be made in order to meet certain pre-set financial goals and objectives.

For the purposes of the survey, an assumption was made that one of the critical variables evaluated during the overall analysis was the level of quality management the target firm had implemented.

The survey results show nearly 57% of the surveyed corporations confirming they analyze the QMSs used by a particular firm before making a decision on a merger or acquisition. In terms of country of origin, the highest percentage of corporations confirming these results are found within the Far Eastern group (62%), with the lowest in the West European group (43%). Just under 60% of U.S. corporations say quality management influences their decisions.

In terms of the type of industry, all the groups except electric and electronic equipment manufacturers take into consideration the quality management solutions systems already in place within the target company.

Overall Results

The survey results imply most large, profitable global corporations today perceive quality management, particularly as it relates to corporate strategy, competitiveness, and merger and acquisition activity, as important, if not critical, to the overall health of a firm.

While minor differences can be noted among different regions of the world, these differences are not significant enough to detract from the importance of the role quality management seems to play in critical managerial decisions today.