Chapter 9
QUALITY STRATEGY

Quality has been one of the Altrad Group's prime concerns right from the start. In my work, *Group Strategy* (1989), a whole chapter explicitly entitled "Quality to succeed" was devoted to my understanding of quality as a key factor in competitive success, in line with contemporary theory. Like the founders of *Total Quality Management*, Edward Deming and Joseph Juran, and the inventor of quality circles, the Japanese expert Kauro Ishikawa, I was already looking for ways to reconcile the three factors of productivity in a company: good company organisation, staff motivation and product quality.

So it is no coincidence that the quality committees set up at the time evolved toward a matrix organisation centred on progress units, partly inspired by the Japanese concept of *kaizen* or the search for continuous improvement. The difference being that our total quality management concerns all the activities and companies in the Group, rather than simply the production and technological innovation processes, and thus targets the participation of all the employees in the Group.

Yet, as many researchers have shown, companies that adopt a quality approach generally come up against two major stumbling blocks. The first is that the teams in charge of quality have difficulty involving the staff at all levels, as stipulated by the principles of quality and excellence. The second is in adapting universal principles of quality to each sociocultural context. The Altrad Group, spread across different countries with strong national cultures and composed of several companies most of which already had their own quality culture before joining the Group, has also had to cope with these two problems. It has responded by developing a dual approach that is both horizontal and vertical:

- within each entity of the Group, a quality committee ensures the vertical spread of quality throughout the hierarchy,
- at overall Group level, an intercompany progress unit acts as the driving belt for values and know-how. By reducing cultural gaps and differences in perception, it favours the emergence of a solid overall culture, solving common issues of quality with solidarity.

The value chain concept, adopted to reorganise our group, led to an interest in *reengineering* techniques, first envisaged in 1993 by the American consultant M. Hammer. This can be defined as a pragmatic approach to reconstructing the company and reinventing the value chain, targeted at improving performance conditions in terms of costs, quality, service, speed, etc. This approach obviously covers all functions, tasks and posts, at head office and at subsidiary level and in regard to the relationships between all the entities in the various fields: industrial, technological, commercial, financial, human, cultural, etc.

Less strategic and more pragmatic than *kaizen*, reengineering favours speed in the process of questioning and achieving results, which can lead to a certain brutality. This is why Hammer, insisting on the "rupture" factor, recommended dropping any procedure that was ill-adapted to the context of the company, notably in the name of "customer is king". In the framework of our management approach, this brutal effect is corrected by involving a greater number of participants in the overhaul of the companies and the Group, through progress units and management meetings.

The reengineering approach is not about improvement but rupture, with goals that are often highly ambitious: reducing procurement costs by 25%, halving logistics costs, etc., goals that cannot be reached simply through improvements. Incorporated in our network organisation, this rationale can be expressed as the transfer of activities within the Group – from companies creating the least value to those that are the most competitive – or even outside, through relocation, changing suppliers and partners, etc. Reengineering a Group provides certain radical changes without calling into question the perimeter and thus the staff of the Group. Reconstruction thus concerns resources (human, financial, logistic, technological, commercial, etc.) that are structurally or spatially dispersed, treating them *as if* they were centralised. Once the decisions have been taken and the *processes* defined at central level, their application is spread among the different entities to achieve the desired results. It is a "peaceful rupture": no mass layoffs, simply a redistribution of activities in the spirit of performance and overall quality.

A. Global, glocal or local strategy?

In the Altrad Group the total quality objective means using the ongoing connections between all the activities of the Group to continuously propose products and services adapted to the changing expectations of customers, i.e. buyer-resellers as well as final consumers and prescribers. Yet these expectations and perceptions of quality vary from country to country and from one distribution channel to another. They therefore need to be closely examined beforehand by Quality Management or Marketing Management taking into consideration the image of the competing brands, the attributes affecting customer choice, the official standards applied in the country, etc. Product by product, and depending on the size of these variations, the Group chooses between:

- a global strategy, proposing a product of identical quality to all markets,
- a glocal strategy, adapting the product to the specific expectations of each market, often through minor modifications which are important in the eyes of the customer, and carried out if possible at the finishing stage: adding a reverse gear to a concrete mixer for the German customer, changing the colour of the bodywork, displaying a national brand (which may or may not be associated with the Altrad brand) and the national standard, etc.
- a local strategy in extreme cases where a very specific local perception of quality leads to abandoning all standardisation – which does not exclude the commitment of the rest of the Group or one's own network for certain components.

Total quality management, as emphasized by this third option, aims at optimising the producer's costs (particularly by economies of scale) and increasing competitive edge and/or profitability while meeting customer expectations. This may lead to:

- partial standardisation whereby, despite the different target expectations, production can be segmented between different entities in the Group or the network. This optimises task distribution – from procuring raw materials to packaging the product. A strategy of "just in time" tightens flows and reduces the stocks of ongoing and finished products. It also avoids running out of stock, which through overdue delivery dates would undermine the satisfaction of intermediate and final customers;
- total standardisation when customer expectations are relatively universal. The Group then benchmarks the highest quality expectation on the market or even a higher level if the Group is aiming to position its product as "top of the range" in the face of competition in the reference market. This applies all the more to less demanding markets and may justify a skimming price policy, leading to glocal marketing through price differentiation.

This shows the extent to which the quality policy is an integral part of the Altrad Group's long-term strategy. It is often behind ideas that, much further downstream, will be translated into new strategies of marketing, purchasing, procurements, etc., gradually spreading through the Group to involve all the staff, and even affecting the behaviour of the Group's outside partners.

This is the spirit in which we have chosen to widen the notion of "customer" to include internal relations (between member companies) and external relations (with those in our network). An illustration of this is internal transfer pricing, in regard to accounting. Moreover, in addition to periodical external audits, we have developed self-audit procedures that have largely contributed to achieving our goals of total quality.

B. Quality in the companies of the group

Our total quality management has penetrated all the entities in the Altrad Group, both in staff services and subsidiaries, whether engaged in production, sales, purchasing, procurement or logistics.

For the head of a company, quality is experienced as a total, ongoing personal commitment, a long-term concept of his own work and relations with customers and a virtuous circle involving all his direct collaborators and staff. So to ensure that company heads fully adhere to something that is both an attitude and a set of precise, imperative rules and procedures, one of the company heads was asked to draft an awareness chart that was validated and circulated by General Management. Next to certain principles of *kaizen* and *reengineering* (duly adapted to the multicultural context of our Group) it sets out the two fundamental values of a total quality approach:

- respect for the "customer" (external or internal) by examining his expectations and taking account of any dissatisfaction, and mutual trust often formalised by quality-assurance contracts;

- the exchange of information between all the entities of the Group (and their customers) and between all the actors in the network involved in the value chain.

Our network organisation relies, in fact, on the quality of all the links in the chain, knowing that the weakest link lowers the quality of the whole. So the quality of a concrete mixer with a drum from one factory, a motor from another and assembly in a third, cannot be based on a single quality control after final assembly, but requires scrupulous respect for the rules of compliance on the part of all the actors in the network. This is ensured by harmonious interaction between the quality service in each company and the Group's Quality Management, (issuing from the corresponding progress unit) responsible for planning quality and initiating and supervising projects to this end.