TOTAL QUALITY MANAGEMENT:
IT'S NOT JUST FOR MANUFACTURERS ANYMORE
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For some managers, Total Quality Management (TOM) appears to be just another in a long tradition of such offerings. With this piece I hope to suggest that TOM is fundamentally different than other management "theories" and to suggest ways you can test that difference in your own organization. The title of this piece also implies that principles of TOM are applicable to retail, service, and public sector organizations as well as manufacturers. In fact, service and public sector organizations stand to benefit as much from TOM as any manufacturer.

The key is in understanding TQM not as a management "tool," but rather as a fundamental change in management philosophy. TQM cannot be installed in an organization. It must be rooted in the culture of the organization, developed by top leadership, and nurtured by all members of the organization. In order to better understand this concept of a culture-based philosophy I need first to provide some background and describe TOM. Second, I need to suggest why it is necessary to bother with learning about TOM. Third, I will offer an operating perspective on culture-building. Finally, I will suggest what your next steps might be in implementing TOM if it's appropriate for your organization.

WHAT IS TQM?

Early incarnations of quality focused on satisfaction of customer requirements. Usually this meant producing a manufactured good within narrow tolerances of the specifications customers provided for the product. For example, machine tools had to consistently produce bolts of a certain width within a fraction of a centimeter either side of the standard. This definition of quality emphasizes the production of goods free of defects that would make them unsalable.

This view has recently come to be regarded as "little q" in order to differentiate it from "Big Q," or TOM. "Little q" is a narrow aspect of the results of a TQM orientation within an organization. Perhaps because the concept of producing to an easily measured tolerance is relatively easy to grasp and imagine how it might apply to producing profit, "little q" is often confused with TQM. W. Edwards Deming's prominence in the quality movement and his emphasis on statistical process control (SPC) probably adds to this confusion j It is becoming apparent that the "little q" view of
quality is one reason why this country has made relatively less progress in adopting a quality approach than some of our global competitors.

A more recent definition of quality, one that truly involves a "Big Q" view is offered by Marshall Sashkin and Kenneth J. Kiser. They suggest that TOM means that the organization’s culture is defined by and supports the constant attainment of customer satisfaction through an integrated system of tools, techniques, and training. This involves the continuous improvement of organizational processes, resulting in high quality products and services?

The emphasis here is on the development of an organizational culture compatible with the tools and techniques of TQM. Note carefully however, that the installation of TQM tools and techniques does not mean that the organization has implemented quality. TQM is not tools and techniques. Tools and techniques are a necessary condition for TQM to exist, but they are not sufficient. TQM is a fundamental shift in management philosophy to create a culture that supports the goal of quality for the customer in all processes and through the efforts of all employees. The term "Total" as an adjective for this sort of management is apt because the entire organization is involved: processes, systems, employees, managers, and their collective culture.

TOM also means a passion for customer satisfaction. As with the older definition of "little q" quality, customers define what satisfaction means. Satisfaction is not limited merely to meeting tolerances on bolts. Satisfaction could mean timely delivery of service. Satisfaction could mean a call being handled by the first person the citizen reaches instead of being transferred around within a government bureaucracy. What satisfies a customer today may not be what provides satisfaction tomorrow. The TOM organization must have in place a means by which customer needs can be continuously monitored. However an organization effectively monitors customer satisfaction is one technique for TQM in that organization.

This is an important point. TQM tools and techniques do not solve management problems when used alone. I do not prescribe particular tools for use by any particular organization. In fact, I have banished the classic tools of quality to an endnote in this piece. The reason is that dependence on tools as a ritual is one of the major distractions that many organizations have fallen prey to in trying to implement TQM. They fail to implement quality not because the tools don’t work, but because use of the tools had no relation to the fundamental cultural value of customer satisfaction first.

An outstanding example of this is the case of Florida Power and Light.* The company set as its goal the attainment of the coveted Japanese Deming Prize for quality. In 1989, FP&L became the first non-Japanese company to win the prize. Shortly after, John Hudiburg, the CEO was asked to resign and FP&L has scrapped its quality initiative. The reason: the amount of statistical analysis and reports required by contest judges had created a bureaucracy within the organization. The resources consumed by that internal bureaucracy reduced effective delivery of power to customers. Profits at FP&L declined. Pursuit of the prize itself was the underlying cultural value rather than the drive to serve customers better.
Each organization needs to define how and even whether it will approach the process of implementation of TOM. Not every organization will be able to implement TQM. Deming recognized the difficulty of bringing TOM to practice in American organizations. He identified "seven deadly diseases" for TOM implementation. They are

- Lack of constancy of purpose
- Over-emphasis on short term profits
- Individual performance evaluations and merit pay
- Highly mobile managers moving from company to company
- Use by managers of production and performance statistics without regard as to whether they answer management need
- Excessive medical costs
- Excessive legal liability costs**

These "diseases" can all be seen as symptoms of a failure to focus on the development of an organizational culture which supports the value of commitment to customer satisfaction.

WHY BOTHER WITH TQM?

I have just noted that TQM is not necessarily right for every organization. Does that mean there is no reason to bother learning more about TQM? No. The reason TQM might not be right for every organization is because there needs to be a compatible organizational culture for TQM to flourish. Every organization should understand TQM concepts if for no other reason than to better understand their competition. There is much to be gained by every organization in evaluating TQM. Let me offer four reasons to take the time to assess TOM for your organization.

First, the present management structure of most organizations is based on turn-of-the-century social and economic realities. Turn of the twentieth century realities, that is. In the early 1900s the workforce consisted largely of under-educated immigrants who spoke little or no English. Most industrial jobs consisted of repetitious, manual labor routines. Most production was also highly labor intensive, requiring large numbers of people to accomplish production. These realities created a productivity-driven organization.

In a productivity-driven organization, productivity always comes first. Workers are measured and evaluated by output per unit of time. This creates pressure to get the product out the door regardless of quality since quantity produced is the measure of performance. Where workers are not well-educated there is a need for a level of continuous supervision overseeing that standards of time and productivity are maintained. Frederick Taylor offered principles of Scientific Management based on time and motion studies to aid this supervision. In this sort of organization, top-level managers plan and make decisions. Supervisors monitor workers on the line and
workers work. The productivity-driven organization is very hierarchical. Quality, if it shows up at all, is separated out from production at the final inspection stage.

This sort of organization produced an economic dynamo in the United States before World War II. After the war, the pent-up demand for products encouraged continued use of this model. (Curiously some U.S. production organizations had adopted some forms of TQM during the war.) Because of the long history of success with this model, it is not surprising then that many managers today see a productivity-driven organizational structure as a given in management philosophy.

Of course, we no longer live in the sort of society or economy in which the productivity-driven evolved. Competition is now global. Decisions often need to be made very quickly, even immediately. Technology has enhanced our ability to generate and share information within an organization. Technology has also changed the type of work done. Monitoring robots on a production line requires new skills. Workers are more highly educated. Many are demanding more control over their jobs and participation in decision making. These realities are creating the quality-driven organization.

In a quality-driven organization, satisfaction of customers always comes first. Quality-driven organizations recognize that customers are both external and internal. There is an emphasis on partnership with customers. The entire organization values continuous quality improvement. Management structures are less hierarchical and more flat. There are fewer mid-level supervisors. Everyone supports the concept of quality and focuses on that in their jobs. This allows greater flexibility in meeting the demand for quick decisions. Planning is not limited to top managers.

Second, the adoption of TQM and a quality-driven orientation within organizations has created higher revenues and lower costs in a variety of companies. The special issue of Business Week for October 25, 1991, "The Quality Imperative," is filled with examples of organizations that have significantly improved their bottom line with TQM. In St. Paul, 3M cut waste in production of double-sided tape 64 percent while it increased production 57 percent. Customer complaints dropped by 90 percent. Corning, Inc. has seen profits rise 111 percent in the last five years. Intermountain Health Care in Salt Lake City reduced post-operative infections by 50 percent in one year, saving on average $14,000 for every patient without an infection. Even the Internal Revenue Service saved more than $11 million at its Ogden, Utah service center by reducing the amount of mailings that never got to taxpayers.

Third, profit is also enhanced by the recognition of the cost of lost customers. Increasingly it is clear that customers do not complain, they just go somewhere else for products or services. Business Week reported in its special issue that by retaining just 5 percent of current customers profits for branch banks rose 85 percent, profit for life insurance rose 90 percent, and profit for advertising agencies rose 95 percent. The cost of losing customers is not a traditional way to measure an organization's
effectiveness. As these figures show, however, measuring customer retention will likely become more common.

Fourth, since engaging in TOM can create enhanced customer loyalty, it also creates a strong competitive advantage. Customers are much less likely to leave their current service or product provider, when competition enters the market, if they are being satisfied. The implications for maintenance and improvement of market share are clear.

Is it as clear in the public sector? Political administrations are much less likely to see "outsiders" gain attention if the citizenry feels that its needs are being satisfied. At a time when only around 50 percent of people vote for the president and less than 20 percent vote in local primary elections, it is clear that citizens do not feel their needs are being met by present governmental organizations. When local governmental units are asked to provide more service with less federal assistance, will an early twentieth century model of organization be effective in meeting that challenge?

WHAT TO CONSIDER IN CULTURE BUILDING

We have seen that TQM is more than tools and techniques. It is not something that can be installed like a software program. It fits well the realities of the modern competitive and political economies. It has enormous potential benefit for service and public sector organizations alike. However, TQM may not be the solution for every organization. Successful implementation of TQM is dependent on a compatible organizational culture.

What are the elements of culture crucial to development of an environment in which TQM can flourish? Sashkin and Kiser suggest there are eight culture elements which each involve a value or belief critical for TQM success:

Element One: Quality information must be used for improvement, not to judge or control people.
Information needs to be used to illuminate and solve problems related to the thorough satisfaction of customers. If workers feel that the negative information they have to provide is going to result in punishment, management will never see the data. But there really is no reason for management to see the information since management does not do the work that needs correcting.

Element Two: Authority must be equal to responsibility.
The people responsible for making customer satisfaction happen should be the ones to receive the data and management should allow them to take action on it. Management has to be willing to let the authority to make changes in the process of creating customer satisfaction accompany the responsibility those workers have to see that customers are satisfied. This is often called "empowerment" and is usually described as management "giving" the power to employees. It is more accurate and
meaningful to realize that empowerment is actually the recognition that workers already have the power to see that customers are satisfied or not.

Element Three: There must be rewards for results.
Rewards need to be more than simply symbolic. Material rewards support and reinforce the value that customer satisfaction is paramount. Very often in U.S. society, rewards operate only at the individual level. It is also important to reinforce the concept of the team and so rewards should also occur at the team and organizational levels. It is necessary to structure team and individual rewards so that they do not conflict.

Element Four. Cooperation, not competition, must be the basis for working together.
Find ways to structure jobs so that employees work in teams. This is not always easy to do. Even harder sometimes is to convince employees that teamwork is better than individual endeavor. We are socialized to look at competition as natural throughout our school experiences and in our national mythology. More and more successes are being reported, though, with "self-managed" work teams. These are teams that have authority and responsibility to accomplish a task and are not directed by any supervisor. Rather, many organizations are finding that the use of a trained facilitator, often from outside the organization, can be effectively used to teach people how to work in groups.

Element Five: Employees must have secure jobs.
Part of the philosophy that underlies the old productivity-driven organizations is the notion that employees are a cost of doing business; that employees are an expense item rather than an asset. Evaluation of effective performance in the productivity-driven organization often relates to cost control. Reducing expense items, like employees, is seen as an effective means of driving down costs in the productivity-driven organization. In a quality-driven organization employees are seen as assets to be invested in and developed. Few people go to work looking for ways to cost the organization money. Quality managers must look for ways to coach employees to more effective performance.

Element Six: Everyone must perceive a climate of fairness in the organization.
Leaders need to take action that develops a sense of trust. Leaders must act consistently with all employees and in their own behavior. Leaders must be truthful in communicating with everyone. Leaders must show integrity by maintaining confidences and following ethical guidelines. Leaders must show respect toward employees and treat all equitably. These type of actions will help to develop the organizational climate of fairness.

Element Seven: Compensation should be equitable across organizational levels.
This is a problem in American organizations, especially private sector organizations. It is beginning to be recognized and addressed. In the meantime, organizations can take action to mitigate the negative effects of wide disparities. Eliminating perks and enhancing employee bonuses for quality performance values will
help. This is an excellent forum for allowing employee involvement in discussions to address the issue.

Element Eight: Employees should have an ownership stake in the organization.

Obviously public sector employees cannot own any of the organization. The key here is that employees have a stake in what happens in the organization. Employees must be able to feel and act as though they have an ownership interest. As Harvey Mackay put it, "owning 1 percent of something is worth more than managing 100 percent of anything. That feeling comes from a culture fostered by the organization's leaders.

A TQM culture is not created overnight. It is not created by telling stories and creating legends that merely shape a culture. Actually creating culture is a long term process which has been described by three stages. In the first stage, organizational leaders define a value-based organizational philosophy. This is not done outside the presence of others in the company. Indeed, imposing a "culture" from above would contradict the very values of TQM the culture should foster. This process is only going to have meaning for others if the philosophy reflects the vision of the total organization.

Once there is consensus on what the organization is all about, policies can be put in place that support the eight crucial elements of culture. It is especially important to institute policies that support a fair reward system and equitable compensation. In this second stage, top leaders who wish to support their fledgling TQM culture will also select key managers who share a quality vision for the organization.

A third stage, and really something that is happening all along, is the conscious modeling of the shared set of values and beliefs by top management's behavior. Six months of hard work can be eradicated by six seconds of inconsistent behavior. That is why it is so critical that top management be fully committed to TOM and the development of a nurturing culture. Max De Pree, the CEO of the Herman Miller furniture manufacturing company, has said that "the first responsibility of a leader is to define reality. The last is to say thank you. In between the leader is a servant "9 The leader serves as chief role model.

WHAT NEXT?

Does it make sense to rush out now and hire a management consultant to help you implement TQM in your workplace? There are a variety of consulting firms available to offer assistance. Do not fall into the trap of a consultant who will "install" TQM for you. Do not buy a service that promises to let you in on the "secret" of TOM success. Do not assume that TQM can be directed by a Quality Assurance Team. Each of these is equivalent to the donkey leg being grafted onto a three-legged cow in order to help hold her up. The process will be doomed from the start.
Instead, keep in mind that TQM may not be right for every organization. I suggest that you first do some thoughtful review of the present culture of your organization. If the present values and beliefs are inconsistent with the values of a TOM organization, it is unlikely that you will be able to change the orientation of your organization. Culture is an exceptionally strong force in determining how an organization operates. That is why TQM may take years to weave into the fabric of your organization. That is also why it will never function in some organizations.

If you are in top management, recognize that nothing is going to happen in your organization until you fully support that change. Begin now to educate yourself. Read widely from among the books and articles in the attached bibliography. Attend courses at the local community college or through your nearest University-based Small Business Development Center. We happen to have a lively quality network here in central Wisconsin called the Central Wisconsin Area Quality Improvement Network. There are local contacts in Marshfield, Wausau, and Stevens Point.

If you are in middle management and it is possible to develop some of the eight crucial cultural policies in your department, do so. Nothing will get the attention of top management faster than a small quality organization within the larger one. Generally, the interest that will be generated among other employees will be enough to encourage top management to learn more.

Once top management has developed a true commitment to quality, a complete review of the organization and its culture should be conducted by a select group of key managerial staff. Be careful not to become bogged down in general discussions of the concepts of quality. This group should conduct serious and rigorous investigation of the organization's readiness for TOM. Conduct employee surveys, interview key managers and employees, catalog the experience of the organization with the eight crucial cultural elements. The point of this group's analysis should be to suggest whether there is fertile ground for the planting of TOM seeds within the organization. Since it is sometimes hard for people within an organization to assess their own culture, it may be useful to have some outside help at this point.

If the study group concludes there is potential, they should proceed to developing an action plan. The plan should identify some specific TOM projects or activities for the organization to begin working on. At this point it may make sense for a self-managed team to be empowered to work on a particular problem identified in the action plan. The team may be interdepartmental, intradepartmental, or cross-functional. Interdepartmental teams may consist of all managers at a certain level from different departments. Intradepartmental teams would consist of members with different functions but all within a single department. Cross functional teams would consist of managers and employees at different levels and from different departments. The nature of the team reflects the nature of the problem to be addressed.

It is likely that there will be a variety of possible projects to work on. There will need to be some way to select what to do first. Projects may be selected based on
estimated return on investment, estimated gains in efficiency, or for estimated increases in market share. Value to the organization may be expressed in terms of either dollars or retention of customers. Regardless of the project chosen it is imperative that the project team be fully empowered to study the issue and make changes. This will mean that whatever the team decides it will receive full backing of top management. Too many quality efforts die in the first project because top management is not fully committed to TOM. The commitment extends to the provision of financial and training resources to the team. It also includes development of an infrastructure for implementation of the team's recommendations.

Too many quality efforts also die because to many employees TOM looks like just another program that has the "absolute commitment" of top management. Implementation of TOM can suffer from the cynicism generated by what may seem like just another "program of the month." Here is where your analysis of the organizational culture will help to determine if employees have been led to the well once too often. In any case, everyone in the organization has the right to ask and expect a clear answer to the question "what do you want me to do tomorrow that is different from what I am doing today?" Top management must first answer this question for themselves.
The following is a selected list of books we have found useful on quality management. This list is only a start. There are many other good books and articles as well.


ENDNOTES

1. W. Edwards Deming, Joseph Juran, and others have come to be symbols of various perspectives on TQM. I am not interested in engaging in debate about whose philosophy came first or is more true to the principles of TQM. The important point is to see how the overall concept of a culture change within your organization can have profound influence on profitability, efficiency, customer loyalty, and employee performance.


3. The seven classic tools of quality are really tools to help monitor process. They are often used to provide a basis for statistical control of processes internal to the organizational function. In your own organization, consider how they might be used both internally and externally to monitor market growth or analyze citizen needs. The seven tools are:

   - Control Charts
   - Histograms
   - Pareto Charts
   - Scatter Diagrams
   - Run Charts
   - Flow Charts
   - Fishbone Diagrams

4. There are other illustrations of how lack of customer focus as a fundamental value of an organization's culture harmed TOM implementation in *Business Week's* special issue entitled "The Quality Imperative" published October 25, 1991. The issue also points out how quality is working in service and public sector organizations.

5. These are taken from Mary Walton's book on Deming called *The Deming Management Method*, (New York: Putnam/Perigee Press), 1986. This book is widely regarded as a more approachable way of understanding Deming's message than he gave in his own out of the Crisis, (Cambridge, MA: MIT Center for Advanced Engineering Study), 1986.

6. This discussion follows the material in Sashkin and Kiser's Total Quality management, pages 62-86.


8. The discussion that follows is based on Sashkin and Kiser, pages 96-101.