

Eleven Links in the Transformation of An Enterprise To Make Quality the Strategy for Success

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Introduction

It is now a half century since Homer Sarasohn and W. Edwards Deming introduced quality management principles to the Japanese. It is 17 years since these principles were rediscovered in the West. In Japan the Japanese Union of Scientists and Engineers has served as a steady, positive, influence in the promotion of the theory and practice associated with quality management, through its seminars, publications and consulting. In the West a number of organizations have been developed to do the same thing. Their efforts are much more diffuse, reflecting the difference between 50 years experience and less than 20.

In the last half century, three of the most active and effective promoters of quality management were Kaoru Ishikawa, in Japan, and W. Edwards Deming and Joseph Juran in the West. Kaoru passed away in 1991. Deming passed away in 1993. Juran announced his retirement last year. Since then there has been no clearly identified leader of the quality movement in the West. There are many qualified consultants today, but the quality movement has no one person of the stature of these men. Nor has any Western institution attained the reputation and following of the JUSE, which has a budget of millions while the Western institutions struggle for survival.

Despite these losses, the quality movement has continued. Consultants and those who arrange seminars tell me that there has been a noticeable slackening of activity. The quality movement is not dead, but it seems to settled into a more steady and less visible stage. We are all the beneficiaries of the work of these leaders who have passed on. Now it is our turn to assume the responsibilities of leadership.

The major task remains as Deming described it, to change the style of management to make work a more rewarding experience, to reduce waste and inefficiency, and to make cooperation and not competition the guiding principle of managers. I believe in competition to delight and please customers. Competition in sports can be healthy, too. But such competition can and should be carried out in a spirit of cooperation.

Wherever people are organized to work together to achieve something that can only be done through organized effort, in business, in government, in education, the challenge is the same: to make quality a way of life for everyone.

Leading the Transformation of a Culture

Part of the difficulty lies in our use of language. I am indebted to Dr. Andrew Hilgartner for a brief education in general semantics. According to the teachings of Korzybski and others, all indo-European languages divide speech into nouns and verbs. Nouns are used to describe things which are more or less permanent, which exist over time. Verbs are used to describe things which are transient. That is, quoting Hilgartner, we say: "The bird flew over the tree". We can visualize the bird and the tree existing over time. But we cannot think of the "flew" as existing on its own and not without the bird. That's the property of a verb.

The unconscious substitution of a verb for a noun can lead to difficulty. For example, if you say to your little boy, "Johnny, you are lying" he may reply, "I am not a liar". Now a liar is something that persists. It continues to be. But lying is something that can stop. So when Johnny uses the noun, "liar", he has changed the focus of the discussion. It has changed from concern with changing a verb, an activity, to a concern with changing a noun, Johnny.

Now in that spirit I want to make a clear distinction between someone who is appointed as a leader and someone who leads. For success in quality, they should be the same, but if they are not, it is not a fatal flaw, just a temporary sickness.

I belong to a school of thought that has as its motto: Leadership belongs to those who assert it. I believe it is foolish to assume that leadership can only be exercised by those in the most powerful positions.

Having said that, questions arise concerning whether someone has what it takes to be a leader in the effort to make quality the way of life in an enterprise. Here is a test you can administer to yourself, if you aspire to be the leader, or to a CEO, if you are in a position to administer it. The test is in the form of a series of questions to be answered either "Yes" or "No".

Q1: Do you believe that when you have a problem, no matter what it is, that you should begin by defining what it means to have a high quality solution? In other words, do you believe that quality is the answer to your most pressing problems?

Q2: Do you believe that it is possible to change the culture of an enterprise so that the people working in it treat quality as a way to solve problems?

Q3: Do you believe that this enterprise, your enterprise, can be so converted?

Q4: Do you believe you know how to lead the transformation or, if you do not, that you want to learn how to do so?

Q5: Do you believe that it is sufficiently worthwhile that you are willing to commit your self to lead?

Q6: Do really you want to do it?

Q7: Do you believe that the people on whom you rely to support you as you continue in your job will also continue support you as you lead this change?

If you cannot answer "Yes" to the first six of these questions, then do not expect to succeed? If the seventh question causes you a problem, then developing support will be one of the challenges that go with the assumption of a leadership role.

It is useful to consider the problem of transforming an enterprise from three perspectives.

1. The perspective of a person who has the top management position in an enterprise and now wishes to convert the enterprise to a 'quality first' style of management. This is not an easy task, but it can be done and has been done in many enterprises.
2. The perspective of a person who is not in the top position and wishes to change the system from below. This is a much riskier proposition. There is risk to the change agent, but, with luck, it can be done.

3. The perspective of someone who is outside the system and wants to see it change. This is the most difficult task of all. If I knew how to do it, I would have solved the problem of human rights in China long ago. Still, there are some approaches which can be tried.

It is clear that the approaches used in each of these cases should differ. But there are principles which apply to all of them. Let us first consider the basic principles and then consider how they apply to the three cases.

The Essential Elements in a Chain of Transformation

There are some elements which need to be present in any effort to transform a culture. The list is not long. If one element is omitted, there are consequences to pay.

Essential Link

Leadership
 Agreed upon Aim
 Articulated Vision
 Accepted Values
 Visible Strategy
 Goals, Long and Short Range
 Appropriate Rewards
 Adequate Training
 Internal promotion of quality
 Organization and Communication
 Supportive Constituency

Consequences if the Link is Absent

Nothing happens. Status quo.
 People do not agree on what they are to do
 People are not moved to change
 People have no guide to behavior
 False starts
 No sense of immediate purpose
 Bitterness
 Anxiety, fear
 Loss of enthusiasm
 No coordination of effort
 The naysayers take over

Let us consider these one at a time

Leadership

To begin, it is important to define the word "leadership". Leadership consists of several actions:

- 1) Enunciation of a vision, an aim, an action, which moves people to do what they would not otherwise do, and to do it with passion and commitment.
- 2) Acting to guarantee integrity in logistics, in resource utilization and in alignment of activities.

Leadership may be provided by one person or by several. If several people provide leadership, they must be in very close agreement.

Leadership may be used to cause people to do good or evil.

The means whereby leadership is effected involves communication. Communications by a leader must focus on topics of interest to those who are to be persuaded to act. They not only must describe a desired end state, they must also describe sensible steps to get there. The links in the chain of transformation are not independent. Leadership requires attention to all of the remaining links in the chain. This does not mean that the leader personally provides these things. Rather the leader causes them to appear through an influence on other people.



It is unfortunate that many people believe that unless the person at the top of the enterprise opts for quality and assumes the leading role in the transformation process, nothing can be done. This is a form of false reasoning.

Yes, it is true, that if leadership is exerted by the top management, the potential for successful transformation is enhanced many times. It is not true that everything has to wait for the top management to move.

It is also true, that unless the top management believes that quality is the answer to their problems, top management is likely to undo what has been accomplished.

But it is NOT true that if the person at the top does not provide leadership in quality, nothing can be done. Much can be accomplished. The job is much harder.

My point is that leadership has to be provided by someone. It is better if this leadership comes from the top, but the situation is not hopeless if it does not. The job is harder, but not impossible.

A Well Articulated Aim

Anyone who decides to provide leadership will need to make it known what purpose he or she intends to serve. This is called an aim.

To begin, you should develop a statement describing the aim you want your organization to have. If your organization is a small unit within a larger enterprise, you will have to study the aim of the larger enterprise. Often it is not stated, which makes the job of the people down the line much harder. The attempt to find out the aim of the larger enterprise may well be an important lesson for you. If you are having trouble, think of the troubles your people have with you! Your job, as a leader, is to formulate the aim of your group, and to do so, even if the enterprise as a whole has not. Having formulated it, you need to find out if anyone wants to follow it. Of course, you can often enforce an aim out of the barrel of a gun, but this does not lead to quality.

An aim should be a statement of purpose. It should justify your existence. If an aim is properly stated, it should describe a purpose such that if your enterprise did not exist, someone else would feel compelled to create it.

If possible an aim should describe a noble purpose, one with which people would want to be allied.

An aim should be brief. It should point a direction to the future. It should be general. Particularities belong in the vision and values statements.

An example of an aim that was suitable for Nissan is: "To Build the Finest Car in North America"

For a community, "To Make New York Work For Everybody"

For a school: "To Provide a Quality Education for Everyone"

In documents accompanying the aim it may be necessary to define more completely what is meant by the key words. For example, in the last example, a brief statement should be made which defines the key words: "Quality", "Education", "Everyone"

Because the statement of the aim is so short and there will be many other questions which need to be answered, such as: How will it be achieved? How will we know when we have achieved it? What are we willing to sacrifice along the way? These questions are better dealt with in a statement of vision and values.

The Vision and Values Statements

A vision statement should be eloquent. It need not be brief, but it should never be boring. It should compel people to action. The most compelling vision statement I have ever heard is Martin Luther King' speech, "I Have a Dream". I never tire of listening to it.

In my opinion, a terrible vision statement is one which starts out:

"By 1999 our company will be the premier supplier of widgets in the entire industry"

That is an aim, not a vision. A vision should describe what it will be like if the aim is achieved and should have something in it for the people who work in the system, the people who support it, the customers, in short for all the people who are affected by the enterprise and its activities.

Some organizations make a separate statement of values, others incorporate their statement of values in their vision statement. It does not seem to matter. What matters is that the leadership produces a statement that describes what it will be like to achieve the aim and what will be done (and not done) along the way.

You can get a fair idea of the vision that guides a company by examining its annual report to the shareholders. Here are a few excerpts from the 1996 annual report from FedEx:

"To connect the global marketplace via an integrated, information-rich, distribution network that lets shippers transport time-sensitive, high value cargo to virtually any destination in the world within 24 to 48 hours."

FedEx mixes some statements of their philosophy and their values in with statements about their vision.

" [our philosophy] maintains that by taking excellent care of our employees, they in turn will deliver impeccable service to our customers"

"... investing time and resources in our communities is good business, because our communities and our people share equally in the rewards."

Motorola, on the other hand, develops its statement of values and beliefs in a series of "heresies" which it describes in contrast with common beliefs. Here are some examples taken from a Motorola report, "The New Truths of Quality".

Old Truth	New Truth
<i>Quality is the Quality Control Department's Responsibility</i>	<i>Improving Quality is Everyone's Job</i>
<i>Training is Costly Overhead</i>	<i>Training Does not Cost.</i>
<i>New Quality Programs Have High Up-Front Costs</i>	<i>The Best Quality Programs have no Up-Front Costs</i>
<i>Better Quality Costs More</i>	<i>You Cannot Raise Cost by Raising Quality</i>
<i>Keep Measurement Data to a Minimum</i>	<i>You Cannot Have Too Much Relevant Data</i>
<i>To Err is Human</i>	<i>Perfection-Total Customer Satisfaction- Is the Standard</i>
<i>Some Defects are Major, Some are Minor</i>	<i>All Defects are Intolerable</i>

The statements of vision and values should contain *testable* propositions. That is, there should be some way of demonstrating the integrity of what is undertaken. Taking the set of "New Truths" as an example, each item should be studied and provisions made for an examination and report of what the company really does. It is a matter of establishing the integrity of the transformation. Without clear evidence of integrity, there will widespread cynicism.

If improving quality is everyone's job, it should be easy to keep a run chart on what fraction of the employees are engaged in an improvement effort, month by month.

Training given should be tracked to see if it is actually applied and with what results.

The last statement about defects being intolerable led to the six-sigma program. The data from that effort show that Motorola management is serious.

To sum up: The statement of aim or purpose, serves to attract people and give a sense of direction. Statements about the vision and values provide a basis for demonstrating the integrity of the leadership.

The Strategy

In discussing a strategy it is important to keep in mind the difference between a strategy and a plan. I am indebted to Bill Golomski for teaching me this distinction.

Plan: When you know exactly what you are to do and how to do it, you can develop a plan. A Gantt chart is helpful for a plan. Using a Gantt chart you can work backwards from the final time when the project is to be completed and plan each step. For example, if you plan to move your office to a new location you begin by visualizing what will be in the new office and how it will be arranged. You fix a date for occupancy. Knowing what is to be in the office, you can make arrangements for the movers to move in on a certain time. Before the movers can do their job, you will have to arrange for the furniture to be ready. Before that you will have to arrange to purchase any new equipment. In this way you work backwards from the completed job to identify what you must do today.

In a plan, you work backwards from the end state. Each step of the plan is designed to provide the basis for the next step. Planning is a process that works backwards in time.

Strategy: When you know what you want to do, but you are not sure exactly how you are going to do it, you will find little use for a Gantt chart. Since you do not know how to do what you want to do, you are in a learning mode. All you can do is to plan the first step. Beyond that you can describe in general terms how you intend to proceed but you cannot be specific.

When following a strategy, you decide on each step after you learn what happened at the previous step. You cannot plan to make a discovery. At best, you can describe the principles that will guide you as you proceed. Strategies require processes that work forwards in time.

When considering the transformation of an enterprise, therefore, you cannot make a plan. You must develop a strategy.

In my studies of Japanese companies that successfully transformed themselves, I found a pattern. It seems that, in retrospect, they all followed similar strategies. I remind you that these were very successful companies. They had all won the Deming prize in Japan, which is why I studied them.

1. Their top managers took the time to learn and apply the principles of quality management. They actually took and analyzed data. Some took extensive courses in statistics. Each and every one of the twelve CEOs that I met was a serious student of quality.
2. They appointed someone as "Manager of TQM Promotion". This person did the staff work for the CEO and at the same time was involved in what they described as "internal marketing" of quality.
3. They began small, with one small operation. This operation was used as a learning experience for the leadership. They gave extra resources, in the form of training and consultation, to the first unit. Most importantly, they took the posture, relative to the first unit, that: "We are all in this together. We are all learners."
4. The top management formed a leadership team which studied the company together, to see how best to deploy quality.

5. They kept good records of what they had been doing and what they were now doing. These records were on display for everyone to see.
6. Their training (in many but not all cases) was 'just in time'. That is, training was provided as people needed to know.

A statement of strategy should be brief and recognize that when an enterprise changes its paradigm, the people in the enterprise will be under considerable stress. As a company struggles to survive, the people within it have to struggle, too. A good strategy will take these things into account. Here for, example, is a generic strategy:

To begin our quality journey, a quality leadership team will be established, including members of the senior management as well as representatives (on a voluntary basis) from other levels of the company. The leadership team will be charged with the responsibility of monitoring progress and advising on strategic changes. The CEO will be a member of and chairman of the team.

In pursuing our quality journey, our strategy will be to begin with units and sub-units which wish to participate on a voluntary basis. These units will be given training in quality improvement method based on the work they do and improvement projects they identify, with management, as worthy of effort at this time. Consultants will be engaged to help these volunteers as necessary.

The upper management intends to keep informed about progress, primarily as a way to understand the systemic changes which will be required when quality methods are used more widely.

As results accrue, they will be shared with the rest of the enterprise. In a second wave of expansion, new volunteers will be identified and given similar assistance.

When, in the judgment of the leadership team, a critical mass has been achieved, plans will be developed to make the training more widely available. These plans will involve all of the senior management and provide a schedule for the training of middle management. Representatives, from all levels of the company, will be consulted regarding how best to involve the entire company. All of these later stages will be contingent on the leadership team being satisfied that we have learned how to deploy quality methods in our company and that the expected results in improved satisfaction among employees and customers is being achieved.

Goals, Long and Short Range

Aims, visions, values and strategies are all intended to set a tone and a style. Goals statements are the documents in which the leadership gets down to specifics. Goals are intended to describe what is to happen, when it is to happen and make it easy to tell if it has happened.

Goals need to be coupled to methods. Whenever he encountered a statement of a goal, Dr. Deming would growl: "By what method". The establishment of goals should not be divorced from those who have to carry them out. Therefore, the development of a goal statement should be the outcome of a *process*. In Japan this process has been called *policy deployment*. It is a process in which the upper levels of management announce *policies*, which indicate

what the enterprise wishes to achieve. These policies are deployed throughout the company and then the various departments, sections and units respond by describing what they intend to do to achieve the goals contained in the policy statements. The interaction is dynamic. The policy statements may be modified on the basis of the responses received. Some of the processes for attaining a consensus have been given names. Hoshin Planning is one of them.

About 15 years ago I reviewed an excellent example from the Komatsu Tractor Company. In recognition of the growing international character of his company, Mr. Kawai announced that it was to be company policy to reduce drastically the time it takes to respond to customers. This required everyone in the enterprise to explain what they expected to do. Teams studied the supply system, looking for bottlenecks. People examined the statistics of orders, looking for patterns. Even the telephone operators developed plans for answering the telephone more quickly.

Long range goals will probably be accompanied by strategies. For example, Mr. Galvin of Motorola discussed the desire of Motorola to grow at such a pace that it would be doubled in size in a decade. To meet this requirement, the company is planning a recruitment program that will involve the children of their employees, so they will have a potential source of new hires.

To sum up: The leadership should produce documents which describe goals, both long and short range. The short range goals should be developed as part of a process that makes it certain that the goal setting is not done in a vacuum, that the people who are to carry out these goals are involved in the goal setting. The long range goals should be accompanied by a strategy which describes what needs to be done to achieve them.

Appropriate Rewards

One of the most difficult challenges during a period of transformation is the redesign of the reward system.

There are two kinds of rewards to be considered. Financial rewards and recognition. Financial rewards are, to a large extent, proscribed by the market place. Recognition, in the form of promotion, privileges and appreciation are not.

It is in the area of transforming the reward system that the top management's cooperation is necessary. This is a sticky point and I shall not try to disguise it.

As part of my preparation for this presentation, I re read Machiavelli's The Prince. Many years had passed since my first reading of this little booklet. At my first reading I had not yet met Dr. Deming. This time I read it with a different perspective. Reading The Prince again, I was struck by the difference in fundamental beliefs we promote in the quality movement and the beliefs followed of many managers, who, unwittingly or not, are followers of Machiavelli and certainly not Deming or Ishikawa.

For example, Machiavelli is clear when he advises leaders: "It is better to be feared than to be loved". This means that in many organizations, where the top management follows Machiavelli's advice, it will be very difficult to arrange the reward structure so that people are not afraid to act in the interest of the enterprise.

In the modern corporate structure, as you get nearer the top, the personal competition for the top jobs becomes very fierce. It resembles more and more the kinds of struggles for princely privilege and power that motivated Machiavelli's writings. I have seen it up close and it is a rare exception to see an executive at the top of an enterprise who puts the good of the enterprise

ahead of his own struggle for power. Most will justify what they do as necessary for them to maintain power so as to continue on a particular path. Their power over the reward system is an essential element, in their eyes, for continuation in office.

Nevertheless, wherever you are in the system, you can be of influence in regard to the rewards given to the people who work for you. These rewards are not just monetary, as I said a moment ago. They have to do with recognition and a sense of mutual trust. You can work to put joy back into people's lives in many ways. It is always easier if you control the purse strings and the system of promotions and rewards, but it is not impossible.

Adequate Training

Larrae Rocheleau used to say, referring mostly to students, but the admonition is applicable to all. "If you want people to be responsible, you must first make them response-able."

When people are asked to do something they feel unprepared to do, they get anxious. To be tried and found wanting is a humiliating experience for all people. Experience has taught me that people learn best when they feel the need to know. Therefore, training should be made available on a 'just-in-time' basis. Training should be organized around teams working on real projects, of interest to the company. In my opinion, it is a waste of time for people to stop their work and practice a quality improvement technique on a problem just made up for training. This sort of thing is done all the time in academia, which is why I refer to myself as a "recovering academic".

In my opinion, the best form of training involves people, working on real problems from their place of work, guided by a well trained consultant.

Internal Marketing of Quality

When I use the marketing metaphor I do not mean sales. Sales and marketing are two different ideas. Marketing has to do with studying what consumers want and do not want. It has to do with studying how well the product meets customer needs. Sales has to do with persuading people to buy the product, regardless.

So when I speak of internal marketing I have in mind someone delegated to inquire into "How's it going?" There are several ways to do this. I am most in favor of an approach which I learned from my teacher, Professor Tsuda, who guided me in the preparation of a joint paper.¹ The basic idea is to learn what problems the people are having with quality efforts and then devise changes in the approach to make it go better. This will involve not only getting customer feedback (thinking of the people who are to be trained and who are to participate in continuous improvement as 'customers') but also advertising accomplishments as a means of sharing progress reports with the entire organization.

Organizing the Effort and Providing for Good Communication

In my visits to Japanese companies that had won the Deming prize, I found that essentially all of them had developed a reporting structure that was almost an overlay of the organization chart. Each unit had developed a small leadership team, consisting usually of the management team, to direct the improvement efforts. At the top there was the corporate quality leadership team with staffer, plus a secretary, delegated to do the necessary support work for the leadership team. Since those visits in the 1980's, computers networked together

¹ Tsuda, Yoshikazu and Tribus, Myron, "Planning the Quality Visit", Quality Progress, April 1991, pg. 30

in an office have become the norm and I would expect to see the reporting system developed around a computer network. My vision is of a manager of quality coordination who, in cooperation with the people doing the reporting, develops a standardized method of reporting which is available to everyone through the computer network. Properly organized, this information will permit easy searching of the data base to reveal the status of each team, whether teams are duplicating one another's efforts, when they expect to report out, where their reports may be found and other information required to guard against duplication. The development of this technology can be a great aid to the problem of organization and communication.

Developing a Supportive Constituency

Two cases come to mind, one a success and the other a failure to develop a constituency. The success I have in mind is the case of the city of Madison, Wisconsin. In that city the Mayor began a vigorous effort to make quality the way of life in the city government. He was succeeding until, through championing the construction of a new city funded conference center, he was defeated in a re-election bid. His successor not only did not believe in the quality effort but was convinced it was a fraud. Fortunately, there existed in that city a strong constituency for quality in the form of MAQIN (Madison Area Quality Improvement Network) which, by its vigorous efforts, convinced the new mayor to alter his views.

In the case of Florida Power and Light it is evident that the training in quality did not reach to the Board of Directors, for when they decided to appoint a new CEO they found one who was not at all sympathetic to the quality effort and he set about dismantling it, having little pride in, or admiration for, the fact that the company had just won the Deming Prize.

Other Considerations

Any analytical treatment of quality runs the risk of leaving out of consideration those things which are difficult to analyze objectively. That is why I remain skeptical when people tell me they are using the Baldrige Prize, or ISO or some other formal and "objective" description of quality efforts to "drive" the transformation. The transformation of a culture is, above all, the transformation of the way human beings think about what they do. The transformation involves changes in relationships, some of them long established. The transformation involves subtle, and often not so subtle, changes in power. The transformation alters perceptions of privilege.

The transformation, even when carried out well, causes stress, particularly on the middle management which has to keep the show going in the midst of alterations.

Unless the leader can display a credible concern for these human problems, while following the check list provided in this discussion, or in the other prescriptive documents, the efforts will fail.

In the end, the transformation takes place in human minds or not at all.