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The Quality Imperative

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QUALITY MONTH in CANADA

Doing business today is radically different from in the past, when customers could be taken for granted. In a global marketplace where quality is the soul of competition, Canadian business needs to rededicate itself to excellence by world standards ...

It says much for the propensity of sophisticated minds to overlook the obvious that the fortunes of nations should stand or fall on something your mother could have told you. This is that good quality saves money and poor quality costs money in the long run. Your mother, of course, would be looking at the phenomenon from the consumer's point of view, stressing that it is worth paying a little extra for high-quality goods because they can be expected to remain in service long after their cheaper counterparts have found their proper home in the junk heap. Business consultants who have newly hit upon this home truth proclaim it from the producer's point of view, but the principle is the same.

They say that many of the problems facing North American companies in international competition today arise from the misconception that it is more profitable to produce indifferent quality than top quality. This fallacy is rooted in western commercial tradition. The chief menace to North American business, they insist, lies not so much in foreign competition as in its own attitudes.

Among these attitudes is a faith in the superiority of size. In business, sport, and war, North Americans are inclined to believe that sheer bulk will infallibly prevail over other attributes such as skill or tenacity. Carried into the marketplace, this form of "thinking big" tends to overshadow considerations of quality.

It leads to a kind of overkill, perhaps best exemplified by restaurants where diners, groaning over their heaped-up plates, might wish that the management had placed the quality of the cooking ahead of the quantity of the servings. Overkill at the expense of quality occurs in other service outlets, notably hotels where fancy toiletries and other niceties fail to compensate for the dripping taps that keep you awake.

Similarly, bigness and a superfluity of bells and whistles may attempt to take the place of durability and reliability in manufactured goods. The leading examples of this phenomenon were the boat-like automobiles with their useless ornamental portholes and fins known during their heyday in the 1950s and early '60s as "Detroit iron."

They now stand in antique car shows as symbols of the confusion between ostentation and quality. They also stand for the historic economic lesson, learned the hard way in the North American auto industry, that the power to assign value in a transaction does not rest with the vendor, but with the customer. Offered better value for their money in smaller and plainer vehicles of more practical design, customers consigned these behemoths to the museums. The rise of imported autos in the North American market showed that quality is not necessarily expensive — that it can occur in any price range as long as the basic integrity and workmanship are there.

If North American business once lost sight of the importance of quality, it was because many of its collective attitudes were formed in the days of seemingly limitless seller's markets. The pent-up desire for scarce goods immediately after World War II was followed by the bubbling demand of the baby boom. When everything made could be sold quickly and easily, volume came to dominate business thinking. Production control departments were staffed by people called "chasers," who ran around trying to keep machines running full-out regardless of the quality of the output. The really bad stuff could always be thrown away.

Such was the hunger for durable goods in the absence of imported alternatives that consumers considered it merely the luck of the draw if something didn't work properly or if service was lacking. Advertising enlisted them into an endless pursuit of "new and improved" products which gave rise to the practice of planned obsolescence. When household goods, clothing and the like were replaced long before they began wearing out, there was no particular need to worry about durability or long-term reliability.

This is not to say, however, that reputable manufacturers did not care if they produced defective products. They tried to hold down the number of defects through quality control. Standards were enforced, after a fashion, by frequent checks and sampling. Instead of quality being built into a product in the first place, it was "inspected in." (Much the same thing happened in large-scale service outlets, where supervisors were expected to maintain standards, rather than the employees serving the public themselves.)

The system of putting quality considerations at the end rather than at the head of the line was in the "land of plenty" tradition. Until relatively recently, the resources of North America seemed so limitless that we could absorb a great deal of waste. No one seemed to think twice about the cost of cranking out a high proportion of defects. Nor did anyone seem to consider the psychological effect within a company of routinely tolerating faulty workmanship.

What actually costs is a lack of quality

Psychology aside, The system of "inspect and reject" is a backward way of doing things. As writer Lloyd Dobyns described it in *Smithsonian* magazine, "you build a whole lot of widgets, inspect them and separate the good from the bad. The bad can't be sold, but they cost a lot. Not only must all those inspectors be paid, but a bad widget takes the same amount of raw material, machinery, work time, and attention as a good widget. That explains why, typically, about 25 per cent of any manufacturing plant's budget goes into repair and rework. That's why so many manufacturers think quality costs more, but what actually costs is a lack of quality."

Dobyns wrote and narrated the script for a now-famous television documentary in 1980 which made an unlikely American hero of W. Edwards Deming, then a 79-year-old consultant in statistical studies. The 90-minute NBC "White Paper" bore a self-explanatory title: *If Japan Can, Why Can't We?*

Deming was already a hero in Japan, where the annual prize for productivity is named after him. He had received a high award from the late Emperor Hirohito. The citation said that the Japanese people attribute the rebirth of their industry to this lanky American who first arrived on their shores at the invitation of the Union of Japanese Scientists and Engineers in 1950 at the age of 49.

It was Deming's work in helping to defeat the Japanese in World War II that brought him to their attention. During the war, Dr. Deming (his Ph.D. is in mathematical physics) applied his expertise in statistical analysis to set up programs which enabled American engineers and technicians to improve the quality of war matériel. At the same time, they boosted productivity.

Japanese efficiency was thought to be a manifestation of the Mysterious East

The theory of statistical quality management which he taught to Japanese engineers and managers was essentially the same as what he had taught to his compatriots. But his new pupils took it to heart while his old ones apparently forgot it in the post-war market binge.

Even if Japanese industry had not been devastated by American bombing, it was at a disadvantage on world markets. Japanese manufactured goods were infamous for their atrocious quality. The idea that the producers of such shoddy and derivative products could become a force in world trade was laughable. A story went the rounds that the Japanese had renamed a city "Usa" so that they could label cheap copies of American goods "MADE IN USA."

Yet, sometime in the early 1970s, managers in a variety of industries in the West woke up to find that the Japanese were delivering much better value for money than their own companies. At first, westerners tried to shrug this off as a temporary blip in the preordained scheme of things. Then, when it became obvious that the competitive threat was major and real, some concluded that it was a manifestation of the Mysterious East — that something in the Japanese culture made it possible to achieve levels of quality *plus* productivity which westerners (apart, perhaps, from the West Germans) could not hope for. If any explanation was attempted, it was that Japanese workers were virtual slave labour. (They are now among the highest-paid blue collar workers in the world.)

As the competition heated up, North American corporations responded in the tried-and-true advertising tradition of *saying* they were producing better quality without actually *doing* it. Later on, the word "quality," along with "excellence," became a kind of incantation; evidently it was hoped that if the words were repeated frequently enough, the actual condition would materialize.

Coming from a cultural tradition which prizes action and sees the world in terms of win-or-lose, western companies instinctively sought quick and decisive solutions to their competitive problems. Accustomed to aiming for objectives, they found it hard to digest the idea that there can never be a finishing line to achieving quality — that improvement is an ever-active process which stretches into infinity.

It should be noted that improvement does not mean the same to the Japanese as it does to people brought up thinking in terms of "new improved" products. As Deming's fellow quality guru, J. M. Duran, has pointed out, improvement in Japanese industry means an improvement in the entire company-customer process, including marketing, design, manufacturing, and servicing.

A television set manufacturer who made a larger and more elaborate set would not have made an improvement, but an enhancement. If the defect rate, the number of repair employees, and the cost of service calls dropped by several times, *that* would constitute an improvement to the Japanese way of thinking. And the improvement in quality would also be an improvement in productivity, an apparent paradox which many western executives find difficult to grasp.

Deming teaches that you can use statistics to determine what any process will do, and then design improvements to get the best results from that process. But though he applies statistics to production models, he objects to running businesses by arithmetic. He believes that a short-sighted concentration on the bottom line distracts attention from a company's long-term constancy of purpose and leads to neglect of the process of continual improvement which results in lasting profitability. He has no use for performance measures which pit managers against one another and spread insecurity. These tend to set floors, not ceilings, of acceptable quality, he says.

The ideal is to get things right the first time, every time

Among the cultural traits in western business which the quality gurus deplore is the tendency to adversarial relationships. *The Economist* recently noted, for instance, that European auto producers were having difficulty implementing just-in-time inventory systems because they play off several subcontractors against one another to bring down the prices of parts. In Japan, each part for an auto plant is made by a single supplier who is a virtual partner of the auto firm in the design and manufacture of the component. This enables Japanese automakers to undertake "synchronous manufacturing," in which the component leaves the supplier's plant and goes directly into the production line. It saves enormous sums in storage costs and financing charges for inventories.

Just-in-time delivery theoretically furthers the guiding ideal of quality management, namely "getting things right the first time, every time." With no cushion of inventories to fall back on, operations need to be as close as possible to error-free. The causes of inferior quality — shortcomings in raw materials, training, specifications or machines — must be given instant attention to prevent their recurrence and keep the system running. JIT obliges executives, planners and analysts to get out of their offices and grapple with real problems on the shop floor.

Ground-floor management goes against the grain of the grand old western business tradition of passing the buck. In Japan, the tradition of accountability which once caused leaders to commit *hara-kiri* lingers on among managers, who take their responsibilities very personally. In the meantime, their western counterparts may be found blaming suppliers, the government, the educational system or the labour force for their companies' deficiencies. A survey in California a few years ago asked managers who they thought was accountable for quality. Fifty-five per cent said the worker; 25 per cent said the supervisor; 12 per cent said engineers and other specialists. Only 8 per cent said management.

Creating work teams in which everybody is the boss

Deming has harsh words for managers who blame failings in products and performance on labour. "Ever since there was anything such as industry," he once wrote, "the factory worker has known that quality is what will protect his job. He knows that poor quality in the hands of the customer will cost him his job. He knows it and he lives with that fear every day. Yet he cannot do a good job. He is not allowed to do it because the management wants figures, more product, and never mind the quality."

Under quality management systems, the onus is on the workers themselves to inspect their own output or delivery of service. According to Tom Peters and Nancy Austin in their book, *A Passion for Excellence*, the fact that people inspect their own work is just as important psychologically as it is practically.

"Quality is not a technique, no matter how good," they write. "Any device to maintain quality can be of value. But all devices are valuable only if managers — at *all* levels — are living the quality message, paying attention to quality, spending time on it as evidenced by their calendars. And if managers, at all levels, understand that no matter where technology leads, quality control comes from people (starting in the mail room) who are committed."

Adversarial relationships between management and labour, in which each side suspects the other of the worst, have exerted a special drag on North American quality and productivity. The admirable British retailer Marks and Spencer has gone out of its way to establish an atmosphere of partnership between managers and line employees, showing trust in its people by eliminating inspections. Marks and Spencer has removed the manager entirely in some situations by creating work teams in which no one person is in authority. Everyone on them is responsible for productivity, as well as scheduling, hiring, training, resource allocation, budgeting and other "management" tasks.

Without changing the system so radically, other companies have recognized the wisdom of moving authority down the ladder. "All decisions should be made as low as possible in the organization," the maverick executive Robert Townsend wrote. "The Charge of the Light Brigade was ordered by an officer who wasn't there looking at the territory."

The organizational system must not choke off quality

Being close to the action in business necessarily means being close to the customer, who is the final arbiter of whether or not a business is doing its job properly. To spread the perception that there is always a living human being out there on the receiving-end of a business's activities, consultants urge that people throughout the organization be encouraged to regard the next person who receives their work as their customer. He or she is to be served just as efficiently and thoughtfully as the customer out on the street.

Quality in anything is associated with depth, and this certainly applies to efforts to improve the quality of goods and services. To be a purveyor of quality, an organization must have quality back-up — in the supply of parts and materials, in communications and transportation, and finally in the educational and training system which determines the quality of the labour force.

Quality must also run deep within the company. It must be something that is seen and experienced in every corner of the organization, and not just talked about in buzz-words. It is futile to give pep talks promoting quality while the organizational process militates against it by discouraging initiative and perpetuating internal rivalries. Quality-first thinking must permeate the whole organizational system, from the way employees are evaluated and compensated, to the way the accounting is done, to the way work units are organized and deployed.

While achieving quality in an organization may be complicated in detail, it is really the most basic of concepts. When all is said and done, it is a matter of mentality. In any business from a multinational corporation to a corner store, quality is a reflection of the care, integrity, and respect for the customer that goes into the goods or services being offered. And that care, integrity and respect cannot exist only on the outside of the organization where it is seen by the consumer. To sustain a reputation for quality in the marketplace, an organization has to make it an everyday fact of life on the inside as well.

In this case, as business organizations go, so goes the nation. With the globalization of business over the past few years, it has become crucial to improve Canada's international competitiveness if this nation's standard of living is not only to be maintained, but improved.

Yet, in an earlier *Royal Bank Letter* on the subject (November/December 1988) we quoted these unsettling words from Robert Ferchat, then president of Northern Telecom Canada Ltd.: "We in North America do not *yet* have throughout our culture — outside or inside the corporation — a real, deep, unshakable conviction that quality is the key to competing, the key to survival, the key to growth and profitability."

Have there been changes in the situation since Mr. Ferchat spoke? Certainly there has been more talk about quality in business circles of late, but it is an open question whether the talk has been backed up by action. If Canadian business collectively has not become substantively committed to quality, it had better do so soon.

During Quality Month in Canada in October this year, the message will be spread that world-class quality is a national necessity. It is not a message for business alone. It affects every Canadian who works, teaches or goes to school, because the sum of their performance will ultimately determine the level of Canadian quality.

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