Implementing Total Quality Management

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The key to a successful Total Quality Management (TQM) program is not in understanding it – TQM is, after all, largely common sense – but in actually doing it. At ODI we've observed, in our work with almost 300 companies, that world-class implementations of TQM tend to have certain common elements, which we call the five pillars of successful quality processes. They are customer satisfaction, total involvement, measurement, systematic support, and continuous improvement.

The Five Pillars of Total Quality

Customer Satisfaction. The first pillar of TQM is customer satisfaction. You've got to know who your customers are, what they want, and how they're going to determine whether or not you're giving them what they're looking for. Furthermore, you've got to use that information to determine what your customers are going to be looking for in the future. You need to identify customer delight and be first to market in providing it.

Total Involvement. The second of the five pillars is total involvement. No longer is quality delegated to some guy with a degree in engineering. World-class implementations involve everyone – every level, every function. Nobody can get away with saying „quality does not apply to me."

Some people have taken this more seriously than others. For example, one of our clients is the U.S. Military Airlift Command. The Military Airlift Command are the people with those big planes that open up in front so that you can drive in tanks and battleships and who knows what else. We started working with the Military Airlift Command and exactly two days later the government launched Operation Desert Shield. We fully expected that General Johnson, the four-star general in charge of the Military Airlift Command, was going to cancel the senior management work conference. He had every reason to cancel. We had him and the people reporting to him scheduled for three full days of meetings at the very beginning of Desert Shield. But he didn't cancel. He went ahead with the work conference, and word of that spread like wildfire. Everyone in the Military Airlift Command now knows that this is important stuff.

We have a model that categorizes levels of commitment on the part of senior management. Senior management needs to move from simply allowing staff members to attend training sessions, to personally assuming the leadership and holding their staff responsible for implementation. Some CEOs have gone so far as to tie part of their senior staff members' variable compensation to implementing TQM. This is a very effective way to get their attention.

Measurement. The third pillar of TQM is measurement. How do you know what your customers really are looking for? How do you determine when you're doing a good job? At an even more basic level, what are you measuring? Why are you measuring what you're measuring? Who's responsible for that measurement? What do you do with the data once you get them?

In our experience, it's not a question of whether you measure or don't measure. Everybody measures. It's a question of measuring the right things. And the way you know what those right things are is to get them from your customers – both external and internal.

Some systems are amazingly obtuse when it comes to measurement. Airlines in the United States, for example, are measured by the Federal Aviation Administration (FAA) in terms of whether or not they are satisfying their customers on the basis of on-time departures and arrivals. But an airline gets credit for an on-time departure not when it actually takes off, but when it leaves the gate. And it gets credit for an on-time arrival not when it arrives at the destination gate, but at touchdown. So an airline can get its passengers on the ground on schedule and leave them on the tarmac for three hours and still get credit for an on-time arrival. Clearly, this makes no sense at all from the perspective of the customer.

We like to simplify measurement. What matters is doing the right things right. When you don't do the right things right, you incur costs – unwanted turnover, rework, scrap, retraining, and grievances. A major cost is wasted time. The average executive spends 25 percent of his or her time sitting in unnecessary meetings, reading and writing unnecessary memos, and languishing on hold on the telephone. That's a day-and-a-half a week.

Systematic Support. The fourth pillar of successful TQM implementations is systematic support. To put it another way, one thing that most unsuccessful implementations have in common is treating TQM as a program – keeping it separate, failing to link it to the way the business is really run. There has to be a connection between the key strategic and financial and human resource strategies and this thing called TQM. Management needs to find ways of linking rewards and recognition, communication and performance management systems, strategic planning

systems, and financial planning systems so that you have one system in which total quality is a means to an end, rather than a separate system that people will follow when they happen to have some free time. TQM needs to be aligned with organizational systems.

Continuous Improvement. The last of the five pillars is continuous improvement. This means reducing cycle time, shooting for breakthroughs, looking for innovation. It means understanding that all work is a process and you can always do it better. As one of our clients, Bell Labs, pointed out to us, the absence of prevention generally costs 100 times more than it would have cost to prevent the problem in the first place. This 1-to-100 rule really makes a very good point: No matter how much you need to invest, no matter what kind of resources you might put at the front end of implementing TQM, it costs a lot less to invest in prevention than it does to clean up after a catastrophe.

Preparing for TQM

Implementation is a predictable process. If you're starting out, you're going to meet resistance. Over time, if you do a good job, you can reduce that resistance. But if you don't do a good job of planning – if you don't know where the resistance is likely to come from or you can't link TQM to your key systems – then hard-core resistance is going to grow over time, and TQM will end up where all those other acronyms have ended up over the years.

How, then, do you make sure that when you begin implementation, you know where the obstacles are likely to be, so that you can address them in advance?

Well, we've had a lot of experience. We've seen cold starts and stalled starts. We've seen a lot of „rhinestone cowboy" approaches: lots of hats, no cattle. We've seen organizations embroiled in battles over which quality guru speaks the real truth, only to find that their quality efforts failed. Why? Because quality was seen as an orthodox experience – those who were less than orthodox in their approaches were not allowed to participate in „management's" quality effort.

We've also seen some common implementation mistakes. For example, we have seen the „Attila the Hun" approach: Let's go burn and slash and loot and pillage until we get it done. We've seen the „revenge of the nerds" approach: Find the group in the organization with the least credibility and put them in charge of Total Quality. We've seen folks who say, „Quality makes so much sense, if we just say it's wonderful and hang up a banner or two, it will work."

In our experience, it's not quite that simple. We have a model for implementation that is based on three components: planning, internal implementation strategies, and external implementation strategies.

In the planning phase, you literally need to know where you are, where you want to go, and how you're going to get there. As simple and straightforward as this is, most people don't do it.

But having a plan is not enough. After you have gathered all the key information – from customers, from employees, from observations of work processes – you have to both develop the plan and make sure that that plan is syndicated. The plan needs to be owned by the folks who are going to have to make it work. It's not enough to take somebody who's very smart, put him or her in a closet for two weeks and say, „Don't come out until you have a plan." You've got to syndicate the plan if it's going to succeed.

In making the plan, you need to listen very carefully to the voice of the customer, the voice of the employee, and the voice of the process itself. You also need to look at the implications of the plan in terms of training. You need to look at measurement. You need to make sure that you've looked at your competitors, your clients, and your resources. You need to have data, and you need to build common sense into your plan. Essentially, you need to develop both internal and external implementation strategies.

Implementation Strategies

Implementation strategies fall into 11 categories, listed in Exhibit 1. You need to develop leadership and commitment to TQM, as well as an infrastructure to support it. You need to make sure you know where to start and how to roll this out, as well as how you're going to measure progress. What kind of training is going to be required? What resources will be needed? How are you going to communicate development within the organization? And how are you going to align systems? Similarly, each organization needs to develop and execute three external strategies that link Total Quality with public responsibility, customers, and suppliers, respectively.

Leadership and Commitment. Here is a question: How would a staff member know that the CEO was really committed to TQM? What would that staff member have to see to be convinced?

I often compare senior management commitment to the selection of a pope. When the pope is selected, they change the color of the smoke that goes up the chimney at the Vatican. Folks wait at the Vatican to see when the white smoke comes out of the chimney, because that's a signal – it means that a decision has been made. In most companies, folks are waiting for the white smoke from senior managers' offices to know whether or not there is commitment. And they will know it when they see it. Staff members can always tell when senior management has moved from passive to active commitment to TQM.

Exhibit 1

Implementation Strategies

Internal Strategies	*External Strategies*
• Leadership and commitment	• Public responsibility
	• Customer alignment
• Infrastructure	• Supplier alignment
• Focus and roll-out	
• Measurement	
• Education	
• Resources	
• Information and communication	
• Systems alignment	

Infrastructures. Once that commitment has been made, everyone wants to move ahead. Well, how are you going to organize for TQM? Are you going to create a separate TQM part of the company? Are you going to appoint a czar in charge of TQM? If you're decentralized, will you have little TQM fiefdoms in each of the operating units? Will you have one major TQM infrastructure or many little infrastructures? How will you deal with global issues of strategy? How will you deal with managing a roll-out abroad, which may look very different from a domestic roll-out?

Focus and Roll-outs. And what are you going to work on first? How are you going to roll this out? Are you going to do it top-down? Or are you going to pick a piece of the organization that's committed to it already? Should that piece be one department or certain key processes? Or are you going to get input from your customers? One of our clients actually began with their suppliers. They figured they couldn't do it in their own company, so they might as well work with their suppliers, where they had more leverage than inside their own company.

Who's going to decide where to begin? One of the ways to decide is by listening to your customers. Find out where their key leverage points are, and begin where you're going to have the most success.

At ODI, we believe that seeing results from TQM need not take a lifetime. In a sense, TQM is a journey and it continues forever. But today, with resources as stretched as they are, unless you can demonstrate some short-term results, you may not get the opportunity to implement a long-term process. People want to see what they're getting, and they want to see it within their lifetimes.

We believe that quick starts are a vehicle for doing that. If you select key processes, choose the right people, and give them the training and tools they need, you will see results relatively quickly. This approach is integrated into what we call JIT training, in which we don't provide training per se, but give people an opportunity to learn new skills when they're working on a real issue. For example, they might learn to do contingency diagramming, Pareto analysis, and cause-and-effect diagramming, which are key tools. This kind of training, in which people practice

using new tools while working on improving a key process, will produce some dramatic short-term improvements. These improvements then serve as examples for others in the organization. Exhibit 2 is a checklist for achieving successful quick starts.

Measurement. It is interesting to create a measurement matrix that arrays process measures and results measures against what's important to your customer as well as what's important within your company. When you place the seven criteria of the Baldrige Award in this matrix, it becomes clear that most of what you need to do to win the Baldrige Award is process-related, not results-related (Exhibit 3). Most of it is customer-driven. It isn't something you thought up 20 years ago on the top floor of the corporate office that hasn't changed since.

Exhibit 2

A Checklist for Successful Quick Starts

• Start with influential people in the organization.

• Bring real work issues into the training session.

• Emphasize implementation rather than training.

• Address cross-functional processes.

• Introduce tools as needed.

• Stress action.

• Show short-term results.

• Demonstrate initial successes.

• Validate existing methodologies.

One company that has taken a very interesting approach to measurement is a package delivery company. They measure three key elements: How well am I doing leading my people? How well am I doing servicing my customers? How well am I doing making a profit? Each employee in the organization has a pocket guide that talks about the company's goals for those three measures. Furthermore, that company has determined from their customers what it takes to satisfy those customers. They've identified a dozen key elements of customer satisfaction (Exhibit 4).

They found that some of those elements are more important to their customers than others. For instance, it's ten times more important to customer satisfaction that they don't lose the package, than that they aren't delayed a couple of minutes in its delivery.

Now the fascinating aspect of this is the following. There happen to be 12 of these measures of customer satisfaction. The CEO also happens to have 12 people reporting directly to him. Each senior staff member owns one of these measures, to which 40 percent of his or her variable compensation is tied. Customer satisfaction is not superficial at this company.

Education. If all you do in regard to TQM is train a lot of people, you'll end up with better-trained people, but not TQM. The educational component is critical. People tend to think, „We need more training, we need more skills, we need more tools, because the more tools we have, the better our quality will be." This is wrong. Training alone will get you only so far. It is essential to provide that training within a context, so that people understand its purpose and value.

Exhibit 3

Baldrige Criteria in the Measures Matrix

	Process (approach)	Results
Self	• Leadership • Information and analysis • Strategic quality and planning • HR management	• Quality results
Customer	• Quality assurance of products and services • Customer satisfaction	• Customer satisfaction • Quality results

Exhibit 4

Elements Affecting Customer Satisfaction

(Package Delivery Company Example)

Service failure type	Weighting factor
Right-day late-service failures	1
Wrong-day late-service failures	5
Traces (not answered by COSMOS)	1
Complaints reopened by customers	5
Missing PODs	1
Invoice adjustments requested	1
Missed pickups	10
Lost packages	10
Damaged packages	10
Delay minutes/aircraft („zero-based")	5
Overgoods	5
Abandoned calls	1

Resources. Most companies are hurting for dollars. Where's the money going to come from to do TQM? Where are the people going to come from? Who's going to make this a priority above all other priorities? Where's that leap of faith going to come from? How are you going to convince folks to do that?

One Baldrige Award winner dedicates 2.6 percent of its payroll, or 1 percent of sales, to TQM. And it has now experienced a 30-to-l payback on those dollars.

Information and Communication. How do you communicate TQM inside the company, as well as outside? What's your strategy going to be, to let folks know that this is going on, and why? Our advice: Avoid the banners. Avoid the mugs. Avoid the T-shirts. Wait until there's something significant to say. Use existing communication channels wherever possible. And when you've got something to celebrate, then celebrate.

Systems Alignment. You have to make sure that you've aligned your systems behind TQM. For example, I recently worked with the CEO of a major oil company. At one session, he and his 50 senior managers uncovered something very interesting. They had been attempting to reduce their staff. They had said to their managers and supervisors, „You've got to help us get the number of employees down, let's get the work simplified." But very few had helped. They couldn't figure out why. Then they realized that they had a compensation system in place whereby each person's rewards, status, responsibility, and title were dependent in part on the number of people reporting to him or her. Now, common sense will tell you, if you've got a system that rewards and promotes people based on numbers of staff reporting to them, while at the same time you're trying to achieve work simplification, that the system is likely to win out. How many of us would give up our title and parts of our salary in order to support this thing called TQM? The largest obstacle to a TQM implementation within that company was how they were rewarding and compensating their people.

Public Responsibility. Of the three external strategies for implementing TQM, one is somewhat unique to this area. I don't believe that a tobacco company is likely to win the Baldrige Award. I don't believe a company known to be a polluter is going to win it. I don't believe a company whose executives have recently been arrested for ethical malfeasance is going to win the Baldrige Award. I think there's a direct relationship between internal behavior and the perception of quality. Key questions to ask in this area include: How can our quality commitment be extended to the community? How can responsibilities for public health, safety, the environment, and ethical business practices be integrated with TQM? Does public responsibility vary from location to location within our organization? How will we measure the effect of our public responsibility efforts?

Alignment with Customers and Suppliers. It's critical that you know where your customers are in this process and use that data effectively. Otherwise, you're in big trouble. Questions include: Who are our key customers? What are their current requirements? How well are their needs being satisfied? How can levels of satisfaction be improved? How can partnerships be created? What will our customers need in the future? What do our customers' customers need?

You also need to make sure that you are aligned with your suppliers. The vital questions are: Who are our key suppliers? How well are our requirements being communicated? How well are suppliers filling our requirements? How can their performance be improved?

Conclusions

In order to make TQM work, you need a plan for implementing these sub-strategies. You've got to make sure that the customer is recognized as a critical part of TQM. You've got to make sure that you measure internally and externally, but measure the right things as well as measuring them correctly. And you need to have a plan to link TQM to the other critical processes in your business.

TQM involves profound cultural change. But I don't think you can set out to achieve cultural change; I think cultures change as a result of doing the right things over time. Eventually you'll wake up one morning and won't recognize where you're working.

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