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## Managing for Quality During Challenging Times

BUSINESS EXCELLENCE SOLUTIONS



Gregory H. Watson  
Telephone: +358-50-577-9777  
Email: [greg@excellence.fi](mailto:greg@excellence.fi)  
[www.gregoryhwatson.eu](http://www.gregoryhwatson.eu)

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1

### Abstract

We are living in tumultuous times; faced with crises on seemingly all fronts: natural disasters, social strife, political divisiveness, economic uncertainty, environmental threats, as well as our struggle to maintain our personal health and family security. Technology is changing rapidly and it doesn't seem to have time to mature before it has already become obsolete. In such challenging times, we desire stable quality performance and expect that products will remain reliable for the period of useful life that has been promised. But, how is it that quality can be delivered consistently in such circumstances when everything is in a process of flux? Indeed it seems like no area of life remains in a stable state of control for any substantial period of time. What is it that organizations can do to assure quality over the long term? This paper develops four keys for the managing the development of quality that exhibits persistence:

- Maintain dedication to exceptional customer experience with constancy of purpose;
- Manage business systems by focusing on continuous improvement of our internal processes as aligned to our external circumstances;
- Develop psychological sensitivity to engage and motivate employees to improve work in a manner that is consistent with their well-being; and
- Make decisions based on probabilistic judgments from objective performance measurement and statistical analyses of the efficiency dynamics of our daily work to increase system effectiveness.

The logic behind this approach is developed and presented as a strategic model for managing by quality and assuring development of a reliable organization as perceived by its customers.

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2

## ***The system must be first – drive for productivity!***



Frederick Winslow Taylor (1856-1915)  
Founder of Scientific Management

“Principles of Scientific Management” (1911)

“The greatest permanent prosperity for the workman, coupled with the greatest prosperity for the employer can...only exist as the result of the **greatest possible productivity** of the men and machines of the establishment.”

“One of the dangers to be guarded against, when the pay of a man or woman is made in any way to depend upon the quantity of the work done, is that **in the effort to increase the quantity the quality is apt to deteriorate.**”

**But, you cannot inspect quality into products!**

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3

## ***Productivity alone is NOT the answer!***



Ivan Aleksandrovich Ilyin (1893-1954)  
Russian Dissident Philosopher

“Salvation through Quality” (1928)

Translated by: Gregory H. Watson

“Scrutinize the history of Russia, the fate of its people, ponder upon its wreck and humiliation and you will see, that all its basic difficulties came from an over-emphasis on **volume** and **quantity.**”

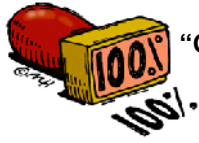
“We trust and are confident that the hour will come when Russia will rise from disintegration and humiliation and begin an epoch of new development and greatness. But it will revive and blossom only after Russian people understand that they have to **search for salvation in quality.**”

**Quality is the result of cooperation in social systems!**

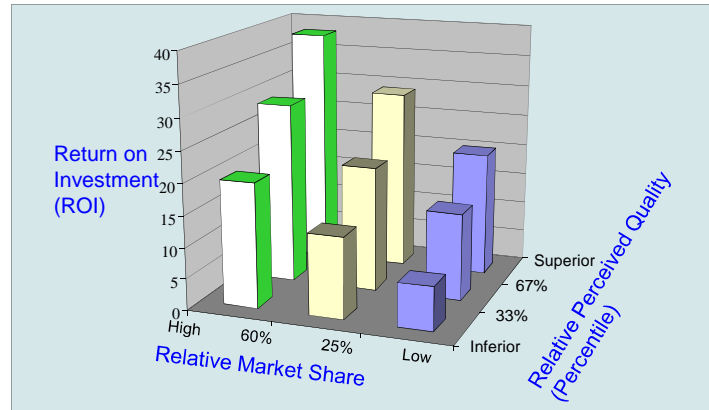
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4

## The greatest benefit does come from quality:



“Quality is still free.”  
~ Philip B. Crosby



\* Bradley T. Gale, *The PIMS (The Profit Impact of Market Strategy) Principles*, Free Press, 1987.

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5

## Poor quality degrades economic results:

- **Productivity is a natural link for quality:** it assesses results (output) as a function of effort consumed to produce them.
- But, as Ilyin observed, **effort that does not produce high quality is actually economic waste** (output (volume) that does not achieve the desired level of performance quality).
- But, output for the sake of production quotas is also waste; **output must be generated to meet real needs of people.**
- In addition, this **output must be valued by the consumers.**
- **Output must also be purposeful and useful – otherwise** it becomes waste (output not consumed for its intended purpose) which generates **an economic loss for society.**

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6

## System knowledge requires full participation:

### Lesson Learned from the RMS Titanic:



Scene from the movie "Titanic:"

- J. Bruce Ismay, Managing Director of the White Star Lines, which was the owner of the RMS Titanic:

**"But this ship can't sink."**

**Management View**

- Thomas Andrews, designer of the RMS Titanic, then replied:

**"She's made of iron, sir. I assure you, she can."**

**Process View**

**Do we LEARN from the workplace ...**

**... or plan just based on THEORY?**

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7

## Sensitivity to customers is critical!



Noriaki Kano 狩野紀昭 (1940-)  
Japanese Quality Professor

"Theory of Attractive Quality" (1984)

"Quality activity can only begin if top management is conscious of the critical need for organization wide commitment to quality and its own responsibility for introducing such activity."

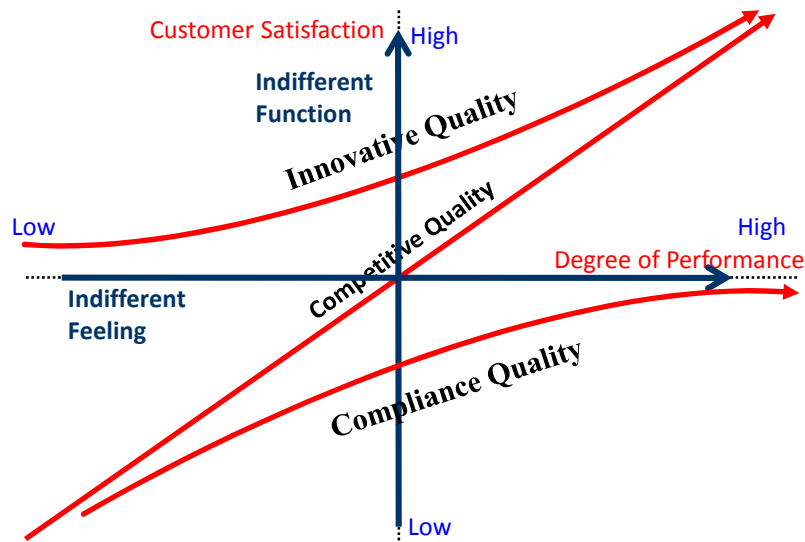
"Improving all attributes of quality will not lead to satisfied customers as not all attributes are equal in their eyes. Some quality attributes will increase the value to customers because they are attractive and do not detract even when their physical fulfillment is not strong."

**Attractive quality anticipates the needs of customers!**

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8

## Theory of attractive quality – Noriaki Kano:



\* Noriaki Kano, "Attractive Quality and Must-Be Quality," *Quality Journal*, JSQC, 1984, and Conti, Kondo and Watson, "Competitive Quality," *Quality into the 21<sup>st</sup> Century* (ASQ Quality Press, 2003).  
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9

## A quality approach to mutual prosperity:

- Quality is coupled with the concept of producing exceptional value as judged by society's consumers.
- Genichi Taguchi taught that **poor quality results in a loss to society**. Noriaki Kano encouraged mankind to **pursue attractive quality**. As an outcome of these two complementary ideas, it is clear that **lack of quality causes a loss for everyone**.
- Quality is not a 'zero-sum game' where 'I win-you lose!' When we achieve high quality then we all win! It must be mutually beneficial – good outcomes for all!
- Producing quality is free, according to Phil Crosby, as the losses that poor quality cause are not inflicted upon society!
- Prosperity is a state of 'economic well-being' – 'success.' **'Shared prosperity' implies a democratic state of economic freedom.**

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10

## Quality is both content AND process!



We often use the word “quality” to refer to the **attributes** of a product (its content) as well as the **methods** by which these attributes are produced (the process).

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11

## Considering quality as content ...

Content

- We often think of quality in terms of the attributes of a product or service – the performance that it delivers or the characteristics that define its performance as better than its competitive alternative.
- When judged as **“content” of a deliverable**, quality can be used as a **“relative indicator of worth”** and a standard of value in comparing choices between alternatives.
- If defined this way, then the economic impact of the process for delivering quality is not included in the definition. **Here case quality can ‘cost too much’** because the means for the delivery of quality outcomes is not included in the definition (e.g., does waste occur to produce the result?).

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12

## Dimensions of a quality outcome ...

### What defines the 'quality' of an outcome result?

This quality should be evaluated using five **product** factors:

- **Useful:** does the outcome deliver '**fitness for its intended purpose**' – do customers judge that '**attractive quality**' has been delivered – does it **perform its designed job**?
- **Responsive:** is this use **adapted to desires of consumers**?
- **Available:** are outcomes **accessible on demand** according to the customer's desired right for use?
- **Reliable:** does the outcome **operate consistently** over the lifetime of its intended usefulness?
- **Economic:** is the **outcome affordable** in its useful lifetime?

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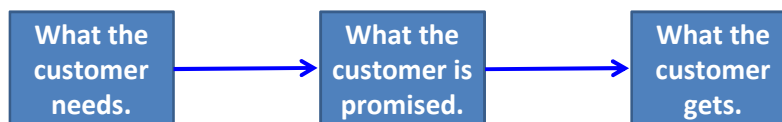
13

## Considering quality as a process ...

The process for delivering content to customers.



- Another viewpoint on quality is that it consists of a set of procedures, tools, methods, and philosophies that must be followed to assure work performed meets its standard. In this approach, quality is a "checklist" item where each of the activities required to practice quality is specified and evaluated for its presence or absence.
- **Quality 'content' is delivered by a set of processes that coordinate activities in the 'value delivery process.'**



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14

## Potential influence of taking a quality approach:

### What defines the 'quality' of the process performance?

This quality should be evaluated using five **process** factors:

- **Effective** achieving **customer-expected performance outcomes**.
- **Efficient**: assuring that there is **no waste** in the process of delivering the performance.
- **Informative**: assuring that **profound knowledge** is gained through careful observation of daily work performance.
- **Economic**: delivering performance at the **lowest total cost** throughout the total useful life of the product or service.
- **Risk-free**: **eliminating unintended consequences**, all the risks or threats if performance doesn't occur as planned.

## Considering quality as a system ...

- Many balk at definitions like "I'll know it when I see it!" – quality must be **producible on purpose** – not an accident!
- They prefer to judge quality using compliance to standard requirements and they speak of a **probability of meeting standard expectations** (e.g., process capability).
- Additionally, they observe that the means for delivering the result must contribute to the cost-effectiveness of the total outcome – **waste cannot purchase quality margin**.
- When defined this way, **quality must be understood from a systems perspective: both the content and the process for consistently delivering customer-expected results**.



## *Theory is the foundation of knowledge!*



W. Edwards Deming (1900-1993)  
Quality Advisor to Japan (1950)

“Theory of Profound Knowledge” (1992)

“The theory of knowledge teaches us that a statement, if it conveys knowledge, predicts future outcomes, with risk of being wrong, and that it fits without failure observations of the past.”

“To put it another way, information, no matter how complete and speedy, is not knowledge. Knowledge has temporal spread. Knowledge comes from theory. Without theory, there is no way to use the information that comes to us.”

“You don’t have to do this; survival is not compulsory.”

**Advances in competitive position have their roots in knowledge!**

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17

## *Profound statistical knowledge of the process:*

### **What is profound knowledge?**

Deming identified four aspects of **profound knowledge**:

- **System**: understanding the system in which work is being done.
- **Variation**: knowledge of how a system operates comes from a study of its variation in performance.
- **Knowledge**: knowledge comes from observation of work and the definition of a theory which is then tested and confirmed.
- **Psychology**: human behavior must be understood, motivated and coordinated to achieve cooperative work outcomes.

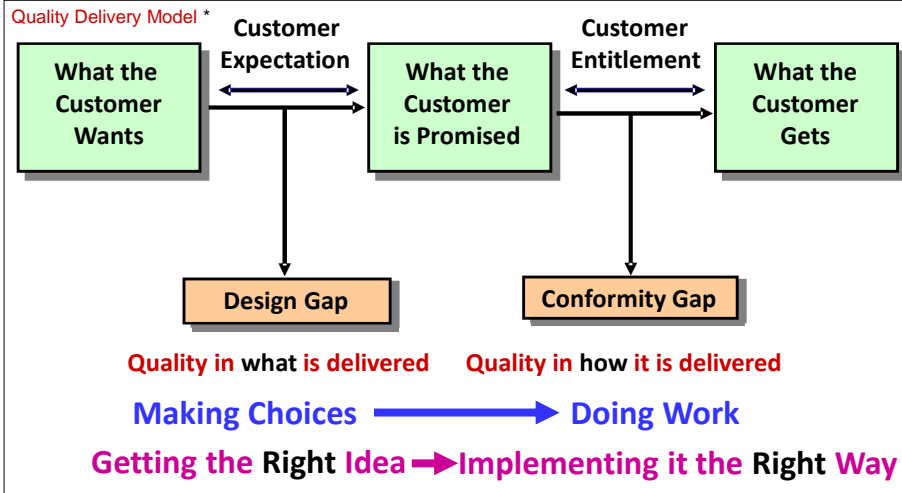
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18

## Putting quality into the customer's experience:

Innovation is getting the right ideas that can be implemented the right way.

Quality methods aid the journey to identify and implement these ideas .



\* Tito Conti, Yoshio Kondo, and Gregory H. Watson, "Competitive Quality," *Quality into the 21<sup>st</sup> Century* (ASQ Quality Press, 2003).  
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19

## Organizational culture for quality:

- **Vision-directed** – the organization is focused on a shared vision that supersedes local interests
- **Values-driven** – a common way of working defines project management and problem-solving methods used by the organization – how the organization thinks, feels and acts or its DNA
- **Customer-focused** – the organization values customers and seeks their satisfaction as a priority
- **Analysis-based** – the basis for investigation is the scientific method aided by statistical thinking
- **Learning-enabled** – the organization learns from external sources and from internal experience
- **Team-facilitated** – work is coordinated in teams to assure engagement of innovative thoughts from all perspectives and to assure that everyone affected by the decisions has an opportunity to provide input to those decisions.
- **Process-managed** – a process framework is used to flow work from the voice of the customer to the delivery of goods or services to the customer. All work is interpreted as a process, each process is analyzed to reduce its variation, and each process is managed to assure that desired results are consistently achieved.
- **Quality-controlled** – an appropriate 'check' function is incorporated into the work to assure that the in-process work is capable of delivering the outcomes desired to achieve competitiveness in the global market-place.
- **Results-oriented** – the bottom-line is that success is measured from both the customer viewpoint and the owner's viewpoint (brand reputation increases for the products and services due to the sustained delivery of customer-satisfying events while at the same time business value increases due to the delivery of both short-term profitability and long-term organizational strength).

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20

## Excellence is a milestone on the quality journey!

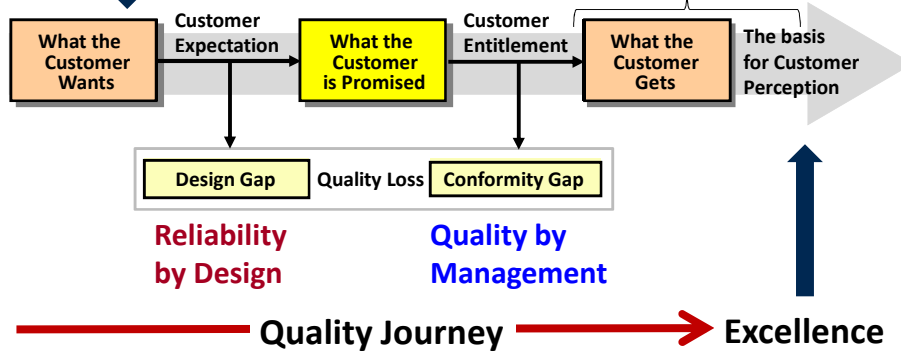
Quality delivery is a process that begins with a creative idea and ends with reliable implementation in a customer's environment.

Innovation excellence is the desired result of this quality process.

When quality is not delivered, then society suffers a loss.

**Creative Ideas** ↓

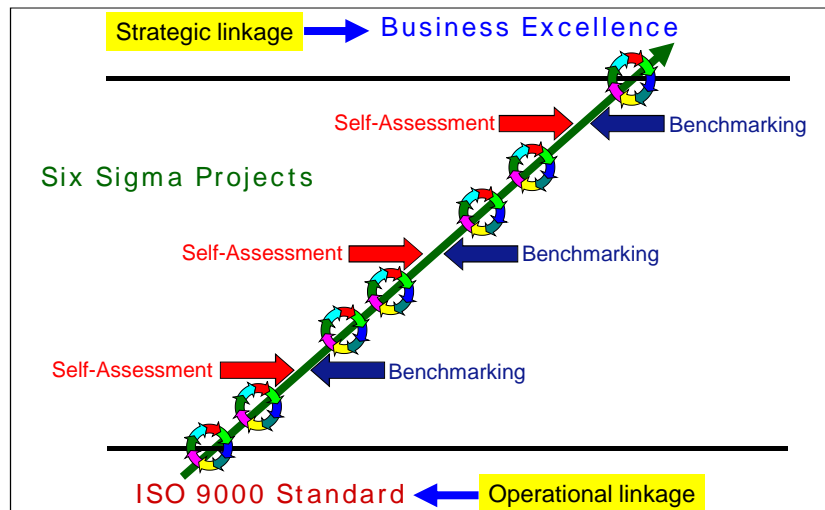
**Implementation in Practice**



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21

## Systems approach to quality:



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22

## Considering quality as a common global value ...

- **Quality is socially responsible:** mankind must not squander the world's scarce resources by consuming them poorly. In the end, **quality outcomes generate economic value!**
- Economic freedom is an essential ingredient of democracy. **What is this freedom? A form of equality – establishing characteristics that are equal in terms of quality or value.**
- But we must view quality beyond the **micro-economic** requirements of one business. **Quality is an obligation of social responsibility.**
- The idea of **“quality for prosperity”** is a **macro-economic** application of quality **“thinking and doing”** so that it can become a **“cultural way of being”** that applies to society as a whole.
- To achieve macro-economic quality, the whole of a society must embrace this way of quality; **prosperity must become the objective for all mankind through a pursuit of quality!**
- **Ilyin was right: mankind's salvation is through quality!**

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23

## Quality is inside people!

**Excellence is a habit that we must develop within ourselves through discipline that is reinforced by continuous learning.**

Returning to Ilyin's essay "Salvation through Quality," two observations can be made:

- **Doing quality is not enough** – it is essential that a quality method must be applied and quality content be defined and people work together to achieve common goals. But this is insufficient to deliver prosperity in the long term.
- **Being quality is required** – because “soft stuff is the hard stuff” – consistency in our behavior, thinking, talking, and acting is required to develop our own quality role model.

**The essence of quality is democracy: cooperation among people to achieve mutual prosperity within a common purpose.**

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24

## Personal mindset for quality:

### An attitude of quality is demonstrated in these behaviors:

- Collaboration and cooperation showing respect for individuals
- Clear communication – with intent to clarify (fair, equitable, even-handed treatment)
- Ethics, honesty, integrity of information (our words are authentic and say what we mean)
- Etiquette and respect for behavioral norms
- Broad systems perspective
- Transparency, openness to consider options and alternatives regarding issues and concerns
- **Summary: Flexibility and moderation**

### Lack of quality is demonstrated in the opposite behaviors:

- Divisive, aggressive behavior demonstrating disrespect for individuals
- Prejudiced communication with an intent to obscure (unfair, inequitable, biased treatment)
- Extreme positions, fueled with inaccurate information, and purposeful misinterpretations
- Disrespect for behavioral norms – attacking others
- Narrow, single-purposed perspectives
- Vague, opaque, closed viewpoints and positions on issues and concerns
- **Summary: Rigidity and extremism**

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25

## Quality as a fundamental principle of democracy:



**Ama-gi** (2350 B.C.) – an historical imperative for mankind:

The Sumerian cuneiform that means a “return to mother” and expresses the idea of “freedom” that occurs from the process of reform.

Freedom from waste, loss, bigotry, abuse, hunger, debt, fear, defects, failure – all of the negatives in life’s experience which improves the quality in all of our lives.

**Mankind must cooperate** in order to achieve this quality level!

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26

## Creating exceptional value through quality:

### Creating – the action

Developing an *innovative cultural system* to deliver *consistent results* to *delight targeted customers* by *coordinating actions* of your people.

### Exceptional – the target

Customizing outcome so its *value is perceived beyond* the alternative choices available and this *capability is delivered before* all other options.

### Value – the result

*Worthwhile contribution to the customer* evaluated by their application or use of the product or service.

### Quality – the means

Attention to process performance details that assure *customer-aligned performance outcomes*.

**The Challenge:** Increase quality (the process) in social institutions to assure superior quality of life (content) for all people (customers).

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27

**Thank you!**

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28

## Biography



Gregory H. Watson is the President and an Academician of the International Academy for Quality. He is a past-President and Fellow of the American Society for Quality and a Fellow of the Institute for Industrial Engineers. He holds advanced degrees in engineering, law and management is a registered European Engineer (EUIng) in both systems and industrial engineering. Mr. Watson is President of Business Excellence Solutions, Ltd., a Finland-based management consulting company and has previously held executive positions with Xerox Corporation, Compaq Computer Corporation and the Hewlett-Packard Company. He is the author of ten books. **Strategic Benchmarking** (John Wiley, 1993) was chosen by Fortune Magazine as a Book-of-the-Month selection and named by Library Journal as one of the 12 best business books of 1993. Among the awards he has received, Mr. Watson is the first non-Japanese recipient of the Deming Medal from the Union of Japanese Scientists and Engineers. He is also recipient of the Magnolia Quality Contribution Award from the Municipality of Shanghai, the Distinguished Service Medal from the American Society for Quality, and the Gold Medal from the Finnish Society for Quality.

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29