

# TQM

## MORE THAN A DYING FAD?

Yes, the movement has its critics. But applied properly, the principles of Total Quality Management can still deliver big payoffs. Here's how. ■ by Rahul Jacob

**S**OMETIME in the late 1960s, the Beatles abruptly ended a much publicized spiritual dalliance with Maharishi Mahesh Yogi. When the guru asked why they were leaving, John Lennon reportedly replied: "If you're so cosmic, you'll know why." Echoes of such disenchantment can be heard today when executives rail against Total Quality Management (TQM), the elixir of the Eighties. *It* was supposed to have had all the answers; *it* was supposed to turn lead to gold. It didn't.

Signs of disappointment are everywhere. Surveys show that up to two-thirds of American managers think TQM has failed in their companies. The number of applicants vying for the Malcolm Baldrige National Quality Award, the Holy Grail of quality buffs, peaked in 1991 and has since fallen sharply. And the wreckage of TQM programs has spawned a new kind of ambulance chaser: consultants who specialize in turning around failed quality programs, or what the *Washington Post* has wryly labeled "Totaled Quality Management."

Is this backlash warranted? Short answer: No. It's true that obsessively focusing on quality alone can take your eye off other critical variables—such as what your customers might want. Yes, many TQM programs have been badly executed, particularly those imposed from above in cookie-cutter fashion. And, yes, TQM is, as the refrain goes, no panacea. (What is?) But make no mistake: Thoughtfully applied and modified, total quality's principles still represent a sound way to run a company.

For anyone who slept through the 1980s, Ray Stata, CEO of integrated-circuit maker Analog Devices, interprets those principles: "Total quality essentially involves

attention to process, commitment to the customer, involvement of employees, and benchmarking of best practices. It is hard to believe you cannot benefit from that."

That some managers are now loudly insisting they have not so benefited almost surely says more about the poor quality of their leadership than it does about the quality movement. Ranganath Nayak, a senior vice president with Arthur D. Little, maintains that uncritical belief in a magic cure-all is a particularly American business disorder. "The rest of the world is much less faddish," he says.

Executives at Motorola and Federal Express—must-see stops since each won a Baldrige award—voice similar complaints about the quick-fix-seeking managers who visit them. Says Edith Kelly, vice president of purchasing and supply at Fed Ex: "People want to know if there is one thing that we do. But it's really everything."

### FIVE KEYS TO MAKING TOTAL QUALITY WORK

- The CEO must be visibly behind it. Speeches alone won't do.
- Avoid tunnel vision. Ask what change does for customers.
- Limit yourself to a few critical goals. You can't solve two dozen.
- Link changes to a clear financial payback—and expect it soon.
- Don't adopt a quality program off-the-shelf. You're unique.

Indeed, many companies that have successfully adopted TQM don't even use the phrase "total quality" anymore; it has simply become a way of doing business. Wolfgang Schmitt, CEO of Rubbermaid, which began taking TQM companywide two years ago, prefers the decidedly less snappy label Continuous Value Improvement Process to describe that effort. Says he: "The term 'total quality' can be confined to manufacturing. We wanted to take it across the business." Rubbermaid also wanted to underline the importance of other attributes, such as cost, service, speed, and innovation.

Think of total quality as older kin to the current hot managerial idea—reengineering. Both aim to increase productivity by rethinking processes, though reengineering, advocates argue, is more likely to come up with novel solutions because it starts with a more iconoclastic question—"should we be doing this at all?—rather than TQM's "how can we do this cheaper, faster, or better?" The basic message, says Tom Vanderpool, a quality expert at Gemini Consulting, is that while "abandoning the TQM acronym may be correct, abandoning the principles is not."

Five rules to live by—familiar, but no less important for that—usually determine the success of any total quality effort.

■ **The CEO has to be involved.** Ray Stata learned this the hard way. He kicked off Analog Devices' first TQM effort in 1983 after finishing a course at quality guru Philip Crosby's school. Says Stata: "We gave them the books, and I said, 'Quality's free. Go do it.' The effect was zero." In 1986 he hired a capable vice president for quality,





**Quality at work:** TQM was a springboard for a team of workers to design this efficient washing machine assembly line at Whirlpool's Clyde, Ohio, plant.

who helped the effort gain some zip for a few years. By 1990, however, he realized that all the "low-hanging fruit had been picked" and that if he wanted to get beyond easy steps, such as setting up teams, "making it happen was my job."

Since then, Stata has been very visible at the company's quality-improvement fests, part of an initiative started since 1990 to share success stories. He attends every session and makes a presentation. He also chairs Analog's quality steering committee. Stata readily admits his earlier flip-flops hurt: "There is some closeted cynicism about quality in the company. Among the engineers, it isn't even closeted. They think it's crap." But spreading the word of TQ's successes—a rethinking of production processes that lowered chip defects and saved \$1.2 million-a-year, for example—is making believers of the internal skeptics. Outsiders are impressed too: Last year *Dataquest* named Analog (1992 sales: \$567 million) the best midsize semiconductor supplier for the second year in a row.

Rubbermaid's Schmitt agrees CEO involvement is crucial to sustaining the momentum behind quality training, so he has taken 60 hours of it alongside other employees. "I've had to *visibly* be part of it," he says. "People look to see if you just talk about it or actually do it." He is on three cross-functional teams as well, dealing with subjects from PC support to catering at the company. "Americans often ask Japanese CEOs how much time they spend on quality," says George Labovitz, head of a consulting firm in Burlington, Massachusetts, and co-author of *Making Quality Work*. "They think it's the dumbest question."

■ **Customer focus is critical.** But everybody knows that, you respond. Unfortunately, a reminder is needed because quality programs, with their single-minded championing of things like zero defects, for instance, are especially prone to tunnel vision and navel gazing. Art Hammer, a specialist in TQM turnarounds with the consulting firm QualPro in Knoxville,

Tennessee, says some clients were toiling away at TQM for three to four years—and no one had even begun to ask what all this meant for customers.

Pepsi-Cola, a subsidiary of PepsiCo, demonstrated how to do it the right way two years ago. It surveyed 10,000 customers to develop 16 priorities for its new total quality effort. Example: Improving deliveries. This year Pepsi will see how it's doing by polling 2,000 customers. Fed Ex lives by its Service Quality Indicator, which tracks how often customers experience the annoyance of late deliveries and misplaced packages, among other bothers.

Johnson & Johnson overhauled its quality effort a few years ago because it had gotten too inwardly focused. At J&J's McNeil Consumer Products subsidiary, which manufactures the Tylenol product group, workers who had previously had no opportunity to interact with customers can now visit a special booth in the plant to hear queries and complaints from the outside world that come in on an 800 line.



## ■ Link TQM to a few clear strategic goals.

Obsessing about quality is no replacement for a well-thought-out corporate strategy. All its TQ smarts didn't prevent Federal Express from deciding to offer service within Europe in the Eighties—a costly expansion from which it has since retreated.

Moreover, unless they are linked to easily understandable strategic goals, quality efforts flounder. Ask constantly, "Just what am I attempting to achieve?" Johnson & Johnson's redesigned quality effort targets three quantifiable goals: Boosting customer satisfaction, reducing product introduction time, and cutting costs. Says Jeff Nugent, the worldwide quality VP at famously decentralized J&J: "Our 168 units can train how they like and call it what they like, as long as they focus on these three goals."

The McNeil unit's quality initiative, called Customer First, helped spawn a cross-functional effort last year to reduce the expense and time it takes J&J to develop customized retail displays for chain drugstores and supermarkets. It has paid off handsomely: Displays that once took three to four months to develop are now put together in 30 days. Partly as a result, sales jumped to more than \$90 million last year, up from \$25 million in 1991. Achieving this required that departments like materials handling and billing give up some turf. Seventeen departments were involved in making displays; today only four are. Glen Griffiths, who acted as coach in the redesign, thinks the TQ ideals espoused at McNeil helped encourage support for sharing responsibility rather than resistance to it.

Motorola aims its quality cannon at two targets. One is defect prevention, where past successes have pushed the goal to two defects per billion by the year 2000. The other is cycle time reduction, or speeding the time it takes to get jobs done—and not just in manufacturing either. Five years ago it took Motorola 11 days to close its books each month. It now takes two, for a 50% savings in external auditors' billable hours.

"Identify three or four critical issues," advises Motorola vice president Paul Noakes. "You can't work on two dozen."

■ **Demand a financial payback—and don't wait forever.** Starting a total quality program inevitably requires an initial whirlwind of activity—forming teams and train-

chine plant at Clyde in northern Ohio, quality-circle teams "meandered into discussions of the number of restrooms and the color of the walls because we didn't give them enough guidance," reports Kevin Cooney, the division's vice president.

Training, too, can quickly spin out of control. "I would wager that 50% of the dollars spent on training are wasted," says Joshua Hammond, until recently president of the American Quality Foundation. This is not small change. James Shaffer, a principal with Towers Perrin, estimates that a company's TQM training bill can run from \$300,000 at a company with fewer than 3,000 employees to \$12 million at one with, say, 13,000 workers.

Analog Devices gets a bigger bang for its education bucks through just-in-time training. In 1991 it experimented by training half a batch of 900 employees in a standard classroom format while the other half trained as teams on the job. Less than 40% of the first group felt they had actually put their learning to work, while 80% of those trained as teams did. Rubbermaid, J&J, and Herman Miller

also now do their training through teams that are assigned specific tasks.

The most important device for focusing minds, however, is to link quality goals to financial returns—and compensation. According to a study in October 1992 by the American Quality Foundation and Ernst & Young, quality performance measures don't play a big role in determining senior managers' pay at more than 80% of U.S. companies surveyed. By contrast, at quality paragons Motorola and Federal Express they do.

At Tenneco, CEO Mike Walsh didn't have the luxury of separating the pursuit of quality from the pursuit of profit. When he took charge in September

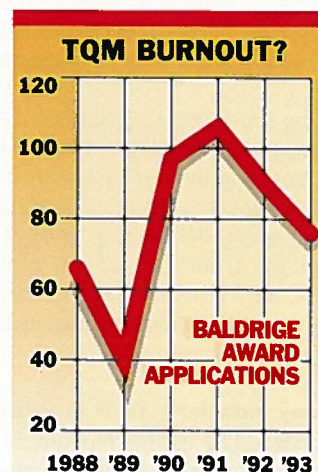


**From cheerleader to team captain: CEO Ray Stata of Analog Devices has learned that he must get personally involved to make his company's quality drive work.**

ing hundreds of employees in statistics or new problem-solving techniques—that can be terribly distracting. Motorola's Noakes knows one \$9 billion company that formed 142 teams early in a TQM effort—months later 100 were still trying to decide on a name.

Clear objectives, as noted above, can help make this startup phase mercifully brief. Before a team is formed at Rubbermaid now, proponents must answer three questions: Who is your customer, what service are you providing, and what business strategy are you satisfying?

Once up and running, teams continue to need direction. At Whirlpool's sprawling, 3,200-employee automatic washing ma-





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1991, the company was gushing red ink—it lost \$732 million that year, which included a restructuring charge of \$480 million after Walsh took over. Walsh immediately forced Tenneco to take an unblinking look at how quality failures were piling on extra costs. These included the cost of internal failures (unscheduled downtime), external failures (a flood of warranty claims), prevention (project planning), and appraisal (testing, inspection). Says Dana Mead, Tenneco's president: "We used total quality as an integral part of addressing the crisis. We burned cost-of-quality objectives into the goals for every operating unit." To hammer the message home, a significant portion of senior managers' bonuses is tied

**"Don't negate the uniqueness of your company by adopting an off-the-shelf program."**

into zealotry. Always question what's thrown at you by consultants; don't just learn their slogans by rote—and constantly check to make sure their advice works for *your* company. Says Mary Stevens, director of product development at Herman Miller: "Don't negate the uniqueness of your compa-

ny by adopting an off-the-shelf quality program." Rubbermaid, for example, used textile manufacturer Milliken's approach to quality as one benchmark but rejected imposing Milliken's open offices on workers because they didn't suit its culture.

Ford Motor is among the most loyal corporate disciples of quality messiah and nonagenarian W. Edwards Deming. Deming still visits Ford about once a month, and its executive director of corporate quality, M.S. "Paul" Gill, is reverential when he talks about "Dr. Deming." Even so, Ford goes its own way on occasion. Says Gill: "Dr. Deming does not believe in setting goals, but we like to, and believe you also have to reward individuals for achieving them."

Whirlpool's biggest automatic washer division in Clyde, Ohio, is one of many workplaces across the U.S. where total quality has energized workers and impressed customers. Kevin Cooney, the division's vice president, has become fond of making presentations that include photographs of workers at the Clyde plant. At first, looking at them can feel to an observer rather like humoring a proud parent bearing an envelope tediously full of baby photographs—until you begin to see Cooney's point. First up is Paula Chambers, a production operator who has also served as president of a group of Whirlpool volunteers who support local charities. Next is Shirley Crutchfiel, who works in the porcelain department. She does publicity for a local soup kitchen and helps organize conferences for a network of five churches. And on and on.

Across America, more people than ever before are volunteering for community work. Altruism plays its part, of course, but you can't help wondering how many people are doing this because they do not feel appreciated at work and think they can't make a contribution there. Cooney's point is simple: Why not siphon some of this creative energy, this untapped leadership ability and put it to work at work? In such a demanding decade, can you afford not to? **F**



**These Johnson & Johnson employees cut the time required to make Tylenol retail displays like this one from four months to a single month.**

to meeting these goals. Tenneco credits its quality drive with helping deliver \$215 million in operating income last year.

Even if your concerns are less urgent and more long-term, demanding at least some early payback from your quality effort is a good idea. Says QualPro's Art Hammer: "If you are not getting any results in a year, you're on the wrong track."

■ **Give any outsider's TQM program your own wrinkles.** The quality movement's passion can be energizing, but it can also stray