Beginning the Quality Transformation, Part I

Practical strategies and guidelines to help managers plan for and carry out a quality transformation

by
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and
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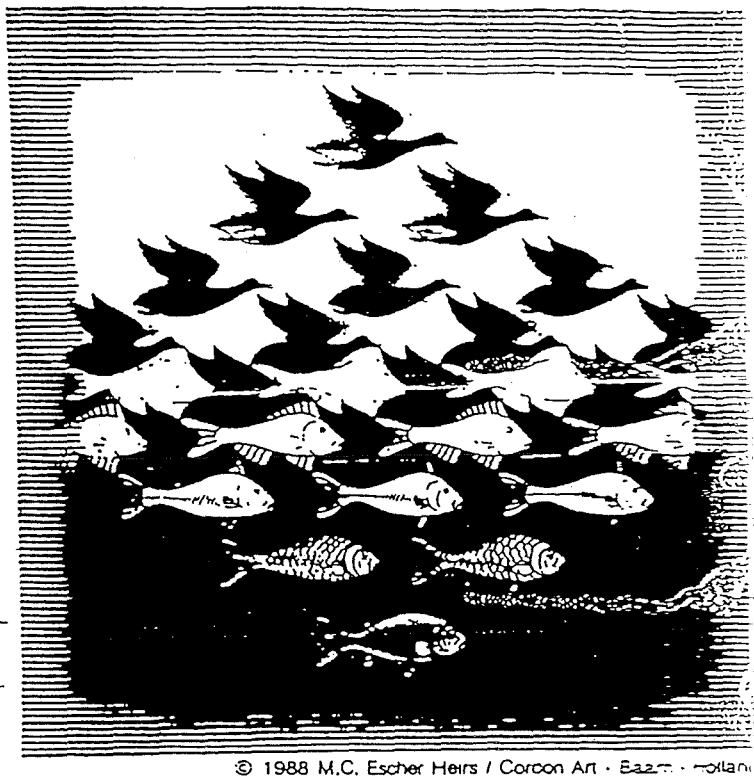
When W. Edwards Deming describes an organization committed to quality, he provides a compelling picture of how things ought to be. But there are precious few instructions on how to begin such a transformation. However, there are some practical elements involved in becoming a quality organization. The approach must be based on the pragmatic realities of business life: that change is difficult; that resistance to change is often strong and persistent; that no matter how much a company might want to transform itself to some new order, it must continue doing business and, for the time being, do so in the way it knows best. Transformation, therefore, involves a sort of adolescence—a period of inelegance when we shift from one way of being to a new way of being.



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Guidelines for quality[1]

1. Quality begins with delighting the customers.[2] A company should strive to delight customers, giving them even more than they imagined possible. Management may be ecstatic, the board of directors blissful, and the company may be considered a legend on Wall Street. But if your customers are not delighted, you have not begun to achieve quality.

2. The quality organization must learn how to listen to customers and help customers identify and articulate their needs. If quality is to be defined by the customer, the quality organization must remain close to the customer. Closeness means much more than surveys and interviews. It means knowing in detail the work the customer does, how the customer uses your products, and what concerns and problems the customer has. Be aware not only of problems resulting directly from defects in the product, but also of related problems experienced by customers even when the product is functioning properly.

Those who are not yet your customers can also provide you invaluable feedback on your product or service. Why don't they use the product? What do they use and what has been their experience with it?

3. The quality organization leads customers into the future.[3] We depend today on photocopiers, personal computers, disposable diapers, and other products that, in the past, we didn't even imagine possible. A quality organization knows the consumers so well, and explores technological possibilities so far, that it leads everyone into products and services not yet imagined.

4. Flawless, customer-pleasing products and services result from well-planned systems and processes that function flawlessly.[4] Inspection may be a way to avoid embarrassment, but it is not a way to achieve quality. A flawless system provides what the customer wants, when the customer wants it, with efficiency, precision, and consistency—and without waste, defects, or rework. A quality system is continuously being improved.

5. In a quality organization, the vision, values, systems, and processes must be consistent with, and

complementary to, each other.[5] The vision answers the question, "What businesses are we in?" Values or operating policies describe "how we conduct our business."[6] Systems and processes are the sequences of activities by which all work gets done. When these work at cross purposes, the result is waste and frustration: engineers design a product that production can't make; purchasing buys materials that production can't use; sales makes promises that can't be kept. Each step of a process must be the perfect antecedent to the next step.

6. Everyone in the quality organization—managers, supervisors, and operators—must work in concert. A spirit of teamwork must pervade the organization. This spirit must be strong and pervasive enough to supersede the attachments that people normally form to bonds such as profession, function, or rank.

7. Teamwork in a quality organization must be based on commitment to the customers and to constant improvement. Teamwork is used in two ways in the quality organization. First, it refers to a spirit of loyalty and collegiality throughout the organization. Second, it refers to the greater use of teams and participative processes in the conduct of business. In neither case is teamwork a product of pep talks and exhortation. Nor is it blind loyalty. Nor is it merely feeling good. Teamwork results from a common understanding of the organization's vision and values, a dedication to delighting customers, an understanding of the organization's systems and processes, and a shared commitment to the ongoing improvement of those systems and processes.

8. In a quality organization, everyone must know his or her job.[7] A job is not learned simply by reading a job description or operations manual. Employees must:

- understand where their work fits into the various larger systems and processes of which they are a part; what and who precede them and follow them in the sequence of activities; and how their work relates to the final product and ultimate user or consumer.
- know what their internal customers want and don't want, and what would delight these customers.
- master the information and skills necessary to perform tasks related to their work; constantly renew and upgrade knowledge and skills.
- understand the process or technology with which they work: how it functions, its capabilities, and what causes variation and breakdown. They must constantly get to know it better and learn how to improve its performance.

This level of understanding requires both continuous education and regular feedback from each employee's external and internal customers.

9. The quality organization uses data and a scientific approach to plan work, solve problems, make decisions, and pursue improvements.[8] Managers help everyone focus on the method by which the organization's work is accomplished. All types of initiatives and activities are monitored to see how well they are working and how they can be further improved.

10. The quality organization develops a working partnership with suppliers.[9] The quality-minded company exercises great care over the materials and services it receives. The quality organization seeks a long-term collaborative relationship with a single source for each type of supply.

11. The culture of the quality organization supports and nourishes the improvement efforts of every group and individual in the company.[10] The organization seeks to establish and maintain a spirit based on: being close to the customer, the importance of precision and data, internal teamwork and mutual respect, constant improvement, and pride of work (both processes and products).

The new concept of the organization[11]

The old way to view an organization is known as the chain of command (see Figure 1). This view of an organization was developed in the 1840s, when businesses for the first time ed to manage mass production, wide distribution, and geog cally dispersed organizations.[12] This view has some shortings. It doesn't portray the interdependence of functional areas. It doesn't describe the organization as a flow of processes. It tends to emphasize individual accountability rather than the group, the process, or the output of the group and process. There is no reference to products or customers in this view. Therefore, the purpose of the organization, implied in this chart, is accountability and control. All paths lead to or from the figure at the top.

The new way to view the organization is shown in Figure 2. This diagram was first used by W. Edwards Deming in Japan in 1950. It depicts:

- the interdependency of organizational processes.
- the primacy of the customer (consumer).
- the effect of customer feedback (consumer research).
- the need for continuous improvement based on customer feedback.
- the importance of suppliers.
- the network of internal supplier/customer relationships.

Figures 1 and 2 symbolize different ways of thinking and a difference in priorities. If you ask someone, "In your work, who is it important for you to please?" and if he or she answers "my boss," that person experiences the organization as a chain of command. If the answer is, "The people in the next step of the process, my internal customer, and our external customer," that person has a systems perspective.

Figure 3 offers a different illustration of this new concept. arious functional units must work in concert with each other quality organization has no appetite for turf wars or intra one-upmanship.

It is necessary to have a systems view of the organization to become a leader or member of a quality organization.[13] A leader who views the organization as a chain of command and accountability will not be able to visualize the company as customer- and quality-oriented, and thus impedes the pursuit of quality.

Guidelines for transformation[14]

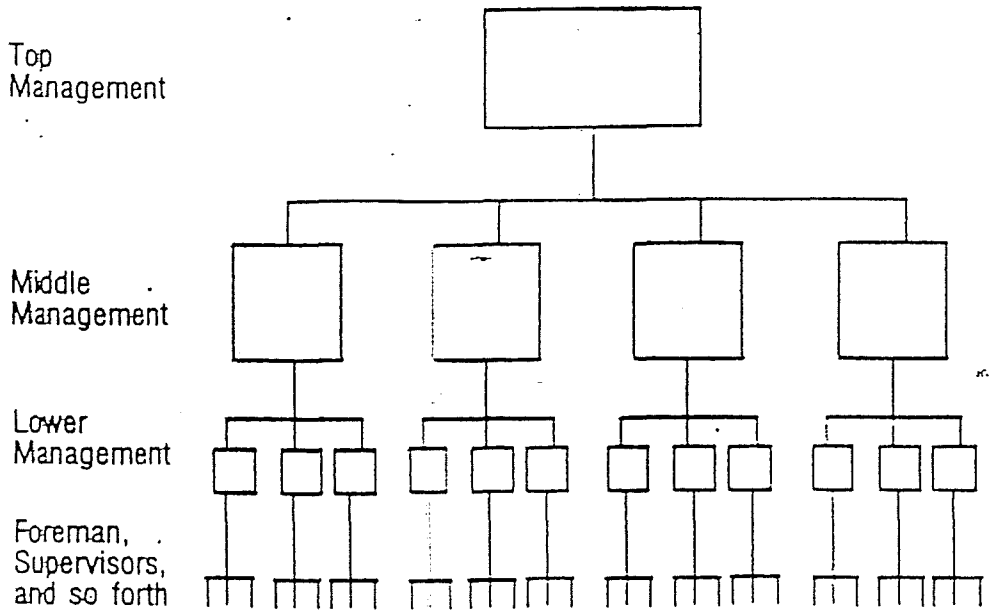
Ordinarily people in organizations will not simply convert from an old way to a new way, even when the new way is demonstrably better.[15] Change also takes more than an authoritarian edict: "Beginning next Monday we will practice quality management—or else!"

To some extent, this and the following section were written with small- and medium-sized companies in mind. In a corporation with hundreds of thousands of employees dispersed around the world, these initiatives will seem geared to a scale that is hopelessly small. However, two points are worth comment.

First, a huge corporation is, in many respects, a vast multiplicity of smaller organizations. The guidelines described here can be applied to the corporate headquarters as one organization and to each successive cluster of organizational units. With a steady, gradual process of transformation, it is easier to develop the corporation's human resources into a commonwealth of sup for quality transformation. We are leery of the impatience of some managers who try to force growth when it should be nouri

Second, the goals of transformation must be consistent thr out the corporation. There should also be some consistency in the method and means used to achieve those goals. Can such consistency be achieved in a huge corporation without some kind

Figure 1. The old way to view an organization: the chain of command.



An 1840s innovation for companies: the basic hierarchical structure of business enterprise.
From *The Visible Hand*, Alfred D. Chandler Jr. (1977).

Figure 2. The new way to view an organization: the system.

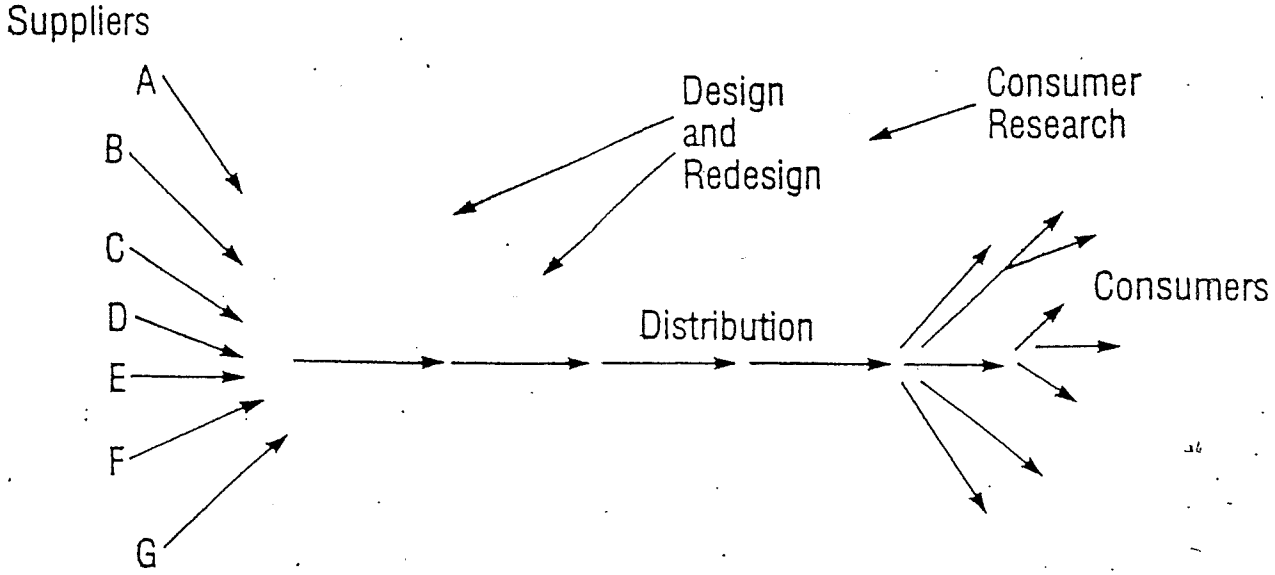
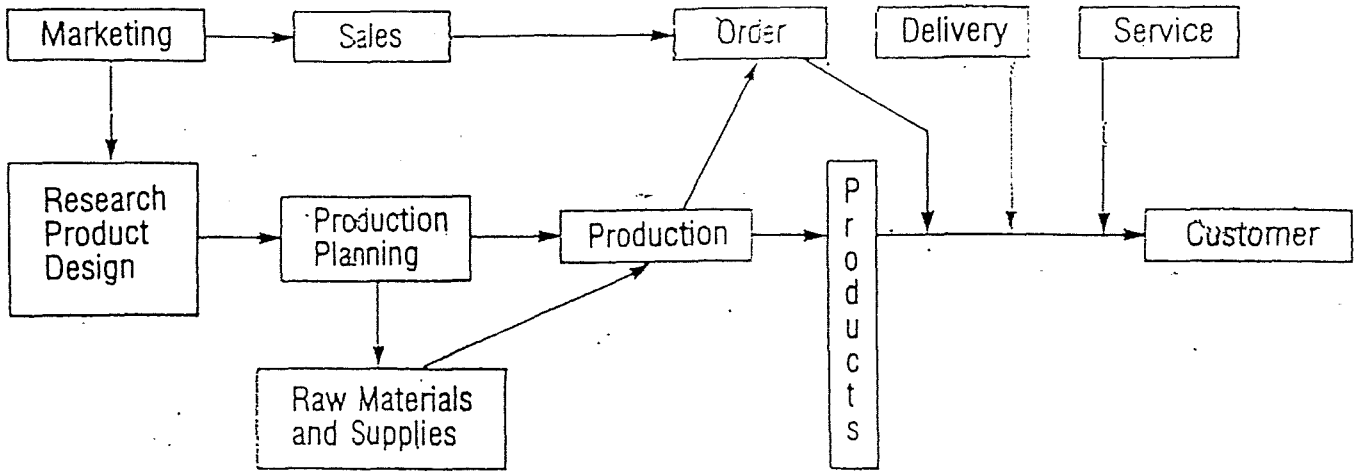


Figure 3. The new concept from the perspective of functional divisions and sections.



of coercion? Probably not. But what is prescribed should be kept to a minimum. Moreover, the need for whatever is prescribed should be explained in some detail. Whenever possible, what is prescribed should be a process rather than the end result. Finally, when the leaders of an organization announce a change to which they expect everyone to conform, they themselves must undergo change. Their change must be a clear demonstration to everyone of the importance of this transformation.

Guidelines for change

Recognize the informal organization.[16] Think of a company as a small town or a large high school. Along with its official work system, the organization is also a social system—a loose network of small groups of people. These groups offer their members support and friendship. People in these groups can form a strong bond of loyalty to each other, which in many cases is greater than their loyalty to the company. These informal groups have leaders. Often, these groups have rules that can determine, for example, the pace of work, what kind of contact or communication with managers is okay, etc. If the informal organization and the informal leaders accept whatever change is being proposed, that change will occur much more smoothly. If they oppose the change, it may be nearly impossible to implement. Therefore, it is important to identify the informal leaders, get to know them, and spend time wooing them.

Seek the active support of a critical mass.[17] In the context of organizational change, a critical mass is a dynamic and somewhat elusive quantity. It is not simply a majority. What constitutes a critical mass at one stage of innovation may be inadequate in later stages. Critical mass is a sufficient number of influential people supporting a proposed change to give the impression of a growing, formidable movement, a sense of momentum, a groundswell of interest. Critical mass describes the constituency behind a proposed change and the ability of that constituency to attract more and more support as time goes by. Critical mass may be defined laterally in an organization (e.g., a sufficient number of champions among division managers) or vertically (a sufficient number of committed people in division X). Because of a changeover of people and the ongoing nature of a change, an ultimate critical mass may be hard to achieve.

When managers and others in a typical organization are presented with major changes, their response will fall into some variation of the bell-shaped curve. Some will support the change, some will resist it, most will be undecided and wait. The same thing applies to the movers and shakers who are present in every organization. These are those people who—for whatever reason—are influential. They usually, but not always, have positions of authority. Even within the ranks of management there are those who are more influential than others. With their support, a proposed change will probably have a good opportunity to prove itself. Without their support—worse yet, in the face of their resistance—a proposed change has little chance of success.

A critical mass in the earlier stages of change consists of an ever-increasing number of movers and shakers shifting from being neutral to being supportive or shifting from resistance to neutrality. Those who are promoting the change would do well to spend most of their time wooing the neutrals, even though there may be more personal satisfaction talking *to* the believers and supporters. It is also important to get resisters to at least withhold judgment.[18]

People don't resist change, they resist being changed. Transformation is a campaign for people's hearts as well as their minds. A change is successful because a critical mass has rallied around the proposed change. Creating such a loyal constituency is not ordinarily an undertaking permeated with logic. Nor can it be created through fear.

The Onion Patch Strategy

What can be done when your company's top managers are not quality leaders and champions? When you are a lone quality champion without the support of top leadership—a "lonely little petunia in an onion patch"?[23] In general, the onion patch strategy is: "Think big, but stay close to your roots." Select improvement efforts within your span of control—but select improvements that capture the attention of people at least two links up in the chain of command. Look for projects with "big dollar" implications. For example, projects that reduce waste or rework, or increase sales or revenue. Concentrate your efforts on achieving the kind of results that the others, even the skeptics, will respect. Include other people in your efforts. Include even more people in the sharing of credit for a successful job. Build a network of believers and supporters while you make real improvements in the system.

Sometimes you will have direct supervisory responsibility over people involved in improvement efforts. If so, shield them from outside pressures so that they can continue the work of improving quality.

Be patient and persistent. If you succeed you may create opportunities to introduce the wider implications of quality to higher and higher levels of the organization. Meanwhile, prepare for any opportunities. Be ready to pounce when a mover and shaker asks for information or suggestions. Have at hand copies of books, articles, or videotapes of various lengths that are suitable introductory materials for your managers.[24]

Have prepared an introductory presentation that is flexible enough to fit time slots ranging from 15 to 90 minutes. Have your presentation rehearsed and ready to go. Include, among your presenters, hourly operators who have become zealots for the new way. They need not be slick or articulate. Their excitement will be eloquence enough.

Identify the most common questions or objections and be prepared to respond to them. Figure out ways to persuade your managers to hear the quality leaders speak. Compile success stories. Prepare them in a "picture book" format that is easy to follow and loaded with graphics. Ask the resisters to help out on some quality activity.

The onion patch transformer must keep in mind that his or her efforts should always be geared to getting the attention of top management, educating them, and making believers and champions of them. Without their eventual buy-in, all of your transformation efforts will wither on the vine.

Change by edict and coercion has many inadequacies. Top-down orders can get ignored, sabotaged, or dissembled in a thousand ways. In an authoritarian organization, much of the creativity goes into designing ways to circumvent authority. Furthermore, coercive methods of introducing change reinforce the chain-of-command concept of the organization. The implicit message to the organization is, "All ye who enter, take off your brains and put on fear." You will need creative, thinking people in a quality organization. Don't coerce them into a change.

People need to feel included in the decision to change. At least they need to be presented with the rationale for change. Their needs, fears, desires, and concerns about the change deserve to be listened to, responded to, and accommodated whenever possible.

Sometimes change is uninvited and unavoidable. When all or part of the organization has change imposed on it, its people are likely to undergo some transitional stages similar to those experienced by people near death. Elizabeth Kubler-Ross has identified those stages as follows:[20]

- Denial: this crisis, too, shall pass away.
- Anger: why should I change? Let someone else change!
- Bargaining: can't we work out some compromise on this?
- Fear: I don't know if I can handle it. What will become of me?
- Resignation: okay, let's go ahead.

An organization's leaders should be sensitive to these stages of transition and help people through them. Active listening is a powerful method. Help them bury and mourn the past and then get on with the future.

When possible, organization change should be planned and treated like a courtship—with a mixture of gradualism and surprise. For example:

- When some facet of the change represents a very different way of behaving, allow people time to warm up to it and experiment with it. Give them time to be inelegant and make mistakes.
- Plan change in increments of gradually increased risk or adjustment. Help the organization stretch itself, but not too much at a time. A localized implementation of some innovation may be easier to undertake than a widespread implementation. Something approached as a temporary experiment may be more acceptable than a permanent change.
- Look for visible signs of the old order and replace them with symbols of the new order. A shift of symbols can help facilitate a shift of vision, policies, systems, and processes.
- Woo the undecided movers and shakers and the formal or informal leaders. Woo here means to spend time listening to them. This is time spent not exhorting them to support the change, but listening to what concerns they have in general. Don't focus only on concerns related to the proposed change. Listen actively.[21] Learn if any of their needs might be addressed by the proposed change or if the change might be adjusted to accommodate their concerns.

Efforts to implement change should be "anchored." Anchoring means that individuals or groups directly involved in innovative activities should be surrounded by a network of others involved in similar activities. There must also be services that offer support and guidance to the innovators. Without such anchoring, the innovators will more likely feel isolated, as if they are floundering or inadequate. For example, imagine a project team assigned to study and improve a process. Rather than allowing it to function in isolation, have it report to a team of

managers who can support and advise the project team. This creates several levels of anchoring, i.e., reinforcement. The connection here is not to a single manager, but to a team of managers, each reinforcing the other and all of them reinforcing—and being reinforced by—the project team. Thus, several people are engaged in growth, change, and improvement and each supports the other in that effort.

The project team will need technical assistance, particularly in project planning, team management, and the scientific approach. Therefore, a technical adviser is assigned to coach the project team and the managers.

There are several advantages in having more than one task force or project team operating at a time. Project teams can learn from each other and share some training. Concurrent projects can also create challenge and mutual support. Each group is anchored to other groups through occasional contact and interaction.

With such a well-connected network of activity, those involved in implementing change will not feel isolated and floundering. They will feel part of a common effort of learning and change. Checks and assistance are available if a group should falter. Meanwhile, overall progress can be maintained.

The more profound, comprehensive, and widespread the proposed change, the more absolute is the need for deep understanding and active leadership by the top managers.[22] Leading the transformation cannot be delegated by the top manager. Without the active leadership of top managers, efforts at profound change may flourish for a while, but they will not last. Without the active leadership of top managers, many of those in the second echelon of leadership will wait for some indication of lasting direction. Thus the effort to change will have passive, shallow, tentative support. Such efforts will be displaced by other priorities and will be vulnerable to activities that contradict the goals of the proposed change.

References

1. W. Edwards Deming's 14 Points represent basic principles for the management of quality. See his *Quality, Productivity, and Competitive Position* (Cambridge, MA: MIT Center for Advanced Engineering Study, 1982). Two excellent commentaries on Deming's 14 Points are available: Howard and Shelly Gitlow's *The Deming Guide to Quality and Competitive Position* (Englewood Cliffs, NJ: Prentice Hall, Inc., 1986) and William Scherkenbach's *The Deming Route to Quality and Productivity: Road Maps and Roadblocks* (Washington, DC: CEEP Press, 1986). See also Kaoru Ishikawa's *What is Total Quality Control? The Japanese Way* (Englewood Cliffs, NJ: Prentice Hall, Inc., 1985), especially chapters 2, 3, and 5. Myron Tribus and Yoshikazu Tsuda in *The Quality Imperative in the New Economic Era* (Cambridge, MA: MIT Center for Advanced Engineering Study, 1985) present an excellent overview. Finally, a list of quality guidelines may also be found in H. James Harrington's *The Improvement Process* (New York: McGraw-Hill, Inc., 1986).

2. For both guidelines 1 and 2, see W. Edwards Deming's *Out of the Crisis* (Cambridge, MA: MIT Center for Advanced Engineering Study, 1985), pp. 167-182, and Ishikawa, *What is Total Quality Control?*, chapters 3 and 10.

3. The authors are grateful to W. Edwards Deming for this addition to the guidelines for quality.

4. For guideline 4, see Ishikawa, *What is Total Quality Control?*, p. 20; Gitlow and Gitlow, *The Deming Guide to Quality and Competitive Position*, chapter 5; Harrington, *The Improvement Process*, pp. 135-154; and Tribus and Tsuda, *The Quality Imperative*.

5. For guidelines 5 and 6, see Deming, *Out of the Crisis*, pp. 24 ff. and Ishikawa, *What is Total Quality Control?*, pp. 90-94 and chapter 7.

6. For "vision" and "values," see Warren Bennis and Burt Nanus, *Leaders* (New York: Harper & Row, 1985), pp. 87-106. See also Gitlow and Gitlow, *The Deming Guide to Quality and Competitive Position*, pp. 18 ff. on mission statements, and Harrington, *The Improvement Process*, pp. 24 ff.

7. Deming, *Out of the Crisis*, pp. 77 ff.

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10. For more on organization culture, see J.M. Juran, *Quality Control Handbook* (New York: McGraw-Hill, Inc., 1974), section 7, pp. 24 ff.; J.M. Juran, *Managerial Breakthrough* (New York: McGraw-Hill, Inc., 1964), chapters 5 and 9; and Ishikawa, *What is Total Quality Control?*, pp. 112 ff. Deming, *Out of the Crisis*, discusses fear on pp. 59-62 and barriers on p. 62.

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19. Peter Brill and John Hayes, *Taming Your Turmoil: Managing the Transitions of Adult Life* (Englewood Cliffs, NJ: Prentice Hall, Inc., 1981).

20. For an application of Elizabeth Kubler-Ross' teachings, see *QC Practitioner*, December 1986.

21. An excellent resource for active listening is Thomas Gordon, *Leader Effectiveness Training* (New York: Bantam, 1980), pp. 55-74.

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24. Tribus is an excellent source for this purpose. The MIT Center for Advanced Engineering Study has published several excellent papers by Tribus.

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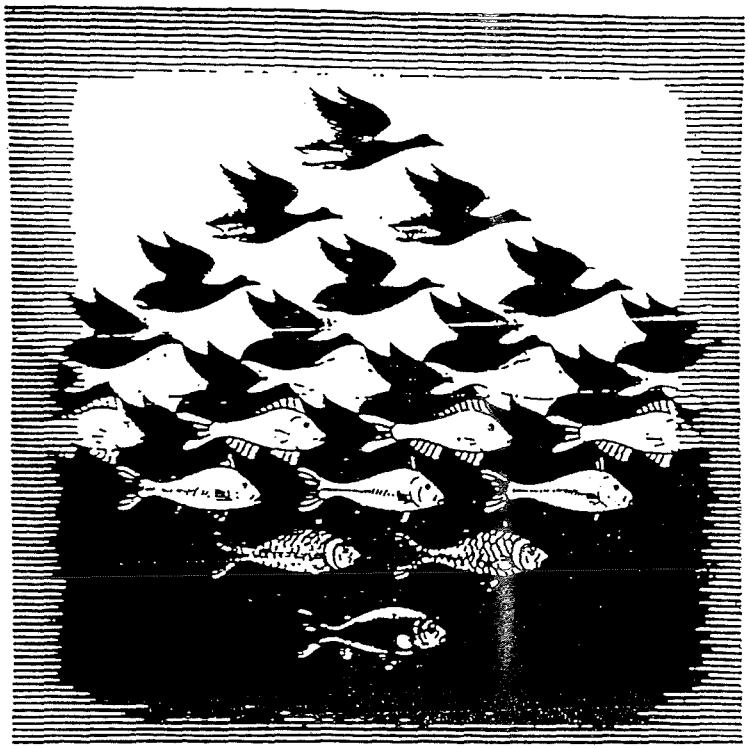
Coming in August: Part II of this two-part article will discuss the initiatives and activities for translating basic principles into a strategy for transformation.

Six Strategies for Beginning the Quality Transformation, Part II

It is the manner of the boll weevil, not the bulldozer, that best leads to change.

by
Peter R. Scholtes and
Hoora Hacquebord

LAST MONTH, SCHOLTES AND Hacquebord described basic guidelines for achieving quality and organizational change. In this issue, they explain ways to apply those guidelines to the process of achieving a quality transformation.[1]



1. Top managers learn to become leaders, exemplars, and teachers of quality.[2]

Top managers lead as individuals and as a group. As a group, they are the steering committee of the transformation. They plan and strategize. They select targets and priorities. They are instructors of and promoters for transformation.

As individuals, top managers:

- develop a noticeably different manner in working with their co-managers and direct reports. They seek to improve a system, instead of seeking someone to blame. They listen and try to mutually solve problems, giving fewer orders. They seek more data and analyses, depending less on fiat and guesswork. And they aren't as hurried, taking more time for precision and care.
- learn to see themselves as suppliers to a variety of internal customers whose needs and expectations they will learn to identify, meet, and exceed over and over again.
- become instructors in seminars and presentations to employees on the quality effort.
- continuously seek more resources on quality for their own education. They also recommend books, articles, seminars, videotapes, etc., to others to deepen their understanding of quality.
- continuously seek new ways to integrate the quality efforts into all existing corporate activities, such as planning, reviewing budgeting, marketing, and key reports and presentations.
- are increasingly inclined to ask for data when discussing work with others in the organization.
- identify symbols of a chain-of-command organization (parking facilities, eating facilities, dress codes, etc.) and change them to reflect a new outlook. Managers find various visible signs of a new way.
- spend some time listening to a variety of employees at every level. Managers learn about employees' concerns and observe, without judgment, what they do in their jobs. Managers must understand what is involved in the execution of their employees' work and what gets in the way of good work.
- actively listen to people's resistance to transformation, helping them to let go of the past and understand and accept the new way.
- meet with groups of employees, listen to their reactions and suggestions, and follow up immediately when possible.
- promote and are directly involved in creative ways to build bridges between employees and customers. Managers should bring customers to the employees and take employees to the customers.
- learn to practice quality audits.[3]

2. Managers establish improvement projects that are carefully selected and guided by managers, conducted by cross-divisional teams using the scientific approach, and coached by technical advisers.[4]

Each phrase in this strategy statement is worth looking at closely.

Improvement project: A carefully planned and directed effort to achieve a major permanent breakthrough, resulting in a measurable betterment of a product, service, or process. The results may involve the solving of a problem, the reduction of costs or wasted material, reduction in required time, reduced errors and rework, less variation, etc.

Carefully selected: Because they are part of an introductory phase, these projects should be almost certain successes. They should ideally have the potential for high visibility or a big dollar payoff, or should involve a change that will affect customers directly and please them. The first projects should focus on very specific tangible improvements to a clearly limited and defined process (e.g., reduce late deliveries of product X or eliminate product spillage in the bagging operation).

Established by managers: To encourage managers to pay attention to early transformation activities, learn from them, and personally oversee them, the efforts must involve matters about which the managers have some genuine concern. Nevertheless, managers are encouraged to solicit project suggestions from the work force.

Guided by managers: The project teams engaged in the day-to-day conduct of this project meet regularly (approximately monthly) with a team of managers that is responsible for guiding the project. The managers are usually the same ones who established the project. The monthly meetings allow the managers to make suggestions, to support the project team, and to make those decisions that only they may be authorized to make. Managers also learn about a company process and what is involved in process improvement—and why lasting improvements cannot be rushed.

Conducted by cross-divisional project teams: The leader and members of the project team are appointed by the managers. The team's membership represents people whose jobs bring them in contact with the process under review. The team membership may cut across divisional lines whenever this is necessary for a representative team. Project teams may also draw from different levels of the hierarchy when that is suggested by the scope of the project. Ordinarily the project team should not exceed six members (not including technical advisers).

Using the scientific approach: A scientific approach to improvements is one based on reason, logic, analytical problem solving, and the use of data. This is an important part of the quality improvement effort. It is not enough for a project team simply to agree on some conclusion, for example, on the cause of a problem. They should also have carefully accumulated data to support that conclusion.

Coached by technical advisers: Technical advisers provide assistance to the team in two basic areas: facilitation or organizational development skills (helping them plan their project, conduct good meetings, and develop themselves as a team) and engineering and statistics (to guide them in the scientific approach and help them gather and analyze data, and solve technical problems). Technical advisers attend each meeting of the project team and provide training to the team as needed.

The progress and final results of projects should be presented, since the projects are meant to educate and inspire as well as make improvements. The project team members should present their results to various groups of managers and employees. Each team member should participate.

One caution on improvement projects: project teams are so powerful and successful that they create a hazard. Managers can be seduced by projects into the belief that transformation consists of an endless succession of projects and teams. Projects are also attractive to some managers because projects don't demand much of them. A project should be viewed as an excellent improvement tool, a fine team-building mechanism, and a wonderful educational device. But projects are not transformation. By themselves, 10,000 successful projects will not transform the company into a quality organization or its managers into quality leaders.

3. Top managers engage in quality transformation planning starting with a two-year blueprint for preparation, start-up, and early expansion.[5]

This blueprint is important for what it encourages and also for what it implicitly discourages. It encourages a specific strategy. Thus, it discourages a haphazard, play-it-by-ear approach to implementing quality. It encourages that the planning be done by top management. Thus, it discourages delegation of planning efforts downward in the organization. It encourages looking ahead for two years. Thus, it discourages short-term commitment and a search for instant solutions. It encourages targeted efforts. Thus, it discourages an everywhere-at-once approach.

The two-year blueprint addresses such questions as:

1. What strategic issues should be considered in the selection of the first efforts? For example, should areas where there is high visibility be selected? Greater possibilities for [illegible]or gains? Receptive key personnel? Critical need? Greater c[illegible]s of success? Congruence with other corporate plans? Natural lead-ins to future expansion of the quality implementation effort?
2. Who will be the point person coordinating the implementation in the targeted area? How will he or she be prepared for the responsibility? What kind of ongoing development will he or she receive?
3. What preparation will the managers, supervisors, key staff people, and union representatives in targeted areas receive?
4. What specific activities will the top managers undertake in the targeted area? How will they be prepared for this involvement?
5. How can top management help appropriate middle managers and supervisors to understand, support, and lead this effort in their respective areas?
6. Who will provide technical assistance in each targeted area? How will they be trained? How much of their time will be made available to improvement efforts?
7. What will be monitored in these efforts so that it becomes a learning experience whereby performance can be improved?
8. What are the secondary targets? How might these new targets be prepared?

4. Managers establish processes for the internal coordination, oversight, and technical training and assistance needed to support all quality improvement efforts.[6]

Transformation can't be done haphazardly. Someone must oversee the scores of logistical, administrative, and [illegible]ory processes involved in implementing quality. Someone [illegible]:

- advise managers, helping them keep sight of the big p[illegible]re and the long-term vision.
- help managers assess the effect of various transformation efforts to determine what is effective and necessary so that the right things are being done and are being done successfully.

- keep track of various improvement efforts: assess needs: coordinate any centralized training.
- coordinate the deployment of in-house technical resources and provide for the continuous education of these resources.
- arrange for seminars and workshops for managers: arrange for managers and others to be presenters and instructors for various workshops and seminars.
- provide technical assistance to the project teams and others engaged in improvement efforts: assist in establishing and educating teams and managers to oversee the project teams.
- provide orientation to new managers and other key participants.
- maintain a library of information resources and training materials.
- coordinate publicity for the transformation efforts, such as newsletters, professional journals, trade publications, and local media.

The structure of this coordinating function should begin modestly and evolve modestly just ahead of any planned expansion. It should never become a quality empire. In the beginning, it may be one person, an implementation coordinator. This implementation coordinator should report to the chief executive officer. The implementation coordinator must be a capable leader and have a solid understanding of Deming's teachings and statistical principles and perspectives. Eventually this coordinating function may expand into a small staff that includes a statistician and an organization development specialist. Depending on the size of the organization, there may be satellite coordinating units as well. The coordinator may have a dotted-line relationship to people designated as local-site coordinators or technical advisers. Above all, this coordinating function must never be seen as a unit assigned the responsibility for quality transformation. That responsibility belongs to management. Rather, the coordinator function is a resource providing support services to managers.

5. Managers undertake specific efforts to change the organization's culture to one more supportive of total quality.[7]

An organization's culture is the result of the day-to-day, on-the-job experience of the mass of employees, i.e., What is it like to work here? The collective answer to that question and the following questions will describe the company's culture:

- What survival instincts does one need to develop here?
- What are the unwritten rules—the code of conduct—for the informal organization?
- What are the organization's taboos, sacred cows, clubs, cliques, rivalries, myths, and lore?
- How does working here differ from working at another company in the same business?

Managers, therefore, might well ask questions such as: How does the individual employee feel about working here? How do employees feel about the company? About their respective work groups? About their individual jobs? These questions are important, not because the purpose of a company is to make everyone in the company feel good, but because employees who dislike their jobs, their work group, and the company itself are not ready to join in an unending pursuit of quality. Their trust and cooperation must be earned. Figure 1 describes the combination of factors that constitutes the "quality corner."

If managers are to understand and change the organization's culture, they must learn other things from employees: what quality problems do the employees experience, what stands in the way of pride of work, what stands in the way of teamwork, what would help them feel more a part of the company?

The way to learn employees' answers to these questions is simply to ask them. Managers should conduct focused discussions among relatively small groups; a facilitator can help plan and conduct these sessions. In these discussions managers should also ask what they as managers can do to eliminate fear and barriers, encourage a spirit of closeness to the customer, encourage a common commitment to the scientific approach, and encourage commitment to constant improvement. Sometimes, just the fact that managers are willing to ask these questions and listen to employees' responses can begin to change the culture.

Along the same lines, managers should initiate a review of the company's employee manual, asking:

- Do any of the policies suggest the old concept of the organization?
- How might these policies be changed to complement the new view of the organization?
- Do any policies suggest distrust or disrespect of employees? How might these be replaced with more trustful and respectful policies?
- How can management create a level of pride and respect that will eliminate the need for paternalistic regulation?

Finally, there are three important cultural values that managers should promote within the company. Specific initiatives should be planned in three areas: close to the customer, scientific approach, and constant improvement.

Close to the customer. Managers in every part of the company should organize activities and events that help bring employees and the paying customers and ultimate users together. Managers should help all employees see the customers as real living, breathing human beings who actually purchase, use, and care about the product (e.g., bring in a panel of customers to discuss ways of improving the product or service). These activities should lead to developing planned, institutionalized systems for routine customer feedback.

The scientific approach. Part of the company culture should include a polite impatience with guesswork, shooting from the hip, and opinions offered as fact yet unsupported by data. This shift from guesswork to good data must begin in the highest levels of the company.

Constant improvement. Managers should set an example of constant improvement and recognize those employees who are constantly trying to improve the system.

Activities focused in these three cultural areas tend also to create teamwork. These efforts also reduce fear and barriers and encourage pride in one's work, work group, and indeed, the entire company.

In all of these improvement efforts, managers should employ a sequence of phases that the Japanese call the Deming Wheel and Deming calls the Shewhart Cycle[8]:

Plan: Consider as carefully and thoroughly as possible what you will do and how you will do it. Use data whenever possible in your analysis of the situation. Identify the key factors for success and determine how you will measure the effect of your effort.

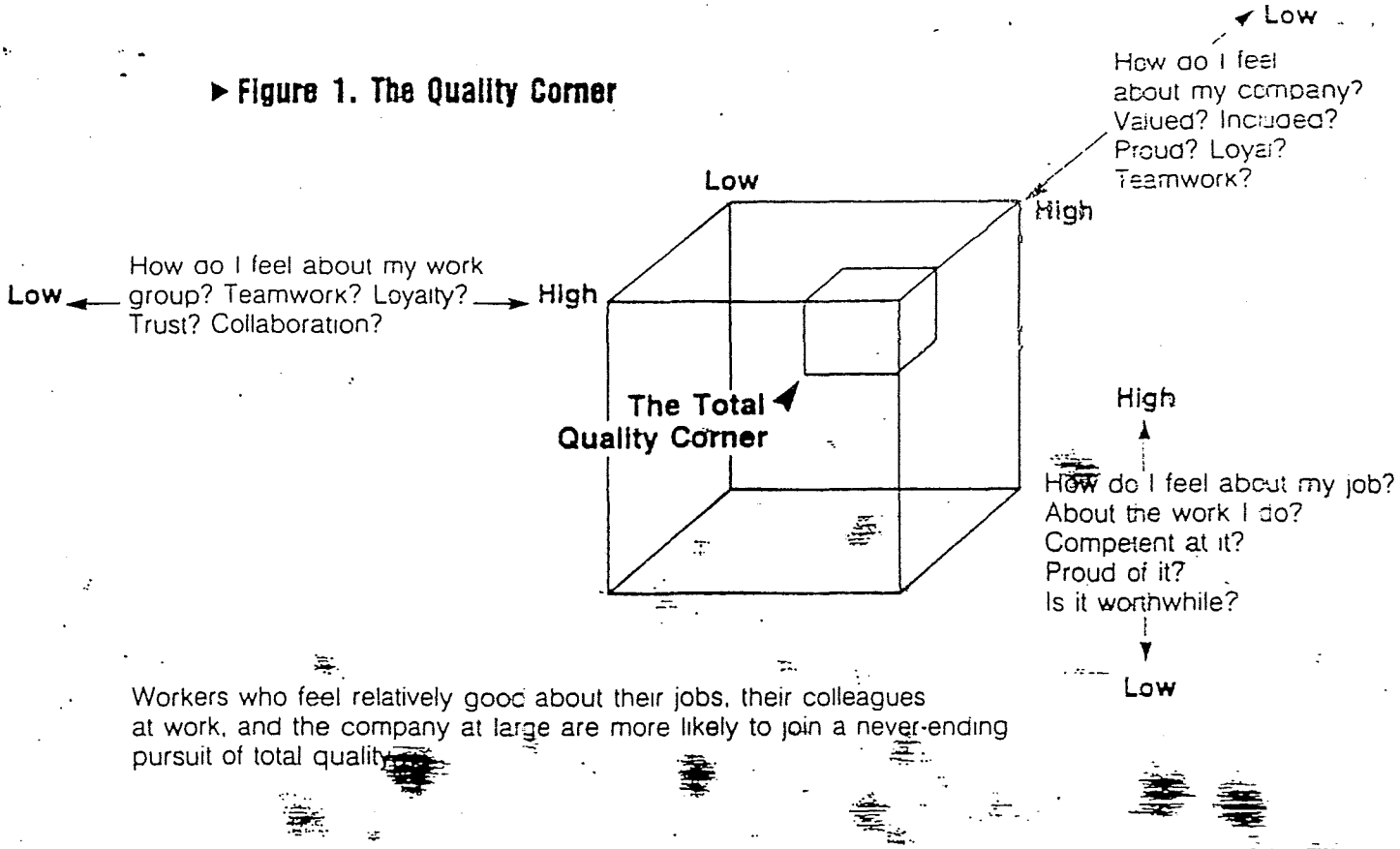
Do: Carry out your plan.

Check: As you implement your plan, monitor and evaluate your efforts. Identify areas for improvement.

Act: Incorporate the improvements into your efforts and continue the effort.

Plan: Reconsider what you are doing. Continue the cycle.

▶ **Figure 1. The Quality Corner**



This cycle should become a constant impetus to improve. Every activity can be subject to the cycle and, eventually, every activity should be.

It is worth noting that management by objectives and performance standards work against a quality-supportive organizational culture.[9] Objectives and performance standards focus on individual performance when the individual can seldom control the system within which he or she must work. They attribute to an individual the work of the group and the system as a whole. People become victims or beneficiaries of normal variations built into the system.

The needs and opportunities for systematic improvement are far more profound and pervasive than any performance appraisal system can possibly accommodate. One must usually choose, therefore, between real system improvements or superficial accomplishments as described in performance objectives.

Performance appraisals are seldom fair, objective, and educational. Given the myriad problems with performance evaluation systems, managers should explore realistic alternatives. Whatever new system emerges, it should allow for legitimate, useful feedback to employees, only on those efforts over which they have true control. The system should encourage teamwork and pride, and recognize constant improvement.

8. Education and training.[10]

The Japanese are fond of saying that quality "begins with education and ends with education."[11] As important as training and education may be, however, these areas also represent a hazard. It is fairly common for a manager to arrange for lots of people to be trained and then wait for results. Such training in quality approaches will be utterly wasted without top management's leadership, planning, and an internal network of coordination, oversight, and support.

These are some of the types of training and education n. -d to support the quality efforts:

Technical training related to specific job skills. Everyone should have a mastery of the technical skills needed to do his or her job. Everyone with an identical job should do it consistently, eliminating variation from worker to worker.

Systems orientation for all individuals and groups. All employees should understand how their jobs fit into the system, who their internal suppliers and customers are, and how their work affects the final product or service delivered to the outside customer and user.

New technical and maintenance skills. Technical knowledge and skills previously reserved to technicians (for example, engineers and maintenance personnel) should be gradually transferred to operators. Technicians should be viewed as instructors for the hourly workers. In turn, the knowledge and skills of the technicians should be upgraded. The goal is to elevate everyone's level of technical competence.

Basic orientation to quality. This includes presentations on such topics as the history of the quality movement, the essentials of quality and transformation, the organization's approach to transformation, and the plan for transformation. These should be taught to everyone at an early stage of the transformation effort.

Technical adviser training. Early in the implementation of quality, an organization should begin developing an internal network of personnel that is capable of providing consultation and technical assistance to those engaged in improvement r s. These individuals know the basic tools of the scientific app. ch, the skills of project planning and management, and the s of team development and meeting management. The tec. al advisers also know how to teach these skills to others.

Basic improvement skills. Gradually everyone in the organization should learn: how to plan and manage an improvement

project: how to work in groups: how to plan a change: the basic scientific tools: and how to gather data to determine the sources of problems and variation. (These skills should be taught to employees as they need them. We call this just-in-time training and see the technical advisers as the main suppliers of this training within the organization. Mass training of employees in the improvement skills is, in our judgment, a substantial waste of time and resources.)

Quality leadership: education, training, and development. Managers, key staff, superintendents, and supervisors at every level will need help in understanding quality and how to lead the transformation. They will need to understand their new jobs as redefined within the new view of the organization. They will need to learn new skills, such as planning, group and meeting management, and inquiry skills.

There are three areas that leaders should study from the beginning and understand deeply. First, they should study Deming's teachings. Second, leadership study should focus on variation. Managers who do not understand variation cannot manage effectively. One cannot appreciate Deming's teachings without an understanding of variation.[12] The third important area of management study is statistical thinking and the use of data. Statistics is not just a collection of mathematical tools. It is a way of thinking, a method of judgment and discernment that requires a perspective not commonly shared in everyday life. The right statistician can be an invaluable resource to help managers understand variation, the statistical perspective, and Deming's teachings.

Education and training must be a pervasive effort in the transformation. Early planning for transformation should include the beginning training and education programs and how these will expand and be followed by other programs.

The transformation to a quality organization is a complex, difficult undertaking. The way to go about it is not in the manner of the bulldozer; rather, you can accomplish transformation in the manner of the boll weevil: patiently and persistently, inch by inch and row by inexorable row. Convert one process after another, eliminate one barrier after another, strive for constant improvement and continuous education. Develop a pace of change that doesn't overextend your ability to coordinate and support.

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8. See Deming, *Out of the Crisis*, p. 88, and Ishikawa, *What is Total Quality Control?*, pp. 17, 59, and 93-94.

9. For more on this, see Deming, *Out of the Crisis*, pp. 70 ff. and 101-120. Andrew Grove, *High Output Management* (New York: Random House, 1984), chapter 11, has some interesting comments on motivation and feedback that are directly related to this issue.

10. For good basic references on education and training in a quality organization, see Deming, *Out of the Crisis*, pp. 52-54 and 86; Juran, *Quality Control Handbook*, section 17; Ishikawa, *What is Total Quality Control?*, pp. 37 ff.; Gitlow and Gitlow, *The Deming Guide to Quality and Competitive Position*, chapters 6 and 13; William Scherkenbach, *The Deming Route to Quality and Productivity: Road Maps and Roadblocks* (Washington, D.C.: The CEEP Press, 1986), chapters 11 and 12; and Harrington, *The Improvement Process*, pp. 98 ff.

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Total Management, Not Total Quality Management

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Part I: "The Quality Problem is Real." Hospitals fail because of management. This failure is primarily a result of a lack of a total management (TM) approach. This leads to a crazy quilt of individual add-on programs and projects which struggle to survive in a management climate of constant crisis and reactivity. Worthy initiatives like total quality management (TQM) are at high risk in such organizations and run the risk of failure.

Part II: "The Need for Total Management." In order for quality improvement efforts to succeed, there must first be a reorientation of the organization's management approach and culture. What is needed is organization development which reorients the hospital to TM. This New American Hospital creates the foundation for specific change tools such as TQM.

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The following article is a partial reprint of "Total Management, Not Total Quality Management," which appeared in the September/October issue of the Journal of Quality Assurance, *Volume 12, Number 4, pp. 26-29. Due to a faulty facsimile transmission of the article, a portion of the material was omitted.*

Part I: The Lack of Quality is Real

Hospitals continue to be buffeted by the need to adapt to market requirements and the new economic realities. The major message is that the very organization itself must change. It is "do or die" time, and the continued failure of a number of organizations suggests that more dying than doing is going on.

Nowhere is this more clear than in the need to improve performance levels of quality, productivity and customer satisfaction. Yet hospitals find it difficult to meet these demands due to their inability to first change their basic capability to process change, structure new work relationships, and develop a coherent organization development approach. Hospitals do not show the adaptive and fast change capacity needed in turbulent times; the result is a disjointed effort to meet the need to change.

Lack of Hospital Quality is Real, Not Imagined

The *Wall Street Journal* reported on hospital negligence, showing yet another facet of the slow change adaptation efforts of hospital executives:

> "An important new study of malpractice found that 7,000 people died in hospitals in New York state in 1984 as a result of negligent care. The deaths were among 99,000 patients who were injured as a result of their medical care.... The study is the most comprehensive analysis yet made of the malpractice issue, and is certain to be used by policymakers nationwide to address one of medicine's most troubling problems.... 'One cannot help but conclude that the current system is failing,' said David Axelrod, the state commissioner of health. 'Without major reform, the system will continue to fail.'"[1]

It is the "system" that is failing, a system that needs "major reform."

JCAHO Is Not a Magic Tooth Fairy Answer

The JCAHO became infamous in the business community when it refused to accept allegations made in a 1988 *Wall Street Journal* story written by Pulitzer Prizewinner Walter Bogdanich, widely known for his understanding of quality assurance issues.

> "A Wall Street Journal article questioning the effectiveness of the Joint Commission on Accreditation of Healthcare Organizations in guarding patient safety has been dismissed by the JCAHO as sensational journalism. The article ... cited egregious cases of poor quality care at six hospitals. Each hospital was accredited by the JCAHO, but state and federal health officials ultimately closed three of the facilities. The article also included a list of 156 JCAHO-accredited hospitals that were cited by federal health officials for a variety of deficiencies.... The article made a series of unflattering allegations that could lead some people to question whether accreditation by the JCAHO is worth more than a condition of insurance reimbursement or state licensure."

The article suggested that the JCAHO:

- is slow to report deficiencies to surveyed hospitals;
- accredits hospitals despite quality-of-care deficiencies;
- harms consumers by keeping survey details confidential;
- is reluctant to act against hospitals because its member organizations represent providers.[2]

The JCAHO reaped a whirlwind of corporate criticism, as well as criticism within the health industry, for not dealing with the fact that accreditation is not an effective quality control device. Indeed, the whole question of why an anachronism like the JCAHO even exists needs to be dealt with by the industry as it turns to higher quality standards for the future. *The accountability for quality management lies with management, not some external group.*

This was vividly expressed by a new hospital president who took over a dying organization. He challenged his management team with these words:

> "What's all this nonsense of being in fear of the JCAHO visit? Do you mean that you're going to run around like chickens with your heads cut off to clean everything up just to pass what JCAHO itself refers to as 'minimum standards?' Then that means that we have been providing service at less than minimal levels. That's just not good enough.
>
> "We're not here to follow standards. We're here to set standards. The last thing we should be worried about is whether we can meet standards set by a bunch of outsiders who don't know what you do, and who don't have any responsibility for your patients. Let's be very clear about this. We have one standard and it applies to every department, every person, and every piece of work that we do. That standard is excellence. And anything that is less than that standard is to change, starting now."

Two years later, his hospital is rated best in customer satisfaction surveys, shows rapidly growing market share, and is giving his competitors fits. This was an example of total management (TM), not total quality management (TQM). Now the same executive is launching a TQM effort, using the preceding TM effort as a necessary foundation.

Here We Go Again: Why TQM Risks Failure

As hospitals have attempted to alter their approach to their poorly managed enterprises, they have repeatedly fallen into the trap of partial strategies and piecemeal management. TQM is the latest bandaid to be stuck on the ailing hospital corpus. TQM is but the latest entrant in the long parade of initiatives in guest relations, cost containment, quality circles, stress management, and nurse recruiting that have been tried and have failed. Unfortunately, the prognosis for TQM is no better as yet another "program of the month" that hospital managers have been afflicted with for years. Announced with much flourish, the initiative is doomed at the start. Instead of worrying about One Minute Management, we had better look at what happens the rest of the day!

Lest I be misunderstood, my dire predictions for TQM and other quality efforts do not indicate that I am against these initiatives. I am fully behind the efforts of those who seek to attack the quality problem in the systematic and organized ways that TQM represents. The gloomy prospect of failure for such an important undertaking need not come to pass if those responsible for quality improvement implement a TM concept before implementing TQM. A TM system creates the conditions that will lead to organization readiness for a full adoption of the quality agenda.

Given the substantial cost of a TQM effort, it is essential that the organization be able to capitalize on this investment. For example, it was found that TQM initiatives take twice as long to implement, require much more managerial hand holding, and experience more uneven implementation in organizations that had not undergone earlier systematic TM organization renewal. However, when TM approaches were done first, TQM became a natural outgrowth, the next growth phase of the organization's pursuit of excellence.

In gardening terms, the rule is to spend much effort on soil preparation before putting in expensive plantings. TM is the soil for successful TQM or other program efforts. In the hands of a skilled and change-oriented management team, TQM can be a productive and ever blooming process. But without TM preparation, TQM is like expensive stock delivered by the nursery just lying on the ground waiting for the orchard to spring up. The key point is: *Get the organization field ready first before planting TQM.*

Why Do Organizations Fail?

Organizations fail because of poor management. Robert Hayes' blockbuster analysis of American industries across the board showed that the failure to compete had little to do with economic, governmental, cultural or labor issues. It was primarily a failure of management:

> "The conclusion is painful but must be faced. Responsibility for this competitive listlessness belongs not just to a set of external conditions but also to the attitudes, preoccupations, and practices of American managers. By their preference for serving existing markets rather than creating new ones, and by their devotion to short-term returns and 'management by the numbers,' many of them have effectively forsworn long-term technological superiority as a competitive weapon. In consequence, they have abdicated their strategic responsibilities."[3]

Hospitals fail for the same reason: management and management systems out of control. Regina Herzlinger's analysis was stinging in "The Failed Revolution in Health Care—The Role of Management":

> "The American health care industry is sick.... Americans find services to be fragmented, impersonal, inconveniently located, and offered at unsuitable times. Then there is the quality of the care itself, which is notoriously erratic.... In response to demand and to the perceived inadequacies of the

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system ... a revolution (occurred) in the 1980s that was supposed to transform the health care picture.

"But the revolution failed.... What went wrong? I claim that the failure was almost entirely that of management, not of strategy, that the creators ... were so blinded by the vision of the dazzling new world they hoped to forge that they neglected the details of management that would breathe life into their vision. My purpose is to reorient the revolution to a second stage that will be guided by those who believe that in management, as in architecture, God is in the details."[4]

So Herzlinger sees a failing system, a needed revolution, and management not attending to its task. Specifically she accuses executives of pursuing marketing and financial strategies *instead of dealing with how the hospital actually delivered quality service*:

"While (they) were busy devising financing and marketing schemes, they missed opportunities to improve the quality and efficiency of health care in four key areas:
- administration of operations,
- management of human resources,
- management control systems, and
- the formation of a management philosophy."[5]

In short, by being too narrowly focused, by not having a TM orientation, health care executives fell into the problem pattern of a too narrow focus.

But does Herzlinger overstate the case? When one looks at the complete failure and closure of 700 hospitals, is it really fair to blame management for all the ills the industry is suffering? Wouldn't these organizations' problems have been cured by more money from a rich Washington uncle?

"Low Medicare and Medicaid payments didn't close 81 hospitals last year, a link espoused by hospital industry executives and swallowed whole by the media.... The blame in many cases should be placed on hospital executives who waited too long to respond to changes in their market.... Poor management likely was responsible for at least half of the hospital closings last year.... Despite changes in their markets, many troubled hospitals wait too long to adapt to those changes.... The hospitals hesitate to make operational changes, such as cutting costs, or strategic changes, such as altering services."[6]

No matter how much some would like it to be otherwise, the buck stops on the executive desk. In that light, would TQM have been a sufficient prescription to keep these hospitals alive? Can a quality emphasis make up for executives who aren't aggressively making a host of other changes, both in terms of external offerings to the market and internal changes in how things are done? Is there a risk that TQM will be seen in presently struggling hospitals as a panacea, the late-arriving organization savior campaign?

Part II: The Need for Total Management

The Birth of the New American Hospital

Can new wine be put in old bottles? The old American hospital is so causative of its own problems, so discredited in its management approaches that it will no longer work as a delivery system for organization growth and achievement. Nothing less than its death and complete replacement will allow for the needed changes which the market now requires. The needs for 21st century health care will not be delivered by a management system borrowed in the 1930s from American industries which have long been slain by smarter approaches to managing work, serving customers, and releasing the power of the organization's people.

What is needed now is a New American Hospital. The New American Hospital is as unlike the old as to be almost unimaginable by executives of an earlier era who have stayed too long in the game. The birth of the New American Hospital is being led by a new breed of executive whose primary contributions are a new set of assumptions and the committed energy to carry them out. Those assumptions are that the customer is king, that associates ("employees" or "FTEs" in old hospital terminology) have the brains and will to deliver what the customer requires if they are empowered, and that the first piece of business is to completely change the organization by going to a TM approach.

What is Total Management?

Management has been defined as getting things done through other people. TM specifies that getting the *right* things done is even more important, and those right things are the Key Result Areas (KRAs). Unless all of the KRAs are accomplished, the manager has not succeeded and the organization will fail. The KRAs are:

- Customer satisfaction
- Quality
- People growth
- Organization climate
- Innovation
- Productivity
- Economics

All the KRAs are important, and all must be achieved. In terms of importance, customer satisfaction is the primary KRA, with quality being a close second—the customer simply doesn't want junk. Quality, as we know, is mainly defined by the customer in terms that are always personal, sometimes irrational and idiosyncratic, but always real. The provider's view of quality can be added to the customer's but it needs to be considered secondarily. TQM efforts that put technical service requirements ahead of customer-defined needs have already violated the TM approach and will face the wrath of customer resistance energy, as well as line management apathy.

To be able to focus on quality efforts alone would be nice, but the hospital is not a program, it is a continuous functioning mechanism that has to be managed in its totality. Quality concerns can be adequately addressed only when the hospital is managed correctly by seeing the wholeness of achieving the total KRA list. Can quality ever happen if people growth does not? Can quality flourish if customer service does not? Can TQM work in an organization if economics and productivity issues are not addressed? Can an organization with little in the way of innovation and new idea flow be successful

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not as worthy. Hospitals are segregated societies; you can see it in the cafeteria where the green, white, and gray uniforms never mix. On the other hand, the project manager who can see beyond the limits of his little program is manna for his executive. Our experience with the TM implementation approach uses a number of integrating mechanisms to convince the organization's managers to play as a team, and to persuade narrow parochial interests to become a united front rallying around common terminology, concepts, techniques and values.

It is also not uncommon for the failing manager to think of change as linear, following a predetermined project flow chart and critical path. In fact, change is more biological or organic. Just as white blood cells automatically congregate around an infection germ, so do change masters allow their organization friends to congregate around issues that concern them. Rather than just attacking quality issues, a TM project might find that managers and associates attacked a quality problem first and then went after a morale issue. TM allows organization members to attack policy and authorization levels, to change the basic assumptions, and to shoot sacred cows. It is in the pursuit of all these objectives, with the flow primarily coming from the working levels, that we see an upward spiraling of organization performance.

While this free-flow and free-form TM process is broadly controlled and directed, it is non-linear. Executive empowerment and program direction provides the push energy, while dissatisfaction with the status quo keeps the process cooking. Education channels provide tools and small groups become the developmental labs. The chaos is organized, but not entirely predictable. This is not a cause for worry, as the outcome is never in doubt. Pressing ever upward, the organization begins to break into the light as instinctively as daffodils in spring. Those directing the process need to see their role as gardeners, setting up the conditions under which organization growth can occur. Growth of the daffodil occurs on its own, not at the will of the gardener. Set up the conditions for growth and the rest takes care of itself. While this is contrary to old American hospital thinking, it works extremely well in the New American Hospital where the power of the group mind is given free run. Our universal experience in every case is that the people in the organization will not disappoint in terms of the phenomenal results they achieve.

As hospitals wrestle with the need to improve quality, they need to focus primarily on the need to create an organization that understands TM as the foundation for all other improvement efforts. This means that first a management plays like a team and then sets to work to clear away the old American hospital underbrush in preparation for excellence in KRA accomplishment. The exciting news is that TM is now working in numerous American hospitals, and a way out of the crisis is at hand.

Recognize the Practical Limits of the Business

Typically quality management processes have been approached on an organization-wide basis. This might be a good idea but a terrible change strategy. Hospitals have limited staff time and expertise. It must be recognized that the benefits of quality improvement, especially those that seek process refinements, will yield the greatest return in high volume areas where routinization and repetition multiply greatly the smallest improvements. It often does not make sense to roll out certain quality methods house-wide. Staff areas could be exempted, as should other departments where the work is typically non-linear, i.e. not predictably sequential. Other approaches such as work simplification may work better in these lower volume or non-interacting departments.

How should the quality initiative be inserted into the organization? Successful top executives have usually had success by inserting major program change on a department-by-department basis. Consider a pilot in an area that won't cause a major blowup if problems occur. Getting the bugs out and gaining some internal support might be a smoother way to launch wider implementation of the program. Remember that the hospital is not like a factory that can be shut down to retool. It must keep operating continuously, so do not make applications so ponderous or difficult that a failure ensues. This is not an argument to "go slow," but a caution about the need to make deliberate speed. Mesh the program into ongoing operations.

Unfortunately, too many quality experts fail to understand the need for total management (TM) and the need to manage quality in the context of obtaining results in the rest of the organization's functioning. This amateurish approach increases risks to the program and jeopardizes the outcomes that are so desperately needed. Stories that currently circulate in the industry press about quality improvement programs continue to refer to "resistance to change," "longer than we expected," and "no quick financial return." These reflect the normal difficulties of redirecting the organization, but are often symptoms of poor implementation. TM properly serves as the foundation and precursor of TQM efforts. Our experience is that where this has been done, quality programs are implemented in half the time, with more welcoming embrace from managers and much greater return than when the organization renewal phase has been bypassed.

If the organization is facing a narrow and closing time window to make change rapidly because of declining resources, stiff competition or other factors that require rapid turnaround, then a concentrated change process must be organized to support the quality effort. Total management is very heavily oriented toward these problems with a concentrated management and organization development process that creates the cultural support that will be needed for wide-scale embrace of a quality initiative. Whatever approach, the change process must cascade from the top down while simultaneously empowering associates (employees). Successful programs use a combination of managerial, political, and social techniques to bring the organization up to speed

improving its quality? And if the organization climate is sour, will people show the gusto which quality requires? Clearly, all areas must be dealt with, for their dynamic interaction is the only possible way of getting an upward racheting of organization performance.

What is needed in running any quality improvement effort is the ability to see it in terms of the complete management of the organization. An organization *gestalt* or wholeness is required, the big picture which does not view quality improvement as something that is separate from the rest of the organization's concerns, does not see the QA department's work as separate from the work of all associates nor TQM as a program that need not mesh with the rest of the organization machinery.

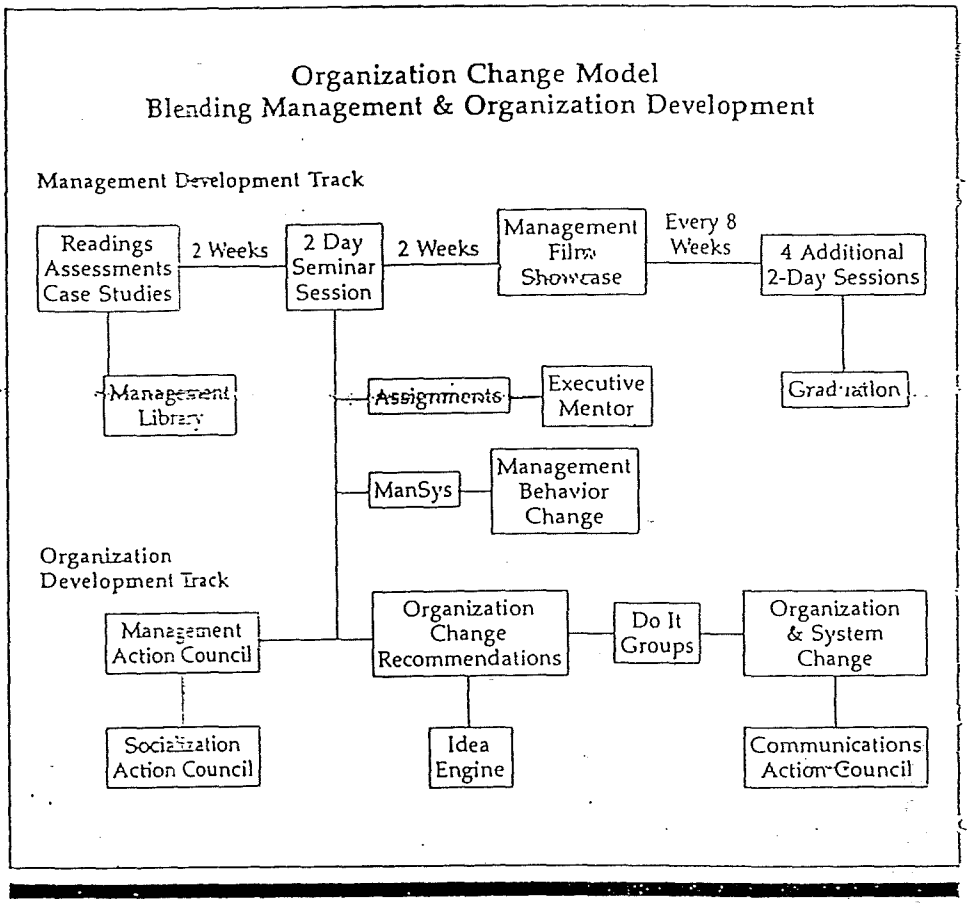
An analogy would be a football game. It is not the star quarterback that wins the game, but a team with a good offense, a brilliant defense, a great game plan, some solid execution, and a clear focus on where the goal line is. No game is won on a single play by a single player; it is won through the coordinated efforts of the whole team through many plays. There is an ebb and flow to the game, an organic wholeness of events over time that moves the ball toward a touchdown. TQM project managers who fail to control the game will see their efforts fail. The bad news is that the track record of the old American hospital's corporate culture is against quality from the start because of its disjointed, non-team orientation.

Managing Totally

My experience with hospitals involved in change efforts has demonstrated the need to first manage the systems of change. One such model that we have seen success with blends management development with organization development. The primary focus is to develop toughened managers with the tools and the heart to do organization battle and to provide the organization with opportunities for change that will yield results across all seven KRAs. This is a TM approach that highly favors quality concerns. A brief look at this model is helpful in understanding how an organization might approach TM implementation.

This model illustrates the importance of doing both management and organization development at the same time. Management development without the opportunity to change the organization is a loser. Trying to make organizations change without strengthening the managers and obtaining their buy-in won't work. Both must occur in an integrated approach.

The model also follows the general organization development rule to start at the top with executive endorsement and then to begin a communications and education campaign that cascades downward into the organization. Because the model allows for manager and associate involvement, that immediately means that their participation will lead to a broadening out of the issues these groups will want to attack. Some will want to go after quality concerns, but others will wish to attack customer satisfaction or productivity issues. Organization members do not want to follow the narrow constraints of a single program. They instinctively want to pursue their own "targets of opportunity." This is a normal multibranching of the change effort that a narrow TQM initiative or guest relations program might try to stifle. TM, on the other hand, allows for change to occur anywhere, with a primary emphasis on changing the way in which the organization manages itself. This is the great key to getting improvements across the board in all Key Results Areas.



Think Broadly, Past Program Horizons

Manager myopia has long been a major headache in organization building. Our organizations are full of managers who think only of their departments, who see only the narrow range of their job horizons. Other departments, projects, and people not associated with them are somehow suspicious, or their

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and overwhelm change resistance. Rapid change requires a high degree of change readiness which must be assessed before the onset of change and an action plan for making the quality management process work within the context of each particular organization. To be successful, the organization must:

- be in a state of organization readiness where executives are committed to change.
- develop a detailed plan of the change model.
- create a change process that will move the organization culture and systems from where they are now to their new desired position.
- build sources of dissatisfaction change energy that will fuel the change effort and energize it throughout the intensive and demanding changeover period.

The key point is that overall change management strategy is at least as important as the quality initiative to come to a successful conclusion. Assess the organizational environment carefully and do not underestimate the need for creating an action plan for change.

"It don't come easy," sang George Harrison of the Beatles. To make it come a little easier, keep a total managing perspective on quality initiatives and recognize that to manage quality requires a successful change management strategy.

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Lessons for Preventive Care

Ten years ago, very few people knew their blood pressures or cholesterol levels; today, 50 to 80 percent know these numbers. Preventive care and health screenings received great emphasis in the '80s in hospitals, industries, and medical schools. The successes and difficulties experienced by wellness programs in this decade provide helpful lessons for meeting the goals of the '90s.

In 1979, the then U.S. Surgeon General Everett C. Koop announced a ten-year plan aimed at reducing mortality rates for all ages and shortening the time that elderly people suffer ill health. The results indicate that with a little more effort all of these goals could have been reached.

Hospitals learned that wellness programs can be profitable as well as health enhancing only if they are carefully tailored to meet the needs of their communities. Business and industry have not yet fully recognized the positive impact of preventive care on productivity and healthcare costs. Societal attitudes towards smoking and drinking remain too ambivalent; while this double message continues a negative influence on healthy lifestyles will persist.

Source: AHA News. *Jeffrey*

More States, Taking a Leaf From Federal Book, Pass On Their Spending Programs to Localities

By David Shribman
Staff Reporter of The Wall Street Journal

SACRAMENTO, Calif.—Is federalism's other shoe about to drop?

For a decade, the federal government has been shifting responsibility for spending programs from Washington to the states. But now that the states themselves are financially strapped, they're looking to pass the programs—but in many cases not pass the bucks—on to the counties, cities and localities.

The great experiment—taking the principle of federalism and stretching it to its farthest point—is being tried on its greatest scale here in California, where this summer Republican Gov. Pete Wilson and Democratic legislative leaders agreed to shift more than $2 billion in welfare, mental health and medical programs from the state to the counties.

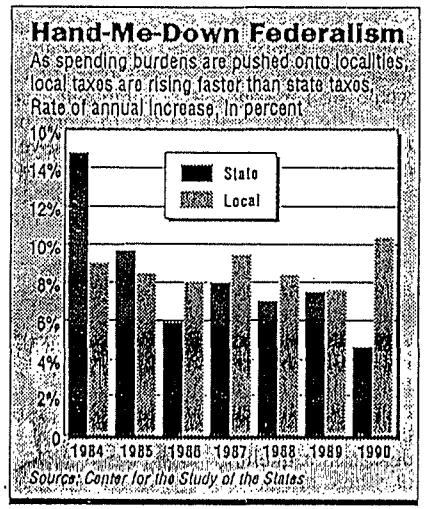
This dalliance with hand-me-down-federalism has great implications not only here but across the country, as all levels of government seek to shift responsibilities in an era when money is as short as the public's patience with big government programs. Smaller experiments in passing on programs are now being conducted in Ohio, Illinois, New York and Massachusetts.

"This is the great sorting-out period for functions of government," says Steven Gold, director of the Center for the Study of the States at the Rockefeller Institute of Government in Albany, N.Y. "There's going to be a lot more of this as we thoroughly rethink the functions of government."

And just as the states grumbled when Washington shifted programs to them, California's 58 counties already are complaining that Sacramento is dumping a huge burden on their laps just a year after the state reduced payments to counties by $709 million for health, welfare, justice and general administrative costs.

Receipts and Fees

On paper, the California shift doesn't increase the counties' financial responsibilities. The compromise calls for the counties to be reimbursed with sales-tax receipts and vehicle-license fees. "There's a great willingness on the part of Congress or state legislatures to send down the authority but not the resources," says Gov. Wilson. "We're sending both."



The problem is that hardly anyone believes that the tax and fee receipts are going to cover the welfare expenses—particularly during a recession in a state where, in the 1980s, welfare caseloads increased at a rate three times greater than the national average and faster than California's population grew.

"The whole thing is a total fraud," complains Democratic Assembly Speaker Willie Brown, one of the architects of the budget compromise. "There are inadequate resources, and the services are going to have to be severely curtailed."

Sales-tax receipts are estimated to increase by about 8%—about half as fast as health and welfare expenditures may rise. Already, counties are reporting cutbacks and layoffs as they gird for their new responsibilities.

"Now we're 100% obligated for these programs, and we'll have to dip into other funds to pay for these new health and welfare costs," says Daniel Wall, legislative representative for the County Supervisors Association of California. "It means deep trouble."

California's counties aren't alone in their woes. A New York State Association of Counties study this year showed that state mandates now account for 60 cents out of every county-budget dollar. "There's a real squeeze going on," says Edwin Crawford, executive director of the group. "We either have to seriously cut the non-mandated services, reduce our work force or raise taxes, and usually we end up with a combination of all three. In any case, it's bad, and the picture is growing steadily worse."

Medical Assistance

This year, Ohio restructured its general-assistance program for people who don't qualify for Medicaid and regular welfare, restricting the funding level and forcing counties that want to continue the programs to pick up the difference themselves. In Illinois, aid to those who cannot afford medical assistance is no longer being picked up by the state and is being shifted to the local level.

Although the states in recent years have assumed some functions from localities—New Jersey last year took over welfare, mental health and youth programs, and several states have taken over court functions—the momentum is clearly in the other direction.

"There's a real trickle-down going on," says Thomas Sherman, deputy budget director for revenue in Ohio.

Last year, at least 14 states imposed new mandates on local government, mostly in employee-pension programs, health and environment. Wisconsin's new recycling legislation put the burden on municipalities, and Delaware forced its counties to create land-protection programs. Kentucky and Colorado required counties to develop water-supply plans, while Indiana and Utah required counties to prepare solid-waste-disposal plans.

These shifts often are cloaked in philosophical explanations, with governors and lawmakers arguing that services, particularly in the area of welfare, should be delivered by the level of government that is closest to the people. But in most cases, the real rationale is money. The National Council of State Legislatures reports that three out of five states faced deficits during the past fiscal year, with state taxes going up by the largest margin in two decades.

"Money is really tight, and states are looking to cut where they can," says Marcia Howard, deputy director of the National Association of State Budget Officials.

Down the Line

The protests are moving down the line along with the programs, however. "We're at the bottom of the totem pole, so we're getting everything dumped on us," says Frank Shafroth, director of policy and federal relations for the National League of Cities. "The cities aren't prepared for it."

Here in California, counties already are complaining that the services they have to provide will cost far more than the funds they'll be receiving. "One of these days, several counties are going to file for bankruptcy," says Jeffrey Chapman, an economist who directs the Sacramento Center of the University of Southern California.

Some California political analysts, however, welcome the challenge and the discipline they hope it will impose. "These local officials are going to have to govern, and the Legislature has got to realize that it has relinquished control and it can't go in and interfere," says Laurence McCarthy, president of the California Taxpayers Association, a business-oriented tax group.

Many lawmakers in California and elsewhere believe more programs will be sent down to the local level. "It's not a 'feeding' chain because there's so little money," says David Roberti, powerful president pro tempore of the California Senate. "But it sure is a 'starving' chain."