Improve Quality – Lower Costs

Common wisdom tells us that quality costs more, but according to one of the foremost experts on quality this is not the case.

W. Edwards Deming, statistician, professor, author, consultant, lecturer, a man who made significant contributions to Japan's reputation for high quality products and its rise to an economic power in the latter half of the 20th Century, wrote extensively about how a focus on quality and the use of statistical process control actually reduces costs while providing a number of other benefits. Convincingly, his ideas and methods were proven true by numerous success stories – most dramatically the rise of Japanese manufacturing to world class status after World War II.

On page 3 of his 1982 book, *Out of the Crisis*, written as he said with the aim of transforming American management, he provides a chart that shows the logic of his methods.

- When you improve quality,
- Your costs decrease because of less rework, fewer mistakes, fewer delays and snags, better use of time and materials.
- This improves productivity,
- Which drives increased market share with better quality and lower prices,
- Which allows you to stay in business, and
- Provide more and more jobs.

He also clearly states that quality is not the job of production (or line) workers, it is the job of management. To this end he stipulates the 14 Points for Management which he describes as the "basis for transformation of American industry." They are:

1. "Create constancy of purpose toward improvement of product and service.
2. Adopt the new philosophy that comes with the new economic age. Western management must awaken to the challenge, must learn their responsibilities, and take on leadership for change.
3. Cease dependence on inspection to achieve quality. Eliminate the need for inspection on a mass basis by building quality into the product in the first place.
4. End the practice of awarding business on the basis of price. Instead minimize total cost. Move toward a single supplier for any one item, on a long-term relationship of loyalty and trust.
5. Improve constantly and forever the system of production and service, to improve quality and productivity, and thus constantly decrease costs.
6. Institute training on the job. Training must be totally reconstructed. Management needs training to learn about the company, all the way from incoming material to the customer.
7. Institute leadership. The aim of supervision should be to help people and machines and gadgets do a better job. Supervision of management is in need of overhaul, as well as supervision of production workers.

8. Drive out fear, so that everyone may work effectively for the company.
9. Break down barriers between departments.
10. Eliminate slogans, exhortations, and targets for the work force asking for zero defects and new levels of productivity. Such exhortations only create adversarial relationships, as the bulk of the causes of low quality and low productivity belong to the system and thus lie beyond the power of the work force.
11. Eliminate work quotas. Eliminate management by objective. Eliminate management by numbers, numerical goals. Substitute leadership.
12. Remove barriers that rob the hourly worker of his right to pride in workmanship. The responsibility of supervisors must be changed from sheer numbers to quality. Remove barriers that rob people in management of their right to pride in workmanship. This means abolishment of the annual or merit rating and of management by objective.
13. Institute a vigorous program of education and self-improvement.
14. Put everybody in the company to work to accomplish the transformation. The transformation is everybody's job."

While his life's work was primarily with manufacturing industries, he categorically states that the principles of statistical process control that produce quality in manufacturing and "all that we learned about the 14 points and the diseases of management applies to service organizations."

Deming goes on to compare and contrast the challenges of manufacturing a product and delivering a service. These are instructive to anyone in service who wants to improve quality. As an example he provides an observation contributed by William J. Latzko, a consultant who works with clients on quality and service:

> "One finds in service organizations, as in manufacturing, absence of definite procedures. There is an unstated assumption in most service organizations that the procedures are fully defined and followed. This appears to be so obvious that authors avoid it. Yet in practice this condition is often not met. Few organizations have up-to-date procedures. Consider a manufacturer who has full specifications for making a product, but whose sales department does not have guidelines for how to enter an order. A control on error on placing orders would require procedures for the sales department. I have seen numerous service-oriented operations functioning without them."

How does a company measure or quantify the cost of confusion, mishandled or incomplete information, time to investigate and correct errors, and customer dissatisfaction? Without well-defined procedures how can a company consistently train its workers to do quality work?

The bottom line is that poor quality and disorganization is a major driver of costs in manufacturing and service organizations. In the service industries an improvement in quality not only lowers costs but also improves service. The combination of lower cost and better service makes the business more competitive and successful in the marketplace – and isn't this the very job that management is hired to do?

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