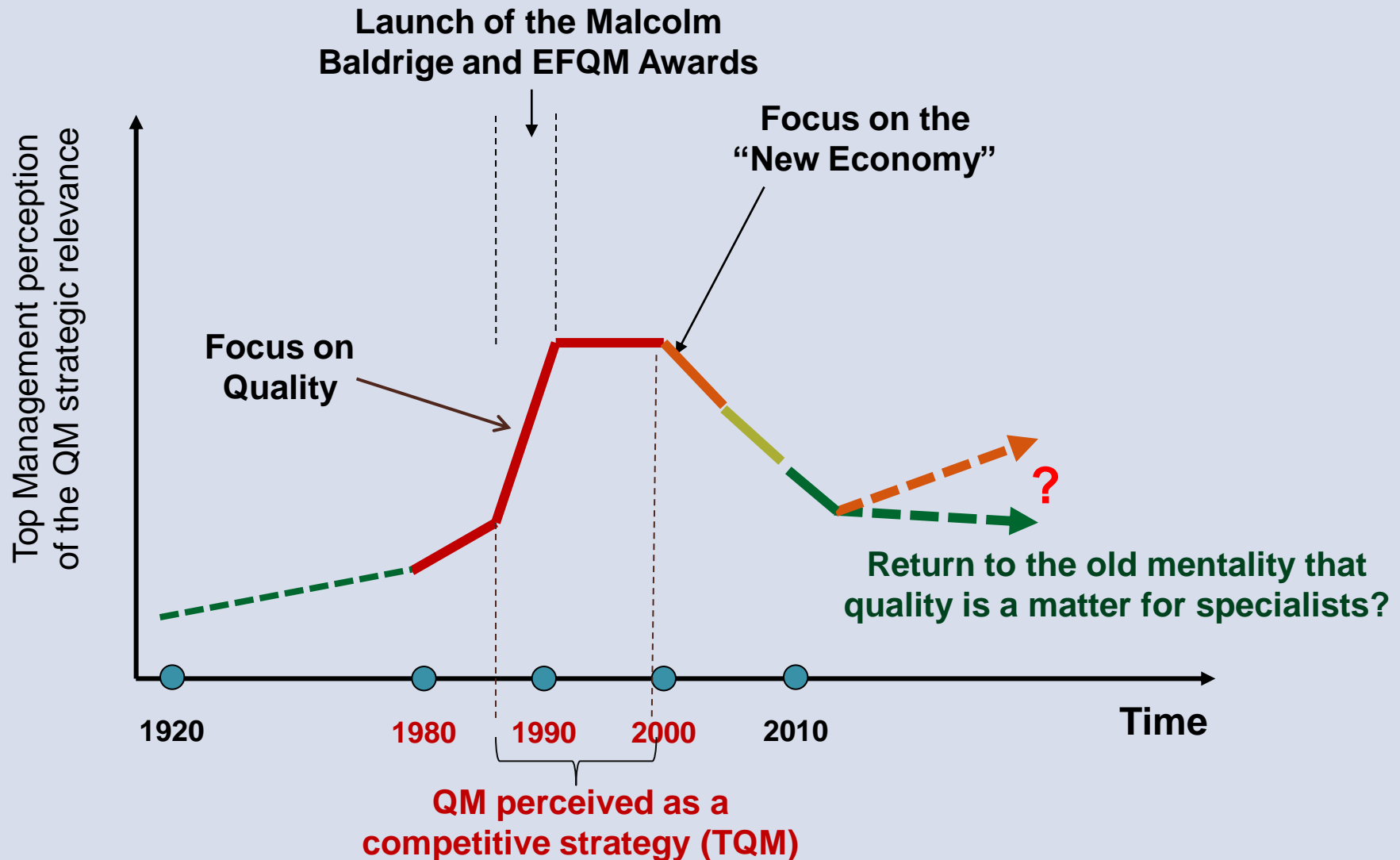# Quality yesterday, today, tomorrow

Tito Conti

20th Conference of the Slovenian Quality and Excellence Association

Portoroz, Slovenia, 10-11 November 2011
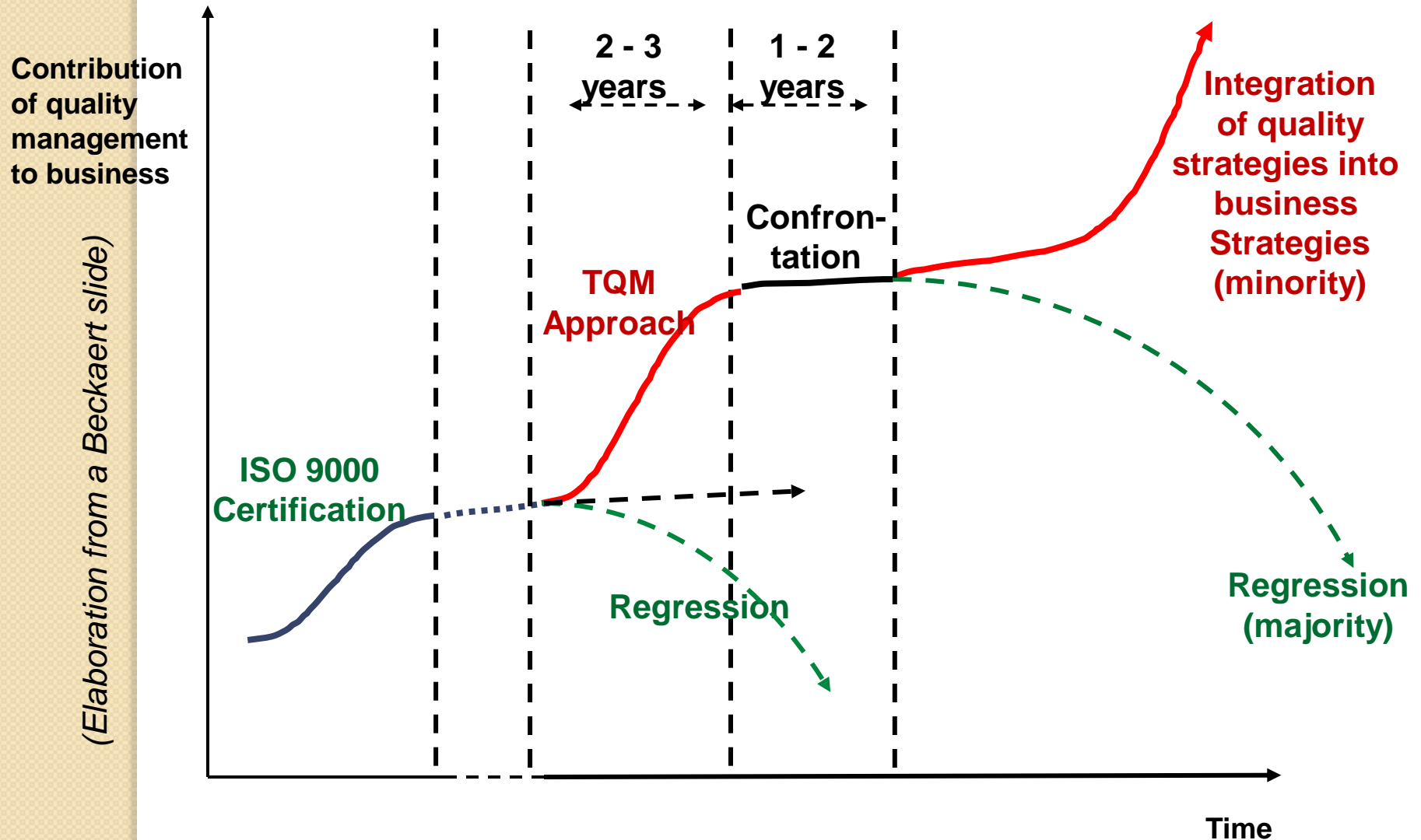
Priority of Quality Management in top executives' agenda: a strategic variable or a technical discipline that can be delegated to specialists?

Launch of the Malcolm Baldrige and EFQM Awards

Focus on the "New Economy"

Focus on Quality

Return to the old mentality that quality is a matter for specialists?

Top Management perception of the QM strategic relevance

1920   1980   1990   2000   2010   Time

QM perceived as a competitive strategy (TQM)

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What happened to quality management?

Typical evolution/involution cycles of quality in many companies

Contribution of quality management to business

(Elaboration from a Beckaert slide)

2 - 3 years

1 - 2 years

Confron-tation

Integration of quality strategies into business Strategies (minority)

TQM Approach

ISO 9000 Certification

Regression
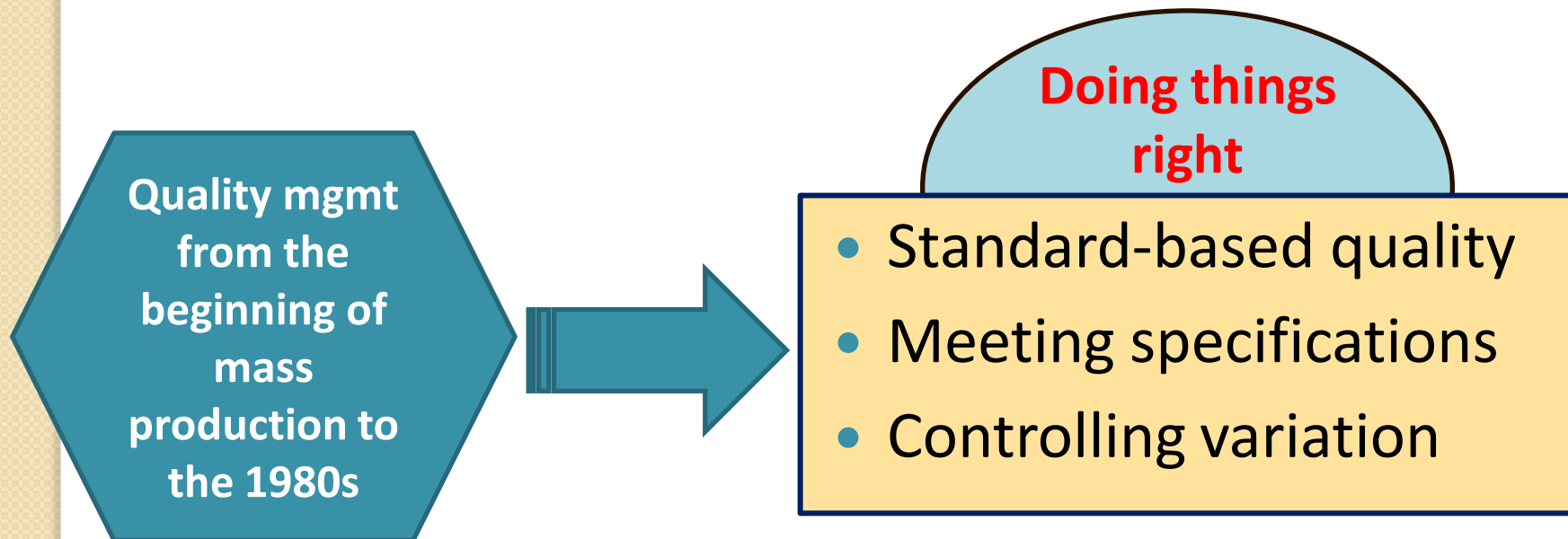
Regression (majority)

Time

Quality in industry, till the 80's

The most significant advances in Q. Management in the first part of the 20° century (till 1980), their purpose and diffusion.

MOST SIGNIFICANT ADVANCES IN QUALITY MANAGEMENT IN THE PERIOD	PURPOSE	EXTENSION OF APPLICATION
•Statistical Process Control	•Reducing variation/defects	•Wide in large enterprises, narrow in SMEs
•Internal Quality Assurance	•Meeting product specifications	•Wide in large enterprises, narrow in SMEs
External Quality Assurance	•Assuring supplier quality	•Wide in B2A relations and in the relevant sub-contractors
•Quality Audit	•Supplier capability control	•Wide in B2A relations and in the relevant sub-contractors

Note: B2A=Business to Buseness
B2B=Business to Administration
SME= Small/Medium Enterprise

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The main features of quality management in the West till the 1980s aim at «doing things right», that is: minimizing non-compliances and defects.

Quality mgmt from the beginning of mass production to the 1980s

Doing things right

- Standard-based quality
- Meeting specifications
- Controlling variation

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The quality revolution of the 80's and the «Golden Age» of quality

# The main innovations that took place in the "Golden age of quality" (1980-2000); their purpose and diffusion.

The most significant advances	Purpose	Extension of application
• TQM/Excellence Models	• Guide to sustainable excellence	• Wide at the beginning, then progressively narrowing
• Continuous improvement / PDCA cycle	• Competition through quality	• Insufficient
• Self-Assessment	• Organizational diagnosis	• Too narrow. Award-like self-assessments were preferred
• Process Management	• Effectiveness, efficiency, flexibility	• Wide in LOs, narrow in SMOs
• Quality Function Deployment	• Bringing in the voice of the customer	• Wide in LOs, narrow in SMOs
• Six Sigma	• Reducing variation, defects, costs	• Wide in large manufacturing companies

Quality management models born in the «Golden Age» of quality.

- ISO 9000 standards aimed at «doing things right». Particularly fit for SMEs. In B2B/B2A relations, ISO 9000 certification has an important role.

- TQM models were supposed to aim at both «doing the right things» (the most strategic dimension of quality) and «doing things right». In practice they were mostly used to fit the latter purpose.

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The strategic dimension of «doing the right things» is rarely assumed.

Doing things right
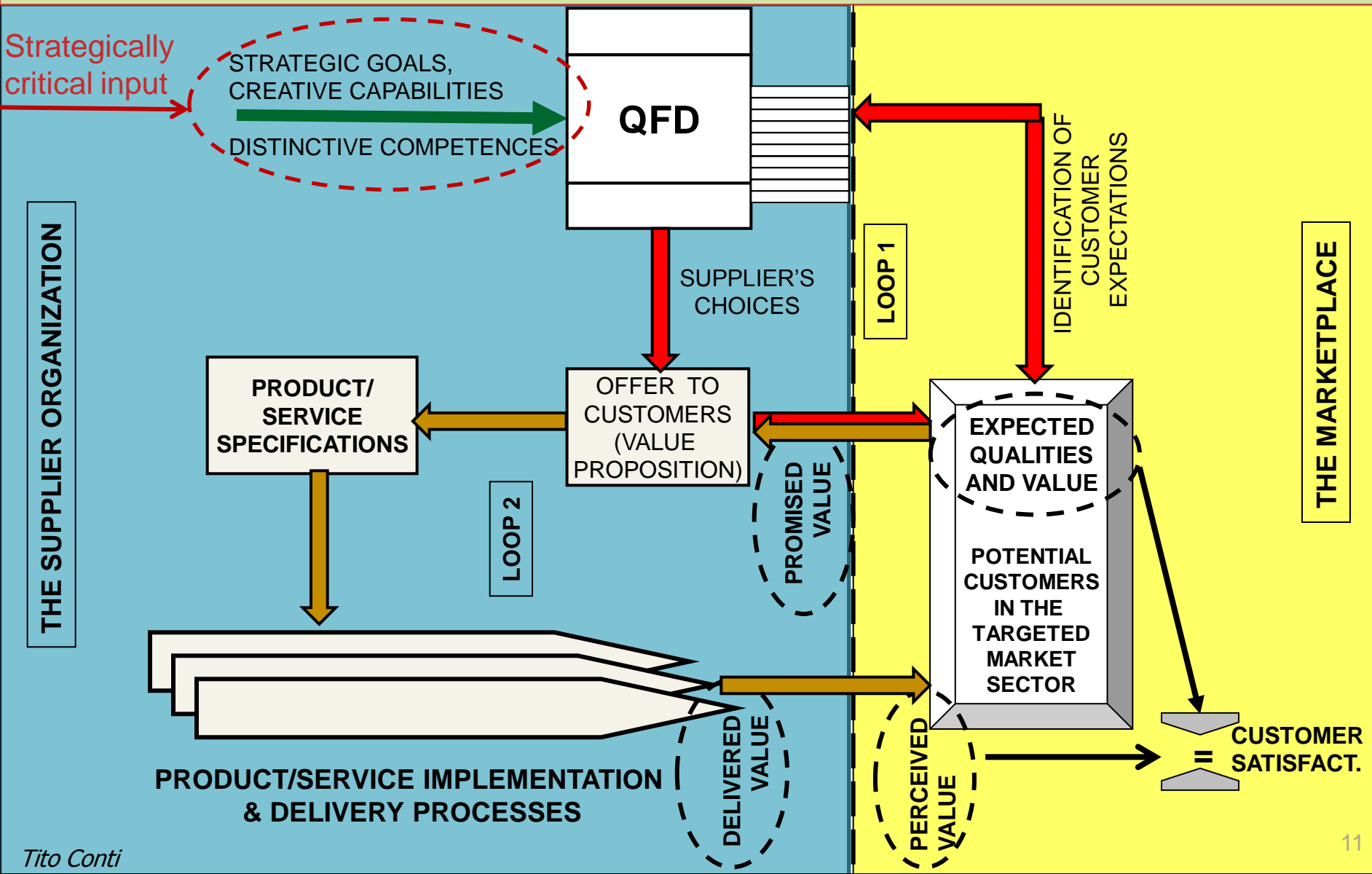
Quality mgmt in the golden age of quality (1980-2000)
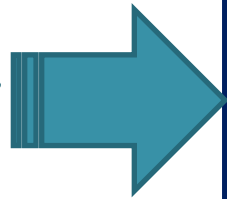
- Combine internal knowhow and competences wit the voice of the customers to make the value proposition competitive
- Manage by processes
- Pursue continuous improvement
- Use corporate PDCA cycle

Doing the right things

Loop 1): from customer expectations to the value proposition (critical for doing the right things); 2) from the promised value to the delivered and perceived value, to customer satisfaction.

Strategically critical input

STRATEGIC GOALS, CREATIVE CAPABILITIES

DISTINCTIVE COMPETENCES

QFD

SUPPLIER'S CHOICES

IDENTIFICATION OF CUSTOMER EXPECTATIONS

LOOP 1

THE SUPPLIER ORGANIZATION

THE MARKETPLACE

PRODUCT/ SERVICE SPECIFICATIONS

OFFER TO CUSTOMERS (VALUE PROPOSITION)

PROMISED VALUE

EXPECTED QUALITIES AND VALUE

POTENTIAL CUSTOMERS IN THE TARGETED MARKET SECTOR

LOOP 2

PRODUCT/SERVICE IMPLEMENTATION & DELIVERY PROCESSES

DELIVERED VALUE

PERCEIVED VALUE

CUSTOMER SATISFACT.

=

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Further logical developments of TQM models that were not pursued

- Building capabilityies to combine user voice with internal skills to generate competitive customer value.

- From process management to system management. From the pyramidal organization to a networked organization optimized to generate customer value.
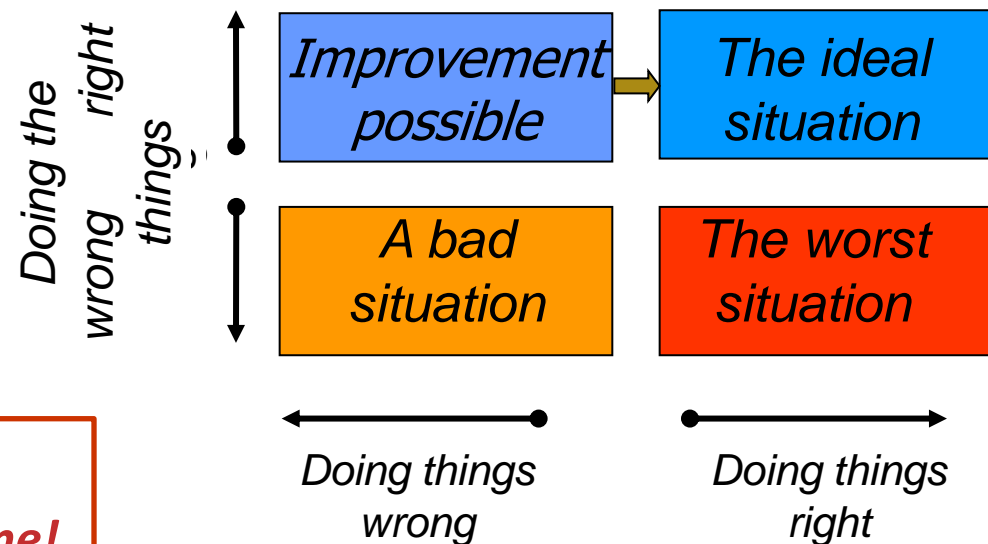
Doing the right things right
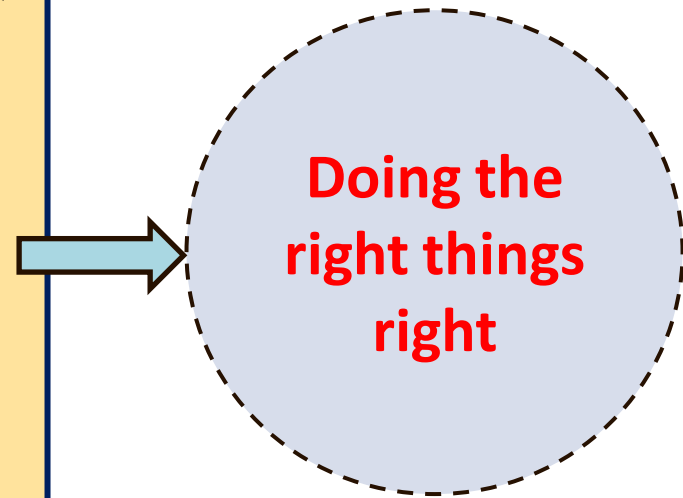
The 20_{th} century quality decline was mainly due to missing the opportunitiy to escalate from just doing things right to also doing the right things.

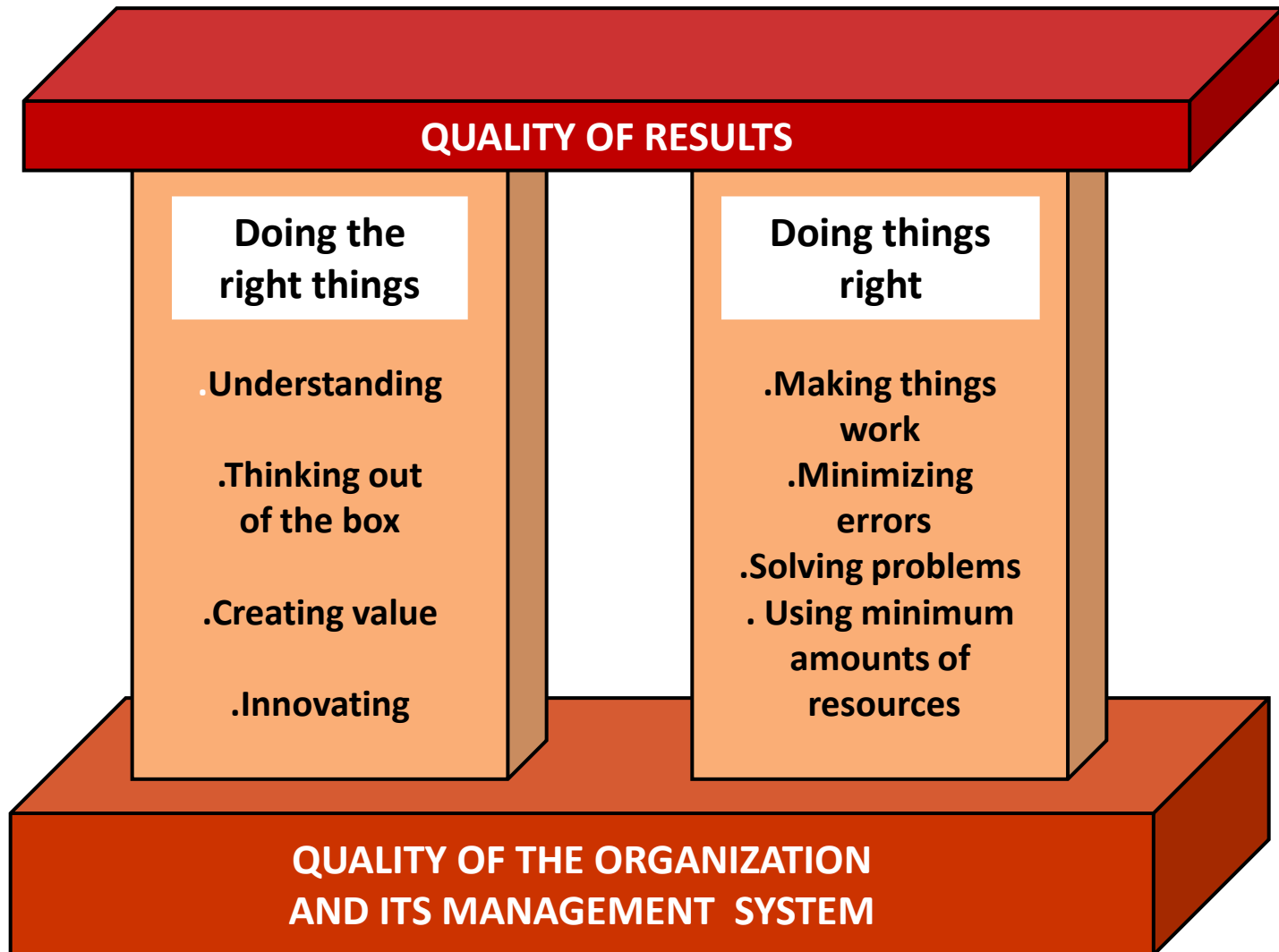# Doing the right things and doing them right: The Yin and Yang of Q. Management

Doing the right things
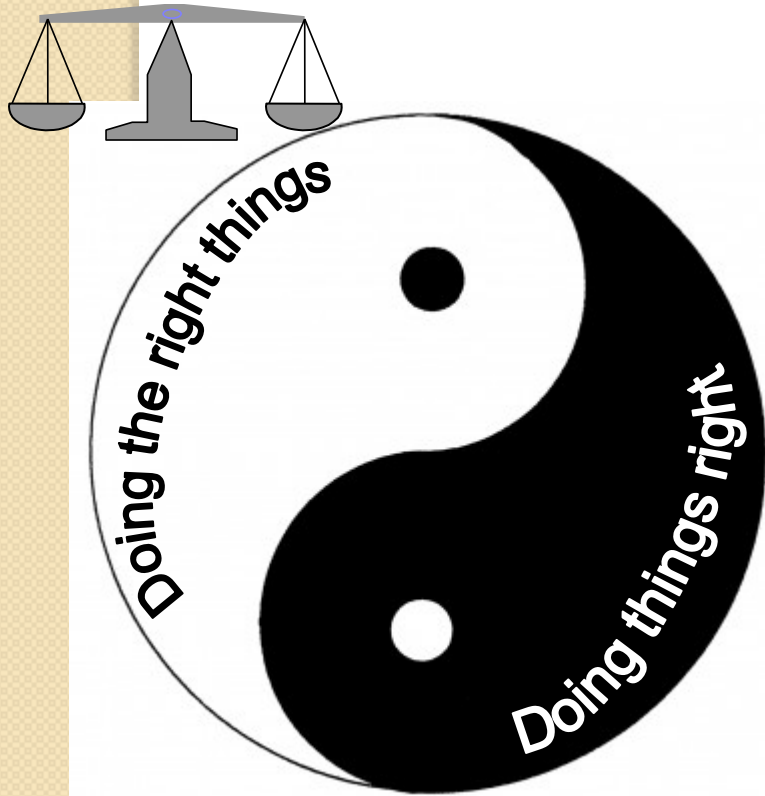
Doing things right

- Complementary concepts
- Doing the right things (right strategies, right products) a priority.
- It is in fact useless doing things right if they are not the right things to do.

Doing the wrong right things

	Doing things right
Improvement possible →	*The ideal situation*
A bad situation	*The worst situation*

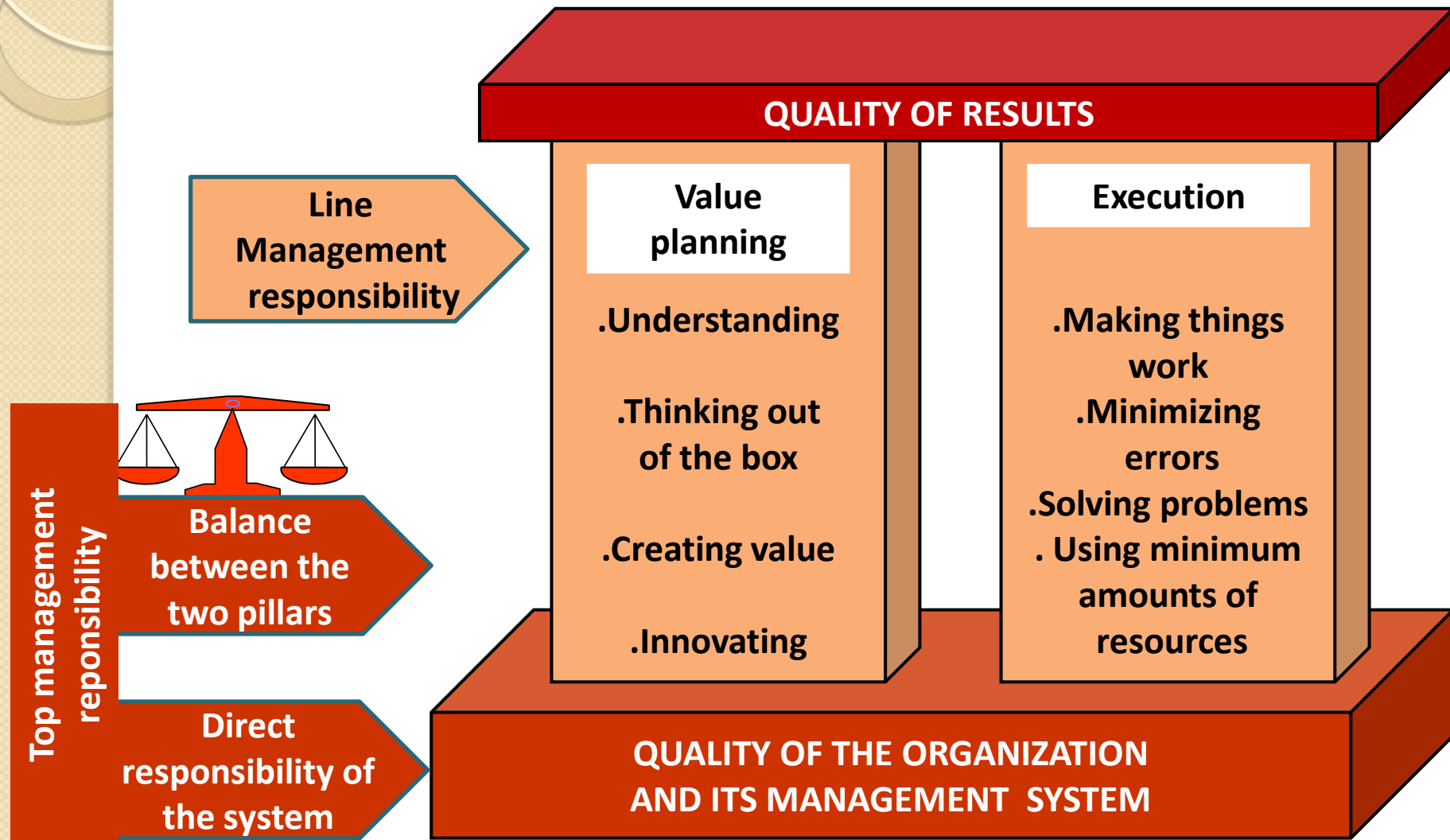← Doing things wrong   Doing things right →

The righter we do the wrong things, the wronger we become!
(Russel L. Ackoff)

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Successful organizations care of both **identifying/ doing *the right things*** and ***doing them right***

QUALITY OF RESULTS

Doing the right things

.Understanding

.Thinking out of the box

.Creating value

.Innovating

Doing things right

.Making things work
.Minimizing errors
.Solving problems
. Using minimum amounts of resources

QUALITY OF THE ORGANIZATION AND ITS MANAGEMENT SYSTEM

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Making the organization and its management fit for its purpose is a top managemernt responsibility

QUALITY OF RESULTS

Line Management responsibility

Value planning

.Understanding

.Thinking out of the box

.Creating value

.Innovating

Execution

.Making things work
.Minimizing errors
.Solving problems
. Using minimum amounts of resources

Top management reponsibility

Balance between the two pillars

Direct responsibility of the system

QUALITY OF THE ORGANIZATION AND ITS MANAGEMENT SYSTEM

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How the weight of technical and organizational problems varies with the increase in size and complexity of the organization.

SMALL ORGANIZATIONS   LARGE ORGANIZATIONS

O/M

T

WEIGHT OF O/M AND T RELATED PROBLEMS
IN RELATION TO ORGANIZTIONAL COMPLEXITY

COMPLEXITY OF THE ORGANIZATION

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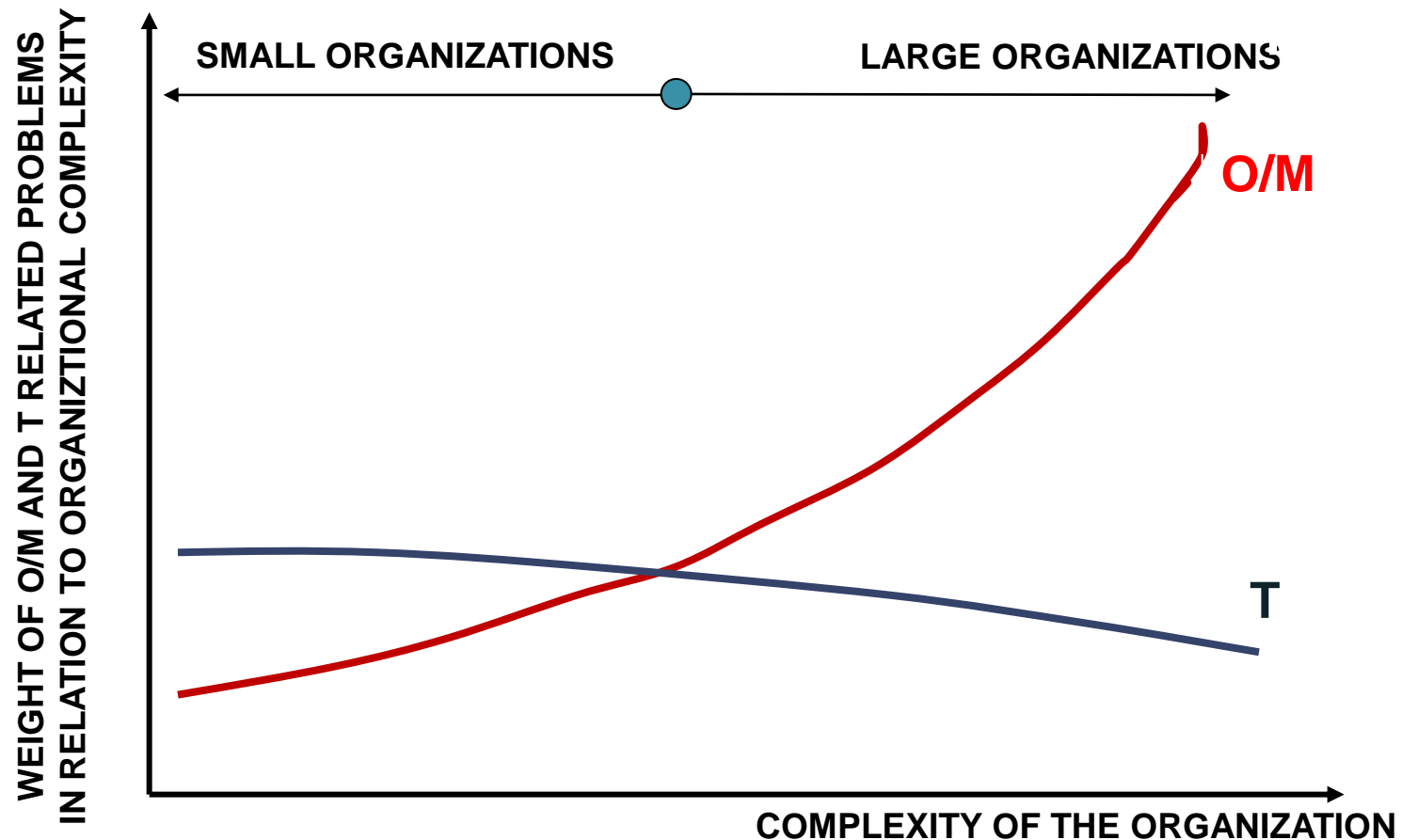
Size of the organization is a critical variable in relation to the choice and use of a model.

- The previous figure suggests small organizations to use simple QM models, that are more focused on the product related sub-system and technology than on the organization.

- Again, ISO 9000 is good for starting, with the suggestion to move progressively and selectively towards TQM models when the organization starts to structure itself. Only parts of TQM models can be used at the beginning, e.g. those related to planning, customer focus and process management.

Quality today
(from year 2000
to our days)

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Quality decline starts jn the West.

- At the eve of the 21_{st} century the enthusiasm for quality among top executives was fading.

- Companies, consultants, quality organizations were largely responsible for giving quality a bad name. Too many, in fact, were interested in making a business out of quality, more than increasing effectiveness and efficiency of organization.

- No more significant development took place in quality management in the period.

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Using TQM/Excellence models improperly.

- Using the model with a mechanistic mentality - as a standard to formally comply with - inevitably produces lower than expected results.

- Even award participation does not produce long term results, when getting high scores and promoting own image is the main concern.

- Looking at the bottom line, managers soon get nervous.
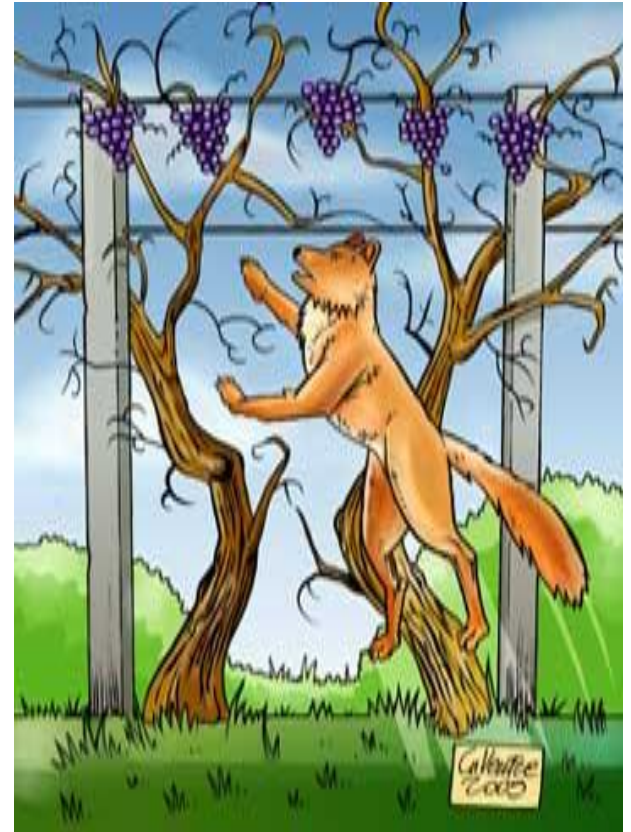
Failing to grab the grapes

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The Fox and Grape Syndrome

- Failure often induces the Fox and Grape Syndrome: "It is not my fault, it is the tool that does not work!" And start denigrating the tool.

- Too many managers have shown such syndrome in relation to their inability to successfully use TQM Models. Damaging themselves as well as others, by diffusing skepticism about TQM.

TQM Grapes

The grapes are sour anyway!
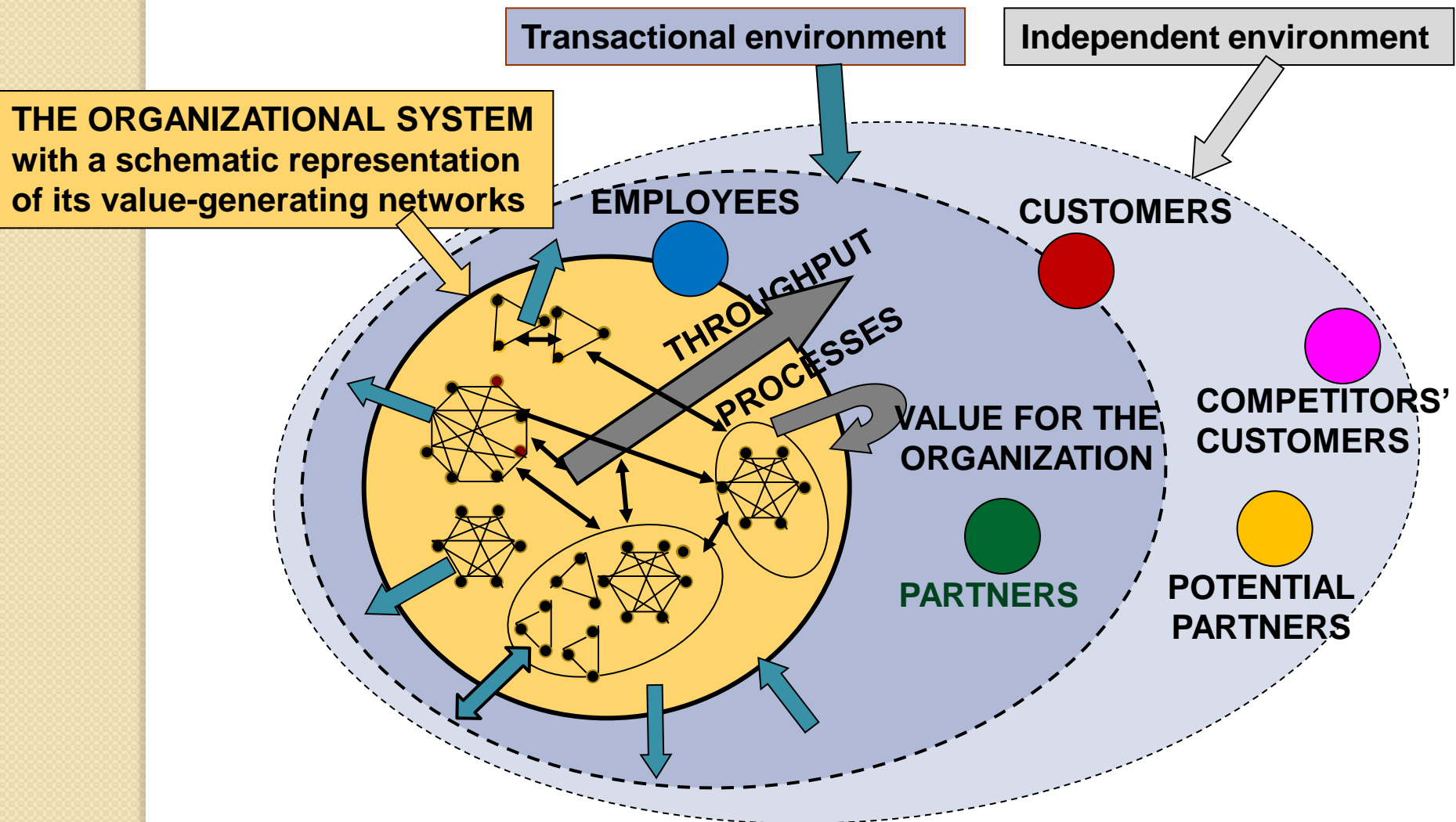
Tito Conti
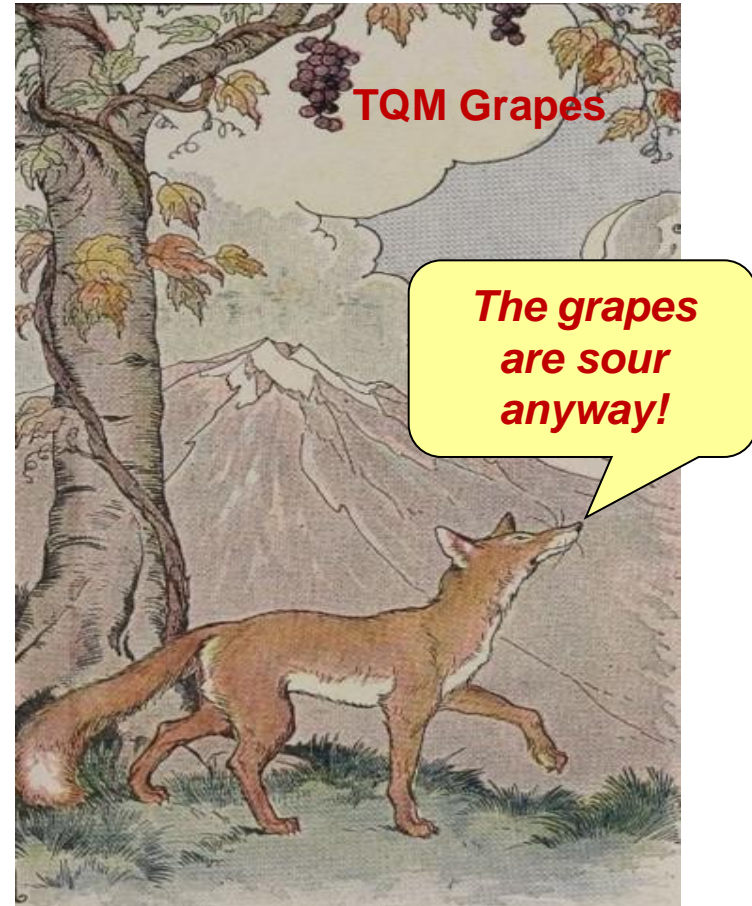
What about tomorrow?

Shall we accept the quality decline?

- Shall we accept the regression from quality as a strategic variable – as it was considered in the golden era – to quality as a specialist discipline?

- Shall we do that in a period where quality is badly needed, more than in the past, due to globalization?

- Don't we need quality in finance, national governments and administrations, international governance, ecosystem protection?

Injecting systems thinking into quality thinking.

- Organizations that badly need quality are the large and complex. They can be analyzed and improved only by using **systems thinking,** the science of complexity.

- For them a big step in quality management is needed: **incorporate systems thinking into quality thinking**.

- The second big step is changing organizational architectures, to make them better able to amplify value generation capabilities and reduce value waste.

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A systemic view of the organizational system and its environment (case of a company).

Transactional environment

Independent environment

THE ORGANIZATIONAL SYSTEM with a schematic representation of its value-generating networks

EMPLOYEES

CUSTOMERS

THROUGHPUT

PROCESSES

VALUE FOR THE ORGANIZATION

COMPETITORS' CUSTOMERS

PARTNERS

POTENTIAL PARTNERS

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Another representation of the system that leads to the more familiar representation of the next slide.

Customers

Shareholders

External stakeholders

Internal stakeholders

Product/Service Sub-system

Shareholder Sub-system

Admin/Finance Sub-system

Leadership sub-system. Management of the whole system, Corporate Quality Management included

Resource Sub-system

Partner Sub-system

People Sub-System

Processes

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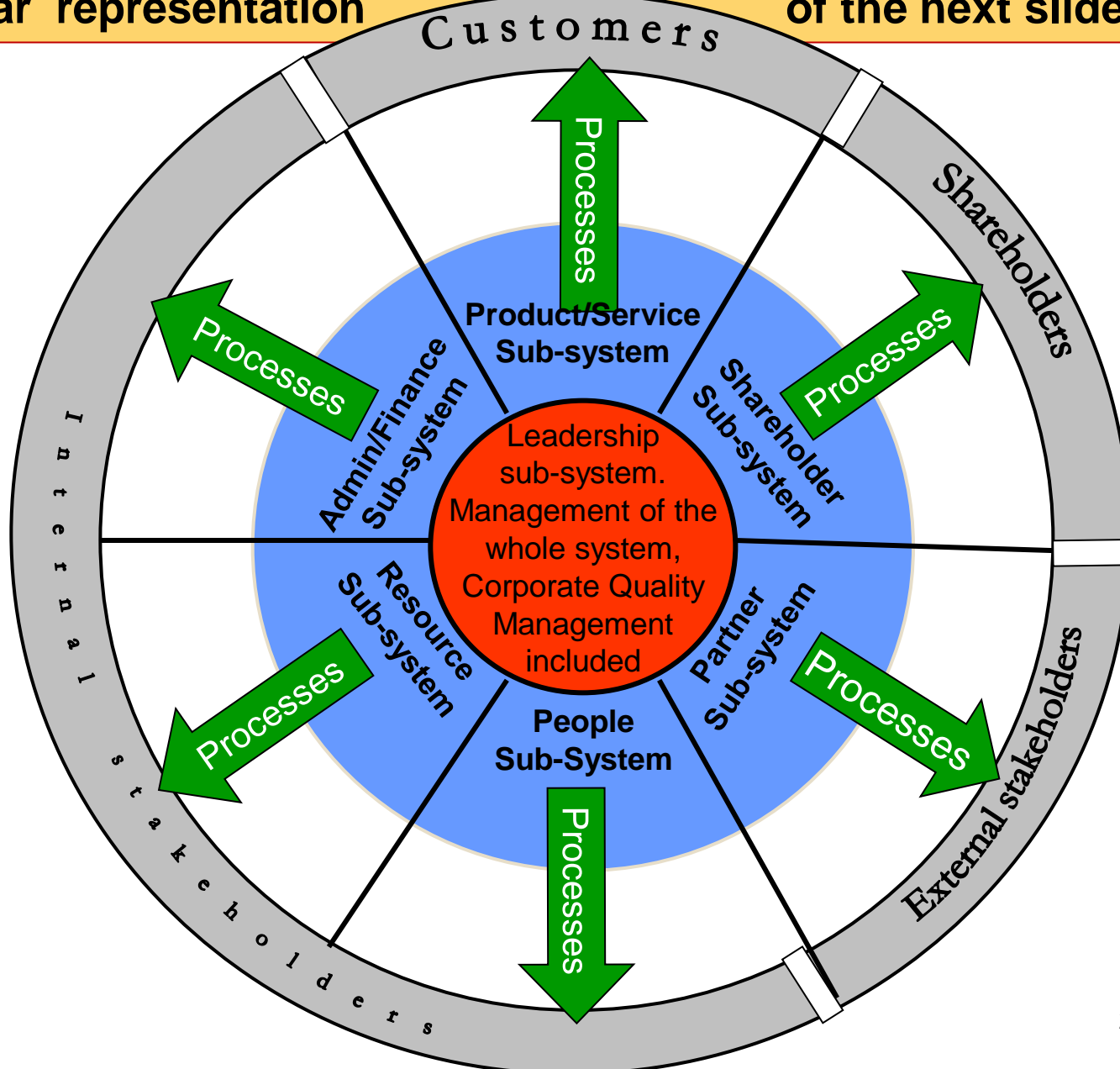
Conceptual model for organisational improvement (or "Excellence Model")

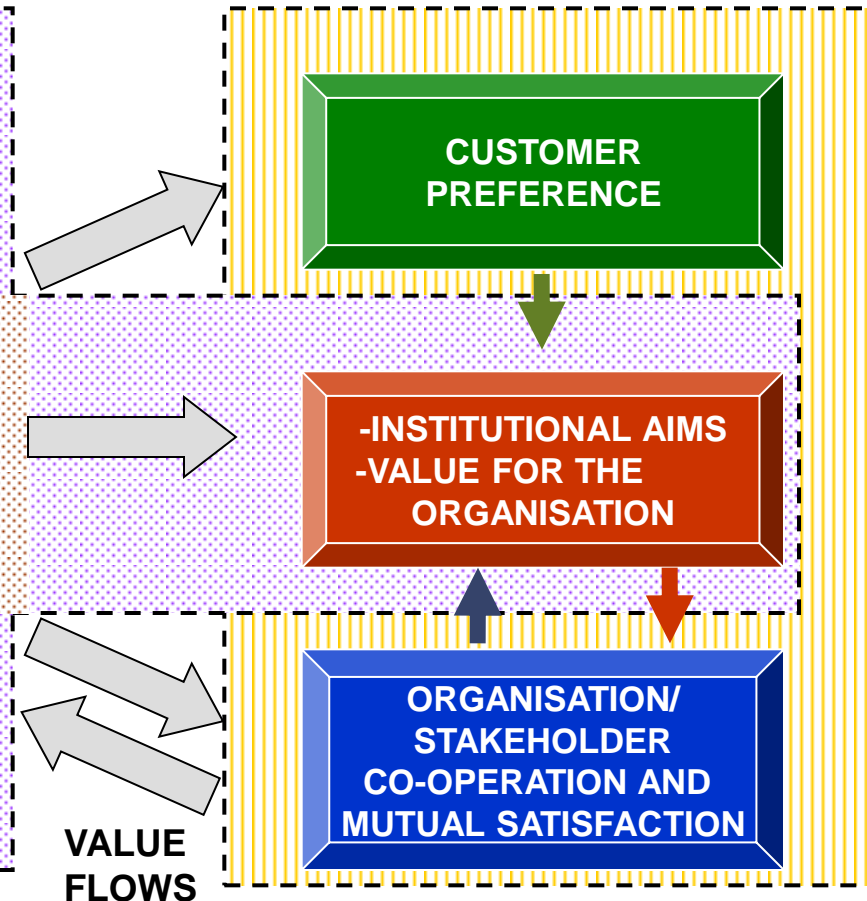**THE ORGANISATIONAL SYSTEM (ENABLERS)**
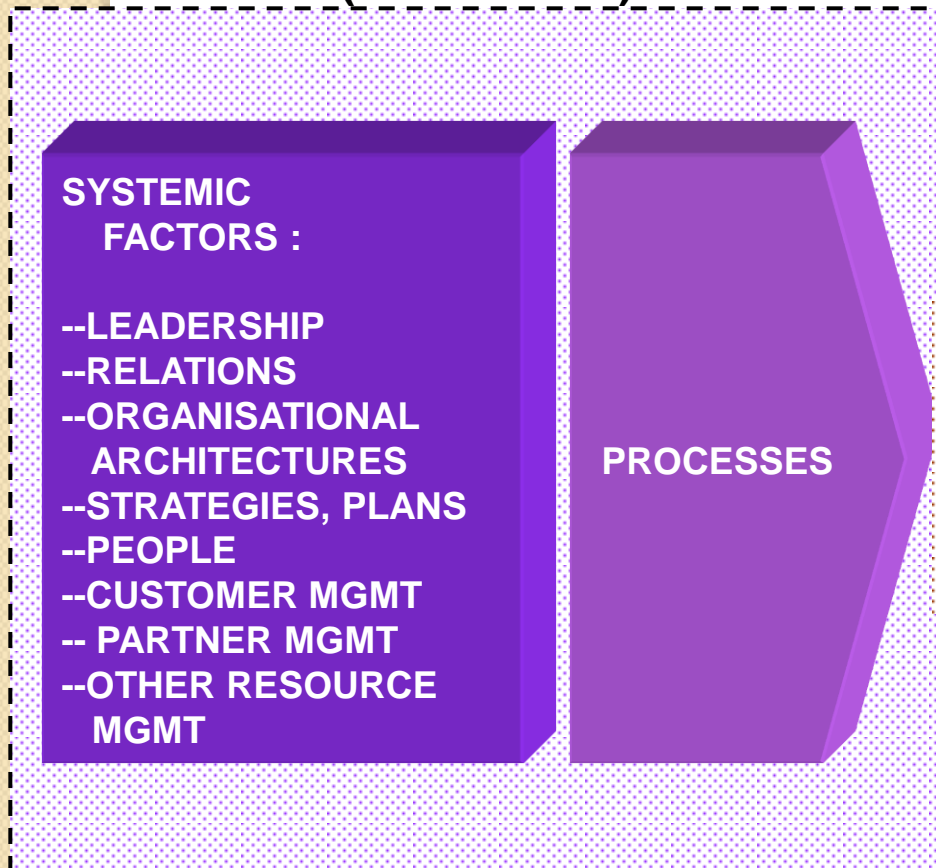
THE ORGANISATION'S GOALS AND RESULTS

SYSTEMIC FACTORS :

--LEADERSHIP
--RELATIONS
--ORGANISATIONAL ARCHITECTURES
--STRATEGIES, PLANS
--PEOPLE
--CUSTOMER MGMT
-- PARTNER MGMT
--OTHER RESOURCE MGMT

PROCESSES

CUSTOMER PREFERENCE

**-INSTITUTIONAL AIMS
-VALUE FOR THE ORGANISATION**

ORGANISATION/ STAKEHOLDER CO-OPERATION AND MUTUAL SATISFACTION

VALUE FLOWS

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The "Value generation cluster", the elementary cell of a networked organization.

SHARED VALUES PERMEATED ENVIRONMENT

OUTPUT VALUE

SYSTEM'S BOUNDARY

SYNERGETIC EFFECT IN VALUE CREATION:
$$V = K*(\Sigma \text{ VALUES})$$

COOPERATION

TRANSPARENCY

TRUST

Both value creation capability and mutual satisfaction strongly depend on value exchange in relations between persons and groups

The primary value flow is from the person towards the organisation.
In return, a fair value flow is essential for motivation

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What quality management model do you need?

Answer the following question by marking one of the three options:

- We need a QM model that helps us meeting:
    1. the *quality* plans and objectives ☐
    2. the *organization's* plans and objectives ☐
    3. the *organization's purposes* , possibly aiming at excellence ☐

- If answer is 1, ISO 9000 is good for you.

- If answer is 2, a traditional TQM model may fit your purpose.

- If answer is 3, you need a TQM^{PLUS} model, that is a systemic model that takes care of both *identifying the right strategic goals* and *making plans and executing them effectively and efficiently*.

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"Realities out there will remain out there as long as no one is willing to challenge them"

(Gharajedaghi).

THE END

Thanks for your attention!