

Advance praise for *Quality Makes Money*

“Quality = Leadership = shareholder and stakeholder return. *Quality Makes Money* successfully demonstrates through an effective case study that quality is a holistic process which must be driven by senior management. This drive must be sustained and committed and is synonymous with achieving revenue growth, profitability, and client satisfaction. The authors prove that your sustained quality initiative is good for business and that’s the primary reason for doing it.”

Martin Searle
General Manager, Professional Services
SAI-Global

“Townsend and Gebhardt do a great job of introducing their Complete Quality Process to us, which takes into account not only the tools available to analyze, institute, measure, and record quality practices, but also the environment in which these tools are consistently and enthusiastically applied. They give great examples and follow up with a nice set of practice problems. They provide success stories and pitfalls to be avoided from their real working environment and breadth of experience. Most importantly, they emphasize and show the way for 100 percent involvement of the people in our workplaces. It is obvious that sustainability only derives from participation of the employees—leaders who understand that improvement really comes from the bottom up, and that procedure-by-procedure, paper-by-paper, person-by-person, load-by-load, part-by-part, and day-by-day, improvements converge to yield sustainable gains.

There is a powerful statement of the Samurai code: Do not make anything useless. This book captures this vision by using uncomplicated terminology, explaining the steps that should be taken in a simple way, and including the important issue of how to save money with quality practices. This very well-written book’s simplified approaches and methods can be easily applied to any organization, no matter what field you may be in. I strongly believe it is a valuable

guide for working and leading in the twenty-first century. I recommend this book for everyone in business and find it particularly essential for leaders, managers, quality professionals, and business owners.”

Dr. Seval Akgun, MD, PhD
Professor, Baskent University, Ankara, Turkey
Chief Quality Officer for Baskent University Hospital Network

“As Pat Townsend and Joan Gebhardt point out in their new book, *Quality Makes Money*, you need to do it all . . . nobody hires a one-ball juggler! There is a need for complete commitment, or what the authors call the Complete Quality Process. That includes the most crucial aspect: implementation.

There is no lack of literature on quality with advice on what to do. But have services really become better? In this respect, *Quality Makes Money* stands out. The authors have successfully implemented quality in organizations and followed it to the bottom line. They know both the book smarts and the street smarts. On top of that they write well and are direct and exciting to read. They demand disciplined work but also creativity and courage to swim against the mainstream. And they do it based on real-world observation and experience of what works and what doesn't.”

Dr. Evert Gummesson
Professor of Service Management
Stockholm University School of Business, Sweden
Recipient of the American Marketing Association's Award
for Leadership in the Service Field
Author of *Total Relationship Marketing* and *Many-to-Many Marketing*

“Townsend and Gebhardt's latest work gives us a unique case study—a guided tour through a culture-based performance improvement experiment. Interestingly, this experiment is being conducted at a time when many organizations have turned to tool-driven initiatives, often ones that are variants of initiatives that have lost some luster under their former names. This work builds upon the authors' observations and experiences over more than two decades and upon

their keen and sensitive grasp of how the world works for those who actually do the tasks that might need to be improved. The authors develop and clearly illustrate the essential principles of what they call a Complete Quality Process.

Although the authors' main focus is on the people and cultural dimensions of organizational performance, they don't neglect the stern realities that such performance creates in the boardroom. Their discussion of the economic case for quality provides the reader with a critical bridge between the performance gains that individuals 'see' and the net performance gains that senior leaders dare not do without. Their bridge is constructed from several key anchors and pillars: savings per employee, types of savings, trends in savings, uses of savings, steep decrease in employee turnover, and dramatic improvement in aggregate productivity. This provides readers with key insights into the always puzzling distinction (and dynamic tension) between quality and productivity.

The book should be read by those faced with performance challenges, by students of organizational behavior, and by those doing postmortems of failed initiatives. This easily read work should provide the reader with numerous insights into the dynamics of performance in knowledge work and office environments—ones where motivation is critical to success, and ones in which tool-driven and jargon-based approaches often fail to take root. Townsend and Gebhardt help us to see the challenge through what they call an emotional/rational commitment—which translates into performance for all stakeholders.”

Dr. Curt W. Reimann
Senior Scientist Emeritus and Director (1987–1995)
Malcolm Baldrige National Quality Award
National Institute of Standards and Technology

Quality Makes Money

**Pat Townsend
and Joan Gebhardt**

**ASQ Quality Press
Milwaukee, Wisconsin**

American Society for Quality, Quality Press, Milwaukee 53203
© 2006 by American Society for Quality
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Printed in the United States of America

12 11 10 09 08 07 06 5 4 3 2 1

Library of Congress Cataloging-in-Publication Data

Townsend, Patrick L.

Quality makes money / Pat Townsend.

p. cm.

Includes bibliographical references and index.

ISBN 0-87389-660-2 (alk. paper)

1. Total quality management. 2. Total quality control. I. Title.

HD62.15.T694 2005

658.4013--dc22

2005011261

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Publisher: William A. Tony

Acquisitions Editor: Annemieke Hytinen

Project Editor: Paul O'Mara

Production Administrator: Randall Benson

ASQ Mission: The American Society for Quality advances individual, organizational, and community excellence worldwide through learning, quality improvement, and knowledge exchange.

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ASQ
AMERICAN SOCIETY
FOR QUALITY™

Quality Press
600 N. Plankinton Avenue
Milwaukee, Wisconsin 53203
Call toll free 800-248-1946
Fax 414-272-1734
www.asq.org
<http://qualitypress.asq.org>
<http://standardsgroup.asq.org>
E-mail: authors@asq.org

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To John Fynn and Candace Whelan



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Introduction



It has been more than a dozen years since my co-author and partner Joan Gebhardt and I last wrote a book specifically about quality. The intervening period left us with strong opinions about the best way for an organization to become the quality alternative in any field, and we are writing this book to describe some of what we experienced.

By the time our last book on quality was published (1992), we had moved away from having “real jobs” and were in the business of giving speeches about quality (me) and conducting workshops on how to define and implement a quality process (us). Thanks to our travels throughout the United States and several countries in Europe, Asia, and South America, we had a ringside seat for watching the development and partial demise of the American Quality Revolution, as well as like efforts in several nations. During this period, we wrote extensively on the topics of leadership, recognition, and institutional learning—aspects of quality that we wanted to examine more closely.

Neither then nor now can I claim that we represent mainstream thinking in the quality field. My first experience with quality began before there were consultants who tied the words *service* and *quality* together. As a result, a process I helped initiate in the years 1983–1984 at the Paul Revere Insurance Group was forced to go with what seemed obvious, rather than with what later passed for group/experiential knowledge.

In the early-to-mid 1980s, we at Paul Revere involved every single employee in the effort to improve every aspect of the organization, and we acted on the belief that leadership and quality were two inexorably intertwined concepts. Imagine my partner’s and my surprise when both positions (and several others that will be addressed in the chapters to come) turned out in the mid-to-late 1990s to be

minority views! The publisher of our first book on quality even had us remove a chapter on leadership because its editorial board could see no connection between the two disciplines.

As my partner and I learned more about how to ensure continual improvement in an organization, so did the nation. There was one extremely positive development in 1987: the definition and introduction of the Malcolm Baldrige National Quality Award. This award is, without question, the best thing that has happened to American business in the last 100 years. But once you exclude those folks willing to put in the hard work needed to conform to the Baldrige criteria (a distinct and generally very successful minority), progress in the world of quality has been uneven at best. As an indication of the inconsistency of results, consider that early in the twenty-first century there is an ongoing search for a new word, a word other than “quality,” to act as the code word for all of the activity that used to fall under the quality banner.

Why the need for a new word or phrase? (The voting seems to be leaning toward “performance excellence” or “continual improvement”; “added value” seems to have fallen by the wayside.) The main reason is the bastardization of the word “quality” by a large number of management fads *du jour*. While I roamed the speakers circuit, I watched as various consultants and companies claimed to have discovered the shortcut to quality. Reengineering specialists said it took an emphasis on process analysis, rooting out weaknesses and duplication. Statisticians said that a single-minded focus on SPC (statistical process control) was the answer. Leadership advocates said that senior executive teams could take care of everything by following their (the advocates’) particular set of principles. Among other supposed silver bullets were TQM (Total Quality Management—usually anything but), Kaizen, ISO, lean, and Six Sigma. But none of these high visibility tools worked for any length of time, at least not in isolation, and some (especially reengineering) did real damage.

Seeing all of these cure-alls rise and fade simply reinforced our thinking that what had been done in the early-to-mid 1980s at Paul Revere had been really remarkable—in large part because it pretty much incorporated all of these ideas into one process. Still, thinking about quality and creating quality are two different things. The timing was right when, after being on the speakers circuit for a dozen years, I received a phone call from an insurance company just outside of Fort Worth. Their question—or challenge—was, essentially, “You’ve been telling lots of people how to do this quality/leadership thing . . . care to do it here?”

This was an opportunity to try out ideas that we had been refining ever since that initial success at the Paul Revere Insurance Group in the years 1983–1988. The resulting experience is the source of most of the examples in this book. I have to say, on a personal level (that is, after all, one of the reasons for writing an introduction: to be able to say things on a personal level) that it has been wonderfully satisfying to verify that virtually everything we advised in all of those speeches, articles, and workshops really can be done—and truly does have an impressive, positive impact.

This book describes a pragmatic set of steps that make it possible for an organization of any type to engage every person on their payroll in the continual effort to improve everything the company does. To use one of the trendy words of the early twenty-first century, our intention is to *reenergize* the quality revolution in the United States by giving organizations a realistic option for tapping into the talent already on their payrolls. The book presents not only logical theory, but also a real-life, full-scale success story as a model. Paying heed to its lessons can enable organizations of all types to improve whatever it is they do and see a positive impact on the bottom line.

And one further note . . . getting back into the business of writing a book has been made far easier than I remembered it being by folks who have been wonderfully generous with their time and talent—and added some humor besides. They are Paul O’Mara (Project Editor) and Annemieke Hytinen (Acquisitions Editor) of the American Society for Quality and the staff of Kinetic Publishing Services. Joan and I are very grateful for their help, support, and professionalism.

Pat Townsend



1 A Complete Quality Process



The American Quality Revolution got rolling in the mid-to-late 1980s in large part because of the thinking and charismatic leadership of three men: Dr. W. Edwards Deming, Dr. Joseph Juran, and Dr. Tom Peters. Deming and Juran (and other pioneers such as Dr. Armand Feigenbaum) gave the movement its brain; Peters gave it its heart by inspiring American business leaders to believe that they, too, could improve quality and that they could excel. Subsequent research examined methodologies for defining, implementing, and maintaining ways to take advantage of the principles and practices conceived and taught by Deming and Juran while at the same time appealing to and enlisting the hearts and wills of individuals, as Peters demonstrated it is possible to do. A Complete Quality Process (CQP), the topic of this book, strikes that balance.

CQP takes into account not only the tools available to analyze, institute, measure, and record quality practices, but also the environment in which these tools are consistently and enthusiastically applied. How does it differ from past approaches, quality fads that enjoyed a brief vogue for improving quality before their reputations tarnished? The key is the C in CQP: complete. CQP contrasts sharply with efforts that address only one specific portion of the total range of quality challenges and that don't come close to involving (in the sense of asking for ideas and input and sharing decision-making capabilities) 100 percent of the people on the payroll. The touchstones are balance and perseverance. The methodology allows for—and, in fact, encourages—the appropriate use of any quality tool, while underscoring the importance of having the will to use those tools. It's sustainable, and best of all, it doesn't take a lot of time to get it up and running.

A CQP consists of seven components that, when incorporated into a balanced process, make it possible for an organization to become

a consistent provider of quality information, services, and/or products while continuing to improve. It begins with top management commitment, includes leadership, makes 100 percent employee involvement (with a structure) a source of ideas, and supports the whole with measurement, training, recognition, and communications. Organizations cannot avoid addressing any of these issues—even when they do so by default—and what CQP does is address them in the simplest yet most comprehensive manner consistent with good quality practices.

Though 100 percent involvement may seem self-explanatory, it is really the heart of the matter. Most approaches that brag about 100 percent involvement in making improvements really mean that management (the minority) has decided what problems or work processes employees (the majority) are going to work on and how they are going to go about it. In some cases, especially early in the quality movement, management limited the number of employees involved in these efforts in the mistaken belief that quality improvements required a sophistication that only a few people in the company possessed. But what if you could have employees look at their own jobs critically, looking for ways to improve, finding solutions, and initiating action? That is the kind of involvement that CQP makes possible. Everybody knows their own job better than anyone else in the building. Given a framework and a tool kit, everyone can seize the initiative. Notice the caveat: A tool kit. Not one tool. If, after all, the only tool a homeowner possessed were a hammer, all problems would be treated the same—as nails. But, in virtually all walks of life, problems or challenges are not consistent, in either their nature or their level of complexity. A full tool kit is needed for both repairs and improvements.

Beginning a CQP is a high-energy undertaking for an organization as individuals and teams come to realize, “Management trusts us! And they are going to say ‘thank you!’” Employees get caught up in the fun of it all, but CQP needs a stronger validation: Quality is profitable. All of the time, effort, and money spent to get CQP under way is an investment—an investment that promises a healthy return.

Maybe Some Other Time . . .

The very simplicity of the CQP approach is a rationale for senior managers to gloss over its possibilities. A senior manager can look at the various CQP components and say to herself or himself, “Well,

that's obvious. Besides, we do that stuff already and we'll get results eventually. We can do this anytime." One such argument surfaced at a workshop for a call center whose annual turnover rate was 300 percent. The CEO was listening to a presentation on CQP when he said, "Why, that's nothing but leadership and a bunch of training," and cut the meeting short. He felt the proposed solution sounded "too easy" to possibly be the answer.

Though it is true that the components named contain no surprises (and that it can be argued that CQP is, essentially, formalized common sense), it is not true that the average company is actively pursuing all of the components at any one time, particularly in a coordinated manner with continual improvement as the unifying objective. The wrinkle, the "new thing" that CQP proposes, is doing everything simultaneously. No one is applauded for juggling just one ball, nor would anyone hire a one-ball juggler to ensure the success of their child's birthday party. It's all or nothing. And the order in which the components are listed has no significance. Communications, for instance, is not the least important component, although it is listed last. It is, rather, one of seven vital concepts that must be brought to life as part of a CQP effort.

That's why senior managers with more imagination look at the components of CQP and immediately assign it to the "too hard" pile. Pursuing seven concepts simultaneously is daunting. Just for starters, senior managers have to invest considerable time, effort, ego, and resources—all in addition to their "normal" jobs—in order to approach what is required by top management commitment and leadership. Hard? You bet. Worse yet, this approach involves sharing power.

Alibis abound for not making the effort. The motivational poster declaration (under the picture of a regal-looking bald eagle) that "If you pursue two rabbits at once, both will escape" is one such argument. Humans, however, are more multifaceted—particularly since their prey can't hop off to the side at the last moment. The insistence by many quality approaches that only one activity can be pursued at a time (much like the too-frequent assertion that all problem-solving steps must be followed in strict sequence for every problem of any size) is counterintuitive. In their personal lives, managers and non-managers function comfortably in multitask mode. If the ability to do more than one thing at a time were taken away from the human race, life would grind to a halt.

There are, of course, other reasons or excuses not to pursue continual improvement (one of the code phrases for quality). One is the presentation of quality, in both the popular press and the professional press. Neither has done an adequate job of explaining what quality

is and how best to go about achieving it. (This is a case where shooting a few messengers may be justifiable.) With so many conflicting approaches, it's "safer" (executives can argue) to wait until the final answers are in. And shrewd senior managers have probably noticed that, so far as the information put forward by the quality-specific press, there appears to be a correlation between the topics of featured articles and the curricula of professional courses and services offered by the publishing organization. The emphasis on ISO and Six Sigma falls neatly into this category.

Thanks to thinking along those lines, many quality processes were begun mostly for show with no real attempt at a defensible justification—which made them easy to abandon. A primary reason for "doing" quality in those organizations appears to have been a desire to be able to say "yes" when a customer—either an individual consumer or another organization—asked, "Do you have a quality process?" It was also considered a plus if a corporation could make the statement in their annual report or other publications that they were following the latest quality improvement methodology. The number of companies that declared themselves Six Sigma practitioners grew exponentially during the well-publicized last years of Jack Welch's tenure at GE.

Further complicating matters is the fact that this is a lifetime (or at least long-term) endeavor. It's unrealistic to think, "We'll push this quality process until we get everyone in the habit of doing things right. At that point, we can drop the formal stuff because our folks will know what to do." That's akin to saying, "We'll go to church for a couple of years, and once we've heard all the readings once, we can quit going because we'll know how to act." Even when people know something is the right and best thing to do, they still need encouragement, examples, and rewards to maintain a desired behavior.

There is another warning that senior management should keep in mind: Poor judgment at the top can trump improvement at the bottom. As in days of old, if the decision-makers do not correctly point the ship in the right direction, no amount of improvement in rowing techniques is going to get the crew home. Motorola, in the wake of its 1988 Baldrige win, was in the driver's seat in its industry. The company was good and quite provably getting better every day until top management decided to roll the dice on a satellite-dependent communications system. This proved to be a poor move and drained company resources and energy, giving competitors time and opportunity to close the gap.

There is no denying that initiating changes in the name of quality is best suited for a company in the black, a good company that

wants to be great. Companies in financial trouble have so many issues at play that adding a quality process (particularly one defined and imposed by a consultant or a consultant working only with senior management) may not help much. Obvious issues need to be addressed before the word *quality* is introduced. If a company is in trouble because of a truly bloated payroll, staff reductions come first or employees will unfairly assume that quality is the cause of their friends being fired or their salary reduced. Once the ship has been steadied a bit—and everybody’s attention has been gotten—then quality can be carefully introduced as a way to ensure that the company never gets into that sort of trouble again.

Another caveat: If the situation is such that an organization can either begin a quality effort at a particular point in time or most likely never have another opportunity, then proceeding is the preferred option, regardless of the financial health of the company.

With so many things to consider, it’s no wonder that the first priority in CQP is top management commitment.

Simple, but Difficult

Winning commitment begins with understanding the basic nature of a quality process. A person needs to consider two pairs of antonyms: simple versus complex and easy versus difficult. Most human endeavors can be described by combining a word from one of these pairs with a word from the other pair.

Nuclear science, for instance, falls easily into the category of complex (rather than simple) and difficult (rather than easy). It is a complex concept and doing it successfully is a difficult task. Common mythology (as promulgated in popular music and romance novels) has it that falling in love is complex and easy; complex to understand, easy to do.

Quality is made up of simple concepts: “Let’s make or do things better than we used to.” “We want to be the preferred choice among potential buyers.” “We want employees’ ideas.” “Let’s take accurate measurements.” Actually defining and implementing a quality process—and carrying through with the relentless, day-to-day work necessary to maintain a continual improvement effort—is not easy. Quality is simple and difficult.

Most quality consultants make their livings convincing senior management groups that achieving quality is just the opposite: complex (and they—the consultants—have arcane knowledge) and easy

(if you just let them—the consultants—handle the details). When you've got it that backward, progress is expensive and slow. Senior managers can make most of the decisions about quality by themselves (relatively simple), but seeing it through (relatively difficult) is not for the faint-hearted. Senior managers who put CQP in the "too hard" category are almost right. So why would anyone attempt it?

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About the Authors



Pat Townsend

An internationally acclaimed author and speaker on the topics of leadership, continual improvement, and recognition, Pat Townsend reentered the corporate world in February 2000 as the Chief Quality Officer for the UICI Insurance Center, an individual health insurance company in the Fort Worth, Texas area. His mission was to be the catalyst for a quality process that actively involved every one of the Insurance Center's employees in the continual improvement of every aspect of the corporation.

He has succeeded in leading the implementation of a Complete Quality Process (CQP), his unique—and uniquely successful—approach to ensuring that an organization's quality effort reaches every aspect of the company and that the organization benefits from the knowledge, ability, and enthusiasm of every person on the payroll. The CQP at the Insurance Center began within eight months of Townsend's arrival and immediately showed impressive bottom-line results.

Townsend had spent the previous dozen years giving keynote presentations and conducting workshops throughout the United States and in Turkey, Brazil, India, Belarus, Sweden, Canada, Finland, and Singapore.

He was a member of the committee that defined and established the Malcolm Baldrige National Quality Award and was an examiner for that award for two years.

Joan Gebhardt

This is the seventh book that Joan Gebhardt has coauthored with Pat Townsend on the overlapping topics of quality, leadership, recognition, and organizational learning. She brings the unique perspective of having always worked in nonmanagement roles—doing everything from decorating eggs for a boutique to being a department secretary at a college.

She has been a member of quality teams such as those described in this book and she authored a Malcolm Baldrige National Quality Award application that led to a site visit in the inaugural year of the award.

Gebhardt designs and codelivers workshops on quality and leadership for senior management teams intent on improvement. Among the countries in which she has taught are India, Singapore, Brazil, Finland, and the United States.

She has a bachelor's degree in history and a lifetime teaching credential from the State of California. She has two sons: Michael, an artist, and Brady, a high-school math teacher and volleyball coach. Gebhardt is an inveterate reader and is also the coauthor of a mystery novel.