

Lesson Two: The Deming Management Method

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A. Key Learning Points

1. Dr. W. Edwards Deming typically is considered the most significant person associated with “quality management.”
2. Dr. Deming’s initial success as a quality consultant was in Japan (c. 1950 - 1980) where he played a significant role in the post-war (World War II) reconstruction of Japanese industry.
3. In the post-war (World War II) United States, American industry was more interested in the quantity of production than in the quality of goods and services.
4. By 1979, when Japanese products (especially automobiles and electronics) were threatening American industry, U.S. businesses sought Dr. Deming’s counsel.
5. Dr. Deming’s “Fourteen Points” summarize his primary teaching
 - Create constancy of purpose for improvement of product and service.
 - Adopt the new philosophy.
 - Cease dependence on mass inspection.
 - End the practice of awarding business on price tag alone.
 - Improve constantly and forever the system of production and service.
 - Institute training.
 - Institute leadership.
 - Drive out fear.
 - Break down barriers between staff areas.
 - Eliminate slogans, exhortations, and targets for the workforce.
 - Eliminate numerical quotas.
 - Remove barriers to pride of workmanship.
 - Institute a vigorous program of education and retraining.
 - Take action to accomplish the transformation.
6. Dr. Deming’s “Seven Deadly Diseases” describe the primary causes of management failure.
 - Lack of constancy of purpose
 - Emphasis on short-term profits
 - Evaluation of performance, merit rating, or annual review
 - Mobility of top management
 - Running a company on the visible figures alone (“counting the money”)
 - Excessive medical costs
 - Excessive costs of warranty, fueled by lawyers that work on contingency fees
7. Dr. Deming’s teachings and the success of the “quality management” method contributed significantly to the resurgence of American industry in the late 1980’s and early 1990’s.
8. Today, “quality management” is a basic necessity for competition in most industries and markets; it also has contributed to significant improvement in public sector services and schools. Quality management is no longer a strategic source of competitive advantage.

B. Real World Examples and Considerations for Practitioners

1. In 1946, at the conclusion of World War II, American manufacturers had few foreign competitors; the world's other primary manufacturing nations, Germany, England, Russia, and Japan had been exhausted by the war. U.S. industry consequently dominated a unique market place that lacked significant foreign competition until 1970.
2. In 1946, American consumers were ready to buy products at an unprecedented rate. For seventeen years, Americans had deferred purchases because of the Depression and World War II. By 1946, we were ready to spend as our nation entered a new era of prosperity.
3. The extraordinary post-war demand for new, affordable household appliances and consumer goods that included telephones, refrigerators, dishwashers, electric lamps, and stereos contributed to the boom in American industry.
4. As a result of the factors described above (see 1, 2, 3), American industry focused on the mass production of goods. Quantity mattered most in a market place with high consumer demand and little competition among manufacturers. This demand-driven emphasis on the quantity of production often came at the expense of product quality. In fact, American manufacturers talked quite openly about "planned obsolescence" – the process of designing a limited life-span for products that, in turn, forced consumers to replace or upgrade their original product through new purchases.
5. At a time when American business focused on quantity and mass production, Japanese manufacturers, with Dr. Deming's help, rebuilt their industrial infrastructure on a quality foundation. While the American business model centered on consumption, the Japanese model emphasized customer satisfaction. By 1970, Japanese automobile and electronics manufacturers – most notably Honda, Toyota, and Sony. Began to penetrate the American market place.
6. Rather than compete with the quality of Japanese goods on a level playing field, American manufacturers sought tariff protection that inflated the cost of foreign goods and preserved American price advantages temporarily. By 1979, however, fuel-efficient, customer-focused, Honda, Toyota, and Nissan automobiles were well-established brands among Americans who were increasingly dismayed by the poor quality of Ford, Chrysler, and General Motors products. In this context, American manufacturers, most notably Ford, sought out Dr. Deming who had contributed so much to the emergence of Japan's quality manufacturing system.
7. Throughout the 1980's and early 1990's, American businesses recognized and responded to growing global competition with heightened emphasis on quality and customer satisfaction. Companies such as Ford, Federal Express, Motorola, Xerox, AT&T, Texas Instruments, Disney, and Ritz Carlton Hotels were celebrated as world leaders in quality and financial performance. Likewise, some federal, state, and local agencies, including our armed forces, adopted quality methods to streamline and improve public sector services. By the time Dr. Deming died in 1993, American enterprise had reestablished its global leadership in most industries through successful integration of quality, innovation, technology, production, and entrepreneurship.
8. Some reflections/comments on Dr. Deming's 14 points:
 - Constancy of purpose: executives need to stop "fad surfing" and make a focused commitment to long-term performance; this requires knowledge, discipline, perseverance, and a long-term view.
 - Adopt the new philosophy; executives need to "walk the talk"; quality is defined by customer-focused results, not by lip service to an intangible philosophy.

- Cease dependence on mass inspection; the cost of inspection contributes to an inflated cost of the product; when quality is assured by inspection, the workers involved in production tend to become less interested in quality; we need to “design quality into goods and services” rather than inspect it out.
- End the practice of awarding business on price tag alone; the immediate purchase price of goods typically does not reflect long-term product reliability or value; although price-based business tends to work for commodities, it is a recipe for failure in a market that requires quality, reliability, and long-term customer relationships.
- Improve constantly and forever the system of production and service; you are either getting better or you are getting worse; continuous business improvement must keep pace with ever increasing customer expectations; we should be smarter today than we were yesterday, can we learn? Why repeat the same mistakes over and over.
- Institute training; when workers “learn on the job”, they typically fail to learn or understand the quality standard; as a result, on-the-job training contributes to variation and inconsistency in product and service quality; effective orientation and (re)orientation of all employees to quality and service standards is essential for consistent, profitable long-term quality operation.
- Institute leadership; most businesses are over-managed and under-led; they consequently emphasize short-term, local factors at the expense of long-term market factors; they also tend to emphasize functional performance rather than overall product or service quality.
- Drive out fear; people will not learn when they are afraid; businesses will not improve when they are managed by fear; fear causes people to focus on avoiding punishment rather than on serving the customer; fear adds cost to the production and service processes.
- Break down barriers between staff areas; customers purchase products and services as a whole - they care very little about the quality of sub-elements that contribute to overall quality; effective production and service requires integration of individual business activities or functions.
- Eliminate slogans, exhortations, and targets for the workforce; slogans, exhortations, and targets are a poor substitute for effective design and management of customer-focused business processes
- Eliminate numerical quotas; quotas drive production and impede quality; quotas or quality - choose one.
- Remove barriers to pride of workmanship; when you ask workers to do what they can not do, they become frustrated, demoralized, and wish to give up.
- Institute a vigorous program of education and retraining; if you seek continuous improvement, you must invest in continuous professional development; quality is driven by knowledgeable people and continuous learning.
- Take action to accomplish the transformation; quality is not a spectator sport, nor is it magic; Deming said, “there is no instant pudding”; we need to roll up our sleeves and get to work.

C. Recommended Reading Assignment & Highlights – All selections are from Walton, *The Deming Management Method*

Chapter 2: The Deming “Four Day”: A Seminar Begins

“I want to make it clear that as you improve quality, your costs go down. That is one of the main lessons that the Japanese learned and that American management doesn’t even know about and couldn’t care less about. Interested in creative accounting. That’s all right. But when it means that you ignore the fundamentals of improvement, it is not right. Improve quality. Your costs go down. Fewer mistakes, fewer breakdowns.”

“Paper entrepreneurship ... does not create wealth. It does not make the pie bigger. If you get a bigger piece of pie, you steal it from somebody else. Isn’t it better to make the pie bigger? That’s why we came here today. To make the pie bigger.”

Chapter 3: An Introduction to the 14 Points, the 7 Deadly Diseases, and Some Obstacles

“The 14 points are the basis for transformation of American industry. It will not suffice merely to solve problems, big or little. Adoption and action on the 14 points are a signal that the management intends to stay in business and aim to protect investors and jobs” from Deming, *Out of the Crisis*, 1987, p. 23

D. Additional Resources and Links to Others Sources

- Crosby, Philip B. *Quality Is Free*. (Mentor, 1980)
Deming, W. Edwards. *Out of the Crisis*. (M.I.T., 1987)
Deming, W. Edwards, *The New Economics*. (M.I.T., 1993)
Latzko, William and Saunders, David, *Four Days with Dr. Deming*. (Addison-Wesley, 1995)
McCoy, Ron, *The Best of Dr. Deming*. (SPC Press, 1994)
Neave, Henry, *The Deming Dimension*. (SPC Press, 1990)
Scherkenbach, William W. *The Deming Route to Quality and Productivity*. (CEEP, 1992)

E. Question(s) for Reflection and Discussion

1. How much time each week do you spend correcting errors, looking for errors that you think may exist, responding to customer complaints, and/or trying to get new customer to replace the customers your business has lost? Estimate and describe the weekly cost of poor quality in your work place.
2. What do you think about Dr. Deming’s assertion, “as you improve quality, your costs go down”? Doesn’t it cost money to introduce and sustain a quality management initiative?