

Lesson One: What is CQI? Why Measure?

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This is one of six courses CNM offers as part of the School of Business and Information Technology's skills set certificate program in continuous quality improvement. The certificate is granted to students who complete all of the following one credit courses: BA 1150 Introduction to Quality Improvement; BA 1151 Fundamentals of Quality Improvement; BA 1152 Quality Tools; BA 2153 Teambuilding for Quality; BA 2154 Reengineering; BA 2155 Leadership for Quality. Although the courses are interrelated, they may be taken in any sequence.

This course has been designed and is taught by Brian Cooke, senior leader of Iris Learning. Iris Learning is an Albuquerque-based business performance consulting group that focuses on executive coaching, strategic direction, leadership development, and customized learning that accelerates progress toward specific business targets. For more information about Iris Learning, please visit our web site at <http://www.irislearning.com>.

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A. Key Learning Points

Points 1 to 8 summarize concepts addressed in greater detail in BA 101 Introduction to Quality Management. They are included in this lesson as an introduction for new students and a review of fundamental principles for experienced students or quality professionals. These points address two fundamental questions for leaders seeking continuous quality improvement – What is quality? Why does quality matter?

1. Quality of goods and services are better today than they have ever been.
2. Quality of goods and services will be better tomorrow than they are today.
3. The future belongs to organizations that build long-term success on a quality foundation.
4. We are all in favor of “quality.”
5. It is easier to keep things the way they are than it is to improve them.
6. It is deadly to keep things the way they are and not improve them.
7. We do not agree on a shared definition of “quality.”
8. Iris recommends a definition of quality that addresses six (6) factors:
 - Customer Awareness: Who are your customers? How do you acknowledge your customers when they express an interest in your business?
 - Customer Knowledge: What do your customers require, expect, and value? How do you design your products and services to meet your customers’ current and future needs?
 - Effective Work Systems: How do you design and manage business processes to minimize errors, delays, inconvenience, and cost? How do your work systems make it easy for customers to do business with you?
 - High Standards: What are your standards for success? What type or frequency of error do you accept or expect in your day-to-day business?
 - Measurement: How do you and your employees know how well you are doing? How do you know what is working and what is not working?
 - Continuous Improvement: Are you smarter, faster, more accurate, more responsive, and more cost-effective today than you were yesterday?

Points 9 to 16 introduce concepts that are specific to this course.

9. You can tell how knowledgeable and committed an organization is about quality improvement by the data that it collect, posts, and analyzes.
10. There is a direct correlation between management of data and information and performance improvement.
11. Data replaces opinion with facts.

12. Managers and employees focus first on the things that are measured.
13. Data-based management is more effective for sustainable performance improvement than intuitive management.
13. Measurement is an intermediate and long-term investment.
14. Most organizations measure the wrong things.
15. Managing solely by financial results is like driving by looking in the rear view mirror.
16. Effective performance measurement combines a balance of measures and indicators for financial performance, customer satisfaction, operational effectiveness, and employee well-being and development.

B. Real World Examples and Considerations for Practitioners

1. The history of “total quality management” is riddled with stories of companies that launched “quality” efforts without first clarifying and communicating a meaningful, results-oriented definition of “quality.” When we fail to define what we are striving to achieve, we are bound to fail because of our divergent, albeit well-intentioned, efforts. For example, ask two employees in your organization to define quality and see whether they agree?

Does your business have a clear, shared definition of quality that all employees can consistently explain and act upon?

2. If you are serious about maintaining and improving your health, you likely check various measures of personal wellness on a regular basis. These measures typically include weight, blood pressure, frequency of exercise, diet/caloric intake, and hours of rest/sleep each day. You also usually have goals or targets for the measures that matter most to you. By comparing your daily results with your performance goals you manage continuous quality improvement of your personal life.

If you are not serious about your personal wellness, you live each day as it comes with little or no conscious regard for key measures or indicators of personal well-being. Your sole measure typically is that you “lived” yet another day. This approach leads to wider variation in daily well-being and to increased longer term potential for health surprises and risks.

Measurement helps you define and focus on the quality criteria that matter most to you.

Measurement helps you recognize and manage short-term (daily) variation on a longer-term path to overall wellness.

Measurement helps you correct your non-constructive behavior.

Measurement helps you recognize and reward your positive behavior and efforts.

What are your key measures and performance targets for a quality personal life?

3. Organizations that are serious about maintaining and improving performance check various quality measures on a regular basis. FedEx, for example, focuses on: percentage of packages delivered daily on-time as promised; absolute number of packages that are damaged or lost each day; and, total volume of packages shipped daily by region and by customer/account type. These numbers assure that all FedEx managers and employees are concentrating each day on the core business functions that drive

FedEx's income and profitability. The numbers are posted and reviewed daily on the company's global internal cable TV network and intranet.

Organizations that are not serious about quality typically believe that they will succeed today simply because they are "open" for business.

Do you know a business, like FedEx, that has distinctive products and services because they pay enormous attention to key measures of operational effectiveness and customer satisfaction?

Do you know a business that was "Founded with pride in 1902" but is now at risk because it is failing to focus on key measures of current and future success?

What data and information is your business looking at regularly to manage and improve its ongoing services and operations?

4. One of the elements that most distinguishes "quality management" from other management "fads" is its emphasis on data-based decision-making. You can tell how knowledgeable and serious a business is about its quality effort by the investment and emphasis it is making on data and quantitative information. To improve performance, a business must begin with a clear, quantitative understanding of its current capabilities. Without a baseline measure for current performance, how can we know if our quality efforts have contributed to actual improvement? Without baseline information about our current performance strengths and weaknesses, how can we prioritize and manage process improvement projects that make a significant difference? Without data we can not be sure if there is a correlation between our effort and our results. Without data there is little knowledge and limited sustainable learning.

When you walk into a quality business, you are likely to see data and information about performance trends posted in places where it is visible and useful for the business's employees. When you talk to employees in a quality business, they will tell you about recent variation and current trends in key areas of performance. Quality businesses have real-time measures of customer satisfaction, complaints, and profitability. Quality businesses also will have data and information about industry performance standards and competitive benchmarks.

Data and information are the fuel that drives quality enterprise.

5. Without data, opinion rules. Where opinion rules, decisions are made by those with the most power and authority. Those with the most power and authority are typically the most removed from the business's day-to-day operations and its customers. Data is the equalizer. Data substantiates opinion regardless of power and authority. Data assures that executives are knowledgeable and responsive to the issues, problems, and opportunities emerging at the line level and customer service interface. Data replaces opinion with facts; facts drive performance improvement faster than opinions.
6. Most organizations measure the wrong things. They may look at income or revenues, for example. But income and revenues can result from market circumstances that have nothing to do with quality. If the market or customer base is growing for a specific product or services, it is likely that demand will increase proportionally along with revenues. Even lousy businesses tend to grow incrementally in a positive market environment. This is why Dr. Deming said, "Any manager can succeed in a growing market." In a growing market, the challenge for quality businesses is to widen the distance between their performance and the performance of their next best competitors.

For example, in a metropolitan community that is growing rapidly, a community college will experience increased enrollment and associated increases in revenues. These numbers, however, tell us nothing about instructional effectiveness or student satisfaction. In fact, growth typically tends to

challenge consistency and quality of instruction. Unless managed effectively, the college will grow bigger and less student-focused.

Many organizations confuse measures of effort, activity, and intention with measures of achievement or performance result. Although effort, intention, and activity are essential for performance results – it is the results that matter most in the market place.

If you ask an employee what measures matters most to them, some will tell you that they care most about the number of hours that they work and the total wages and benefits they earn for their effort. Hours that employees work and wages that are paid, however, are not the measures that matter most to customers or shareholders.

In many school districts, we assess and promote students based primarily on the time that they spend in school. As a result, some students complete their 12 years in our K-12 schools and receive a high school degree without mastering specific competencies required for lifelong success. Our schools would be much different if we advanced students based on demonstrated skills and competency.

How would you feel about a surgeon whose work was measured by his best efforts and intentions?

7. Measurement takes time and costs money. The cost of measurement contributes to the overall cost of goods and services for customers. If we don't get value from the data we collect, we have incurred costs without a reasonable return on investment. This is bad for customers and bad for business. Therefore, we should strive to improve selection of key measures for our organization and we should make better use of the measures we collect.

Many organizations that are heavily regulated – like banks, hospitals, and schools – have lots of data for compliance purposes; but they often fail to use this data effectively for quality improvement of daily operations.

Are you collecting data that offers significant information that you are not using for quality improvement?

8. High-performing quality organizations typically select and regularly review a balanced set of measures that combine indicators of financial results, customer results, operational results, and employee results. These measures are sometimes called a “balanced scorecard.”

Leaders in these organizations understand the connections or interrelationships between measures on their scorecard. They know that financial income results from customer satisfaction. They know that financial income and customer satisfaction results from effective business operations and work processes. They know that employee satisfaction, well-being, safety, and growth are key factors that drive effective work processes that satisfy customers and generate income.

When Motorola first launched its industry-leading quality effort in the early 1980's, its CEO started all senior meetings with review and discussion of quality measures. This is not typical for CEOs who in most instances look first at the company's income statements. But Motorola's CEO understood that quality drives income. When the quality discussion was finished, he frequently left the meeting to his executive team who managed the details of translating quality into profit.

At Federal Express, CEO Fred Smith set up and manages a world class company based on the belief statement – “People. Service. Profit.” He knows that positive measures of employee and customer satisfaction will drive increasing income and earnings.

9. Here are some measures that Iris clients have introduced that are driving performance improvement and quality service in New Mexico businesses:

- percentage of rooms in a hotel that are booked daily
- wait time for a restaurant table at 7:15 pm
- time of day that trucks are loaded and ready to begin delivery service
- percentage of transactions that are handled correctly and completely the first time
- number and type of customer complaints
- percentage of total vehicles (fleet) that is available for use
- number and percentage of employee suggestions that are actually implemented
- total cost savings or cost avoidance achieved by implementing employee suggestions
- the ratio of (sales) revenues generated divided by total wages and benefits paid employees
- income generated from first time customers
- percentage of students who are late or absent at the beginning of each school day

How do you think each of these measures impacts how work gets done in a business?

What measure in your business matters most to drive and assure quality results each day?

C. Recommended Reading Assignment & Highlights – All selections are from Deming, *The New Economics*

About the Author

“The impact of Dr. Deming’s teachings on American manufacturing and service organizations has been profound. He is the leader of a sweeping quality revolution that is improving the competitive position of the United States.”

Preface

“This book is for people who are living under the tyranny of the prevailing style of management Most people imagine that the present style of management has always existed, and is a fixture. Actually, it is a modern invention - a prison created by the way in which people interact. This interaction afflicts all aspects of our lives - government, industry, education, healthcare.”

“We have grown up in a climate of competition between people, teams, departments, divisions, pupils, schools, universities. We have been taught by economists that competition will solve our problems. Actually, competition, we see now is destructive. It would be better if everyone would work together as a system with the aim for everybody to win. What we need is cooperation and transformation to a new style of management.

Chapter 1: How Are We Doing?

“Will best efforts bring improvement? Unfortunately, no. Best efforts and hard work, not guided by knowledge, only dig deeper the pit we are in. The aim of this book is to provide new knowledge.”

“Competent men, doing their best on their jobs, know all that there is to know about their work except how to improve it.”

“Everyone expected the good times to continue and to wax better and better. It is easy to manage a business in an expanding market, and easy to suppose that economic conditions can only grow better and better. In contrast with expectations, we find, on looking back, that we have been on an economic decline for three decades. It is easy to date an earthquake, but not a decline.”

“We certainly do not wish to have an unhappy customer, but it will not suffice to have customers that are merely satisfied. A satisfied customer may switch. Why not? He might come out better for the switch.”

“A good question for anybody in business to ask is ‘What business are we in?’ ... But this is not enough. We must keep asking ‘What product or service would help our customers more?’ We must think about our future. What will we be making 5 years from now? 10 years from now?”

D. Additional Resources and Links to Others Sources

Lynch, Richard L. and Cross, Kelvin F. *Measure Up! Yardsticks for Continuous Improvement*. (Blackwell Business, 1991)

McCoy, Ron. *The Best of Deming*. (SPC Press, 1994)

Walton, Mary. *The Deming Management Method*. (Perigee, 1986)

E. Questions for Reflection and Discussion

1. Which is a higher quality college, Stanford or Albuquerque TVI? Why?
2. Give an example of a measure that significantly impacts how you live and/or work? Explain.
3. Give an example of a measure that does not contribute to better understanding or improvement of your workplace or personal life.