

Business and quality: in search of excellence

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«He who runs after two hares will catch neither».

Proverb

«Kennst du das Land, wo die Zitronen blühn?»

J.-W. Goethe. Mignon

ABSTRACT

This paper deals with a search for an 'ideal' organization. We will compare the key principles of the best world companies, such as Toyota, Matsushita, the Mayo Clinic and Doctor Deming's approach. All of them coincide in humanistic management, joy in work, open information flow, enhanced freedom for employees. We will not come to know an ideal organization, but we hope to find out some directions towards it.

KEYWORDS: quality, excellence, preference, money, knowledge, innovation, principles of organizations.

Verslas ir kokybė: tobulumo paieškant

ANOTACIJA

Šis straipsnis skirtas „idealios“ organizacijos paieškoms. Autoriai siekia palyginti pagrindinius žymiausių pasaulio bendrovių, pvz. Toyota, Matsushita, taip pat Majo klinikos veiklos ir daktaro Demingo teorijos principus. Visus vienija tai, kad juose atsispindi žmogiškasis valdymas, darbo džiaugsmas, atviras informacijos srautas, didesnė darbuotojų laisvė. Nors

straipsnyje konkreti ideali organizacija nėra įvardijama, tačiau tikimasi nustatyti tam tikras kryptis, pagal kurias ją bus galima surasti.

REIKŠMINIAI ŽODŽIAI: kokybė, tobulumas, pirmenybės teikimas, pinigai, žinios, inovacijos, organizacijų principai.

Many years ago, when no business existed and the word 'quality' was not yet coined, the idea of quality was already in existence. It may have been born simultaneously with man. It may have even transformed a man into Man. After all, a man always makes different choices. He chooses what he prefers, and his preferences are controlled not only by his consciousness, but also by his emotions. But the criterion of his preferences is what he considers to be of high quality, whatever name he gives to it. So it turns out that quality is older than business, although it is not very important. What is important is that business essentially expanded the opportunities of choice by offering the man a lot of things that did not exist before.

It is at this point that people invented money – the universal equivalent of comparison. Perhaps this is the most complicated thing people invented in the history of mankind. Money paved the way to prosperity in business. The slogan 'Make Money' appeared, and business began to make money. But at first – during the era of craft production – it was necessary to become a craftsman and make quality things. Then mass production came together with new technologies and innovations, and business started to make money not based on quality, but on quantity. At this very moment, the type of a market named the producer's market arose, and it was the only market type for a long time. Many people never suspected that other types of markets could be possible. The living standards for most people in all countries were very low, there were not enough goods for all, so naturally the market turned out to be the market of overall deficit, and it was doomed to become the producer market. The owner of business used to be the main person in this market; he used to make the rules of the game, while all other persons – customers and workers – were dependent on him.

But the time was passing and not in vain. The eager man's thought was constantly searching for new products, approaches, technologies, decisions, and sometimes it discovered them. They changed the opportunities of business and it was growing and developing without realizing this and at last it started to produce enough for the deficit to disappear. The possibility of many choices of products by different producers emerged. And as soon as the producer be-

gan to make more products than it was necessary, the customer type of market emerged. Thus, on the one hand, producers have done a great favor to mankind, but on the other, it fell into a trap of new rules of the game. The world has undergone a major change.

The world has changed, but money has stayed. In the producer market, quality might be considered as a second-rate feature by business. For example, for many years a well-known company, General Motors, very seriously thought that quality was not the main characteristic of a car, in the first place it was a means to demonstrate one's wealth. This model worked for almost one hundred years, it even gave rise to an adage 'What is to the benefit of GM is to the benefit of America.' But now the GM has gone bankrupt. This is a clear sign of the global change. And our maxims should be changed as well.

The fact that the owner of a business is eager to get as much money as possible is quite natural. The question is, what is the role of quality? The answer is very simple. As soon as the market type changed, customers' behavior changed as well. Customers started to look for the goods they like and not to grasp the first thing that fell into their hands (fearing not to get anything). Surely, money is intervening in this process, but as soon as a man started to possess enough money, he began to buy what he liked. Having become aware of this fact, businessmen started to analyze these new circumstances and found out that the customer's behavior is significantly determined by the customer's understanding of quality. The focus on quality became necessary, hence the focus on the customer as the main actor.

This is how a new era – the era of quality – began. Quality became one of the requisites for business success. One may suppose that quality will continue to play a key role as long as the customer market exists. Of course, this does not mean that various new nuances are impossible. In fact, we are already observing their appearance. But let us first look at the features of quality. The customer may be rather sensitive to some or other characteristics of products or services he buys. The closer these characteristics are to those he dreams about, the greater is the probability of buying; the further they are, the lesser is the customer inclined to buy. Therefore, if we know the desired characteristics of goods or services, our task is to produce them with maximum accuracy. One would think that nothing can be simpler, but not all competitors are capable of doing it equally successfully. The variability of all systems impedes the process.

However, quality positions itself, it finally tries to find out customers' preferences and satisfy them, which is possible with minimum costs. After all, money still exists, and most customers are inclined to save it, though not at the

expense of lowering their requirements, that is, quality. This seems to be a contradiction, but it may be easily overcome if business considers its activity as the process of continuous improvement. It is continuous improvement that allows business to make quality better and concurrently to decrease costs. Thus, quality exerts a constant pressure on the cost of goods/services, while customer satisfaction permanently grows. The experience of the last 50 years of business development has showed that the fight for quality, as a rule, leads to cost decrease, while the fight for cost decrease more often than not leads to quality decrease. This means that the attempts to decrease costs without their link to quality are counterproductive and lead to the fall of customer satisfaction. As a result, the market share decreases as well. The most obvious example of such attempts is the laying off of employees for the sake of cutting costs, especially under the name of crisis.

Business improvement consists of three consequent stages:

1. Achievement of statistical stability (by using Shewhart control charts);
2. Elimination of all types of *muda*;
3. Real improvement thanks to innovations.

Therefore, if one focuses on quality, certainly not forgetting about money and time (as an old (Russian) proverb says, 'An Easter egg is dear on Easter Sunday'), then business will get all it dreams about. And there is no need to chase different hares, because if you chase one of them, you will catch three. If only everything was so simple! But nowadays markets are set in such a way that it is necessary to offer new products and services to them. Customers become bored/tired of old products and services very quickly, which means that innovations begin to play the key role. The fact that innovations are important is not new. The new is the fact that they are necessary permanently. And they do not change the customer's demands in respect to quality. They only deepen them, because one has less and less time for their implementation.

Some people think that innovations are created in the silence of research laboratories, others think they are made by insane individual inventors. Both of these sources work, but we think that most important innovations for business are born just inside business itself at the cutting edge of each industry (in *gemba* as the Japanese say), where a hard fight for a market share between competitors takes place every day. These innovations are born from knowledge wrought in *gemba*, from knowledge considered so far as something second-rate. However, this was not the case for a long while.

The purpose of business is to make something for others' happiness in a manner such as to be happy as well. In the modern world, this is impossible without knowledge.

To focus business on knowledge is a difficult task. In order to make it easier, it is very important to understand that knowledge is much more expensive than goods produced or service offered. If we focus business on raising customer satisfaction by the growth of our knowledge, we will make much more money. But this transforms essentially all the main mechanisms of business.

It is clear that transformation of business is made by management. We have recently come across a new type of innovations – innovations in management. The role and significance of such innovations are determined by the fact that they can hardly be copied or reproduced in another company (in contrast to innovations in technology). They are very well protected.

They are remarkably protected by the mere fact that any changes in management may be reached only by changes in management behavior – words are powerless here – and this means that each company should go its own unique way (Shook, 2010). At the same time, they are capable of creating long-term competitive advantages. Some management innovations are connected with changes of paradigms in world markets, others – with specific features and current position of a specific business. We are not going to list them here. Instead, let us look at the ideal which we wish to achieve.

People have always craved for an ideal. It has been luring them. Calling. And it has always been unachievable. Besides numerous attempts to reach it, each time an attempt resulted in a failure and sometimes in a catastrophe. We remember from school such names as *Saint-Simon*, *Fourier*, *Owen*, and *Campanella* – the authors of the most famous European utopias. How many names have been lost in history? One can say that all revolutions inspired their supporters with the enticing ideal. Have they ever been achieved? Alas! Nevertheless, it seems that people do need ideals.

In fact, in the field of business, mankind cannot stop thinking about an ideal company. One way to attain it is quite obvious: 'If the lips of Nikanor Ivanovich are put together with the nose of Ivan Kuzmich and we take a bit of familiarity which Balthazar Balthazarovich has, and maybe add some portliness of Ivan Pavlovich – then I would made up my mind at once.'

Thus, here is the first option. Let us take a bit from Toyota, add a little from Matsushita and put something else from the Mayo Clinic.

This is how Toyota itself states its basic principles (Toyota..., 1997):

1. Honor the language and spirit of the law of every nation and undertake open and fair corporate activities to be a good corporate citizen of the world;
2. Respect the culture and customs of every nation and contribute to economic and social development through corporate activities in the communities;
3. Dedicate ourselves to providing clean and safe products and to enhancing the quality of life everywhere through all our activities;
4. Create and develop advanced technologies and provide outstanding products and services that fulfill the needs of customers worldwide;
5. Foster a corporate culture that enhances individual creativity and teamwork value, while honoring mutual trust and respect between labor and management;
6. Pursue growth in harmony with the global community through innovative management;
7. Work with business partners in research and creation to achieve stable, long-term growth and mutual benefits, while keeping ourselves open to new partnerships.

Here are the principles of success from the Matsushita company as stipulated by its founder (our version) (Matsushita, 2004):

1. Business is something that human beings do for the happiness of other human beings;
2. If you do what naturally makes sense, like putting up an umbrella when it rains, your business will prosper;
3. Making a profit is part of the social responsibility of a corporation. Not to realize a profit is a crime against society;
4. Trust is something that takes time to build up, but that can be destroyed in an instant;
5. The mission of manufacturer is to offer good, affordable products and in abundant supply;
6. You must find a way to demonstrate your respect and appreciation to each and every employee;
7. Rely neither wholly on intuition nor completely on science.

Lastly, here are the promised principles of the Mayo Clinic (Berry and Selman, 2008):

1. Continual aspiration to ideal service quality and adherence to non-profit principles;

2. Invariable genuine wish to help each patient;
3. Permanent interest in professional development of each employee;
4. The desire to change as a response to the changes of society needs;
5. Permanent desire to reach the highest results whatever one does;
6. Absolute honesty in all deeds.

Therefore, for the supporters of the Agaphia Tikhonovna's approach, it is necessary to do only a minor thing: to make up one's mind!

But we think that this approach has little chance of success.

Let us take another approach.

From the standpoint of an ideal, it is interesting to look at 14 points of Dr. Deming and his system of profound knowledge. The thing is that the notion of management in accordance with Deming's principles may be considered as an ideal. The main features of this approach may be described as follows (Deming, 2000) (the version of Joiner's triangle):

1. Reliance on the system of profound knowledge (system-statistical thinking, understanding of the theory of knowledge and psychology);
2. Obsession with quality;
3. Understanding of people (reliance on trust, leadership, renunciation of searching for the guilty/who is to blame, renunciation/abandonment of punishments and incentives, grading, etc.).

It is clear that all the four approaches – Toyota, Matsushita, Mayo and Deming – are very close to each other/one another. The main similarities are as follows: the humanistic style of management (people come first) and dominance of long-time purposes over immediate benefits. Many companies suffered yesterday and continue suffering today, because they cannot resist the temptation 'to grab now and run away as far as possible in order not to be caught.' From the experience of many attempts to reach an ideal, it follows that the rough monetization of business is destructive, first and foremost for the business itself.

The integration of these approaches might give us what we wish, i.e. an 'ideal' ideal, but in practice it is quite doubtful.

Lastly, we can try to approach the ideal from a very different angle. Strictly speaking, any attempts to describe an ideal should be anticipated by an operational (i.e., clear, practical and unambiguous) definition of what it is.

Alas! Nothing is unambiguous here, and it is obvious that the operational definition of an ideal is impossible in principle. Moreover, the description of the ideal will be different for different members of society: an ideal for emplo-

years of a company will hardly coincide with an ideal for the owners, managers, suppliers, customers, competitors, etc. Furthermore, an ideal will not be the same in different times, and it is surely different in different parts of the world, even at the same time. Anyway, the estimate of the ideal is made by a man. And the man is looking for happiness. Although any person understands happiness in his own way, there are enough reasons to think that a man feels happy when he does something he likes in the sphere where he achieves perfection, and when he feels respect and recognition from/of other people. Only then one has a chance of finding him in a state of increased creativity, which is referred to as 'a flow' by Csikszentmihalyi (2004), 'elements' by Robinson *et al.* (2009), 'burning eyes' by Zander (Zurilo, 2009), 'self-actualization' by Maslow in the middle of the last century (Maslow, 1987). Just imagine – a man's efficiency in the state of creative burning is close to 100 per cent, whereas without it the efficiency does not exceed the efficiency of a steam engine (5-10 per cent).

Perhaps an ideal business is the one which allows as many people as possible to reach the state of self-actualization? Then it becomes clear that neither the type of business, nor time nor geographic position plays an important role nor is everything determined by the relationship of people within a company. This relationship depends on a small group of people standing at the top of a business. If these people are honest, if they respect other people and are obsessed with some idea aimed at the benefit of other people (whatever it may be), then their chances of creating an ideal business are not equal to zero – given a long-term work performed for this purpose and some good luck in internal and external circumstances. In any case, we will finally get another example of an ideal – a new Toyota, Matsushita, Mayo, etc. In order to create the ideal, it is necessary to go a long way of problem-solving, without which is impossible to reach the state 'We made this' (Shook, 2010).

Thus, what should be done to attain an ideal?

It is necessary to reject the idea of looking for a scapegoat and punishment, which automatically leads to assumption of long-term unilateral obligations to employees.

It is necessary to give up the idea of command and control (except special situations/cases). Instead, we need leadership and continuous search for agreement (consensus).

Then we need transparency of inner information (flow). This is a necessary precondition for creation of an atmosphere of trust in which people can get job satisfaction and feel happy.

Lastly, it is necessary to take the advantage of the project form of labor organization and cross-functional teams.

Try this and you will like it!

Therefore, to be successful in the emerging rough markets, business is forced to mine for knowledge based on humanistic management, constantly thinking about quality and not forgetting about time and costs. Simultaneously, it must be systematic in creating innovations. Then it can look fearlessly into the future. Moreover, one may not count the hares.

With this in mind, one has a chance to create an organization which has:

1. a goal for many generations;
2. no rigid hierarchy;
3. a high level of mutual trust among all co-workers;
4. no major inequalities of income, opportunities, freedom, etc.;
5. a system of ongoing exchange of knowledge and consideration of all opinions;
6. no distinct borderline between work and rest: working in such an organization is life with all its joys and sorrows.

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