Ten Reasons Why TQM Doesn't Work

It's not that quality shouldn't be a focus of business operations, it's just that quality operations often become so cumbersome that they overshadow the real reason a company is in business.

BY OREN HARARI

Many managers are beginning to rethink their love affair with TQM. By TQM I mean all those programs promising big boosts in quality, and yes, I know the title of this article could get me into trouble. Somebody's bound to trot out a TQM program that has achieved incredible results. No doubt successful programs exist. But for every success story, I'll show you two disappointments, or more. Put together all the independent research conducted by consulting firms Arthur D. Little, Ernst & Young, Rath & Strong, McKinsey & Co., and A.T. Kearney, and you come up with the conclusion that only about one-fifth—at best one-third—of TQM programs in the United States and Europe have achieved "significant" or even "tangible" improvements in quality, productivity, competitiveness or financial returns. This is a frightening conclusion given the hype that has accompanied TQM for years. It's even more serious given the fact that three-quarters of reasonably sized American firms claim to have invested in some form of TQM.

The findings themselves no longer surprise me, and that doesn't make me special. Managers are beginning to realize TQM is not synonymous with quality. Quality is essential for organizational success and competitive advantage. TQM is only one of many possible means to attain quality. In other words, quality is sacred; TQM is not. There's another difference: As we shall see, quality is about unbending focus, passion, iron discipline and a way of life for all hands. TQM is about statistics, jargon, committees and quality departments.

Yes, of course, the two concepts sometimes converge, but there are at least 10 reasons why they are likely not to. The remainder of this article is a frank attempt to explain the disquieting research findings cited above. In that spirit, let me propose 10 reasons why TQM programs often don't work even in organizational environments that desperately cry out for quality improvements.

I TQM focuses people's attention on internal processes rather than on external results.

Despite all the lip service to the contrary, the actual day-to-day mechanics of most TQM programs hypnotize—if not require—managers and nonmanagers to become internally focused, even as all the action is happening externally. Consider the preoccupation with internal performance measurements, conformance indices and technical specifications. That preoccupation inevitably diminishes managers' attention to external factors like constantly shifting perceptions and preferences of customers, as well as all the marketplace choices available to them, all the technological advances occurring that might positively impact them, and all the potential product and service enhancements they might respond to. Thus, what an internally focused company actually does may result in a product or service that in the eyes of the customer is outdated, blandly conventional, insufficient or just plain irrelevant. As one manager told a colleague of mine: "Before we invested in TQM, the rap on our company was that we churn out poorly made products that customers don't want. Now, after TQM, things have changed. We now churn out well-made products that customers don't want."

I've noticed another insidious consequence of this internal focus. It is difficult to sell TQM to nonmanufacturing, nonoperations groups like sales, marketing, design, engineering and, for that matter, anyone in any organization who is providing intangible services. These are people who could and should be influenced by strategies to add value to end-users, which is the ultimate goal of real quality anyway. Since TQM activities don't explicitly address this issue, they often are perceived by these in-house professionals as only marginally relevant to their concerns, and rightfully so. Hence, many of them wind up attending the classes and plotting the innumerable charts, only under duress.

The Baldrige Award is actually counterproductive when it reinforces this internal preoccupation. It does so by allotting only 250 or so possible points out of 1,000 to the actual results of a firm's quality efforts; the remainder are allotted to internal process improvement. Internal process improvement is a good thing, but if that's where managers focus their primary attention, the firm becomes more "efficient," but less responsive, flexible and interesting, hence less "effective."

2 TQM focuses on minimum standards.

Zero defects products and no rework efficiency are laudable goals, and they must be pursued. If TQM can help, well and good. But those are minimal standards these days. Attaining them means you get to play in the arena; they're the price of entry, not guarantees of success. Unfortunately, TQM seduces many people into believing that minimum standards define quality. They do not. In today's frenzied global economy, quality also includes the capacity to offer customers things that add excitement, ease and value to their lives. Quality means offering your customers products and services and personal experiences with your company that they will find easy, useful, intriguing and even fun. In customers' definitions of quality, zero-defects is merely one small part of that package, and it's a given.

Tom Peters has a wonderful analogy on this point. Remember the scene in the film *Amadeus* where young Mozart plays before Emperor Joseph II? First he plays a mechanically perfect and uninspiring Salieri score, then he begins to improvise, and suddenly the music soars and the listener is immediately stirred. Salieri's music was zero-defects TQM music. Sure, Mozart could play TQM music; without the technical proficiency to do so, he wouldn't have been allowed to sit at the piano in the first place. But if that's all he could do—if he couldn't add value to the notes with creativity, flair and beauty—Mozart's name and music wouldn't be what they are hundreds of years after his death.

This point has global implications. One survey found that most U.S. companies project significant improvement in their quality practices three years from now, but concede that by then they will reach levels that many companies in Japan, Germany and Canada have already attained. Notes Joshua Hammond, president of the American Quality Foundation: "They're so far ahead of us that quality is no longer a competitive issue. Now we've got to get into it to survive."

And where we need to go is beyond minimal standards. A *Consumer Reports* article notes that "Americans are building nice average cars but few 'gee-whiz-look-at-this' cars." TQM programs do not deal with "gee-whiz" or "wow!" factors—or what Paul Sherlock of Raychem labeled the "bewitch" and "bedazzle" effects—that are so essential to how customers view quality nowadays.

3 TQM develops its own cumbersome bureaucracy.

Many TQM programs implicitly assume (in fact, consultants market it as such) that quality is an orderly, sequential, linear and predictable process. To a rather small extent it is. But ask any executive who's been successful in engineering a quality turnaround, and he or she will tell you that real total quality emerges from a chaotic, disruptive emotional process that rips open the guts of any organization and rebuilds it from the bottom up.

If one accepts the myth of order and predictability, however, as most TQM programs do, it is natural to build an orderly, predictable bureaucracy around it. Of course, we don't call it a bureaucracy; we merely create reams of paper and sign-offs, a formal hierarchy of councils and committees, a plethora of meetings and techniques that must be adhered to, and a steadily growing staff that does little but monitor—some would say "police"—it all.

This has little to do with energetic, lithe market-driven quality. Quite the opposite. Moreover, many people start viewing the whole concept of quality as a number-crunching paper-chase or as a "whip." In one company, an hourly worker told me he was so fed up with the paperwork that "I've signed off on the crap because I don't want to hassle with it any more." In another company, a line manager of a successful operation practically begged me to tell corporate to "stop force-feeding their formula on us; they don't work here and they don't listen!"

The Florida Power & Light company is a case that TQM adherents once loved to cite. True, it won the 1989 Baldrige, but despite a quality department of 85 full-time individuals monitoring 1,900 quality teams immersed in a highly statistical "quality review" system, the gains in quality were actually pretty modest. The gains in employee depression and stress were much more impressive. And as one outsider remarked, people seemed more interested in the appearance of quality and jumping through the internal TQM hoops than on quality itself. Recently, Florida Power & Light has shrunk its bureaucracy dramatically; the quality department is down to six, for starters. And I recently read that British Telecom has dismantled its quality bureaucracy and "focused on the customer instead." What a novel idea.

4 TQM delegates quality to quality czars and "experts" rather than to "real" people.

This is a big one. Quality can't be delegated. It must be assumed and lived by everyone on the payroll. It must be central to company strategy, operations and individuals' job roles. I remember sitting at a dinner a year ago with a senior manager of Milliken, the South Carolina-based textile manufacturer. Milliken is a Baldrige winner that has been appropriately cited for a true customer-obsessed, companywide quality process. We both had presented speeches to an audience of pharmaceutical manufacturers earlier that day, and during our dinner we were approached by a participant who told us that her company had recently created a quality improvement department and she had just been appointed (or should I say anointed) director. She asked us if we had any sage advice.

The Milliken fellow and I immediately looked at each other, eyebrows raised. "Uh-oh," I said. He nodded, querying, "I wonder who's going to be responsible for quality?" We took turns explaining to the participant that it sounded like she was being set up to be a staff department charged with making quality "happen" while others—senior line managers, middle managers and nonmanagers—could go about their business absolved from authentic and complete accountability for "total quality management."

And it's true that the first thing many TQM programs do is anoint somebody or some group within the company as the grand poo-bah of quality. This is a problem. Xerox and Honda define quality as "the way to do business." They're right, but does one then need a director or department in charge of the way to do business? If quality truly is the centerpiece of doing business, it becomes everyone's responsibility and the cornerstone of strategy and operations, including budgeting. The problem with quality departments, quality directors, quality councils and the like is that they slowly become isolated from the realities of strategy and day-to-day operations while simultaneously taking on the brunt of responsibility for the destiny of quality. Steve Young, one of the A.T. Kearney study authors, is blunt: "You don't need a director of quality."

Another issue: The poo-bahs spend a lot of time conferring with "experts" like consultants, and according to Joshua Hammond, the "proliferation of consultants" aggravates the problems rather than solves them. That is because each consultant and consulting company preaches its own pet strategies and techniques and insists that the company adhere to them. The Ernst & Young study found 945 different quality-management tactics being peddled in the TQM market. Sounds like a pretty confusing market to me, but obviously it's a lucrative one for the vendors.

If we're talking about real people, let's not forget that empowered employees and informed, involved customers are crucial for shaping quality interventions. But consider these statistics: American computer and auto companies involve only 12 percent and 28 percent of their employees respectively in idea suggestion. Customer complaints are considered of "major or primary importance" in only 19 percent of banks, 26 percent of hospitals and 26 percent of computer makers.

Meanwhile, 60 percent and 73 percent of computer makers in Germany and Japan respectively use customer complaints. Employee suggestions are crucial to 34 percent of Canadian banks and 78 percent of Japanese car makers.

Suggestions are really only a small part of the picture. The key to quality is threefold. One, that front-line people "own" the process. It's their show and, within broadly defined parameters, they've got access to whatever information (including financials), budget and decision-making authority they need to implement ideas. Two, customers are actively involved in the process, providing continual feedback and literally working on quality-related teams with in-house personnel. Third, management is truly committed to the process. I use the word "commitment" very carefully. Here's why:

Consider a continuum of management reaction to quality efforts. The continuum ranges from "resistance" to "fence-straddling" to "support" to "commitment." I've seen too many senior and middle managers who at best "support" quality. A manager who "supports" quality allows the dollar investment in TQM efforts, makes a periodic attendance to a quality team meeting, and encourages the TQM consultants who are on-site. That's no longer enough. Commitment is what's enough, and commitment involves a sense of urgency, passion, time allocation and heaps of personal attention. Commitment means that customer-driven quality permeates meeting agendas, budgeting and personnel decisions, e-mail, memos, personal reports and daily calendar appointments. (More on this next month).

People at all levels are "boss-watchers," and they pay attention to what the boss pays attention to. If the boss is personally preoccupied with quality, they will be too. All too often, TQM allows management to get off the hook simply by "supporting" a discrete program divorced from any requirement of substantive change in management's personal habits.

Quality can't be delegated. Commitment, ownership and involvement by real people at all levels is what characterized success stories like Motorola, Milliken, Federal Express and Harley Davidson. Don't let anyone fool you that it was TQM alone.

5 TQM does not demand radical organizational reform.

You've heard this one before: If your organization is weighted down with excess management layers, bloat in corporate staff and a proliferation of functional feifdoms, all the TQM training in the world won't jack up your quality. The plain fact of life is that authentic quality improvements demand the flattening of structures, the liberation of line management from corporate control, the liberation of front-line people from line management, and the breakdown of functional foxholes. The last point is crucial: Cross-disciplinary cross-departmental efforts, which include "outsiders" like customers and suppliers, must become the institutionalized norm as "the way we do things around here." Interdisciplinary collaboration must replace a system in which one department does its thing and then throws it over the wall. Studies reveal that quality improvements using fully empowered, self-contained cross-functional teams show 200 percent to 600 percent improvement over their traditional functional pass-off counterparts.

The problem is that while TQM gives these issues lip service, it rarely confronts them head on. Too often in

TQM, tough, painful, structural changes play second fiddle to the more visible carnival of motivational balloons and wall posters, innumerable classes with big binders and slick presentations with fancy graphics.

6 TQM does not demand changes in management compensation.

How much more straightforward can I be? When quality indices become important determinants of management compensation, as they have been at Motorola, Ford and Federal Express, then people really start taking quality seriously. Usually, since TQM genially divorces itself from compensation issues, the audio of TQM and the video of pay don't match up, and the integrity of the quality process suffers, which means, of course, that ultimately the company's financials suffer. The Ernst & Young study found that in the auto, computer, banking and healthcare industries, for example, quality performance measures, like defect rates and customer satisfaction measures, play a key role in determining senior management pay in fewer than 20 percent of organizations. Profitability still matters the most in all four industries. Maybe that's why we have so many troubled companies in those industries.

7 TQM does not demand entirely new relationships with outside partners.

Since TQM is inner-directed and since it needs to avoid confronting the issue of radical structural change, it's not surprising that the organization's "intangible" relationships with suppliers, joint venture partners and other company business units are not highlighted. Nowadays, with so much work being subcontracted and outsourced, often globally, and with the need for lightning-fast top-quality turnaround work, new nonadversarial, nonlegalistic relationships among partners become crucial for total quality. These new relationships are based on soft, squishy concepts like trust, honesty, inclusion, mutual support and candid, nonlegalistic expectations of both parties' responsibilities. These intangible relationships are absolutely essential to quality. This is why companies as diverse as GTE, Milliken, Xerox, Baxter and Ford are no longer willing to jerk around suppliers in order to save a couple of dimes. Instead, they are pruning down their supplier lists dramatically. They are bringing in the survivors as long-term partners, giving them training, sharing data and cost savings, allowing them to access central databases via electronic data interchanges, and working collaboratively with them on common problems, new ideas and potential opportunities.

The same applies to sister facilities (plants, labs, offices, etc.) within firms, and to joint venture partners. All too often, the bloody turf warfare among these siblings and "partners" would be amusing if it weren't so tragic. One can't simply declare "partnership" or "synergy" and then have it magically appear. Like any relationship, it has to be worked on with trust and caring. If a real relationship doesn't exist, neither will quality.

General Motors is always good for a lesson in what not to do. How does the "new" GM deal with its suppliers? Under recently appointed global purchasing executive J. Ignacio Lopez de Arriortua, the company has arbitrarily ripped up established contracts, shared confidential suppliers' blueprints and bids with others to see if they can get lower prices, and has demanded unilateral price cuts of more than 20 percent with no guarantees of future work. If I was a betting man, I'd give you good odds that the fear, distrust and loathing experienced by suppliers towards the "new" GM does not bode well for GM quality. What does traditional TQM have to say about such goings-on? Not much.

8 TQM appeals to faddism, egotism and quick-fixism.

On the surface I'm being too harsh on TQM on this point. After all, is TQM responsible for American managers' preoccupation with quick, painless, no-harm to the P & L results? Is TQM responsible for many managers' inability to deal with a process that by definition is never-ending? Is TQM responsible for many executives' obsession with winning the Baldrige for reasons of personal aggrandizement and corporate public relations rather than as a reward for real quality improvements?

No, of course not. But let me go out on a limb and suggest that in their efforts to sell TQM seminars and programs, too many vendors have subtly pandered, perhaps inadvertently, to these weak traits among managers. I've seen representatives of some well-known consulting and seminar outfits promote their own companies and wares by presenting a fantasy picture of a clean, orderly, straightforward, eminently logical, user-easy path to success, with some ego-gratifying quickie results promised for good measure. Good marketing it may be, but good quality it ain't.

9 TQM drains entrepreneurship and innovation from corporate culture.

Bluntly speaking, TQM programs attempt to standardize and routinize internal processes with a carefully developed set of measurements and methodology. This is fine if the world outside is routine and standard. But it is not. As we discussed earlier, customer preferences and choices are constantly evolving and changing and, therefore, product and service offerings must be constantly evolving and changing too.

Now let me raise the bar. Continuous improvements on current operations and products are necessary, to be sure. But obsessing internally until one achieves a zero-defects "do-it-right-the-first-time" routine is a dangerous luxury that often slows down new breakthrough developments in products and services. It is the latter that is the cornerstone of business success.

We appear to be faced with a paradox. On one hand, a company must pursue constant improvement toward perfection in what it is doing now. On the other hand, a company must encourage risk and tolerate errors in pursuit of the destruction of the status quo and the creation of the new. Typical TQM, at best, only addresses the first part of the equation, and then often myopically, as noted in points #1 and #2. It does not address the second part of the equation at all, which means that the organization's entrepreneurship and innovation become seriously impaired.

I can't emphasize this point enough. For a company that wants to survive against the onslaught of myriad global competitors, many of whom rely on economies of scale, routine is death. Distinguished Japanese scholar Ikujiro Nonaka proposes that business success in the 1990s and beyond will be dependent on management's ability to "induce and amplify organizational chaos." Peter Drucker argues that successful organizations will be "destabilizers....organized for innovation." Like economist Joseph Schumpeter, Drucker defines innovation as "creative destruction."

The reason that Microsoft has a higher stock market value than either Boeing or General Motors, even though Microsoft's sales and physical assets are a fraction of Boeing's and GM's, is because investors anticipate that Microsoft's earnings will be higher. And the reason they anticipate higher earnings is because they know that Microsoft consistently and creatively destroys its current offerings and replaces them with new products and features that customers will gobble up. Apropos of "zero defects," Microsoft's newly released products usually have a few bugs in them. Naturally, the company zealously pursues constant improvement toward the elimination of those bugs, but its top priority is to accelerate the development cycle for new user-friendly products. It is that market-driven entrepreneurship and innovation that drives up market value, not an obsession with doing it right the first time.

10 TQM has no place for love.

By this outrageous statement, I mean that when all is said and done, TQM attempts to make quality happen via an analytically detached, sterile mechanical path. What's often missing, frankly, is emotion and soul. Go out and look at all the sincere individuals diligently following the step-by-step processes they've learned in the TQM (and, for that matter, customer-service) training classes, and ask yourself: "Where's the *love* of our product and our customer? Where's the *joy* of the pursuit of excellence? Where's the *passion* in the doing and the creating? Where's the *fun* in being here? Where's the *rage* and *agony* in the slightest snag in product or service quality? Where's the *thrill* in accomplishment?" If you can't find evidence of these, you probably won't find real quality either. Dr. Frankenstein learned that humans are more than anatomically correct bodies; Mr. Salieri learned that music is more than correct notes. Similarly, we all are learning that quality is more than correct processes.

Business writer Paul Cohen has written extensively about Maine-based Thos. Moser Cabinetmakers. With an array of exceptional products and service, this 90-person company is winning the loyalty of a growing army of highly demanding consumers around the country. Moser quality, of course, is superb, even though statistical process control charts and quality committees are conspicuously absent. Thomas Moser explains his company's approach to quality by noting that, first, most products today "lack soul," and, second, "There's a set of values resident in our furniture that attracts customers. They're not just buying something to sit in, something well made and well designed, or something the neighbors will envy. Those are all motivations, but there is a strong emotional component to the objects themselves that motivates people to buy." Moser goes on to say that what his company brings to the picture is "soul," including craftsmanship of "absolute integrity," and an in-house delivery service (itself a profit center) that guarantees gentle, caring, precise, on-time delivery across the country. Small wonder that Moser can say with all sincerity, "We don't sell furniture."

Not your usual TQM lingo. I believe that Debbie Coleman, ex-CEO of Apple Computer, was right on target when she said, "You have no right to manage unless you care passionately about what you are doing."

And while the words may be a bit hyperbolic, even I—an ex-professor of statistics and psychometrics—can buy the spirit behind the highly respected Herman Miller Chairman Max DePree, who said, "Managers who only understand methodologies and quantification are modern-day eunuchs."

Dear reader, with these 10 points, I hope I have not placed myself on your hate-mail list. Keep in mind that I didn't create the findings unearthed by Arthur D. Little, McKinsey, et al. I am merely trying to explain those findings and why TQM programs you are personally familiar with might still be stuck in first gear.

To be sure, even traditional TQM can provide a genuine service when it gets people sensitized to the concept of quality, when it helps people get disciplined in their efforts to attain higher quality, when it offers people some pragmatic tools to help them in that process, and when it injects some commonality in language and goals into the company culture. But as I've argued, when one strips away the hype, what TQM really does is at best a small part of quality, at worst a distraction from the real thing.

And what is that real thing? As customers, we know. We know when we experience real quality; we know which vendor provides the real thing and which one doesn't. Next month we'll talk a little less about TQM and a little more about this real thing. Stay tuned. MR

Oren Harari is a professor at the University of San Francisco and a consultant with The Tom Peters Group in Palo Alto, Calif. © 1992