**CHAPTER 1**

**Introduction to Quality**

**Teaching Notes**

In the first class session, we typically provide a few introductory remarks about the importance of quality (see Power Point© slides for use in your lectures) and then often show a video. One of the favorites is Pal’s Sudden Service, which is about a small fast food restaurant chain. A more recent one about quick service restaurant operations is K&N Management. Students can easily grasp the significance of quality in this familiar setting.

**Chapter 1 Overview and Key Objective**

The first chapter provides an overview of the importance of quality in a rapidly changing business environment. Actually, that has become a cliché. Perhaps we should use the phrase: “a chaotic business environment.” Students at both the undergraduate and graduate level are likely to be taking this course as an elective, so you may have a tendency to assume that they are "self-motivated" by simply being there. This is not necessarily the case. As business and industry evolves, the terms “performance management” and “performance excellence” have begun to be used as synonyms for older terms, such as TQM and total quality. Whatever the vocabulary, you should try to "hook" your students on the excitement of quality and performance excellence by using a variety of teaching methods and media.

This chapter also introduces the concept of quality in production and service systems and develops the idea that quality is central to effective operation of these systems. Students should be encouraged to develop an understanding of the fact that quality is not an "add-on" to organizational processes, but that it is "a way of doing business."

Key objectives for Chapter 1 should include:

* To emphasize that of the three important concepts of performance excellence – productivity, cost, and quality – the most significant factor in determining the long-run success or failure of any organization is quality.

1. To focus on the multi-faceted definitions of quality. Definitions include transcendent (judgmental) quality, product- and value-based quality, fitness for use (user-based), conformance to specifications (manufacturing-based), and customer perspectives.
2. To understand that the user-based perspective requires a definition of customers and related terms. Thus, customers also include **consumers**, who ultimately use a product; **external customers**, who may be intermediaries between the producer and the consumer; and **internal customers**, who are the recipients of goods and services from suppliers within the producing firm.
3. To define **specifications,** which are key to the manufacturing perspective, as targets and tolerances determined by designers of products and services.
4. To review the evolution of quality from the 12th Century B.C. Zou Dynasty in China, through the Craftsmanship era in the 1700’s, through the Japanese post-World War II challenge brought on by attention to quality and international competitiveness, to the “Quality revolution” in the U.S. and elsewhere in the 1980’s through the early 21st Century. The “revolution” came about as a result of consumer pressures, technological change, outmoded managerial thinking, and competitive pressures that changed the way that U.S. and managers around the world viewed the role of quality.

* To introduce the concept of **quality assurance** -- providing consumers with goods and services of appropriate quality, as a point of reference. **Statistical quality control (SQC)** is the application of statistical methods for controlling quality. SQC was vital to military production during World War II, and grew rapidly in application in the following years.

These definitions are often how the average person thinks of quality, but it requires pointing out its limitations, as technical, rather than managerial, approaches.

* To provide a framework for understanding that the quality movement has influenced not only product and service improvements, but the way in which organizations are managed, leading to the concepts of **Big Q** – managing for quality in all organizational processes as opposed to simply in manufacturing, referred to as **Little Q**. In addition, **total quality management (TQM)**, or simply **total quality (TQ)**, developed as a total, company-wide effort--through full involvement of the entire workforce and a focus on continuous improvement – that companies use to achieve customer satisfaction. TQ evolved from earlier concepts of total quality control and companywide quality control as practiced in Japan. Additionally, these concepts are supported by the organizational infrastructure that includes: customer relationship management, leadership and strategic planning, human resources management, process management, and data and information management, as well as a set of management practices and tools.

1. To show how aligning and integrating quality principles into all fundamental business activities underlies the concept of **performance excellence,** characterized bydelivery of ever-improving value to customers and stakeholders, contributing to organizational sustainability, improvement of overall organizational effectiveness and capabilities, and organizational and personal learning.
2. To explore the failures in quality initiatives, usually resulting from managerial mistakes, and how the **Six Sigma** approach, supported by traditional **lean** tools from the Toyota production system, is revitalizing the focus on quality in the 21st century.
3. To study the role that quality plays in each component of a manufacturing firm’s production and business support systems and to show how they are linked together as a system of processes to support organizational objectives.
4. To develop the view of a production and service systems that focuses on lateral relationships, as opposed to the traditional hierarchical view of organizations.
5. To differentiate between production and service organizations, as well as their similarities, and to highlight the differences in service organizations that must be addressed when designing and implementing quality assurance systems.
6. To show that quality in manufacturing and quality in services must be approached differently in terms of employees' responsibilities and type and use of technology.
7. To investigate the future of quality and reinforce the concept that managers must better prepare and train employees in the philosophy and tools of quality management, and that business leaders must also take responsibility and be held accountable for quality outcomes.
8. To provide quality definitions and terminology to be used throughout the text, including term such as: specifications, customers and consumers, total quality, processes, continuous improvement, learning cycles, infrastructure, practices, quality tools.

* To introduce the concept of **competitive advantage,** which denotes a firm’s ability to achieve market superiority over its competitors. Quality is a key source of competitive advantage, and studies have shown that quality is positively related to increased market share and profitability.
* To point out that today, organizations are asking employees to take more responsibility for acting as the point of contact between the organization and the customer, to be team players, and to provide better customer service. Unless quality is internalized at the personal level, it will never become rooted in the culture of an organization.

**ANSWERS TO QUALITY IN PRACTICE KEY ISSUES**

# The Evolution of Quality at Xerox: From Leadership Through Quality to Lean Six Sigma

Although Xerox has fallen on hard times in the early 21st Century, that should not prevent you from using their remarkable turn-around in quality in the 1990’s as a lesson in management commitment and focus, which is still having an impact. Instructors may want to point out that Xerox is a prime example of companies that have let “other business issues” blind them to the need for a continued emphasis on quality. Despite thorough training of managers and workers at every level, Xerox failed to maintain the organizational focus that had pulled them from the brink of disaster. Eight years after the burst of the “dot-com bubble” began, and in the midst of the prolonged economic downturn of 2008-12, it still remains to be seen whether the new management team at Xerox can turn the company around, once again, in their rapidly changing technological environment. However, it is not because the company and its current management are not trying.

1. In the 1980’s, after stumbling badly, Xerox made a remarkable turn-around in quality by developing principles that were very similar to the core principles in this chapter. They incorporated the core principles of: 1) a focus on customer satisfaction; 2) striving for continuous improvement; and 3) encouraging the full involvement of the workforce by their three objectives of *Leadership Through Quality* These could be summarized as:
2. Quality improvement is everyone's job.
3. Meeting the needs of internal and external customers is essential.
4. Management and work processes that focus on continuous improvement and customer requirements become a way of life.

## The current Lean Six Sigma endeavor differs from earlier initiatives in that while it still incorporates the “old” *Leadership Through Quality* approach, it places a new emphasis on:

1. Customer-focused employees
2. Participation and teamwork to attain speed and agility
3. Alignment of individual goals and plans with corporate objectives and results
4. Work processes that are customer-focused and with results built on quality measurement
5. Communication and knowledge sharing for improvement

One key difference appears to be that the new approaches were not just “handed down” by management, but required a new commitment and involvement of management. In addition, there seems to be a new awareness that quality results require alignment with organizational objectives attained at every level, quality processes based on measurement are the key to customer satisfaction, and knowledge must be obtained from inside and outside the organization and shared through communication in order to achieve continuous improvement.

2. The lessons that are evident in this experience are that excellence in quality requires excellence in management, that you “can’t take your eye off the ball” if you aspire to high levels of quality, and that new competitive challenges require new approaches.

In Xerox’s first lesson, a repeat of what happened in the early 1980’s with different players, there were a number of management problems that occurred at Xerox in the late 1990’s and early 2000’s that distracted them from what was happening with customers, employees, and the competitive environment. As a result (the second lesson), not much attention was paid to maintaining, much less improving, quality approaches that had been so successful several years earlier. Results were spotty, and efforts were pointed toward “making the bottom line look good.” The third lesson that became painfully clear was that simply training employees, without management commitment and involvement no longer worked.

A *Business Week* article on March 5, 2001 detailed the many woes of Xerox, especially as it related to top management power struggles and failures to adapt to a rapidly changing technological environment. If one accepts the premise that changing the corporate culture is a necessity for TQ to take root in organizations, then it appears to an outsider that their culture was never really changed, despite their quality successes in the past. Their succession of CEO’s, from Kearns to Allaire to the recently fired Thoman, made necessary changes to “fix” problems that were evident at the time, but none of these senior leaders were successful in changing the culture of the copier bureaucracy, “the Burox”, as they were called, inside the company. Also, as stated earlier, it is much easier to build and sustain TQ when management has a clear vision, a focus on customers and continuous improvement, strong measurement systems, a cross-functional orientation, and high employee morale. Recently, that has not been the case at Xerox. Both Allaire, who never made a “clean break” after retiring as CEO, and Thoman, who was an “outsider” brought in from IBM, were accused of having “their reach exceed their grasp” when it came to grand strategies that could not be successfully carried out at an operating level. Can one place blame on its quality management approaches? Probably not, since the TQ approach was highly successful in helping to turn the company around in the 1980’s when it was properly implemented. But due to recent strategic and management failures, it was not sustained in the rapid sweep of technological change that Xerox was caught up in.

After some three years as Chairman and CEO, Ann Mulcahy, successfully made numerous radical changes. More recently, her successor Ursula Burns, who is the first black woman CEO of a Fortune 500 company, has set the company on a new path as a business process services company, and away from being a hardware manufacturer and servicing firm. The new quality initiatives, coupled with strategic cost-cutting and new product development, contributed substantially to a new turnaround.

3. By saying that *Quality is a race without a finish line,* a slogan that Xerox management has recently revived, there is a focus on two things: a) quality must not be just a "program" that will fade out in a year or two; and b) to embrace the idea of continuous improvement, people must assume that there will always be better ways found to do things. For Xerox, this includes communication, becoming a learning organization, and continuing to use benchmarking, a concept in which the company was a pioneer. Procter and Gamble developed a continuous methods change approach many years earlier in which it was pointed out that: "Perfection [in a process] should be no barrier to improvement." In other words, employees should be encouraged to "tinker" with a process that is running well in order to make it work even better! The significance to Xerox or any organization is that if you continue to do things the same way, you will soon be behind the competition, if they are making continuous improvements and you are not.

Quality in Practice: Quality Practices in Modern China

1. There are obvious parallels between today’s China and post-World War II Japan. The Chinese have used their abundant human resources to produce low-cost goods sold around the world. They have borrowed (some would say “copied”) technology from the West, because it was cheaper and faster than developing their own independently. The differences are less evident, but have a very large impact. With a Communist government and centralized state control of industries, infrastructure, and processes, bureaucratic and political inefficiencies are common, innovation is slower, and correcting errors and quality problems is not easy.

2. China has a significant opportunity to leverage the learning and take advantage of progress made in quality in Japan and the West over the past half-century. Western companies, as well as Japanese ones, are eager to develop partnerships and access to the huge potential market of China’s tremendous population base. Thus, they are not reluctant to share at least some of their quality expertise with their Chinese counterparts. In addition, the information and communication explosion during the last decade has made it much easier to obtain information about quality philosophy, tools, and best practices, which can be put to use by managers and quality professionals in China.

**ANSWERS TO REVIEW QUESTIONS**

1. There have been several factors contributing to increased awareness of quality including gaps between U.S. and international competitors’ quality levels, product recalls, and massive quality failures. The realization of the superior quality of Japanese, German, and other products from non-U.S. firms in the 1970’s, ‘80’s and up to the present (Then, in initial quality levels; today, in long-term product reliability) was a “wake-up call” about the lack of U.S. quality. In the last 20 years periodic quality issues have arisen, such as the extensive product recalls by the Consumer Product Safety Commission in the early 1980's and the Challenger space shuttle disasters in 1986 and the Columbia in 2003, the first of which most students will not recall. Product recalls such as the ones for Daimler-Chrysler mini-vans rear door-latch problems and the Firestone tire recall on Ford Explorer SUV’s have kept the public's minds on quality throughout the 1990's and into the 21st Century. Improvements in technology, reassessment of inadequate managerial philosophies, and the economic impact of international competitiveness have also been important factors.

2. At Motorola, two key beliefs guide the culture of the firm: respect for people and uncompromising integrity. Motorola was a pioneer in continual reduction of defects and cycle times in all the company’s processes, from design, order entry, manufacturing, and marketing, to administrative functions.

Customers report high levels of satisfaction, and the division demonstrates strong financial, product quality, cycle time, and productivity performance. These results stem from exceptional practices in managing human assets, sharing data and information with employees, customers, and suppliers, and aligning all its business processes with key organizational objectives.

MidwayUSA leverages the fact that many in the company’s workforce have a deep passion for shooting, hunting, and outdoor sports, allowing them to use personal knowledge and insight to better serve their customers. All salaried employees (including senior leaders) spend one hour each week on the phone taking orders and answering customer requests. Employees are selected for leadership development based on their support of the company’s core value of “Customer-driven excellence” in addition to other performance-based criteria. Through its Web site, MidwayUSA directly solicits customer input on improving operations.

3. The six perspectives are: the transcendent, product, user, value, manufacturing, and customer perspectives. The customer is the driving force for the production of goods and services, and customers generally view quality from either the *transcendent* or the *product* *perspective*. The transcendent, or judgmental, definition of quality holds that quality is “both absolute and universally recognizable, a mark of uncompromising standards and high achievement.” As such, it cannot be defined precisely—you just know it when you see it. It is often loosely related to the features and characteristics of products as featured by marketing efforts to promote product excellence in the minds of consumers.

The *product* perspective implies that higher amounts of product attributes are equivalent to higher quality, so designers often try to incorporate more features into products, whether the customers want them or not.

The *user* *perspective* of quality is meaningful to people who work in marketing. This leads to a user-based definition of quality – fitness for intended use, or how well the product performs its intended function. The manufacturer must translate customer requirements into detailed product and process specifications. Making this translation is the role of research and development, product design, and engineering. Product specifications might address such attributes as size, form, finish, taste, dimensions, tolerances, materials, operational characteristics, and safety features. Process specifications indicate the types of equipment, tools, and facilities to be used in production.

Product designers must balance performance and cost to meet financial and marketing objectives; thus, the *value perspective* of quality is most useful at this stage. The value perspective looks for the relationship of product benefits to price. From this perspective, a quality product is one that provides similar benefits as competing products a lower price, or one that offers greater benefits at a comparable price.

Organizations want consistency in their goods and services. For production workers, quality is defined by the *manufacturing perspective*. Having standards for goods and services and meeting these standards leads to the definition of quality as: *conformance to specifications*. Specifications are meaningless, however, if they do not reflect attributes that are deemed important to the consumer.

Throughout the value chain, each function is an internal customer of others, and the firm itself may be an external customer or supplier to other firms. Thus, the *customer perspective* provides the basis for coordinating the entire value chain.

4. Consumers are the final purchasers of a product or service. In the case of fast-food restaurants, such as Chipotle, they are the everyday people who buy and consume the restaurant's ready-made tacos, barritos, etc. External customers are companies within a "chain of customers," a chain of many firms who work together to produce the final consumer product. A firm, such as Wal-Mart, that relies on the product or service of another company to produce its own product or service is an external customer. For example, Chipotle purchases meats, vegetables and other ingredients from outside suppliers. So Chipotle restaurants are therefore external customers of the separate manufacturing or processing companies who supply them. Internal customers are people or divisions within the company who receive products or services from suppliers within the company. In Wal-Mart stores, the store employees who unload the Wal-Mart trucks on the receiving dock are internal customers to the employees who drive the trucks and make the deliveries.

5. Webster's definition of quality is vague and simplistic. "(Quality is) that which makes something what it is; characteristic element." The ANSI/ASQC A3-1978, *Quality Systems Terminology* defines quality as “the totality of features and characteristics of a product or service that bears on its ability to satisfy given needs.” This definition draws heavily on the product and user definitions and is driven by the need to create satisfied customers. By the end of the 1980s, many organizations had begun using a simpler, yet powerful, customer definition of quality that remains popular today: *Quality is meeting or exceeding customer expectations.*

Quality can be a confusing concept, partly because people view quality subjectively and in relation to differing criteria based on their individual roles in the production-marketing value chain. In addition, the meaning of quality continues to evolve as the quality profession grows and matures. No single definition is adequate because customer needs are constantly changing and because quality is "situational" -- e.g. a good design for one purpose, and in the eyes of one set of customers, may represent a poor design for another use or another set of customers. Reliance on a single definition of quality is frequently a source of problems.

6. Evidence of the search for quality dates back to ancient Egypt, as indicated in the precision and uniformity of methods used in the construction of the pyramids. The craftsperson of the Middle Ages took special care to ensure quality in his/her product, a necessary step since he/she dealt directly with the customer. In the late 18th Century, Eli Whitney helped trigger the Industrial Revolution with his development of interchangeable machine parts. The Industrial Revolution itself was a key turning point, since it made quality assurance a critical component of the production process. However, quality was determined only after the products were finished, rather than during the manufacturing process, so as volume increased and costs decreased, craftsmanship decreased.

Quality control techniques were further developed in the early 20th Century, when methods of inspection to improve and maintain quality were gradually separated from production techniques. The significant difference between early and late 20th Century quality approaches was the development of the concept of “total quality” as applied to every area of an organization, not just the production and/or operations functions. In the early 21st Century, the emphasis has been placed on bringing quality improvement to the “bottom line” results by alignment of quality objectives with organizational goals.

7. Definitions of the following terms are:

a. quality assurance - any planned and systematic activity directed toward providing consumers with products (goods and services) of appropriate quality, along with the confidence that products meet consumers’ requirements.

b. total quality – the concept of total quality includes the three fundamental principles of: a focus on customers; participation and teamwork; and continuous improvement and learning. This requires that organizations strive to understand the needs and wants of both intermediate customers and final consumers, to seek input of ideas and solutions to problems from employees at every level, and to continuously look for, test, implement, and evaluate new ways to perform organizational processes, better.

c. performance excellence - an integrated approach to organizational performance management that results in:

1. Delivery of ever-improving value to customers and stakeholders, contributing to organizational sustainability,

2. Improvement of overall organizational effectiveness and capabilities, and

3. Organizational and personal learning.

d. competitive advantage **–** a concept that denotes a firm’s ability to achieve market superiority. A strong competitive advantage provides customer value, leads to financial success and business sustainability, and is difficult for competitors to copy. High quality is itself an important source of competitive advantage.

8. Quality concerns of each major function within a manufacturing system vary. Thus, each major function contributes to total quality in various ways, as follows:

Marketing and Sales - Effective market research and solicitation of customer feedback are necessary for developing quality products.

Product Design and Process Engineering – Here, designers and technicians must make sure products are not over- or under-engineered. Over-engineering results in ineffective use of a firm’s resources and products. Under-engineered products poor process designs result in lower quality as well.

Purchasing and Receiving - The purchasing department must ensure that purchased parts meet the quality requirements specified by product design and engineering. Receiving must ensure that the purchased items that are delivered are of the quality that was contracted for by purchasing and that defective parts are not received.

Production Planning and Scheduling - The correct material, tools, and equipment must be available at the proper time and in the proper places to maintain a smooth flow of production.

Manufacturing and Assembly - Quality must be built into a product; it cannot be inspected into it. Proper control of labor, materials, and equipment is necessary to achieve high quality.

Tool Engineering--Tools used in manufacturing and inspection must be designed and maintained for continual production of a quality product. Tool performance should be consistently monitored so that worn or defective tools can be identified and replaced.

Industrial Engineering and Process Design – Team members from these areas must work with product design engineers to develop realistic specifications of quality. In addition, they must select appropriate technology, equipment, and work methods that will produce quality products.

Finished Goods Inspection and Tests - If quality is built into the product properly and rigorously, inspection should be unnecessary. However, in a less than perfect system, some inspection based on random sampling, or 100 percent inspection of critical components, is still necessary to ensure that no defective items reach the customer.

Packaging, Shipping, and Warehousing - Logistical activities take place in these locations which are designed to protect quality after goods are produced.

Installation and Service – These personnel must ensure that users understand the product and have adequate instructions for proper installation and operation.

9. Service is defined as: "any primary or complementary activity that does not directly produce a physical product -- that is, the nongoods part of the transaction between buyer (customer) and seller (provider).” Service firms are organizations in industries and sectors including: hotels and lodging places, and establishments providing personal, business, repair, and amusement services; health, legal, engineering and other professional services; membership organizations. Real estate, financial services, retailers, transportation, and public utility organizations are generally considered service firms. Basically, they include all nonmanufacturing organizations except such industries as agriculture, mining, and construction.

Quality in services is important in today’s business environment because poor service often leads to lost customers (up to 35% per year) and therefore lost income. Retaining customers can mean a profit increase because it is more cost effective to retain them than to acquire new customers. Companies with long-time customers can financially outperform competitors with higher customer turnover even when their unit costs are higher and their market share is smaller. Quality has moved beyond technical issues such as reliability, inspection, and quality control in manufacturing, because of changes in the economy and in society. Some of these concerns center on the increasing focus of businesses on service and knowledge creation and management.

10. Differences between manufacturing and service organizations are significant, yet both types have activities that fall into manufacturing and service categories. The contrasts between service and manufacturing quality include:

* Customer needs and performance standards are difficult to quantify in services.
* The production of services often requires a high degree of customization.
* The output of many services is intangible, unlike manufactured goods.
* Services are produced and consumed simultaneously.
* Customers must often be involved and present during the performance of the service process.
* Services are more labor intensive, where manufacturing is more capital intensive.
* Many service organizations handle large numbers of transactions.

11. Employees need information technology as a tool for providing quality service in today’s fast-moving business environment. Information technology is essential in modern service organizations because of the high volumes of information they must process and because customers demand service at ever-increasing speeds. Intelligent use of information technology improves quality and productivity, and also leads to competitive advantage, especially when technology is used to better serve the customer. At the Ritz-Carlton Hotel Company, L.L.C., a corporate-wide database is used to record customer preferences, previous difficulties, personal interests, and preferred credit cards of each of more than 800,000 customers. Thus, front-desk employees can determine that a customer needs a non-smoking room, prefers non-scented soap, and often travels with a small child who will need a crib.

12. Business support activities must aid in quality production in their own separate ways, but still remain aligned with the organizations purpose, objectives, goals, and plans. Support activities help to provide for specialized handling of non-core processes. Thus, team members in the core activities can focus on quality issues in their own areas. Key business support activities play a role in sustaining quality as follows:

- Financial studies can help expose the costs of poor quality and ways of reducing it. Accounting data are useful for identifying areas for quality improvement and tracking the progress of quality improvement. Financial and accounting personnel can also apply quality improvement techniques to improve their own operations.

- Human Resource Management--Human resource managers must ensure that employees have the proper skills, training, and motivation to do quality work, and that they are recognized and rewarded for such. They must also be given the authority and responsibility to make critical quality decisions when necessary.

- Quality Assurance specialists in “quality assurance departments” assist managers by performing tasks such as statistical tests or data analyses, special statistical studies and analyses, and may be assigned to work with any of the manufacturing or business support functions. It must be remembered that a firm’s quality assurance department cannot guarantee quality. Its proper role is to provide guidance and support for the firm’s total effort toward this goal.

- Legal Services personnel in the legal department attempt to guarantee that the firm complies with laws and regulations regarding such things as product labeling, packaging, safety, and transportation; design and word warranties properly; ensure that the firm satisfies its contractual requirements; and develop proper procedures and documentation for use in the event of liability claims against it. The rapid increase in liability suits has made legal services an important aspect of quality assurance.

13. A firm's competitive advantage lies in its ability to achieve market superiority. It is a) driven by customer wants and needs; b) makes a significant contribution to the success of the organization; c) matches the organization’s unique resources with opportunities in the environment; d) is durable, lasting, and difficult for competitors to copy; e) provides a basis for further improvement; and f) provides direction and motivation to the entire organization. Quality supports a firm's competitive advantage by providing for more efficient use of resources and production methods within the company, thus producing products or services that are superior to those of competitors.

14. The late Philip Crosby made the point that "quality is free" because he wanted to emphasize the savings and benefits that have since been more fully (see answer to question 15, below) documented, in terms of design and conformance quality. Money saved by avoiding scrap, rework, and a poor reputation for quality shows up in the "bottom line" as higher profits. Although it costs money to start and maintain a quality process, it is a proven fact that quality "pays" in the long run.

15. A product's value in the marketplace, and hence, its profitability, is influenced by the quality of its design. Improvements in performance, features, and reliability within the product will differentiate it from its competitors, improving the firm's quality reputation and the perceived value of the product, and allowing the company to command higher prices and achieve a greater market share. This leads to increased revenues, which offset the costs of improving the design. Improved conformance to quality standards in production also saves rework, scrap, and warranty expenses, thus decreasing manufacturing and service costs.

16. The evidence to counter the claim that “quality does not pay” is mounting. For example, the Department of Commerce studies of Malcolm Baldrige Award winners through 2002 showed that an investment in common stock of the winners would have produced a 3.8 to 1 advantage over a similar investment in the S&P 500. However, in 2003, for the first time since the Baldrige Index was established, the S&P outperformed the index, primarily because of the depressed stocks of a number of high-tech companies that have won the Baldrige. The Hendricks and Singhal study (see text reference) of 600 publicly traded firms that have won quality awards showed significant differences in performance measures versus their control groups. Quality-focused companies have frequently attained outstanding operational and financial results. These have been extensively illustrated in this and succeeding chapters in the quality profiles of such firms as Pal’s Sudden Service, Robert W. Monfort College of Business, Texas Nameplate, Boeing Airlift and Tanker, Bronson Methodist Hospital, etc. In addition, various studies done by associations and government agencies such as the GAO study, Commerce Department studies, and the documentation required from Baldrige Award applicants and winners all provide evidence that quality delivery and improvement "pay".

17. Personal quality is an often-neglected area, which, if emphasized, can have a significant impact on individuals and organizations. Simply by recording defects in specific categories, the number of defects can often be reduced. In addition, this approach can make individual employees in an organization aware of how the quality process works, give them an appreciation of the power of quality tools, and help them realize how their own quality actions may impact the firm.

**ANSWERS TO DISCUSSION QUESTIONS**

1. Students should have numerous personal examples of how good and poor quality has affected them. Often, they are harder pressed to come up with an example of good quality than one of poor quality. For example, one of the authors experienced outstanding quality when he went to a computer store and selected a printer. After completing the paperwork and payment part of the transaction, the store employee went to the back, retrieved a sealed box containing the printer model that was purchased, cut the tape on the box, attached the printer to a computer with the correct cord which he picked from many on the rack, ran through a print test, repacked the printer, retaped the box, carried the printer to the author’s car, and placed it carefully in the trunk!

2. Quality has been a topic of national interest in the U.S. as well as to countries around the globe since the discovery in the early 1970’s that many goods and services produced in certain quality-focused countries, or by specific companies, have higher quality standards in production and better track records with consumers. In the past, American negligence of quality resulted in many consumers preferring foreign-made products. This preference increased business for foreign competitors, allowing them to establish an American business presence, increase their market share, and thus decrease sales of American-made products, domestically, as well as internationally. This has continued into the present, with China’s dominant role in producing consumer goods for the world market. In the long run, this can cause the economic health of the nation to suffer. However, more and more U.S. businesses have recognized that they are vulnerable to both foreign and domestic competition if they don't have competitive quality levels, so they are taking steps to counter the competitive threat. There are even businesses which are “pulling back” from foreign outsourcing and producing components and products in the U.S. in order to regain control over quality and eliminate issues due to extended supply chains.

3. In the *Business Week* (July 9 & 16, 2007, p. 16) article, the reader said: “Americans have switched from Detroit Big Three vehicles to Honda and Toyota vehicles not for visual design features but for durability, reliability, good fuel consumption, and low full cost of operation. Detroit needs to offer five-passenger, 35-mile-per-gallon vehicles with 100,000 mile bumper-to-bumper warranties over 10 years of ownership to cause satisfied Honda and Toyota buyers to switch.” The definitions of quality implied in these comments emphasize a product-based and “fitness for use” perspective, based on value. The writer may also be implying that the after-market service quality of the traditional Detroit auto companies is not competitive with such firms as Toyota or Honda. While the reader is probably “on the mark” about the needs of a large segment of the automobile buyers market, his/her comments do not necessarily cover the “fitness for use” categories of buyers who are looking for cars with primary characteristics of safety or those whose purchase decisions are driven by design/luxury and aesthetic values.

4. Answers may vary. For example, if a student chooses an iPad, he or she may point to its transcendent quality. The student might say, "I just like the 'look and feel' of the IPad. When you look at it, it's obvious that it's a quality product." In speaking of product-and value-based quality, the student might point out that the iPad has a lot of features for the price. To judge fitness for use, the student may say, "I want to take pictures, notes in class, and converse with my boyfriedn, who Is studying abroad. I need the functions and apps that the iPad has, and has made easy to use." Finally, when judging conformance to specifications, the student may look the product up online, and find out if claims for battery life hold true for current users.

5. As in question 4, students might choose any one of dozens of products or services to illustrate. Fitness for intended use should answer questions such as: Does the product perform as advertised? Is the product user-friendly, and affordable for both consumers AND the manufacturer? Is the product durable? How does the product stack up against other competitive products, which may have different features?

For example, they might choose to discuss purchase of a used car to drive to school and work. The list of fitness for use criteria might include initial price, cost to operate and maintain, ease of driving, power, aesthetics. If a comparison is made between a used Ford Focus and a Honda Civic, the Focus might be inexpensive to purchase, moderately economical to own, easy to drive, low-powered, not very comfortable, and not very attractive in design. The Civic (assuming comparable age and mileage) might be more expensive to purchase, more economical to operate than the Ford, easy to drive, moderately powered, comfortable, and have a more attractive design than the Focus.

In applying these definitions to a service (e.g. a cellular phone service provider), students should ask questions such as: Is the service affordable? Cost-efficient? Are employees sensitive to customer needs? Does it have any “hidden” requirements or misleading claims? How does this service compare with, a competitor’s phone service in price, features, and reliability? How often does the service incur “dropped” calls? What about geographic area coverage?

6. The Ford executive’s statement that: “You can’t have great value unless you have great quality” ‘rings true’ because quality of design and quality of conformance go hand-in-hand. However, the marketing-oriented concept of “fitness for intended use” makes it difficult to arrive at a universal definition of either “great value” or “great quality.”

7. This approach by *PCWorld Magazine* particularly impacts, and seems to down-play, the value-based definition of quality. Price is a quality characteristic which most consumers consider. If price is held constant, while other characteristics are compared, then it is often easier to make a value-based decision. If price comparisons are not made, as implied by *PCWorld*’s new approach, the reader may experience difficulty in arriving at a decision.

It is true, however, that taking a transcendent perspective, as *PCWorld* appears to be doing, has the advantage of assuming that product excellence is not always closely tied to price. Alternatively, by taking the user and the fitness for use perspectives, the number of features, and their contribution to the satisfaction of the users’ needs, may be adequate for the person who is exploring their options. If the reader is interested in the transcendent quality of the product and is not particularly price sensitive, then *PCWorld*’s approach makes sense.

8. Several of the examples described can be seen as appealing to more than one definition in order to attract the quality-minded consumer.

* + 1. The DirectTV ad is based on an appeal to the value-conscious consumer, who wants a reliable, low-cost TV service.
    2. The deodorant ad implies “fitness for use,” because if a deodorant doesn’t keep you dry, as well as kill odors, it’s not very effective.
    3. The Paul Mitchell hair products are appealing to the product perspective, by citing the many features, which help to address multiple types of hair problems.
    4. The Bulova Precisionist ad implies that they deliver the highest level of product-based quality, based on the company’s “transcendent” quality reputation. At the same time, there is an appeal to the person who has a product perspective, by citing the technical features and details of how the product achieves its characteristics
    5. Symantec emphasizes features, which focuses on the product perspective. It could also be seen as a customer-focused product, which is fit for intended use.
    6. The Samsung ad implies a high level of product-based quality, based on the company’s “hi tech” and “leading edge” quality reputation. It appeals to the “innovative” consumer, who is aspires to own only the “latest” hi-tech “toy.”

9. Each era of quality has important lessons which managers can learn from, if they pay attention. Some of these lessons are suggested in bold-faced type in the following summary of quality history.

Evidence of the search for quality dates back to ancient Egypt, as indicated in the **precision** and **uniformity of methods** used in the construction of the pyramids. The craftsperson of the Middle Ages took **special care to ensure quality** in his/her product, a necessary step since he/she **dealt directly with the customer**. In the late 18th Century, Eli Whitney helped trigger the Industrial Revolution with his development of interchangeable machine parts, requiring the understanding of **specifications and tolerances**. The Industrial Revolution itself was a key turning point, since it made **quality assurance** a critical component of the production process. However, quality was determined only after the products were finished, rather than during the manufacturing process, so **as volume increased and costs decreased, craftsmanship decreased**.

Quality control techniques were further developed in the early 20th Century, when **methods of inspection to improve and maintain quality** were gradually separated from production techniques. The significant difference between early and late 20th Century quality approaches was the development of the **concept of “total quality”** as applied to **every area of an organization**, not just the production and/or operations functions. In the early 21st Century, the emphasis has been placed on bringing quality improvement to the “bottom line” results by **alignment of quality objectives with organizational goals**.

10. Despite being controversial due to its lack of specific aims and suggestions for remedies, the Occupy Wall Street movement of 2011—12 has drawn attention to issues of *global responsibility* in making decisions, specifically in the banking and financial sector. Another example was the decision by Netflix to split the company between the functions of delivered its DVD’s via mail versus those that delivered streaming content over the internet, provides an example of how the *internet and social media* can be quickly used to slam a company that makes a decision which does not meet customer needs or approval.

11. Under certain conditions, a hospital or a school could be said to have both manufacturing and service characteristics. The differences between manufacturing and service organizations, listed in Review Question 10, are evident in schools and hospitals in various ways. Using the list from the review question, the contrasts between service and manufacturing quality include:

* Customer needs and performance standards are difficult to quantify in services.
* The production of services often requires a high degree of customization.
* The output of many services is intangible, unlike manufactured goods.
* Services are produced and consumed simultaneously.
* Customers must often be involved and present during the performance of the service process.
* Services are more labor intensive, where manufacturing is more capital intensive.
* Many service organizations handle large numbers of transactions.

For example, in schools, determining what a “good” student is creates difficulties, particularly for learning disabled students, gifted students, and “average” students. These categories often drive the need for customization of curricula. Obviously, the output is intangible, and such services are produced and consumed simultaneously. These and other differences between manufacturing and services show up in hospitals. For example, customers must be involved and present when brain surgery is done to relieve the symptoms of Parkinson’s disease. Services in the operating room are labor intensive, when a large surgical team is involved in performing a heart transplant. Large numbers of transactions are involved when a patient has a major infection that requires a long hospital stay, many procedures, and many medicines to be administered on a day-by-day schedule.

12. Student answers will vary here, also, according to their experience. For this question, students will need to determine the targets and tolerances for their individual service activities that permit "conformance-to-specifications" to be measured. Targets will be the specific services that employees should provide, and the specific values that employees will demonstrate. Tolerances will be the standards set up to determine what is necessary when employees miss the mark; in other words, what is acceptable (i.e. an employee being five minutes late 5 times) and what is unforgivable (an employee being two hours late three times)? For example they might choose a package delivery service, such as UPS or FedEx. Then the “conformance to specifications” to monitor would be such things as: percent of output sorting to incorrect locations, in the sorting hub; percentage of packages loaded on the wrong truck at the distribution center; and percentage of packages not delivered on-time, based on route statistics.

13. Student experiences in where service quality was truly top-notch, and some in which it was not, will vary. Students may tend to dwell on poor quality service, first. You may have to probe student's memories to have them relate some "good quality" stories. For example, one of the authors stayed in a hotel that was operated by a large eastern university. The desk employees (probably students in hospitality management) were polite and well trained, and the bed in the clean, well-furnished room was comfortable. However, after arriving late at night and settling into bed, the antiquated heating system went through loud cycling changes every 10 or 15 minutes. The switching on and off of the system, accompanied by hisses and bangs, left the customer, who was too tired to change rooms, with a fitful night of sleep. He went to the checkout counter the next morning and complained about it, asking for a reduction in the room rate. To his surprise and delight, the young clerk said, “We’ll just cancel your bill!” Infrastructure and management practices of such organizations might involve the degree of customer focus, employee empowerment, training, and quality control and assurance.

14. People and information technology may be used to improve service in a college or university by providing services over the internet, such as registration, grade delivery, financial aid information, library services, payment methods for copying, printing, and food services, etc. Many universities are installing integrated Enterprise Resource Planning (ERP) systems to integrate support processes for planning, budgeting, enrollment management, etc. Often, in a web-based system, students will be able to retrieve grades for courses right after they are posted, view their transcript to see what courses have been taken or still need to be taken, and post their e-mail to friends and professors. Many professors are putting assignments, grades, PowerPoint slides, or whole courses on the Web to improve service to students. Other schools are delivering emergency warning messages for weather or suspected terrorist events, simultaneously to cellphones and e-mails of students, faculty and employees of the organization.

15. The Internet has played a significant role in improving service quality. For example, many banking transactions, which used to require face-to-face or telephone interaction, such as check deposits, applying for a loan, checking bank balances, etc., now can be done online, without human intervention. However, these very characteristics can sometimes throw up barriers to service quality, such as the difficulty of correcting errors in bank transactions, the inability to apply human judgment when a loan application is rejected, etc.

16. Some examples of manufacturing functions, which also involve services, and drawing upon the functions illustrated in Figure 1.2 are:

Marketing and Sales - Effective market research and solicitation of customer feedback are necessary for developing quality products.

Product Design and Process Engineering – Here, designers and technicians must make sure products are not over- or under-engineered. Over-engineering results in ineffective use of a firm’s resources and products. Under-engineered products poor process designs result in lower quality as well. Once again, the “voice of the customer” must be gathered and translated into technical specifications.

Production Planning and Scheduling - The correct material, tools, and equipment must be available at the proper time and in the proper places to maintain a smooth flow of production. Internal customers must be consulted about their requirements, and service standards must be set and controlled.

Manufacturing and Assembly - Quality must be built into a product; it cannot be inspected into it. Proper control of labor, materials, and equipment is necessary to achieve high quality. If customer complaints and feedback are available in manufacturing, methods changes can often be made which will enhance customer satisfaction and loyalty.

Industrial Engineering and Process Design – Team members from these areas must work with product design engineers to develop realistic specifications of quality. Once again, this can be seen as a service function. In addition, they must select appropriate technology, equipment, and work methods that will produce quality products, while meeting the needs of internal customers.

Finished Goods Inspection and Tests - If quality is built into the product properly and rigorously, inspection should be unnecessary. However, in a less than perfect system, some inspection based on random sampling, or 100 percent inspection of critical components, is still necessary to ensure that no defective items reach the customer.

Packaging, Shipping, and Warehousing - Logistical activities take place in these locations which are designed to protect quality after goods are produced. Assessment of service levels in the form of surveys and data about meeting delivery targets, avoiding product damage, and providing information to customers on availability of products are all service aspects in this set of functions.

Installation and Service – These personnel must ensure that users understand the product and have adequate instructions for proper installation and operation.

17. One example of a highly competitive organization is United Parcel Service (UPS). UPS has competitive advantages that are linked to efficiency and economies of scale. They use a combination of ground and air transportation, depending on the customer’s needs for speed of delivery. They adjust staffing levels to meet processing requirements by using a mix of part-time and full-time employees. They track the delivery of packages using electronic scanners, and they use GPS technology to locate vehicles. In addition, they use sophisticated operations research software to set up optimal delivery routes in order to minimize wasted time and delivery costs. These appear to support their stated strategic goals. Their strategy statement (Source: <http://www.investors.ups.com/phoenix.zhtml?c=62900&p=irol-govhighlights>, *UPS Values, Mission and Strategy*), in part, is:

**UPS Enterprise Strategy**

*Create Value, Transform, and Invest to Grow*

* Create value for customers using our superior portfolio of logistics capabilities
* Continually transform to strengthen our leadership position
* Invest to accelerate growth in key markets and new opportunities

18. Students might use the personal TQM approaches suggested by Roberts and Sergesketter as a "springboard" for discussion of this question. Typical processes would be getting ready for school or work, keeping a room straight, or studying for an exam. Opportunities for improvement include reducing the amount of time spent in the process; performing certain activities “just in time,” rather than in a crisis time; and ensuring that the necessary “tools” for efficiency are on hand at the time that the work is being performed.

**SUGGESTIONS FOR PROJECTS. ETC.**

1. The results will vary, depending on the ads that the student chooses.

2. There is a great deal of information available on the merger of Continental with United in the business press. It should be noted that Continental Holdings, Inc. (parent of the merged companies) was named the most admired airline in the Fortune World’s Most Admired Companies listing for 2012 (Source: <http://money.cnn.com/magazines/fortune/most-admired/2012/industries/2.html>.).

3. There is a great deal of information available on the annual reports of companies available in college library databases, as well as on corporate websites.

4. This could be one of the more challenging assignments, since students may have to “dig in” to find sources about international quality awards on the Internet, or by contacting the American Society for Quality (www.asq.org) for contact information about various quality-related professional organizations.

5. This project should provide students with insights into how the various functional areas are related to one another. Depending on the amount of cross-functional work that is done, students may have difficulty identifying “departments” with some functions. For example, many companies have now done away with departments of industrial engineering and process design. A central group at corporate headquarters may do purchasing.

6. If some of the students in the class do project 1 and others do this project, it can provide a very interesting contrast. Most service businesses, even very small ones, are highly dependent on their information technology and employee know-how in their efforts to provide quality service. Perhaps more rare will be the firms that have long-range improvement plans that integrate employee skills and evolving technology into the organization’s strategy.

7. A Personal TQM Project

This approach, developed by Roberts and Sergesketter, was used for several years by one of the authors (Lindsay) as a class assignment with both undergraduate and graduate students in Quality Management and Production and Operations Management courses. Student response at the end of the term was overwhelmingly positive. Answers are based on experiences in these classes.

a. Student analysis, backed up by use of the checksheet, a scatter diagram, and Pareto charts, tend to show an initial, often dramatic drop in total weekly defects over the first three or four weeks. Later in the study period, regression often occurs because of exam weeks or project assignments coming due. The final several weeks of the study period often show another drop in the scatter diagram of defects, possibly because the final project report comes due and people want to "look good."

b. Sergesketter's results are widely observed in students' charts. Students are encouraged after submitting the mid-term project report to assess their strengths and weaknesses and to drop and add items that may be too easy or too impossible to attain. However they are required to continue to track a minimum of eight goals (four academic and four non-academic).

c. Some students are very wary of revealing their defects to others, or discussing how they are doing except in very general terms. Others are more open to the process, and often get significant help from their peers in reaching or exceeding their goals.

d. The personal quality project can help the students to understand how difficult it is for managers to plot data systematically, take corrective action based on facts, or break "bad habits" of producing defective parts. Thus, personal goals, such as "getting to class on time" can be related to "getting to work on time" or delivering the customer's order on time. "Zero Defects" on the next exam can be as difficult as "Zero Defects" in the factory. "Casting Out Fear" may be illustrated if the professor assigns grades for this project based on whether the students write excellent reports that are well-documented and analyzed, not on whether their defect totals went down a certain amount over the term, or whether students were pleased or angry with their own results. This can be related to the workplace idea that managers don't fire employees for producing a defective item if it is beyond their control.

**Users of this text should feel free to contact me for further details. - Bill Lindsay**

**ANSWERS TO CASE QUESTIONS**

I. Skilled Care Pharmacy

1. Various definitions of quality such as: transcendent quality, product-and value- based quality, fitness for use, and conformance to specifications could be applied to Skilled Care’s operations. Transcendent quality is perhaps conveyed to customers by hearing about and observing Skilled Care’s “dedication and commitment to continuous quality improvement.” The product-, user-, value- and manufacturing-based definitions are reflected in the Skilled Care Quality Policy, which has references to service and product quality, customer satisfaction, and the team approach taken by the firm. As do many businesses, Skilled Care’s philosophy closely adheres to the definition of quality as "meeting or exceeding customer expectations." If they can successfully carry out the intentions of their Quality Policy, they will do well.
2. Accepted quality principles include: a focus on customers; participation and teamwork; and continuous improvement and learning. These are supported by the organizational infrastructure that includes: customer relationship management, leadership and strategic planning, human resources management, process management, and data and information management, as well as a set of management practices and tools. Skilled Care has outlined their understanding of the three core principles in their Quality Policy. Other indicators of their existing organizational infrastructure include the pharmacy software system, Rescot, and their partnerships with other firms to provide multi-dose packaging, and wholesale purchasing. Their 24/7/365 operations point to a heavy customer commitment, and their web-enabled customer service and Track-It reporting system indicate customer relationship management and complaint resolution capabilities.

1. The company does face strategic challenges in financial, human resources (obtaining licensed pharmacist personnel and employee retention), and environmental factors relating to medical practice. A total quality approach can help to develop senior leaders and systematic strategic planning, articulate strategic objectives, and align and deploy quality strategy and day to day practices with strategic goals in order to better service their customers.

II. Chelsey’s Restaurant

Chelsey should be aware of, and use the six different perspectives: transcendent, product, value, user, manufacturing, and customer as a guide for designing her restaurant.

Customer’s perceptions of transcendent quality must be built over a period of time. She apparently has a viable and innovative concept in developing a line of takeout home-cooked meals. Now she must develop every facet of the business to impress, excite and delight the customer. She can provide the product features that are most appealing to her customers, such as taste, presentation, quality of ingredients, and food safety. Pricing will need to be set so as to appeal to the customer’s sense of value. From a user perspective, attention should be paid to such things as product packaging, so as to make the various foods easy to handle and use. From a manufacturing perspective, consistency of materials, serving sizes, and preparation methods are keys to customer satisfaction and delight. Finally, a customer perspective demands getting to know the customers so that their wants and needs can be anticipated and fulfilled.

To assist in designing the restaurant, its products and its processes, Chelsey should incorporate TQ into the design of her business, including:

1. A focus on customers and stakeholders

2. Employee engagement and teamwork by everyone in the organization

3. A process focus supported by continuous improvement and learning

Points 1 and 2 must be addressed before the restaurant is opened. She must determine how to obtain information about customer needs and preferences for homecooked take-out meals. She could do this by benchmarking successful food chains with take-out meals, such as Bob Evans, Marie Callender, and others with similar services. Also, in her geographic area, she might perform market studies to better focus on her specific market segment. In addition, if feasible, she might do a focus group study to discuss potential products and preferences.

Point 2 must be addressed in setting the criteria for excellence and using them during the recruiting, screening and hiring of her workforce. Chelsey must not allow herself to view her workforce from the conventional attitude that they are just “labor.” Instead, she must recruit, screen, hire, and train associates who will be expected to be quality-minded, knowledgeable, and creative partners in developing the business.

Point 3 is extremely important, but must grow out of insights developed from points 1 and 2. In other words, Chelsey must develop processes that are customer-centric and take advantage of the knowledge and creativity of her associates. These must also evolve and be improved over time, as experience is acquired. Improvement and learning must be continuous and systematic, rather than occasional and erratic.

Chelsey should plan strategically for growth and development of the business. She should ensure that senior leadership understands the meaning of performance excellence and is capable of developing the mission, vision, and values that will sustain the organization. Chelsey will need to set up a performance measurement system, with key metrics with which she and her leadership team can set goals and objectives for the business and gage the health of the business once performance is being measured.

Customers and workforce need to be engaged, as suggested in the discussion of principles 1 and 2. The process must be developed and continuously improved, as pointed out in Principle 3. Information and knowledge must be systematically developed for both strategic and operational purposes. Since Chelsey has indicated that she wants the business to be the “best in class” sources will have to be found for comparisons with local, regional, and national “benchmark” firms and best practices. Finally, leadership must not only set the mission, vision, values, and goals of the organization, but they must “walk the talk” by providing concrete actions and being role models of quality.

With these approaches, it is highly likely that Chelsey’s restaurant will quickly obtain a local and regional reputation for quality and performance excellence.

III. Deere & Co.

There is no "correct" solution to this case problem, but a number of useful teaching points can be brought out after students have done their analyses. Specifically:

1. In 1999, the themes of continuous improvement, profitable growth, and business innovation continued to be dominant. The continuous improvement area featured six sigma quality goals for performance and customer satisfaction. It was mentioned that during the year some 900 projects involving several thousand employees had been carried out. These six sigma projects had the objectives of streamlining business processes, focusing on customers, and structuring around core processes.

* In 2003, the emphasis was on human resources with a new compensation and rewards system, to support the attainment of goals and promoting alignment among the interests of customers, employees and investors. Thousands of management employees at all levels were made eligible for a bonus payable based on service to customers over a multi-year period.
* In 2005, Deere employees were aligned with business objectives and evaluated and compensated accordingly. Most salaried employees worldwide followed detailed, tailored performance plans that spelled out how each individual's efforts contribute to meeting unit and company goals. Also stewardship of the environment was emphasized, pointing to how the company developed product solutions that were less disruptive to the surrounding environment, such as the John Deere 2500 E greens mower that uses hybrid technology, resulting in lower noise, better fuel efficiency, and plenty of power (18-hp); the Tier 3-compliant PowerTech Plus engines using the latest technology to deliver better fuel economy and more power while meeting stringent emissions regulations; and becoming the first equipment manufacturer to use biodiesel as a factory fill at its U.S. manufacturing locations.
* In 2008, Deere emphasized four key approaches: rigorous processes, the Deere Product Quality System, corporate responsibility, and an emphasis on a performance-based work culture. Following rigorous processes everywhere helped Deere address the growing scope and scale of operations and achieve increased levels of consistency, simplicity, efficiency and quality. Many of their approaches were unique to Deere and hard to copy. Concurrently, the company implemented the Deere Product Quality System (DPQS), a set of world-class manufacturing practices designed to meet rising customer expectations for increased product reliability. Product lines responsible for most of the company’s sales received advanced quality certification through 2008. Deere affirmed that it takes its responsibilities seriously. This included, continuing to set employee safety as one of John Deere’s top priorities, and endeavoring to treat the environment with increasing care, by making sustainability an integral part of its operations. Their biomass energy system went into operation during the year at their German combine factory. Further in 2008, Deere announced plans to reduce greenhouse gas emissions from its global operations as part of participation in the U.S. Environmental Protection Agency’s Climate Leaders program. Finally, John Deere established a performance-based culture that features a employee teaming and collaboration, promotes a global and inclusive work environment, and helps the company strengthen its competitive advantage through the attraction and retention of highly talented employees from all backgrounds.
* In 2010, Deere took a more strategic business focus. Their strategy concentrated on two growth areas – agricultural and construction equipment solutions. Other operations – turf, forestry, parts, engines, intelligent solutions, and financial services – were said to have vital roles supporting or complementing the growth operations. Deere’s lineup of tightly knit operations were designed to leverage strengths, optimize investments, efficiently target leadership and employee resources, and extend its ability to compete in the global marketplace. The company set goals that would result in a near-doubling of sales, a healthy increase in profitability, and an almost three-fold increase in economic profit, or SVA, by 2018. The strategic plan targets roughly half of the company’s sales coming from outside the U.S. and Canada by 2018, versus about one-third in 2010. Financial performance measures were implemented to ensure that results would be sustainable as growth was being accelerated. Business “health” metrics were developed, pertaining to product quality, market share and employee engagement, among other areas.

These summaries definitely show an increasing commitment to TQ concepts. The early use of TQ concepts was first started when Deere committed itself to the TQ concept in the 1990’s. Management has continually emphasized productivity and cost reduction as the key to excellence. In the mature and very competitive heavy equipment industry, the changing focus on human resource practices and stewardship of the environment in 2003, 2005, 2008, and 2010 signaled that cost reduction, quality improvement and "value to the customer" may be defined in a different way that will convey an updated image to the average buyer. For the latest Deere annual report, go to: <http://www.deere.com>.

#### INSTRUCTOR RESERVE MATERIALS

In this edition, we have chosen Instructor Reserve materials that may be used by the instructor to give the students additional depth in a topic, provide additional cases for analysis and discussion, summarize materials from the chapter, and for problem-solving and quantitative cases, provide space for more “real-world” amounts of data related to the cases and problems. Please let us know what you think of this approach.

**Instructor Reserve Quality in Practice**

Quality in Practice: Building Trust Through Quality at Gerber

1. Gerber exemplifies several of the definitions of quality, including: transcendent quality, product-and value-based quality, fitness for use, and conformance to specifications. The company has enjoyed a superior brand image and exceptional customer loyalty for decades, transcendent quality traits of the “I know it when I see it.” quality definition. As will be seen below, Gerber’s quality is based on value and is also well grounded in solid processes, conformance to specifications (especially in product safety measures), and this ensures that their products are fit for intended use.

2. Gerber improved their customer focus by implementing a real-time customer feedback process via 800-number telephone lines in the 1980’s. It later extended that service to 24 hours a day in the 1990’s to provide even more customer access than previously. Employee participation and teamwork had to be gradually developed and fine-tuned from the 1970’s into the 1980’s, as employees and supervisors were trained to take on more responsibility for quality and process improvement. Gerber had always had a process focus, with a concentration on the best processes and ingredients for its products. Once teams were operating well, the company began a sustained effort to increase process control while decreasing line inspections. Front-line operators assisted in establishing procedures for each process and taking responsibility for quality, thus freeing inspectors to perform quality audits, instead of inspections. This HACCP-type system anticipated the new USDA guidelines by several years and enabled Gerber to stay ahead of the competition in developing and using this type of system. This resulted in a process improvement mentality that line employees bought into.

3. The consumer tampering case brought unwelcome media attention, and a full-scale investigation of Gerber’s quality processes. Because of the level of documentation, and Gerber’s continuous improvement efforts, the FDA gave Gerber a “clean bill of health” after only three weeks. This saved the company from further damaging after effects of the incident and proved the value of vigilant attention to processes and documentation.

**Instructor Reserve Cases**

**Case - A Total Quality Business Model**

1. Rob and Diane have a well-thought-out system for developing a sound infrastructure for their restaurant. In customer relationship management, they seem to have covered most of the bases on current needs and satisfaction. However, they may want to develop ways to tie these results into both their strategic planning process (what type of customers will they appeal to, what are their customer-related objectives that they will build into their marketing plan, etc.?) They may also need to consider a process to determine future needs of customers, perhaps by using a focus group, or groups. Will there be a need to develop products and services in the future to meet the needs of business customers, professional groups, etc.? Should they go into related businesses, such as catering, manufacture of specialty items for retail markets, etc.

The leadership and strategic planning framework seems to cover the vision, organizational structure, and processes that are needed. However, more emphasis is needed on setting, communicating, and deploying organizational values, performance, and expectations, action planning, allocating resources, projecting and improving performance, and encouraging environmental and community responsibility.

Human resource management concepts are good, in that they promote thorough training, benchmarking, and teamwork. However, management training could be done more systematically, rather than being “self-directed.” In addition, experienced managers should also take part in the training process to give the benefit of their experience. Managers is the same “cohort” of people who joined the firm at the same time, should get together periodically to have updated training and share best practices.

The process management of food production is a very important area. However, other processes, and process improvement, must also be considered, from customer relationship management, to training, to marketing, to scheduling, inventory management, and financial and cost control.

Data and information management is essential. However, it must be considered as the result of various processes, not the “process” itself. Employees need to be given relevant information, not be overwhelmed with data. Therefore, posting of all of these measures may not be desirable for all employees. Selected measures that have to do with overall performance, customer satisfaction, and overall financial performance of the firm (if employees are trained to understand such data) may be all that is required.

2. Viewing the organization at three levels may help to determine what is the most important quality focus. At the strategic level, top management needs to deal with competitive strategy, goals, objectives, and resource allocation. At the tactical level, middle managers need to be concerned with strategy deployment, acting as a conduit to and from top and first-line management, development and improvement of systems, recruiting and training managers, and monitoring results. At the operational level, first-line managers and employees should be concerned with processes for service delivery, keeping in contact with customer needs, teamwork, and process performance and improvement.

##### **Case - Is Quality Good Marketing or Is Good Marketing Quality?**

The value in this case study is to show students that quality concepts can be applied in retail service operations, and thus is not limited only to the production of tangible goods.

1. The actions taken by the company to please the customer address points 7 of Garvin's quality dimensions (described in detail in Chapter 4 – Customer Focus) -- aesthetics and also the area of perceived quality. Store appearance, warehousing policies, delivery standards, and customer relations all reinforce the visual (aesthetic) dimension of quality and add to the "image" (perceived quality) of the store(s). One area that was not addressed was that of support functions, such as accounting and purchasing, whose associates may interact with customers and/or suppliers. Have they been trained to use TQ concepts to improve product quality and excellent service, as well? For example, are accounting and purchasing processes being continually improved? Are suppliers (including company and non-company manufacturers) aware of the quality specifications and goals of the retailer? Are they working together to reduce time-to-market and to design products that will keep the customers coming back, based on quality of design as well as service excellence?

2. The franchiser's statement that: "The best way to assure quality is through product inspection and market research," could be open to some debate. If market research is not closely linked to product design, then customers may not be offered the product that they want or need. If continuous improvement and teamwork is not part of the process for delivering the desired product or service, then product inspection may come too late to be advantageous.

3. To answer the question: "Is quality good marketing, or is good marketing quality?" one must realize that the field of marketing grew up as a result of a "backlash" against "salesmanship" in the 1950's. At that time, the purpose of a "salesperson" was to sell whatever products the factory could produce, whether the customers wanted to buy them or not. Marketing suggested the radical concept of trying to find out what the needs of the customer were and then providing a product to fill those needs. As the PIMS studies have shown, quality is directly related to market share and to profitability. Other studies have shown that people are willing to pay more for products that they perceive as having high quality. Thus, without high quality, good marketing of products and services would appear to be impossible, since salespeople would have little to sell that would meet the needs of their customer. However, without good marketing, where salespeople listen and respond to the needs of customers, even the best-designed products will remain unsold.

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