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Developing the Quality Organization

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Developing the Quality Organization

Five conditions underlie the development of high-performance, quality organizations.

by James A. Belablav

In the 1990s, many companies are emphasizing quality. Some of these companies, however, are uncertain about how quality fits into their corporate strategies. This uncertainty partially stems from the many uses of the term "quality."

Quality is used to describe techniques such as quality circles. It is used to characterize such processes as statistical process control. Among high-performance, quality organizations, it often means much more: a philosophy underlying the decisions and actions comprising their corporate strategies. Hence, these organizations view quality as an operational activity, as part of a system, and as part of their culture and values. Indeed, quality encompasses all of these meanings, which is why some organizations have difficulty understanding the link between quality and corporate strategy.

Given the many meanings of quality, it is reasonable to ask: How does quality fit into the long-run success of an organization? While quality can affect strategy, an equally important consideration is how it influences an organization's competitive position. Quality itself is not a unidimensional concept; rather, it is a concept that can be seen in terms of distinct levels. Emphasizing quality is not the same as being a quality organization. Quality organizations are not just better than their competitors—they achieve magnitudes of differences that, in some cases, can be insurmountable.

To understand the consequences of the level of quality on competitive position, a more technical perspective is needed. For example, Motorola uses sigma levels to classify error or defect rates. Without going into too much detail, Motorola's statistics indicate that an average organization tends to operate in the 4-sigma range, which means that it creates 6,210 defects per million parts. In contrast, a 5-sigma organization creates 233 defects per million parts and a 6-sigma organization—the best in its class—creates only 3.4 defects per million parts. These statistics indicate that simply doing better might not necessarily be good enough to remain competitive in the long run.

Motorola's experience has shown that "A 4-sigma manufacturer will spend in excess of 10% of the sales dollar on internal and external repair. A 6-sigma manufacturer will spend less than 1%. A 4-sigma supplier cannot directly compete with a 6-sigma supplier and survive." Thus, in some competitive situations, producing higher-quality products and services is not an option but a mandate.

So what role does quality play in corporate strategy? The inescapable answer is that the level of quality directly influences competitive position, which in turn determines the range of corporate...
strategies that are available to the organization and the company’s long-run competitive success.

**Defining quality organizations**

To understand how quality and performance are related, one must first understand the fundamental conditions that lead to sustained organizational success. The conditions that underlie the achievement of high performance within quality organizations are creating recognition, generating confidence, developing fit, providing direction, and building commitment.

**Creating recognition**

For any organization to exist, there must be people who are willing to perform activities for that organization—in other words, there must be employees. For a company to gain the loyalty of its employees, the employees must become a part of the organization. For a company to achieve high levels of performance, the employees must not only become a part of but also believe that they belong to the organization. The way to recognize employees and make them believe that they belong is to pay attention to them.

There is no single right way to pay attention to employees. There are, however, two important types of attention that provide profound results when put into action. One type of attention relates to the person; the other type relates to the person’s activities.

At the most basic level, there must be a concern for employees—that is, a belief that all individuals are worthwhile and important. This kind of attention leads not only to an increase in employees’ self-esteem but also eventually to an increase in productivity in the organization. Employees with high self-esteem do the little, extra things that ultimately add up to a big difference.

While it is important to make employees feel good, it doesn’t necessarily pay the bills in the short run. Attention must also be paid to what employees do. The work itself must be seen as valuable rather than as just another activity. If a manager is concerned about employees’ work, the employees will care about their work. If a manager is not concerned about employees’ work, the employees will not care either.

A quality organization differs from most other organizations because one of its primary activities involves instilling a sense of belonging in all employees. The quality organization creates a sense of belonging by recognizing that employees are important to its success. Paying attention makes people feel worthwhile and want to contribute. “Want” is perhaps the single most important factor in why most quality organizations are also high-performance organizations.

**Generating confidence**

After attention is given and employees believe that they have worthwhile contributions to make, one more condition must be met to set the stage for high levels of performance and quality: confidence. The magnitude of confidence prevailing within any organization is directly proportionate to the amount of credibility and integrity that is present in employees’ actions.

If an organization is truly concerned about its employees and their activities, the only logical development is to let them continue to do those activities that they are performing to the best of their abilities. It makes no sense to pay attention to and then not support the very actions that are supposedly important.

Implementing an atmosphere of confidence requires that support and feedback be present in daily activities. Daily actions generate confidence because they amplify the impact of the attention that is already being provided. Support and feedback tell employees that the attention they are receiving is not phony or a gimmick.

When support and feedback are not provided, an organization is basically doomed itself to only mediocre quality and performance even in the best circumstances. If the negative feelings caused by a lack of support and feedback persist for any length of time, employees might turn their energies into trying to make sure they don’t do the wrong things rather than trying to do the right things. When support and feedback are lacking, it not only becomes a problem to get the job done right, but sometimes it even becomes a problem to get the job done at all.

Within quality organizations, support means helping employees produce a better product or service for the customer and removing obstacles that can interfere with getting work done effectively. Feedback involves sharing information about things related directly and indirectly to the job.

Is there any kind of feedback that should not be used? Basically, no, but a good guideline to follow is that “Employees can handle negative feedback as long as they are working in an environment where they are respected, where they hear what they’re doing right as well as what they’re doing wrong, and where they have a chance to work and develop to their capacity.”

Support and feedback create openness in the organization. Openness enables employees to understand how each other’s activities fit into the big picture, take action when things are unclear, recognize opportunities for improvement, and be receptive to change.

**Developing fit**

Productivity can only be increased when the employees and the organization fit together. But the fit can’t be accomplished by simply changing employees; rather, both the employees and the company must change in a way that capitalizes on each person’s unique capabilities.

To make a person fit, he or she must understand what the organization is about, how it operates, and what is important to its success. The corporate culture helps develop this understanding. Corporate culture makes the operating environment comfortable for employees.

Quality organizations recognize, however, that the corporate culture isn’t enough. Although the corporate culture provides a foundation and a sense of stability, there must also be a vision. A vision sees beyond what is being done to what can and should be done. It provides a purpose. It might even add excitement to what might otherwise be considered a mundane job.

Until the company can visualize what it wants to achieve, every action has the same meaning. Employees assume their roles as actors and actresses in the corporate play to get their paychecks so that they can do what they really want to do. Providing vision can be one of the manager’s toughest jobs because it requires translating top management’s terms into a language that employees can understand so that they can render it into useful action.

**Providing direction**

With purpose comes motivation but not necessarily productivity. A person who has a vision is similar to a child’s toy that
has been wound up. The person, like the toy, can go in circles, run into a wall, or go in the direction that is best for the organization. In other words, a company needs to send its charged-up people in the right direction. When they go in the right direction, they often surpass even the wildest expectations. 

Setting people in the right direction is accomplished through organizational focus. Since every company has to produce a good or service in the short run (or go out of business), there is an acute need to make sure that employees do what the organization needs to do. Training is the mechanism to provide focus and set people in the right direction. Companies with highly focused individuals are called, at least in the short term, productive organizations. The more focused the employees, the more productive the organization.

Setting people in the right direction is usually an easy endeavor since there is already a point of reference from which to start. The real problem is staying in the right direction. Today's corporate environment is dominated by change, but many companies aren't prepared to handle change.

Focusing deals with the present, not the future. So while companies are focusing, they also need to simultaneously develop their employees. Quality companies create, in essence, new people who do not have to cope with apparently threatening situations but rather have to seize real improvement opportunities. Only employees who are developed to their full potential can see change as an opportunity and take advantage of it.

**Developing commitment**

The final activity is developing commitment in the company. An important distinction must be made about this stage: Commitment and loyalty are related but not synonymous. Loyalty is almost always present when there is commitment, but the converse is not necessarily true. With loyalty, a company does not necessarily get high performance. Only when there is commitment can the highest levels of quality, productivity, and innovation be achieved.

A high level of commitment is evident in three ways:

1. Employees use their discretionary time—time that they could be spending on other activities—working for the organization because they are motivated to do so and because they receive satisfaction from doing their jobs and from being associated with the organization itself. Their work lives fit (are not in competition) with their away-from-work lives.

2. Typical organizational problems, such as employee discipline or absenteeism, no longer require major time and effort to resolve. Companies don't have to worry about dealing with grievances, hiring extra people, sabotage, and so forth. In other words, the frequency of disruptive activities is minimized.

3. The organization is more creative. With commitment, individual ownership is generated. Since the employees are the owners, they fix what is not working as best and as quickly as they can and they think about how they can perform their jobs better, bringing their suggestions to managers' attention.

Conventional wisdom attests that suggestion boxes don't provide much information for a company. Yet, at Toyota plants in Japan, suggestion boxes have had a great impact: In 1965, 39% of 9,000 employee suggestions (one per worker) were implemented; 15 years later, 94% of 859,000 suggestions (19 per worker) were approved. The same trend is occurring at the Toyota plant in Georgetown, KY, where more than 15,000 suggestions were made in the first two years. But unless a company can generate a high level of commitment, conventional wisdom is correct about the effectiveness of such concepts as the suggestion box.

**The proper sequence**

While most companies understand that the conditions just described must exist for them to be successful, they often don't realize that the order in which the conditions are achieved is of equal importance. Current research suggests that the sequence must be taken into account if a company is to operate to its maximum potential. 

Figure 1 shows the relationship among the different stages. Several key considerations are present in this relationship. One must be aware of these considerations if high levels of quality and performance are to be achieved and sustained:

- A minimum threshold must be achieved before any perceptible effect is noticed. When there is too little effort in the appropriate areas, little or no return is seen.
- There are specific stages of development. Each stage has different implications for quality and performance within an organization. All stages, however, are important.
- There is an ordered, sequential relationship among the stages. An organization must proceed through each of the particular stages in the process. An organization cannot, for example, jump right into the middle of a process and realistically expect to be successful.

These considerations ultimately determine whether the programs adopted by a company will be successful. Companies must make sure that the minimum investment is made in the necessary activities and, most important, that the necessary activities are carried out in the right order.

In addition to these considerations, there are several other practical comments about this specific model of organizational process. First, the initial stages shown in Figure 1 might not bring noticeable levels of change. Once the initial stages are completed, however, quality and performance increases usually occur rapidly. Second, more than one stage in the development process can be worked on simultaneously. Finally, a relevant and frequently asked question is: How long does it take a company to achieve high levels of quality and productivity? Actual practice and empirical research point to a range of about three months to two years.

**Realities of high performance and quality**

Two underlying realities are associated with using the model described here to develop a quality organization. The first reality is that of achievement; the second is that of achieving. One is concerned with getting there, and the other is concerned with staying there. Both realities must be understood if a company is to become and remain successful.

The reality of achievement is the reality of the self-fulfilling prophecy. If managers think that employees can't or won't do what they're supposed to do, the employees won't. If managers think that employees can do what they are supposed to and if they support employees' actions, the employees will do what they are supposed to do. It is that simple.

The reality of achieving is the reality of being relentless. As the business environment and competition change or as the organization and its people change, so must the company. In a sense, a company never really achieves the goal of high quality and performance but rather continually strives to achieve the...
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goal in its newest form. In other words, once an organization accomplishes what it set out to do, it is not finished. Quality is a continuing process.

While an organization and its employees need not (and perhaps should not) be obsessive, they must exhibit relentless persistence to maintain the qualities that created the company’s success in the first place. Once high levels of quality and performance are achieved, it is easy to lose focus and rationalize not doing some of the activities that enabled the organization to get where it is. The secret of the quality organization is that it creates not only high-performance processes or systems but also values that underlie those processes and systems.

References
2. Ibid.

This article is adapted from James A. Belohlav’s Championship Management (Cambridge, MA: Productivity Press, 1990).

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