

THE  
DEMING  
LIBRARY

The Baldrige Award

DISCUSSION GUIDE

VOLUME 22:  
UNDERSTANDING THE BALDRIGE AWARD

VOLUME 23:  
PUTTING DEMING AND THE BALDRIGE AWARD TOGETHER

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To implement quality management in your company, government agency, school, or hospital, you must base your decisions and actions on a theory of management. Without theory, management consultants, new management tools, and how-to books are of limited value. Generally, the purpose of management of any organization is to reduce the unexpected. Without a theory of management, no variety of programs will help you predict what is going to happen, prepare for it, or provide answers to unexpected problems. Management for quality is not a list of things to do; it is a new way to think about how to organize to produce better and better goods and services for less and less effort. The management theory as it has evolved in the work of Dr. W. Edwards Deming is the only such complete philosophy of management that we have found.

Even if you are not using the Baldrige criteria, these tapes are yet another way to begin to understand the new management philosophy or to continue to review it for deeper insight.

*Clare Crawford-Mason, Producer*  
*Lloyd Dobyns, Reporter and Narrator*

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# **THE DEMING LIBRARY**

## **OVERVIEW**

Competing for prizes is as American as the Super Bowl. We learn from kindergarten to retirement that gold stars, achievement awards, and bonuses allegedly go to the brightest, the swiftest, and the best. The winners and the losers are identified early. Our expectations of future promise for ourselves and others originate from these rankings and comparative records of achievement – or failure to achieve. This belief that competition builds better character no longer serves us well in complex organizations, especially if they are to be managed for quality improvement.

Inspired in part by the Deming Prize awarded annually since 1954 by the Japanese Union of Scientists and Engineers to companies with outstanding records in quality management, the federal government established the Malcolm Baldrige National Quality Award in 1987 to recognize "U.S. companies that excel in quality achievement and quality management." Each year the Baldrige Award office receives up to 250,000 requests for the award guidelines. Some companies have competed several times before winning the award. Others have no intention of competing and use the criteria to evaluate or learn about quality programs. State governments have set up similar quality awards to spur local businesses to make quality improvements.

The impetus to improve and help American organizations make the transformation from quantity management to management for quality is praiseworthy. But the Baldrige Award has raised several questions: Does this sought – after national award, which has raised quality awareness, teach the right lessons? One recent winner has gone bankrupt. Can an organization use the Baldrige criteria to improve itself? What can be learned from the successes of the Baldrige winners? What are the pitfalls? Is the act of competing for the award risky in itself? Should companies implementing the Deming philosophy compete for the Baldrige Award? Is the management approach implicit in the Baldrige criteria consistent with the Deming philosophy? Does it matter? These tapes seek answers to these and other questions.

## **INTRODUCTION**

The Malcolm Baldrige National Quality Award has alerted tens of thousands of companies that there is a new but difficult way to make American companies more productive. It has fostered a national discussion on quality and customer satisfaction. Winners of the Baldrige Award and other companies have used its seven categories to

assess their fitness as quality organizations. Many companies are forcing their suppliers to use the criteria to measure themselves and set up quality programs.

Dr. Deming and Baldrige officials agree that the American system of management must learn to improve quality as the means of raising productivity. Dr. Deming criticizes the Baldrige Award because its guidelines contain no explicit philosophy of management and appear to prescribe or endorse some practices which he believes cause costly mistakes. Dr. Deming insists that managing to produce quality is first of all a way of thinking. With a theory of management, managers may select appropriate actions, which will differ from one organization to another. He fears that the Award's criteria and the "successful strategies" demonstrated by Baldrige Award winners will be misunderstood by organizations trying to start a quality program. Attempts to copy prizewinners without understanding why they took particular actions are certain to fail.

The Baldrige Award is for companies with established quality cultures, not just programs. The examination criteria permit a measurement of quality-related activities and relationships; they are not a manual on how to set up a quality program or to transform an organization. Their emphasis on measurement can be misleading, Dr. Deming believes, because the most important activities or results cannot be measured; only relatively trivial processes or outputs are measurable.

Dr. Deming's theory of Profound Knowledge is a useful lens through which to view the Baldrige Award criteria. The properties of a system, the principle of variation, the psychology of individuals and the group, and a theory of knowledge – none of these foundation stones of the new management theory will be found in the Baldrige guidelines.

*Understanding the Baldrige Award* reviews Profound Knowledge and explains why it is essential that the management preparing to use the Baldrige criteria keep this theory in mind while performing its assessment. Without a systems perspective, top management may not see clearly enough the aim of the organization in the larger social and economic systems and will be handicapped in their efforts to plan for the future. Understanding a system can help top management to harmonize the relationships of all the organization's components for higher productivity. Systems understanding can improve the manager's ability to consider the reliability of data, a necessary aspect of the problem of reducing variation. The output of a system will be improved if people who work in it are encouraged to work cooperatively and not to compete among themselves.

In *Putting Deming and the Baldrige Award Together*, Lloyd Dobyns reviews Dr. Deming's 14 Points and demonstrates that some of the 14 Points are implicit in each of the Baldrige criteria. A matrix developed by William Scherkenbach shows how the 14 Points can be used for a deeper understanding of the Baldrige criteria. Dr. Deming and Curt Reimann, Director of the Baldrige Award, discuss the issues that Dr. Deming raises.

The Malcolm Baldrige National Quality Award Criteria and Application Guidelines may be obtained with a phone request to (301) 975-2036 or by writing:

Malcolm Baldrige National Quality Award  
National Institute of Standards and Technology  
Route 270 and Quince Orchard Road  
Administration Building, Room A537  
Gaithersburg, MD 20899

*The Deming Library*, like any documentary or exploration, has turned out to have a life of its own. We had no idea how much material would be required when we set out to explain the management philosophy of Dr. Deming to Western managers in 1985 with Volumes 1 and 2.

As of this writing, almost 10 years later, there are 25 volumes of the library, four volumes about implementation, and three hours of a PBS documentary, *Quality... Or Else*. Add to this two books by Lloyd Dobyns and Clare Crawford-Mason, and two books by Dr. Deming, as well as 10 or more videocassettes in various stages of production.

## **ENTERING THE DEMING LIBRARY**

We are pleased that each volume and book remains current and each has become an essential building block in understanding how to manage a complex, high-performance organization.

### **Chronological Order**

The order in which the volumes were produced followed the learning curve of Crawford-Mason and Dobyns and Dr. Deming's ability to clarify his thoughts.

Studying the more than 30 videocassettes and books in chronological order is only one way for an organization to begin to understand how to produce better and better goods and services for less and less effort. You can begin with Volume 1 and continue through 25 plus if that pleases you.

But don't assume you must follow someone else's way into the Deming philosophy.

### **An Alternate Approach**

The volumes numbered in the twenties emphasize that producing quality is a way of thinking, not a list of things to do, and that it is a new system of managing for the improvement of systems and processes and cannot be grafted on to the old system of managing for results.

If you and your organization are starting from scratch, here's what we think is the most effective way to help people from the boardroom to the shipping dock become quality literate.

(This does not include special cases; for example, when you have to interest the CEO. In that instance we recommend that you start with Volume 3 where former Ford CEO Donald Petersen tells how Dr. Deming changed his way of thinking and allowed him to turn Ford around.)

First, look at *Quality... Or Else* as an easy-to-understand, popular, three-part story of how the world has changed; how we cannot survive if we don't change; and how some people in manufacturing, education, government and services have used the new philosophy to meet new standards. A set of instructor and student manuals comes with this series. These can be used to make an organization quality literate in the shortest possible time. The manuals will make it easier for your people to understand all the volumes as well as Dr. Deming's philosophy.

Next we suggest you look at *The Prophet of Quality*, which is about Dr. Deming, his philosophy, and why it is so difficult for Western managers. Then we suggest that you look at Volumes 24 and 25 (1993) about how Zytec, a Minnesota computer hardware corporation, transformed itself between 1984 and 1991 to become a world-class producer and a winner of the Malcolm Baldrige National Quality Award.

The Zytec story makes clear something that we only understood after long tutoring and many conversations with Dr. Deming: that the initial steps are to clarify the aim of the organization, describe its vision for the future, name its guiding principles and values, and build consensus. Zytec also illustrates how people, from the CEO to the factory floor, struggled and resisted changing beliefs they didn't know they had until the Deming philosophy brought them to light. They finally changed, and it paid off.

Now might be a good time to make your first run through Volume 21, *A Theory of a System for Educators and Managers*, a new volume. This, like many of the videos, will have to be viewed several times. But after a onetime run-through, you will know much more about systems than the people at Zytec did as they struggled in the late 1980s.

Then you might try Volumes 7 and 8, the famous Red Bead Experiment and its lessons, which tells why the results come from the system rather than the individual. Then go on to the Funnel Experiment in Volume 9, which explains why you must have what Dr. Deming calls Profound Knowledge to change the system – without this theory you may make things worse.

Then view Volumes 14, 15, and 16 which explain Profound Knowledge in detail. The Zytec managers think, in retrospect, that the company's transformation would have been easier for them if they had known about Profound Knowledge. Dr. Deming did not explain these concepts which underlie the famous 14 Points until the early 1990s.

Next you will wish to discuss accepting this philosophy. The witness of Ford executives in Volumes 4, 5 and 6 helps do this.

## **The History**

In Volume 1, Robert Reich and Dr. Deming talk about the New Economic Age. In Volume 13: *America in the Global Market*, Lloyd Dobyns reports why organizations must change and the benefits of the new philosophy. Next is an inspiring visit to the Vernay Laboratories, which tells how it implemented the 14 Points (Volumes 10 and 11) and then an in-depth discussion of Point 4, moving to a single supplier (Volume 12: *The Dangers of Buying on Price Tag Alone*).

More about the people aspects of Profound Knowledge is covered in the General Motors tapes as they examine the replacement of performance appraisal and systems of ranking with personal development plans. These reports also discuss the important advantages of internal cooperation over competition, leadership for organizational transformation, and the experience of managers as teachers and coaches (Volumes 17, 18, 19, and 20).

## **Baldrige Award**

If you are interested in the Malcolm Baldrige National Quality Award or your customers are asking you to use its criteria, it is essential that you look at Volumes 22 and 23. Some people may even want to begin their study of *The Deming Library* here. This positive evaluation of the Baldrige guidelines and criteria is essential because the Award does not have a philosophy or system of management, and trying to apply its criteria without a quality culture in place can be catastrophic.

Remember to provide books – ours, Dr. Deming's, and others – because some people learn better by reading. Remember that to absorb the practice of continual improvement and create a new culture means looking at these videos again and again. Learning the Deming philosophy is a long-term project. Many firms, after the first viewing of the Deming tapes, show a brief excerpt whenever a group assembles for a staff or project meeting and discuss what they have learned.

Don't hesitate to plunge in. We didn't know learning about this new way of thinking was long-term when we began. It took us several years to realize it was a change of culture, a transformation – not just a program. We approached this project as skeptical journalists and have been repeatedly surprised by the power of this new way of thinking.

## **Here are some additional suggestions:**

1. Begin with *The Red Bead Experiment and Life* (Volume 7) and *Lessons of the Red Bead Experiment* (Volume 8). The Red Bead Experiment convinces people that the Deming method will help because the focus is not on the faults of employees, but on the

improvement of systems. After the Red Bead Experiment's dramatic demonstration of how powerfully systems affect individual performance, students are ready to view *The Funnel Experiment* (Volume 9) for an understanding of how tampering with a system only makes things worse. With some awareness of the properties of systems, students are prepared to consider an expanded discussion of *The 14 Points* (Volume 2) with more appreciation of their implications.

2. Begin with theory by viewing *The Prophet of Quality* or studying Profound Knowledge (Volumes 14-16) because this is the conceptual structure which supports the Deming method. Then go on to the Red Bead and Funnel Experiments (Volumes 7-9) and *The 14 Points* (Volume 2). Now include in this theory group *A Theory of a System for Educators and Managers* (Volume 21). Volumes 22 and 23, *Understanding the Baldrige Award* and *Putting Deming and the Baldrige Award Together*, present another approach and a review of Profound Knowledge and the 14 Points. Finally, Volumes 24 and 25 about cultural transformation in the Zytec Corporation discuss the conventional beliefs and attitudes that block acceptance of new thinking.

3. A more historical approach begins with *The New Economic Age* (Volume 1) or the PBS documentary series, *Quality ...Or Else*, which explain how the world has changed; how we must change with it; and what some people in manufacturing, government, education, and services have done to meet new, higher standards. Lloyd Dobyns' discussion of *America in the Global Market* (Volume 13) brings additional historical perspective to bear on our current situation. Next, continue the study of the Deming philosophy by viewing *The Prophet of Quality* to understand the background and to consider a summary of Dr. Deming's ideas. From this point proceed either to The Red Bead and Funnel Experiments (Volumes 7-9) or *A Theory of a System for Educators and Managers* (Volume 21).

4. After study of the following programs in whatever order, students may turn to specific subjects:

*The Prophet of Quality* (2-Part Introduction)  
*The New Economic Age* (Volume 1)  
*The 14 Points* (Volume 2)  
*The Red Bead Experiment and Life* (Volume 7)  
*Lessons of the Red Bead Experiment* (Volume 8)  
*The Funnel Experiment* (Volume 9)  
*Understanding Profound Knowledge* (Volume 14)  
*Competition, Cooperation, and the Individual* (Volume 15)  
*The Quality Leader* (Volume 16)  
*A Theory of a System for Educators and Managers* (Volume 21)  
*Cultural Transformation: A New Way of Thinking* (Volume 24)  
*Cultural Transformation: Continual Improvement* (Volume 25)

## **Experiencing Change**

For an understanding of how much our thinking must change and how deep the commitment to change must be, particularly among top management, we suggest the Ford Motor Company story (Volumes 3-6), the Vernay Laboratories story (Volumes 10-12), and the Zytec Corporation experience (Volumes 24 and 25).

## **Dealing with Resistance to Change**

Sooner or later you will run into resistance to change. Continual improvement is not an easy concept, and there is frustration and disbelief in trying to understand and apply it. *The Prophet of Quality* discusses the beliefs and attitudes that interfere with acceptance of the new management philosophy and provides a good introduction to this topic. The Vernay Laboratories story (Volumes 10-12) encourages people by showing them that their feelings are not unique, and if they will just stick with the Deming method, it does pay off. Also, *Cultural Transformation: A New Way of Thinking* (Volume 24) and *Cultural Transformation: Continual Improvement* (Volume 25) tell how the Zytec Corporation worked for nearly a decade to change totally the way in which they did everything.

## **Repeated Study**

The Deming philosophy runs counter to traditional management thinking and, as Lloyd Dobyns says, cannot be fully understood the first time it is presented. We suggest you consider viewing *The Prophet of Quality* and Volumes 2, 8, 9, 14, 15, 16, and 21 (*A Theory of a System for Educators and Managers*) more than once. We predict that you'll learn something new every time you view them.

## **Other Topics in *The Deming Library***

Volumes 17-20 treat the shift of General Motors' Powertrain Division away from annual performance evaluations to a personal development program (Volume 17) and examine the evidence that a cooperative work environment stimulates higher performance and results in more personal enjoyment than competitive conditions (Volume 18). These programs might be viewed following the tapes that deal with change: the Ford Motor Company story (Volumes 3-6) and the Vernay Laboratories story (Volumes 10-12). Volume 18: *Competition Doesn't Work: Cooperation Does* is a companion to Volume 15: *Competition, Cooperation, and the Individual*.

*Profound Knowledge for Leadership* (Volume 19) explains the leadership needed for the transformation of the organization from competition to cooperation and from managing for results to managing for continual improvement of processes and systems. In this and *Leadership for the Transformation* (Volume 20), top managers of General Motors discuss their experiences of change and their new roles as teachers and coaches who begin to learn with other employees.

**The Deming method does not have to be learned in order, but it has to be learned.**

We encourage you to show *The Deming Library* in the order that best meets your needs. Should you find a sequence you believe works particularly well, we'd appreciate hearing about it so that we can tell other viewers. This is, as we've said before, like studying a language. You don't have to learn the parts of speech in any particular order, but you do have to learn them all eventually.

This guide is designed to help you start a general discussion. The idea is to raise questions that participants will try to answer – relating the principles to their experiences and your organization. For this reason, the discussion leader is not limited to these questions. We encourage the leader to help participants raise their own questions about points made in the tape.

Always remember: Be sure people in the group understand this is a discussion and not a quiz.

## **THE 14 POINTS**

Following are Dr. Deming's 14 Points. Familiarity with them will help in your discussions.

1. Create Constancy of Purpose.
2. Adopt the New Philosophy.
3. Cease Dependence on Mass Inspection to Achieve Quality.
4. End the Practice of Awarding Business on Price Tag Alone. Instead, Minimize Total Cost, Which Is Often Accomplished by Working with a Single Supplier.
5. Improve Constantly the System of Production and Service.
6. Institute Training on the job.
7. Institute Leadership.
8. Drive Out Fear.
9. Break Down Barriers Between Departments.
10. Eliminate Slogans, Exhortations, and Numerical Targets.

11. Eliminate Work Standards (Quotas) and Management by Objective.
12. Remove Barriers That Rob Workers, Engineers, and Managers of Their Right to Pride of Workmanship.
13. Institute a Vigorous Program of Education and Self-Improvement.
14. Put Everyone in the Company to Work to Accomplish the Transformation.

## VOLUME 22: UNDERSTANDING THE BALDRIGE AWARD

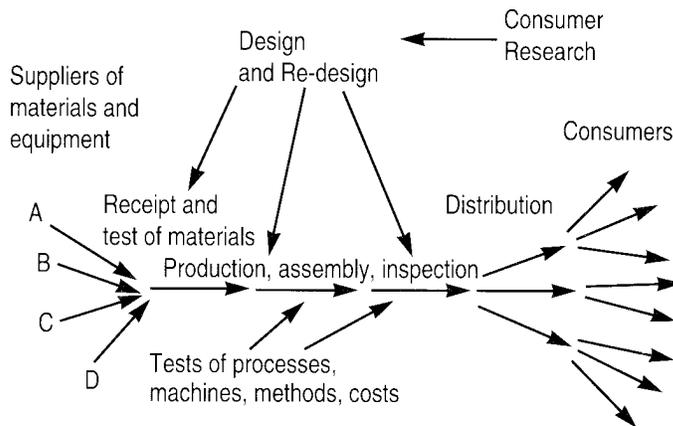
### QUESTIONS

#### The Deming System of Continual Improvement

1. Lloyd Dobyns, in his opening remarks, says that [Dr. Deming] "does not support any quality effort that is not based on the philosophy of continual improvement that he taught the Japanese – the visual expression of which is his flowchart."

How does the flowchart express continual improvement? Who are the beneficiaries of continual improvement in the flowchart?

#### PRODUCTION VIEWED AS A SYSTEM



Reprinted with permission from *Out of the Crisis*, W. Edwards Deming, pg. 4.

#### Why Quality Is Important

2. Lloyd Dobyns says that Dr. Deming and the administrators of the Malcolm Baldrige National Quality Award agree that "the traditional American system of management

focused on quantity must change and focus on quality to improve productivity." And he adds, "Quality is critical not only to our economy, but to our society as well."

Dr. Myron Tribus explains that "when we are not competitive, the cost in our economy falls most harshly on the people near the bottom. And it creates social unrest... Unless we can create jobs and put quality back into education... into all the things we do, we will create a social situation which... frightens me."

What is the connection between improvement of quality and the economy and our society? How can quality improvement in education lead to more jobs?

3. Dr. Tribus continues, "We do not have enough money to fulfill our social promises... The reason we don't have enough money is our economy is weak, and our economy is weak because we don't compete, and we don't compete because our managers don't know how to manage."

What are the important social promises and how can improved competitiveness help to fulfill them? How can better management contribute to improvement? Why don't our managers know how to manage? Is this new? Did they once know?

### **The Need for National Leadership**

4. Lloyd Dobyns cites President Lincoln's leadership for increased food production during the Civil War and the plan for restoring the shattered European nations put forth by President Truman and Secretary of State George Marshall after World War II as instances of effective government initiatives.

Who were the beneficiaries of these programs in the short run? In the long run?

5. Lloyd Dobyns says the world has changed since World War II. He talks about his family, his father's ability to support a wife and two sons with his limited education, the family's ability to send him and his brother to college, and their ability to support their families on single incomes. That is no longer possible for most people as "more than 60 percent of American women work outside the home, including more than 50 percent of those with young children." He explains, "That's necessary because our productivity has not gone up enough for our individual incomes to improve compared to our expenses." He speculates that his "grandchildren may not be able to afford college unless their parents somehow become rich. Not just successful, rich. And it is uncertain in the future what a college education will be worth."

How do you see the changes since 1945? Do you agree with Dobyns' forecast?

6. Lloyd Dobyns adds that the answer is [to] "switch to quality management and drive productivity back up."

How can management make things better?

### **The Task of Leadership**

7. Lloyd Dobyns says Secretary of Labor Robert Reich believes "we'll need leadership to change." Reich says, "Leadership is helping people face the tasks in front of them... helping them deal with fear."

What is it that people fear?

8. Dr. Tribus says, "The way we managed before doesn't work when there are people using different approaches to management around the world and competing in our markets."

What is the essential difference between our traditional way of managing and the approaches Dr. Tribus refers to?

9. Secretary Reich continues on leadership, "It means helping people not escape by simply paying lip service to the aphorisms and bromides of modern management... It means actually getting on with the job."

What is the job of management that he refers to?

### **The Role of Government in Quality Improvement**

10. Of government Dr. Tribus says, "Until people in Congress and the people in the pyramid of power understand this, we'll continue to slide down, and our politicians will have to make unhappy choices."

What is the role of government in solving the problem of low productivity and combativeness?

11. Lloyd Dobyns introduces the Baldrige Award as "the government's best-known attempt so far to lead America toward quality, toward improved productivity. But the award does not directly involve the government. "

What is your view of the appropriateness, the adequacy, of this governmental response?

### **Background and Purpose of the Baldrige Award**

12. Dr. Curt Reimann explains the purpose of the Baldrige Award program to Dr. Deming, "To promote awareness and interest in quality, to recognize the achievements of companies that have successfully implemented quality systems, and to transfer information about the successful strategies for the benefit of all organizations in the United States."

Lloyd Dobyns explains that, unlike the Deming Prize in Japan, "the Baldrige criteria do not represent a single quality philosophy. They are a compendium of people's beliefs. That was a political necessity."

Dr. Tribus says about the political situation that "in the field of quality [you have] names like Crosby and Juran, and Deming and Feigenbaum. And if you were to put in a prize that reflected one of their philosophies and in some way was exclusive of others, it would not be politically acceptable... You could not... require somebody to follow a particular philosophy." He concludes, "Most of us that work in the quality field understand that the philosophy underlying what you do is terribly important, and that the leaders have to live that philosophy and represent it."

Why is a philosophy important? Can you distinguish between the management advice of Philip Crosby, Joseph Juran, W. Edwards Deming, and Armand Feigenbaum? Does each have a philosophy? Why is knowledge of the methods or practices used by another, successful organization insufficient as the basis of a quality program?

### Relationship of Philosophy to Success

13. Lloyd Dobyns says of the Chain of Success, developed by Dr. Tribus and based on the work of Dr. Jean Ersoz and others, that all seven elements are necessary for a successful quality program: "Without a philosophy there are no followers; without a vision there is confusion; without strategy there are false starts; without skills there is anxiety; without resources there is frustration; without rewards there is bitterness; and without organization there is a lack of coordination."

### CHAIN OF SUCCESS



Why must the manager have a philosophy before other people will follow his lead? Do you agree that these seven elements are necessary for the success of any enterprise? Are they present in your organization?

14. Dr. Tribus says, "What we're really talking about is creating an enterprise in which, say, there are 10,000 people, and they're all working together trying to accomplish a common purpose."

Do you think it is important that everyone in the organization tries to accomplish a "common purpose"?

### **The Role of Corporations**

15. Kenichi Ohmae says, "Corporations should be a social entity... . They should worry about the entire group of people who are making that corporation successful."

What does he mean by "the entire group"? Do corporations operate this way in the United States? What should be the purpose of a corporation?

16. Dr. Tribus says, "The corporation has to have some reason for people to be proud of being associated with it, proud of what they do. And of course they... want to earn a living; they want a better standard of living; they want to be rewarded. But they want more than that. They want a reason to exist."

Do you believe your job could satisfy these desires? Does it?

### **The Deming Philosophy and the Baldrige Award**

17. Lloyd Dobyns says, "The basic difference between the Baldrige criteria and the Deming philosophy is that Dr. Deming gives you a way to think, a mental process to guide your actions. The criteria are seven specific areas for judges to consider. The criteria are not a manual to establish a quality program; they only measure the program already established. If you confuse measurement with a quality system, you could end up in serious trouble."

Why is it important to distinguish between "a way to think" and the "measure [of] the program already established"? What is a quality system supposed to do if it isn't to measure some things?

18. Dr. Deming says, "Management requires knowledge about a system – cooperation between components, not competition."

Why does he say this? What does measurement have to do with the system?

19. Dr. Reimann says, "The guidelines are nonprescriptive in the sense that they do not require a company to implement a particular set of rules or systems because... there are many paths to carry out the same aims."

What does he mean?

He says to Dr. Deming, "You're offering to the public... a prescription of how to do quality."

Do you agree? Is a philosophy a "prescription of how to do" something?

Dr. Reimann then says, "We're indicating a set of requirements which a good quality system must address."

Where is a set of requirements for a good quality system obtained? Do you agree that a "set of rules" is essential for correct action?

### **To Prescribe or Not to Prescribe**

20. Lloyd Dobyns says, "Dr. Deming argues that if people mistake the Baldrige criteria for a prescription, they can spend years heading in the wrong direction. For instance, the criteria ask about an organization's award and recognition system and also ask for an evaluation of the training program. People might think that by asking about them the Baldrige criteria are recommending them, and Dr. Deming says award and recognition systems are wrong, and evaluation of training is impossible."

Can you distinguish between prescription and criteria? Do the Baldrige criteria create the presumption of recommendation? Can the long-range effects of training be evaluated?

### **Baldrige Accomplishments**

21. Lloyd Dobyns says that the Baldrige Award has "spread an awareness of the need for quality." Dr. Tribus says, "The creation of the Baldrige prize has been extraordinarily important." Dr. Brian Joiner adds, "I think it's really helped to develop a national focus and attention on quality." Ron Schmidt (president of Zytec Corporation) says, "The awareness level of 'we have to do something different' is definitely a lot higher now."

What are these experts agreeing on?

### **The Deming Philosophy Plus the Baldrige Criteria**

22. Lloyd Dobyns and Dr. Joiner point out that the Deming philosophy and the Baldrige criteria can be used together. Dr. Joiner says, "If you take Dr. Deming's principles to heart and really understand what they mean, they give you a very solid foundation to

enhance all aspects of your business, and you'll do very, very well on the Baldrige criteria."

What does he mean?

### **The Need for a Philosophy and a Theory**

23. Lloyd Dobyns says, "Dr. Deming's main complaint is that the Baldrige guidelines do not include a philosophy, and he believes that quality requires a way of thinking rather than a list of things to do. He says you must have a theory."

What is a theory? What is a philosophy?

24. Dr. Deming says, "There's not a thing in the guidelines that would support any theory of management, any principles of management."

What does he mean? What are "principles" and why are they important?

### **A System of Management**

25. Lloyd Dobyns says, "The Deming quality management philosophy requires a conscious and complete change by top management to focus on the aim of the organization. It is a transformation to a complete system."

Why does he make "focus on the aim of the organization" the first requirement? What is the "complete system" he refers to?

26. Dr. Deming adds, "A system, not just bits and pieces."

What does he mean by "bits and pieces"?

### **The Need for Understanding of a System**

27. Lloyd Dobyns says, "Because top management without a philosophy does not understand how systems work, it usually wants short-term solutions that will not help." What is the connection between philosophy and systems? Why do managers opt for short-term solutions?

28. Dr. Deming says, "Hard work will not insure quality. Nor gadgets, nor computers, nor new machinery." What does he mean? Why won't hard work alone do? Why can't computers make us successful?

29. Lloyd Dobyns says, "Without theory, managers cannot find the answer, nor will they understand that what they are trying to do with the best intentions may be making things worse."

How can action without theory make things worse?

### **The Need for Profound Knowledge**

30. Dr. Deming says, "Executive meeting together, working hard, best efforts, guiding the company – without the help of Profound Knowledge. Where are those losses? Where are your figures for those losses? The big losses are unrecorded, unsuspected."

What does he mean that "the big losses are unrecorded, unsuspected"? How can "unrecorded, unsuspected" losses be avoided?

### **A Long-Term Effort**

31. Lloyd Dobyns says, "In one area the two men agree. Adopting a quality system is difficult, and it takes hard work, commitment, and time."

Why do you think changing to a quality system is difficult? Why does it seem to be easier to go on with things as they are?

32. Dr. Reimann says, "I think competing for the Baldrige Award should be undertaken...with great care... I think it should be a culmination of commitment to quality."

Why does he say this? Why is "great care" necessary?

Dr. Reimann adds, "The criteria could be misused by seeing them as a shorthand checklist, not realizing the tremendous thought that has to be put behind every element and the long investment that the leadership of the company has to make."

What is the "long investment" that Dr. Reimann refers to?

### **The Danger of Measuring to Manage**

33. Lloyd Dobyns comments, "Unfortunately, the Baldrige criteria do not say that [quality programs require a long-term effort], and there are companies that have used or are using the criteria to fashion a quality program. Those companies must be focused on measurement and results and are, therefore, ignoring the three-word question that Dr. Deming always asks: 'By what method?' What is critical is not the measured result, as the Baldrige implies, but the process that achieved the result, and key elements of that process cannot be measured at all. There is no known measurement for building a consensus, and there is none for the value of education and training."

What is wrong with focusing on measurement and results? What is the importance of asking "By what method?" Do you agree that the unmeasurable qualities are more important than the things that can be counted?

34. Dr. Deming says, "What's important cannot be measured. There are no data for what we need to manage, for what we must manage."

What are the most important things to manage?

35. Dr. Joiner says, "You can measure how well something has happened without knowing what to do to make it get better on that yardstick."

What does he mean?

### **The Difficulty of Evaluation by Measurement**

36. Dr. Deming: "The award examination is designed to permit evaluation of any quality system. Wrong teaching. Sending people off in the wrong direction."

What does Dr. Deming find wrong with evaluation of a quality system?

37. Dr. Joiner: "We become what we measure. And so you're measuring results today. And you're getting a results-focused organization."

What's wrong with a "results-focused organization"?

38. Dr. Deming emphasizes, "The most important losses and gains in management, in any company, cannot be measured. It's only the trivial things that can be measured."

What are the most important losses and gains? What can be measured?

### **Information or Knowledge**

39. Lloyd Dobyns says, "Dr. Deming says a dictionary is loaded with information about words and is useful, but it doesn't tell you how to use those words to express a thought. The argument is about useful information and knowledge. The Baldrige criteria measurements provide some useful information about the results; the Deming system provides knowledge of how to achieve those results. Without the knowledge of how to use the information, the Baldrige information is of limited value."

Do you agree on the difference between information and knowledge?

### **The Baldrige Award Aids Established Quality Cultures**

40. Ron Schmidt says, "If you haven't started on a total quality commitment, as we call it in our company, or a total quality management technique – I'm not sure what the Baldrige can do for you."

Dr. Joiner adds, "The Baldrige Award is more like a yardstick. It helps you to see where your deficiencies are."

Schmidt continues, "I guess it can raise some flags about 'Have you thought about this area? Have you thought about there?' But it doesn't tell you what you should be doing. It just says where you are at some point in time."

Do you agree on the difference between knowing where you are on the scale of a criterion and knowing what to do to improve?

### **Guidance from Principles**

41. Dr. Joiner concludes, "But if you want to have principles to guide your action toward improvement, then Dr. Deming's principles are the best principles I know to help do that."

What principles have been identified in the program thus far?

42. Lloyd Dobyns says, "In basketball terms, Dr. Deming is a coach trying to build and develop a team. The Baldrige Award is more like that state tournament. The tournament will tell you how your team measures up against others in the game, but it has a limited ability to make the team any better. For the coach, it is useful to know how his team handles a tournament, but he needs a way to use that information to develop the team for the future."

How can performance information such as a tournament (or Baldrige competition results) be used to make an organization better?

### **The Theory of Profound Knowledge**

43. Lloyd Dobyns says, "To develop your team, your company, for the future, the Deming management system uses his ideas of Profound Knowledge.

"The four parts of Profound Knowledge are systems, variation, theory of knowledge, and psychology. They are interrelated and are intended to show senior management what needs to be done and to provide a way to do it. The 14 Points, mentioned in Volumes 2-3, are ways to apply Profound Knowledge.

"You begin by understanding that all the processes and people in your organization, including suppliers and customers, form a system that works toward an agreed aim, and that agreed aim answers the questions, 'What are we doing? Why are we doing it?'"

Do you and others in your organization often ask what you are doing and why? What principles guide your decisions?

### **Managing the System: The Essential Task**

44. Dr. Deming says, "The system must be managed. The people in it, the terms, departments, and divisions must be managed. They must contribute to the aim of the system; they must not be individual profit centers. If they are not managed, they will become selfish, independent profit centers and destroy the company."

Do you agree with this? What does Dr. Deming mean by "the system must be managed"? What is manageable in a system?

Lloyd Dobyns says, "Senior management has to understand the aim of the system and plan its future in the larger context of the economy or the society which forms a larger system. It's the same idea as the poet's statement, 'No man is an island.' No system is one either."

What does this mean? (See questions 14-16 on the role of the corporation.)

### **Theory of Variation**

45. Lloyd Dobyns says, "The theory of variation covers a lot of ground, but essentially it says that whatever happens – good or bad – happened for one of two reasons. Either it was built into the system and will continue to happen, or it was outside the system, some kind of quirk. That is, it was a common cause or a special cause. If you don't understand the difference, you don't know what to improve or how."

What does he mean? Can you think of synonyms for "common" and "special" causes?

46. Dr. Deming explains, "Until we understand there are two causes of outcome – accidents, good results, uniformity, nonuniformity – we only make things worse."

What does he mean? Do you agree that there are only two kinds of causes? In every situation?

47. Lloyd Dobyns says, "Another part of variation deals with people and says that not only are no two people exactly alike, but also no one person is exactly alike on different days. Some days, as we all know, are better or worse than others. That is critically important because most of management involves people."

What are some implications of variation among individuals and in a single person's performance? Does your performance vary? Why?

48. Dr. Deming says, "A leader must be aware of these differences and use them for optimization of everybody's abilities and inclinations."

How does awareness of differences help a manager to optimize everybody's abilities?

49. Bruce Woolpert, CEO of Granite Rock, a '92 Baldrige winner, says, "One of the most important things for a company to do is to recognize that each individual is different. Each individual brings something special to the table."

Are people in your organization treated as if each person has a special ability?

### **Theory Defined**

50. Lloyd Dobyns says, "A theory is a belief about how and why things work. The idea behind a theory is that it allows you to predict what is going to happen, and when that is no longer true, the theory is no longer valid."

What are some theories you use? What is your theory of management?

51. Dr. Deming illustrates, "When I say I have a hunch or I plan or I believe so-and-so, I am predicting. Management is prediction."

Why should management be prediction?

### **Theory of Knowledge**

52. Lloyd Dobyns explains, "Under a theory of knowledge, management must be aware of the beliefs that are behind management thinking and be willing to challenge those beliefs and theories when they become outdated."

What beliefs does your management thinking rest on? When should a belief be discarded?

### **Theory and Learning**

53. Dr. Deming says, "Without theory there are no questions, without questions no learning. Hence, without theory there's no learning."

If this is true what must a person do first to learn something? How does an organization improve?

### **Psychology**

54. Lloyd Dobyns says, "The fourth part of Profound Knowledge is psychology. This is not psychiatry; you are not trying to cure mental illness. This is psychology; you are

trying to understand the actions and reactions of ordinary people in everyday circumstances."

What use of psychology does your management make?

55. Dr. Deming says, "We need knowledge of psychology. Why? Because psychology helps us to understand people, interaction between people, interaction between people and a, circumstances, interaction between teacher and pupil, interaction between a leader and his people and any system of management."

Think of examples of such interactions from your organization. Are they understood by management?

56. Lou Schultz says, "People want to do a good job, you know. They want to be proud of their organization. They want to be proud of the work they do. And most of all, they want to be proud of themselves. But they can't if you manage in the old way."

How would you describe the psychology of the "old way" of managing?

### **The Psychologies of Competition and Cooperation**

57. Lloyd Dobyns says, "Because of his understanding of psychology, Dr. Deming believes that competitive personal appraisals – anything that pits one person against another – help to destroy the motivation with which we are all born."

What's wrong with competing against people or other parts of the organization?

58. Dr. Deming says, "One is born with a natural inclination to learn and be innovative. One inherits a right to joy in his work. Psychology helps us to nurture and preserve these positive innate attributes of people."

Do you believe people want to work?

### **Profound Knowledge and the Baldrige Process**

59. Lloyd Dobyns says, "We are going through Profound Knowledge to warn you that none of this is found in the Baldrige criteria; therefore, you must have it in mind when you are reading them. The Baldrige focus is on measuring and improving processes and people. However, it lacks the philosophical basis found in the Deming method. To put it another way, to improve quality not only must you keep your eye on the ball, you must make certain that it's the right ball."

### **The Baldrige Purpose: Dr. Deming and Dr. Reimann Speak**

60. Reimann: "We feel that we're providing a kind of national experiment so that others can get the benefit of the..."

Deming: "Experiment?"

Reimann: "An experiment, yes. In effect, the Award program is a kind of national experiment in visibility and sharing of experiences."

Deming: "But you teach nothing."

Why does Dr. Deming say this? Why should anything be taught as part of an experiment? What should be taught?

61. Reimann: "What we're trying to find out there from the companies is what they did and how they did it so that strategies can be shared with others."

Deming: "That does not produce knowledge."

Reimann: "Well, but sharing knowledge can change attitudes, can change the questions..."

Deming: "If you're interchanging knowledge, yes. Getting together and sharing ideas is not sharing knowledge."

Why does Dr. Deming say this? What does produce knowledge?

62. Reimann: "But I think that sharing information on strategies and results can lead to ideas that go beyond what either party has brought to this discussion. And there's now listening going on because senior executives, it turns out, listen to each other more than they listen to quality professionals, and I think that's a very, very healthy development."

Deming: "What has it done to abolish the prevailing style of management? And put in something better? What is there in the guidelines that would help management in that respect?"

What does Dr. Deming think should be the aim of the Baldrige effort?

63. Reimann: "All of the Award winners are presenting information about the changes in leadership, changes in the culture, changes in the investment in employees."

Will shared information lead to increased knowledge?

Lloyd Dobyns says, "Dr. Deming's point is that unless you know why something works, copying it can't help and may hurt. At the minimum, it wastes time."

What is necessary to know why something works?

64. Deming: "But do I see anything here about suggestions to abolish the merit system and quotas... and ranking?"

Reimann: "No, but that would be a prescription on our part to say that they must. Many of the issues that I know are of concern to you are being debated in a very healthy way, and I believe that we will shortly know more about what works best in some environments at certain stages and progression of companies."

Will knowing what works inform us about why it works?

65. Deming: "There is no substitute for knowledge, and dialogue is not going to produce knowledge."

Do you understand why dialogue does not produce knowledge?

66. Reimann: "I have a prime responsibility to work with the community, a broad community, to try to gain a consensus that we can all get behind."

To whom is Dr. Reimann primarily responsible? Do you understand why consensus is important to him? Do he and Dr. Deming have different customers?

67. Deming: "Well, I admire you. I can't think of a harder job in the country."

Reimann: "Well, it's also one of the most interesting jobs in the country... . And there are many challenges in it. We're hearing more and more about the importance of quality principles in schools, in hospitals, in government agencies. I think that these are all very, very positive developments of the awareness that you worked so hard for so many years to generate. But the mere fact that they're talking about this rather than about managing by financial goals and so on... "is a step in the right direction."

Why is this a step forward? How would you describe this differing perspectives of Dr. Deming and Dr. Reimann?

### **Dr. Deming's Purpose**

68. Lloyd Dobyns says, "Dr. Deming wants more than a step. He wants America devoted to quality, and he thinks the quickest and best way to achieve that is to begin with a guiding philosophy and a clear aim, not with the Baldrige criteria."

Do you agree? Why

## VOLUME 23: PUTTING DEMING AND THE BALDRIGE AWARD TOGETHER

### QUESTIONS

1. Lloyd Dobyns: "We assume that you have transformed your company, and you have a quality culture in place. You've written your mission, vision, and guiding principles, and everyone in the company has a copy. You are building consensus and continually improving. You are, if you want, ready to apply for the Baldrige Award. Since you are using the Deming management system, we'll tell you his specific objections so that you don't fall into any traps."

Why are these three elements basic to a quality program?

Lloyd Dobyns: "Please keep in mind the four parts of Profound Knowledge that we briefly discussed in the last volume. Remember also that the 14 Points are what you use to put Profound Knowledge into place in your organization. Therefore, what you need to know is where in the seven Baldrige categories each of the 14 Points is useful. Some will go in several places."

How do the 14 Points help people to practice Profound Knowledge on a daily basis?

### The Malcolm Baldrige National Quality Award Criteria and the 14 Points of W. Edwards Deming

BALDRIGE CATEGORIES								
		1 Leadership	2 Information and Analysis	3 Strategic Quality Planning	4 Human Resource Development and Management	5 Management of Process Quality	6 Quality and Operational Results	7 Customer Focus and Satisfaction
14 P O I N T S	1. Constancy	•		•				
	2. New Philosophy	•		•		•		•
	3. Cease Inspection		•	•		•		
	4. Partner Suppliers			•		•	•	
	5. Improve Continually	•	•	•	•	•	•	•
	6. Institute Learning		•	•	•	•		•
	7. Institute Training	•	•		•			
	8. Drive Out Fear	•			•			
	9. Eliminate Barriers	•	•	•	•	•	•	
	10. Eliminate Slogans	•			•			
	11. No Quotas		•	•	•			
	12. Increase Joy	•				•		•
	13. Institute Education			•	•	•		•
	14. Accomplish Transformation	•		•			•	•

This figure was developed by William W. Scherkenbach and revised with his permission.

## Baldrige Category 1: Leadership

2. Dr. Reimann says, "Leadership in the Baldrige Award is the first category because of our belief that the entire quality system will flow from the attention and commitment of the leaders of the corporation or, indeed, any organization."

Why must the quality system come from the leaders?

Lloyd Dobyns: "Dr. Deming agrees that quality must come from top management, but he does not believe that the effectiveness of leadership can be measured."

Why?

3. Dr. Deming says of the leader, "He does not practice MBO as usually practiced. He'll do some long-term thinking, not mere short-term thinking. He does not spend his life stamping out fires. He'll have constancy of purpose long term."

Why isn't MBO and putting out fires an effective way to manage? What does "constancy of purpose long term" mean?

4. Greg Hughes says, "But as Deming used to say to us, we had a management problem. We managers directed our teams to climb the mountain from deep in the forest without the training, without the equipment, without the trail, and without even knowing which peak to climb."

Why was this not effective management? Have you experienced a similar situation?

Application of the 14 Points to Leadership: 1, 2, 5, 7, 8, 9, 10, 12, 14

14 P O I N T S	BALDRIGE CATEGORIES	1 Leadership
	1. Constancy	•
	2. New Philosophy	•
	3. Cease Inspection	
	4. Partner Suppliers	
	5. Improve Continually	•
	6. Institute Learning	
	7. Institute Training	•
	8. Drive Out Fear	•
	9. Eliminate Barriers	•
	10. Eliminate Slogans	•
	11. No Quotas	
	12. Increase Joy	•
	13. Institute Education	
	14. Accomplish Transformation	•

5. John Grettenberger says, "We knew that we had to turn the company around, and we knew that we couldn't ask others to change until we, the leaders of the organization, demonstrated a willingness to do so ourselves."

What was required of these leaders?

6. John Grettenberger: "We turned the traditional organizational structure upside down to demonstrate that we, as leaders, are not there to manage boxes on a chart, we're there to create and support a system that optimizes our people's ability to contribute value to the customer."

What's the difference between managing boxes and supporting a system?

7. John Grettenberger: "We feel that Cadillac's quality improvements and the transformation that took place are the result of three strategies. First, a cultural change that started to really emphasize teamwork in our organization and employee involvement; a constant focus on the customer through every phase of our business shared by every member of the organization; and a disciplined approach to strategic planning that keeps the organization aligned toward meeting our quality goals."

Which of the 14 Points are represented in these strategies? Why is cultural change difficult?

### **Baldrige Category 2: Information and Analysis**

8. Lloyd Dobyns: "The trap to avoid is collecting data just to collect it. You must have a theory to know what to measure and what to do with the measurement. Remember Dr. Deming's insistence that you can't do anything until you know why you're doing it."

How does it help people to know why they are asked to do something? What are some theories you use in everyday life?

9. Dr. Deming says, "I have to know why. Why am I doing it? What's the next stage? Suppose you tell me to wash this table, and you provide soap and water and a brush. You want to eat off of it? Well, hell, it's clean enough for that right now. Don't need to do much washing on that, a lick and a spit, a gesture. Good enough to eat off of it. Want to use it for an operating table? Another story. If I don't know what you're going to use it for, I cannot do the job."

Do you agree?

### **Benchmarking**

10. Bill Scherkenbach says, "The Baldrige criteria call for goals and benchmarking. Now you can do that within Dr. Deming's philosophy, but not in the way they are colloquially understood right now."

Lloyd Dobyns: "A goal, as it is understood, is a target, something that must be done or reached, usually within a specified time, and if it is not reached within that time, there are unpleasant consequences. The problem with a goal is that it can force you to focus on the result rather than on how the aim is to be achieved."

What can go wrong when you focus on the result rather than the method? Is there a good way to think about goals?

11. Dr. Reimann: "If your competitor is putting a product out with one-tenth the defects that your product has, you need to know something about that, and you need to organize your work force to achieve this goal of improvement." What is the difference between understanding a competitor's product and organizing to meet or exceed this level of quality?

12. Dr. Deming: "A goal doesn't help anybody. By what method are the only three words that count. By what method."

What does he mean?

13. Lloyd Dobyns says, "Benchmarking is finding out who is best at doing something that your company does, then going to look at how that company does it."

Is the aim of looking at how a competitor does something to seek improvement or to beat the competitor? Is there a difference? Which is the more useful aim?

14. Lloyd Dobyns: "Dr. Deming doesn't like benchmarking because without a theory to help you understand why something works, knowing that it works in another company is not helpful. Copying what works in one place without, knowing why it works can get you into serious trouble."

How can trouble arise from copying a better product or process?

15. Dr. Reimann says, "The first stages of benchmarking or comparison may very well be merely looking at, looking for and at things that can be copied. But I believe that the successful companies take it back, and there is a great deal of theory and discussion."

Do you think Dr. Reimann and Dr. Deming agree? If not, how do they disagree?

16. Dr. Deming: "An example teaches nothing unless studied with the aid of theory, otherwise people merely copy. They get into trouble. Wonder why? Because they did not understand why something was good or why something was bad."

How does one go about understanding why something is good or bad? Does this have anything to do with special and common causes?

17. Dr. Brian Joiner says, "There's danger that companies just go and copy one another without understanding. That, of course, won't work. But the learning, the seeing what other people are doing and so on, and understanding that with the aid of theory is a very powerful force to help move the country forward."

How is theory helpful in studying the work of another company?

18. Dr. Deming says, "Don't copy. Better to learn, learn why. Learn theory, then you can ask questions and learn. There's no learning without theory."

Why is there no learning without theory? Do you agree?

19. Dr. Reimann: "I don't believe that theory need precede benchmarking. I think that benchmarking can drive interest in theory. In effect, companies wake up to wholly new ways of doing things."

Do you agree? What reasons might there be to begin any inquiry without first stopping to ask what theory might explain what you are observing?

20. Bill Scherkenbach says, "Benchmarking is, in my mind, peripheral vision. You need to know what is happening around you, but if you take your eye off the customer and look at your competitor, or whatever system you've benchmarked – best in the world or best that you want to go for – you cannot focus on that. You need to keep your focus on the customer."

What does Mr. Scherkenbach mean by "taking your eye off the customer"? What is the danger in this?

21. Dr. Deming: "Just think of all the man-years in this country spent on studying the competitors and how the competitor is doing. What we ought to do is get ahead."

What does he mean by "get ahead"? Dr. Deming believes that management should focus their energy on staying ahead of the customer rather than focus on competitors. What does he mean? (See question 35.)

22. Bill Scherkenbach: "You need to learn from your competitors; you need to learn from everybody, but that should not take your focus off the customer."

Do you find the idea of learning from everybody easy to accept?

23. Lloyd Dobyns: "Despite the criticism, benchmarking has positive aspects. It helps to foster a spirit of cooperative sharing. It gets us past the not-invented-here syndrome, the American reluctance to accept anything foreign. Benchmarking also eliminates the need for every company to "reinvent the wheel," and it can give companies the courage to change by seeing that others have changed, have adopted quality, and have succeeded."

Can you imagine "cooperative sharing" with a competitor?

24. Dr. Reimann: "But those companies who didn't realize the system changes that needed to be made, failed and continue to fail. Those who realized that it was going to change the whole way they did business or they weren't going to achieve these kinds of gains are the ones that we're seeing come forward now. That's what I think is, in effect, the most positive aspect of the Baldrige Award."

What does he mean by "system changes"? Does he agree with Dr. Deming?

Application of the 14 Points to Information and Analysis: 3,5,6,7,9,11,13

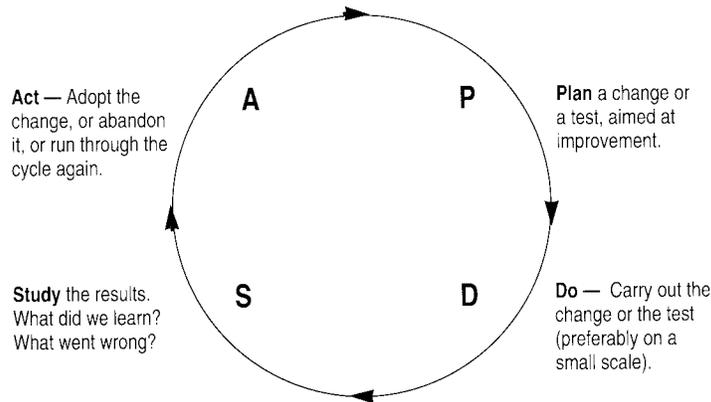
14 P O I N T S	BALDRIGE CATEGORIES	2 Information and Analysis
	1. Constancy	
2. New Philosophy		
3. Cease Inspection	•	
4. Partner Suppliers		
5. Improve Continually	•	
6. Institute Learning	•	
7. Institute Training	•	
8. Drive Out Fear		
9. Eliminate Barriers	•	
10. Eliminate Slogans		
11. No Quotas	•	
12. Increase Joy		
13. Institute Education	•	
14. Accomplish Transformation		

### Baldrige Category 3: Strategic Quality Planning

25. Lloyd Dobyns: "Leaders use strategic planning to understand what improvements will be needed for the long-term future and how they can be achieved. Remember that Grettenberger of GM said strategic planning was one of three key ingredients in Cadillac's success. Dr. Deming believes that the strategy should have .an aim of increasing the market size, not just the market share, and providing for joy in work for the people. "

Why is it important to increase market size and provide for joy in the workplace? How are these ideas related?

## The Deming Cycle (or Shewhart Cycle)



A flow diagram for learning and for improvement of a product or of a process. W. Edwards Deming, "The New Economics," p. 135.

26. Lloyd Dobyns: "You can use the Shewhart cycle or Deming cycle to achieve continual improvement in your strategic planning. It has four steps – plan, do, study, act – but they are not equal. More time should be taken in planning, step one, than in any other. You plan a change. You do it in the smallest possible test to limit the damage should your idea not work. You study the results of the test, then you act on what you've learned."

What is the purpose of following this cycle?

27. Bill Scherkenbach says, "In your, quality planning, in the product development cycle or process, you've got to include methodology for innovation as well as improvement – breakthrough kind of 'aha's' – and again, innovate not necessarily just in product, but in process."

What is "methodology for innovation"? Why is it important to have processes in place that make it possible for people to institute change and innovate?

Application of the 14 Points to Strategic Quality Planning: 1,2,3,4,5,6,9,11,13,14

	BALDRIGE CATEGORIES	3 Strategic Quality Planning
14 P O I N T S	1. Constancy	•
	2. New Philosophy	•
	3. Cease Inspection	•
	4. Partner Suppliers	•
	5. Improve Continually	•
	6. Institute Learning	•
	7. Institute Training	
	8. Drive Out Fear	
	9. Eliminate Barriers	•
	10. Eliminate Slogans	

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	11. No Quotas	•
	12. Increase Joy	
	13. Institute Education	•
	14. Accomplish Transformation	•

28. Dr. Deming: "The job of management is to fix the aim, state the aim, constancy of purpose, not what we're doing, but what we ought to be doing, and to understand how to do it."

Why is it important for management to deal with "what we ought to be doing"?

29. Lloyd Dobyns: "Top management has to understand the difference between goals that are aims and goals that are quotas and have to be eliminated."

What is the difference between aims and quotas?

30. Dr. Joiner: "Planning goals should not be used until the organization understands that the goals will be used to plan, not to judge on outcomes."

What is the difference between planning and "judging on outcomes"?

31. Bill Scherkenbach: "Dr. Deming's point on working with your suppliers, point number 4, is very applicable here in your quality strategic plan, that partners are your suppliers."

How can you work with a supplier as a partner?

32. John Grettenberger: "We began to expand our team to include two other key stakeholders that have a great impact on our success, and they are our suppliers and our dealers."

Why did Cadillac do this?

33. Bill Scherkenbach: "You're looking at quality as an integrating discipline, which would require you to break down the barriers between finance, and product planning, and quality, and manufacturing, all of the disciplines involved."

What are the benefits of integrating departments with quality management methods?

34. Lloyd Dobyns: "Involving all the disciplines in an organization usually requires a cultural change, so you'll need everyone's help... . That won't do much good unless everyone is trained and educated."

How does cultural change differ from education or training?

35. Lloyd Dobyns: "What you are looking for is both the little improvements and the great leaps forward. The Deming method helps achieve both by encouraging people to think about their work in new ways and take calculated risks to improve it, always focused on staying ahead of the customers' needs."

Why must we "stay ahead of "customers' needs? (See question 21.)

#### **Baldrige Category 4: Human Resource Development and Management**

36. Dr. Deming: "Meeting the company's quality and performance objectives. Fully committed, well-trained, and involved work force. Emphasis is wrong! The work force is what you don't have to worry about. Quality is made at the top in the boardroom."

What does Dr. Deming object to? How would you restate Category Four?

37. Lloyd Dobyns: "Another point he makes is that a company could be doing famously well in this category and go bankrupt anyway. But his main complaint is that the criteria ask for measurements and evaluations, and Dr. Deming says human resources programs can't be measured or evaluated. Dr. Reimann says the object is to make companies realize the basic value of education and training."

What is the problem of trying to measure the results of education or training? What is there to measure?

38. Dr. Reimann: "Many companies use training and education methods, and they don't take the trouble to see how effective, how valuable a contribution this is making to the growth of the employees."

How could these companies know the effectiveness of their training and education investments?

39. Dr. Deming: "You cannot evaluate those programs! My point is you cannot evaluate them. The guidelines are in error. It's leading someone to suppose that they can be evaluated."

What constitutes evidence of the effectiveness of training and education programs?

40. Lou Schultz: "What Dr. Deming is saying is that you can't tell the value of training or education at the moment, that it will take years in order to determine if it's worthwhile."

How can a management know how much to invest in training and education?

41. Dr. Deming: "Training for skills is one of those examples in which one is guided by theory, not by figures. One may spend, say, \$20,000 for training a group of people or for improving their skills, but one will never be able to measure the benefit of it. The cost,

we know, shows on the ledger: \$20,000; the benefit we shall never know. But why do we do it? Because we believe that it will pay off, that it will help our people, give them a chance for joy in work, and that we'll get our money back, and a lot more. But we'll never be able to measure that benefit, an example of where management is guided by theory and not by figures. It's only the trivial problems that can be guided by figures. Most of what we do must be guided by theory."

What is the basis of "belief" that training will pay off? Is this a theory?

42. Lloyd Dobyns: "Keep in mind that Dr. Deming is not against programs to help people grow; to the contrary, he is greatly in favor of them. His complaint is that you cannot measure their effectiveness, and the job of the executive is to manage both what can be measured and what cannot. It is perfectly reasonable for an executive to decide that a training course is or is not worthwhile, but that decision is a judgment based on theory."

Do you agree that such decisions should be "judgments based on theory"? How would you decide on a training investment?

43. Lloyd Dobyns: "Category Four also asks about a company's recognition and reward programs. Dr. Deming's concern is that asking about the programs seems like an endorsement of them and could lead companies into creating internal competitions for rewards when cooperation is the key."

What are some of the results of internal competition?

44. Dr. Deming: "Ratings could be all right; ranking, no. Ratings should be used, if there are any at all, to help the leader or supervisor or whatever you call him to improve his own work, but not to rank the people."

Why shouldn't people be ranked? How can ratings or rankings help a manager improve his own work?

45. Dr. Reimann: "I don't agree that we're seeing in these guidelines a prescription that, for example, companies must have a performance appraisal system, or they must rank employees, because we've seen it both ways, and we've seen success both ways."

What conclusions can be drawn from observing "success both ways"?

46. Lloyd Dobyns: "Don't confuse recognition, which may be a pat on the back from a co-worker or a boss, with a reward system. If only a few get the reward, then whether you intend to or not, you are setting up a competition that will destroy cooperation and that is probably phony in the first place. Whether the performance is good or bad, did the people do it, or did the process?"

What does he mean "did the people do it, or did the process"? What do you think are the proper limits of recognition? What should people be rewarded for? Should rewards be limited to a few?

47. Greg Hughes: "As Deming taught me personally and thousands of other AT&T managers, and millions of people around the world, people can only do as well as the processes that they have to use."

How are people limited by the "processes they have to use"?

48. Dr. Gipsie Ranney: "You can't look at the performance of any individual independent of the effect of the other individuals that they have to work with, and the system within which they all work. You can't separate out the individual's performance."

Do you agree?

Application of the 14 Points to Human Resource Development and Management: 5, 6, 7, 8, 9, 10, 11, 12, 13

14 P O I N T S	BALDRIGE CATEGORIES	4 Human Resource Development and Management
	1. Constancy	
2. New Philosophy		
3. Cease Inspection		
4. Partner Suppliers		
5. Improve Continually		•
6. Institute Learning		•
7. Institute Training		•
8. Drive Out Fear		•
9. Eliminate Barriers		•
10. Eliminate Slogans		•
11. No Quotas		•
12. Increase Joy		•
13. Institute Education		•
14. Accomplish Transformation		

49. Lloyd Dobyns: "The purpose in Human Resource Development is to build trust between management and labor because without that trust, the whole quality effort will die."

What is the connection between trust and a quality program?

50. John Grettenberger: "Without trust, it is impossible to get people to participate. People have to be willing to raise their hand, or to speak their mind, and to point out problems. And we, as leaders, must communicate that trust to them in ways that say that their ideas and opinions are important."

What is the basis of trust between two people or two groups of people?

## Baldrige Category 5: Management of Process Quality

Application of the 14 Points to Management of Process Quality: 2, 3, 4, 5, 6, 9, 13

14 P O I N T S	BALDRIGE CATEGORIES	5 Management of Process Quality
		1. Constancy
	2. New Philosophy	•
	3. Cease Inspection	•
	4. Partner Suppliers	•
	5. Improve Continually	•
	6. Institute Learning	•
	7. Institute Training	
	8. Drive Out Fear	
	9. Eliminate Barriers	•
	10. Eliminate Slogans	
	11. No Quotas	
	12. Increase Joy	
	13. Institute Education	•
	14. Accomplish Transformation	

51. Bill Scherkenbach: "You don't inspect quality in, so you wouldn't expect to rely on mass inspection to assure the quality of your products and services."

Why isn't quality inspected in?

52. Dr. Deming: "Customer and supplier should form a system for mutual gain. Nobody would wish to do business with a loser. It's a joint undertaking."

What is one consequence of supplier losing out? How do customer and supplier enjoy mutual gain?

## Baldrige Category 6: Quality and Operational Results

53. Lloyd Dobyns: "What is wanted is a look at the company's quality levels and improvement trends and comparisons with competitors and with benchmark or best companies. It is a category concerned entirely with results."

"The only way you could get in trouble with Category Six is if you did not have a theory to explain your results, but if you are using the Deming method, you do have a theory."

Why is theory necessary to explain results?

Application of the 14 Points to Quality and Operational Results: 4, 5, 9, 14

14 P O I N T S	BALDRIGE CATEGORIES	6 Quality and Operational Results
	1. Constancy	
	2. New Philosophy	
	3. Cease Inspection	
	4. Partner Suppliers	•
	5. Improve Continually	•
	6. Institute Learning	
	7. Institute Training	
	8. Drive Out Fear	
	9. Eliminate Barriers	•
	10. Eliminate Slogans	
	11. No Quotas	
	12. Increase Joy	
	13. Institute Education	
	14. Accomplish Transformation	•

54. Lloyd Dobyns: "The Shewhart cycle, or Deming cycle if you like, gives you a way to study results and see if your theory works. You need to study these results over time to be sure that your glitches or successes are not one-time special causes of variation. This cycle encourages continual improvement of theories, strategies, or methods."

Why do you need to study results over time to tell the difference between special and common causes in operations? How can this cycle be used continually to improve theories, strategies, and methods?

55. Dr. Deming: "If we want better results, we have to improve our methods. Any attempt to beat the system will impair the outcome of some other part of the company."

Why does an attempt to "beat the system" impinge on some other part of the organization? Why is this of concern?

**Baldrige Category 7: Customer Focus and Satisfaction**

56. Lloyd Dobyns, "Category Seven... wants to know everything about you and your customers and how you know – including how you have determined – your customers' future expectations. You have to compare your customer share with your competitors' shares. There are a great many measurements and evaluations that Dr. Deming doubts can be made accurately, or at all."

What are the difficulties of accurately determining the causes of customer satisfaction, dissatisfaction? What causes a customer never to return, or to brag about a product or service?

57. Lloyd Dobyns: "However, the category does force a company to consider what its relationship is with customers and how that relationship can be improved. It also requires a systematic approach to customer relations, and that can only be a plus."

What is implied by "systematic" customer relations?

58. Dr. Joiner: "Companies may never have really thought hard about what is their method for obtaining information about their customers' current and future expectations and requirements. They may have done that informally, but they may not have a documented system to do that."

Do you agree that it is important to systematize the gathering of information about customers' needs and expectations?

Application of the 14 Points to Customer Focus and Satisfaction: 2, 5, 6, 12, 13, 14

14 P O I N T S	BALDRIGE CATEGORIES	7 Customer Focus and Satisfaction
		1. Constancy
	2. New Philosophy	•
	3. Cease Inspection	
	4. Partner Suppliers	
	5. Improve Continually	•
	6. Institute Learning	•
	7. Institute Training	
	8. Drive Out Fear	
	9. Eliminate Barriers	
	10. Eliminate Slogans	
	11. No Quotas	
	12. Increase Joy	•
	13. Institute Education	•
	14. Accomplish Transformation	•

59. John Grettenberger: "You know, every individual in the organization needs to have the opportunity to add value to the customer. And it's our job as leaders to find a way to provide that. And at Cadillac, once it happened, the ideas for improvement started bubbling up from every level."

How is it possible to give everyone an opportunity to add value to the customer?

60. Lloyd Dobyns: "You have to train your people to communicate with customers, and you have to educate employees about the customers, but you also have to educate the customers about what you can do for them. Or, as Dr. Deming says, "Teach him about needs that he does not yet know he has."

What does Dr. Deming mean?

61. In reference to the graphic on p. 32, Lloyd Dobyns says, "This is only a way to help you think about applying the Deming philosophy to the Baldrige criteria. In doing this,

there is a danger that you will begin to think about the 14 Points as a list of things to do rather than as a way to apply Profound Knowledge, which is the framework of the new philosophy. This is not a recipe."

What is the difference between "a way to apply Profound Knowledge" and "a list of things to do"?

Lloyd Dobyns continues, "There are no recipes. There are also no guarantees. In this, as in everything else, variation applies."

What does he mean?

62. Dr. Deming: "You could make a list of companies that are doing famously well and violating all the good rules of management, applying the worst kind of management that you could imagine, yet they're doing well. They're fortunate, plain lucky, in having a product that wins no matter what."

Do you agree that some successful companies are just lucky?

63. Bill Scherkenbach: "Dr. Deming says, 'Don't confuse success with success.' You've got to ask yourself, 'How much better could it be?'"

What does he mean? Why is continual improvement essential in the new global marketplace?

64. Dr. Deming: "Conversely, you could make a list of companies that are trying hard – management studying the theory of Profound Knowledge, trying to apply it – and not doing very well. But think how they would be with worse management. Think where they would be. And of a company doing well with bad management, think what it could be with good management. Still better."

Which organization would you prefer to belong to?