QUALITY CONSCIOUSNESS - THE IDEOLOGY OF THE NEXT MILLENNIUM

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Journals of professional quality organisations, such as *The Quality Magazine,* journal of the *Quality Society of Australasia,* and *Quality Australia,* journal of the *Australian Organisation for Quality,* have from time to time featured articles examining the slow rate of development of a quality based culture, or a *quality consciousness* in Australian organisations.

Contributors have presented hypotheses attempting to explain why Australian organisations have generally failed to accept, then support, the cause of quality in its many forms.

Only a minority of *Australian owned* companies has genuinely embraced the quality message, and developed that cultural dimension absolutely crucial to the conception, design, management, creation, delivery, and customer acceptance of quality - ie a *quality consciousness*.

If the quality message is so persuasive and compelling, and has so much to offer, what is wrong with us as a nation that we have failed to grasp this *golden goose* of commercial business activity that promises *golden eggs of maximised profits*?

If quality is the key to *the land of milk and honey*, why is it that the persistent attempts by the prophets of quality and their widespread enthusiastic quality focused supporters have failed to penetrate and win over those who control government, business and the national interest?

If *quality pays for itself*, as we quality protagonists claim, why is it that Australian organisations are not rushing to reap the benefits of this wonder cure for all business ills? Why have they not eagerly embraced the key to future survival, growth, prosperity and commercial success - minimisation of costs concurrent with maximisation of ongoing market share, productivity and profitability?

If *customers* want quality goods and services, and we claim to be *customer focused*, why is quality so elusive? Why are our Quality Managers kept well away from direct contact with our customers?

Australia regards itself as a nation of innovators yet we have allowed the rest of the world to show *us* the way - why do *we* not lead the world in quality management?

This article proposes some underlying reasons as to why this might be so with regard to quality in the context of commercial trade.

Commercial Quality

In the commercial context, what we consider to be “quality” is *a perception of a measure of the comparative standard of a good or service, or its characteristic(s), when compared with either like goods and services, or to absolute values*.

Being a *perception*, the concept of quality will vary between individuals, groups of individuals, industries, locations, towns, states, and countries.

Buyers generally have a range of *acceptable* quality in mind, below which they will not buy at all, and above which they will not pay more, and in between the minimum and maximum limits of the

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quality/price equation the buyer will exercise discretionary subjective value judgements based on *comparative* quality.

This concept is based on the prospective buyer's willingness to allocate a portion of his or her unallocated net disposable income, or budget, on that particular good or service. Economists call this *utility value*.

Naturally, a seller's perception of quality will not be the same as a buyer's. **Sellers attempt to minimise quality supplied for price, whereas buyers seek to maximise quality obtained for price (value)**. Sellers will emphasise the quality of those product characteristics that enhance the attractiveness of the product to the buyer (saleability), but will normally not disclose the quality of those characteristics that detract.

To have practical meaning and effect, specification and measurement of *commercial quality* must always be qualified within a *context* directly linked to the quality/price value equation - eg the popular term *world-class quality* attempts to subjectively qualify the range of applicable product standard quality criteria measures to those applicable in *world markets* - (whatever that might mean, since world trade has been around at least since the Phoenicians, Marco Polo and Christopher Columbus).

Strategies for Assuring Commercial Quality

The *Total Quality Management (TQM)* strategy of *minimising variation* focuses on fine tuning *intended quality* to either budgeted cost, or market price, and is based on the premise that the portion of *actual quality* supplied which exceeds the supplier's *minimum obligation* at the chosen quality/price value level will cost more to produce - but will not realise more income or cost recovery, thereby unnecessarily reducing profit. Non-fundamental intended quality standards are likely to be vaguely defined, if at all, and actual quality supplied is likely to vary to accommodate actual batch variations.

The *Quality Assurance (QA)* Quality Management strategy focuses on fine tuning *actual quality* to match *intended quality* by means of eliminating non-conforming product by scrapping or reworking (which reduce profits) to result only in *conformance with requirements*. Intended quality standards are likely to be explicitly but incompletely defined, and *actual quality* can exceed, but be not be less than, *intended* quality, which is by definition - *conformance with requirements.*

The *Value-adding Management* (*VAM*) strategy endeavours to ensure that every investment, every expenditure, every process, every activity, and every outcome, adds *utility value* to the *intended* quality of the organisation and/or its products, as perceived by its customers and stakeholders, thereby enabling higher selling prices to realise maximised profit. *Actual quality* may vary widely about the acceptable market standard for *intended quality.*

A common feature of all the above strategies is that the closer *actual* quality becomes to *intended* quality, the more cost-effective is the quality technology deployed.

Holistic Quality Management of course will integrate all of the above with other technologies to assure an outcome that maximises quality whilst maximising profit..

The Ideological Illusion

In responding to market expectations for quality, many Australian organisations who think and claim they are *quality focused* actually have in place nothing more than *symbolic* policy statements that:

- are subject to discretionary application,
- have undefined responsibilities and accountabilities for their implementation and outcomes,
- are not supported by means to implement them,
- are stand-alone statements not directly linked to strategic organisational plans, systems, practices, procedures or processes,
- are not referenced in contracts,
- are not enforceable.

A test of the validity of such statements is to ask - “what happens if all or any of the Customer/quality focused Vision, Mission, Quality Policy, Objectives, or Customer Service Charter are not fulfilled?” Unfortunately in many cases the answer is “absolutely nothing”.

Therefore, until such time as an organisation develops its *ideology* of organisational *quality consciousness*, and causes *that* to become its primary driving and motivating *ethos*, it cannot be truly quality focused, and therefore cannot realise the potential benefits for organisational survival, growth and fulfilment that holistic quality technologies offer.

Why A Quality Consciousness?

Organisations trading internationally, realised a very long time ago that goods packed improperly tended to arrive at their destination as an unsaleable mess. Perishable goods tended to perish. Promised delivery dates tended to be delayed by gales, pirates and shipwreck. Investors and insurers lost money.

Self-interest, being a strong motivator, encouraged the international merchant class to devise ways of assuring that their goods and services reliably reached their point of sale *so that costs could be recouped and profits generated* - quality assurance was born.

As the issues of reliability of supply were resolved, the focus shifted to the actual product itself, and for a very long time support services and infrastructure have been excluded from the quality framework.

Marketplace evolution has led to the popular *perception* that the ISO9000 series models for quality assurance management systems were designed only for *manufactured* products, and are not appropriate to the *support services* or *infrastructure* essential to delivering the right product to the right place at the right time for the right price and at the right terms - which is precisely what the customer *expects.*

This concept of limiting quality assurance activities exclusively to the product and product creating activities is supported by those who do not regard the supplier’s obligations to their purchasers as *holistic.* Many sellers still sell on an ex-works, FOT (free on truck) or FOB (free on-board ship) basis. What happens to the product after that is often not regarded by the seller as being their responsibility.

From the reported data it would seem that this view is the predominant view of Australian organisations, however such a view of quality is self-defeating to a supplier’s *competitiveness* because the customer's primary purpose is to obtain goods or services which can be used or resold *at the point of receipt* by him.

The Customer is ultimately always free to choose whomever supplier he wants, or may choose not to buy that good or service at all *if the real costs to him outweigh the perceived actual benefits to him*.

The phenomenon of buyer backlash is being currently experienced by whole industries in Australia, where entire classes of product are not being bought at previous levels of demand. Where imports are available at equivalent quality or price, buyers are transferring their allegiance in droves *in an attempt to satisfy their expectations for value,* and to punish their past suppliers for treating them with contempt.

The standard Australian solution to this challenge is to develop monopolies, duopolies, oligopolies, cartels, industry associations, lobby groups, quotas etc to regulate or limit the supply side of the transaction. We are not short of such organisations in Australia, particularly in the public sector and in exporting industries.

Australian industries that offer poor value (high price/low quality) easily become targets of government trade-offs, whereby access to their Australian markets is offered to international trading partner nations, to offset purchase of key commodity products essential to foreign exchange.

The issue then is not poor quality but poor competitiveness. As soon as we recognise this we can respond in ways which will win back our customers.

Quality is the key - but the lock we have to open is our poor attitude to *competitiveness*. This is a very stubborn lock and will only open when we have the right combination - ie when all the attributes of our organisation and the goods and services we call our product, are both holistically incorporated into our quality management thinking and addressed by our quality management activities.

Organisational quality consciousness is a pre-requisite to this process of strategically addressing the basic issue of the buyer/seller transaction framework.

We must first come to terms with the reality that our business cannot exist without customers - ie those people or organisations who *choose* to buy our goods and services.

This rule is still valid even when the customer receives the goods or services at no or subsidised cost, such as in free to air radio, T.V., public services, community newspapers, letterbox advertising material etc.

We must see our customers as very important people - eg how many organisations provide parking and amenities for themselves but not their customers? Where is the customer car park - closest to the office or furthest away? Many organisations even charge their customers a fee for parking! - the supplier obviously feels that it is an honour for the client to use his services and facilities.

***Organisational quality consciousness* starts with accepting the concept that the organisation exists not for the benefit of its owners or stakeholders - but solely to serve its customers or clients.**

Once this obstacle is overcome then everything else falls into place very easily. ISO 9000 quality assurance will be seen to be essential not only to product production, but to the whole organisational infrastructure, and to the events before and after each transaction. TQM activities will have real meaning as management and staff strive to discover ways in which they can serve their customers better and improve internal performance.

W. Edwards Deming, (1982), one of our quality management founding fathers, more than fifteen years ago stated in the very first of his *14 Points for Management*:

"Create constancy of purpose toward improvement of product and service, with the aim to become competitive, to stay in business and to provide jobs".

Dr.J.M. Juran, another of our quality management founding fathers in his 1986 article on *Strategic Quality Planning*, published in *"EOQC Quality"*, stated the primary underlying reason for the *crisis in quality* in industrialised western countries is **competition in quality**.

We Australians have not listened to the quality message - it is not about quality, but *competitiveness*. Competitiveness offers us survival, growth and prosperity for everyone in a holistic way - customers, owners, stakeholders, managers, employees and the community.

Quality competitiveness is the goal - quality technologies are the means.

To become *quality competitive* we must first determine where we are as an organisation in our industry (eg benchmarking), and how we compare with emerging industries competing against us (eg environmental scanning). Next, we must determine how we can continue to remain competitive, then the things we must do to improve our quality competitiveness. These actions require total commitment to developing a *quality consciousness* for *our* organisation.

We can conclude then that **to create constancy of purpose toward improving the quality competitiveness of our products first requires an *organisational quality consciousness*.**

Organisational Types

In the context of developing an appropriate *organisational quality consciousness*, there are seven main classes of organisations in Australia (primarily determined by the *Constitutions* of the *Commonwealth of Australia and the States*), each having very different organisational purpose, self-perceptions, status, culture, functions, responsibilities and accountabilities in our national psyche, social structure, political and legal framework.

Each class of organisation needs to develop a discrete organisation specific *quality consciousness* model to enable it to create and deliver effective quality outcomes from its respective role:

- **The State** — ***"organisations that form the Sovereign State and rule the nation"***
  The Crown, Governor General, State Governors and their Executive Councils

- **The Executive** — ***"organisations that serve or advise or influence the Crown"***
  ie organisations that determine national political ideology; National and State Constitutions; core social, economic and international policy; treaties, core law, distribution of power, wealth, ownership of land, resources, freedom, liberty, equality, fraternity, national and social security, health, well-being and the national status-quo"
  eg the Prime Minister, the Cabinet, the Ministry, the Treasury, the Military, Political Parties, "the Church", and international organisations such as the World Bank, IMF, UN, WTO, WHO

- **Government** — ***"organisations that make, apply, interprete, administer and/or enforce law within boundaries determined by The Crown"***

Commonwealth, State and Local Governments, the Judiciary, the Police
eg the Parliament, the "Public Service"; City, County, Shire and Municipal Councils; Elected Members and their Officers; Courts, Bailiffs, Sheriffs, Rangers

- **Public** ***"instruments of governance"****- ie servants of The Crown and Government*
  Government owned or controlled but not a direct arm of Government
  eg Statutory Authorities, Boards, Offices, Commissions, Universities, Schools, Colleges, Hospitals, Regulatory Bodies, Federal Reserve Bank, State Banks, Intelligence and Security Agencies, Local Government regulatory and administration functions, "Centrelink", Job Network Agencies

- **Private** ***"organisations that trade for the purpose of commercial self-interest"***
  eg Private Enterprise, Sole Traders, Partnerships, Corporations, Firms, Trusts, Co-operatives, Cartels, Trade Associations, Brokers, Agents, Attorneys, Lobby Groups

- **Pseudo-private** ***"public organisations that emulate private organisations"***
  Government owned or controlled and "corporatised" or "privatised"
  eg Utilities - Railways, Electric Power, Gas; Insurance, Airlines, Airports, Shipping, Public Transport - trams, buses, trains, ferries; Telecommunications, Banks

- **Community** ***"organisations that exist to serve their members and/or the community"***
  eg Churches, Clubs; Trade, Industry and Professional Associations, Trade Unions, Political Parties, Lobby Groups, Not for Profit Associations, Friendly Societies, Mutual Societies, Incorporated Bodies, Charities, Republicans, Revolutionaries, Terrorists, Spontaneous Mutual Interest Groups

Important Note: The type of organisation as defined above cannot always be identified by its nominal name or legal status. Some organisations comprise a set of more than one type. The type is determined by an organisation's *behaviour* – not its name. For example, many "community" organisations trade as "private" organisations to make money for the benefit of their members, to provide services to their members that they could not otherwise afford, or to be distributed to the community for a particular purpose such as charity.

Some of the above organisation classes are *inter-dependent,* insofaras they are mutually dependent upon each other or are serially inter-dependent. Some are *interactive,* insofaras they rely upon others for stimulus or authority to act, they act jointly or severally, or they impact others by their functions.

All organisations *trade*, in the sense that they may buy and/or sell goods and/or services, however there is a vast difference in the form and focus of *organisational quality consciousness* needed by those organisations:

- trading as a provider of goods and/or services to others,
- buying and selling solely to support their own organisation's internal operating needs,
- buying capital goods and services solely intended to produce a return on investment,
- governing, regulating, monitoring and enforcing,
- providing public services,
- providing services to or for their members,
- acting as agent, attorney, broker, custodian, guardian, representatives, or trustee for others,
- providing a service on demand,
- that simply exist.

Up to now, quality management theory and the quality industry establishment have regarded all organisations as being the same. The ISO, SAA, JASANZ, AQC, and the *Australian Quality Awards* quality management models go to some lengths to reinforce their policies of one concept for the whole nation, irrespective of the kind of organisation, industry, or class of product. The criteria are intended to be common to all.

Although all of the above classes of organisations provide goods and/or services in some form or other, it is only the *private* organisation which is legally obligated to satisfy the client or customer, albeit within the restricted legal framework of contract and trade practice law.

In contrast, government, public and pseudo-private organisations, who employ around half of the national workforce, are extremely reluctant to admit and correct their shortcomings and, as a general rule, are not exposed to any direct penalty for less than satisfactory performance or outcomes. Notwithstanding claims of commitment to their clients and to best practice, they tend to dig in and ferociously fight back when challenged. There have been many examples in this country where governments have passed retrospective legislation to legitimise what were then illegal, improper or unethical actions by a public organisation.

It would seem then that after fifty years of quality assurance no buyer or client of goods or services in the community is immune from having to bear the risk and consequences of supplier non-performance.

As a nation we are that bad. It is virtually open season for the rip-off. There is no class of organisation we can depend upon to give us what we thought we bought or were entitled to. Even the church cannot save us from our sins - we have to do that for ourselves!

Quality Consciousness

Originally Quality Management was promoted as an integrated scientific, technical, social, and cultural approach to managing work and people. However in Australia, the focus on *value-adding management* and *management by objectives* during the 1980's, followed by *organisational restructuring, downsizing*, *public sector corporatisation, elimination of middle management*, *organisational transformation, pseudo employee empowerment, structured team approaches, benchmarking, best practice* and *outcomes* in the 1990's has diverted our attention from the human face of quality.

Economic rationalism has corrupted quality management and we have forgotten that *customers are people,* who think like *people* and behave like *people*. Customers have expectations, perceptions, feelings, attitudes, and react. In focusing on *things*, we have forgotten the object of those things is *to satisfy people.*

Customers will readily forgive and accommodate a caring, sharing supplier who makes a genuine mistake, however those same customers are likely to abandon, sue or adversely recommend, the supplier who solely adopts a commercially ruthless, hard-line, cold, scientific, but legally correct approach to quality management.

Quality consciousness is absolutely essential to the effectiveness and competitiveness of all classes of organisations because **none** have a legal incentive to service their customers *to the extent expected by their customers.*

The management mind set (paradigm) for all, tends to be inwardly focused notwithstanding the proclamation of customer focused vision statements, mission statements, policies, strategic objectives, best practices, benchmarking, strategic plans and other modern inventions for justifying the status quo.

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The current focus in public and pseudo-public organisations on serving their *stakeholders* is distracting and self-serving, because stakeholders, like creditors, although having a legitimate interest in an organisation, are not the purpose for an organisation's existence. *Customers* are those whom the public organisation is there to serve and any other strategy will result (outcome) in dissatisfaction to those who use its services. Regrettably, it is regularly demonstrated the only available practicable solution to a shortfall in satisfying customer expectations is direct recourse to a politically higher authority - eg MP or Minister.

Our current Australian *quality consciousness* is like tinsel - all gloss and glitter but no substance. The quality industry has become the icing on the cake but the cake itself remains the same as it was before it was iced. We are busy standardising and reinforcing that which is already defective and inadequate for national survival. We have forgotten why our organisations exist.

Private organisations exist to serve the community by creating and supplying goods and services in response to community need or wants. Private organisations are assigned the task to create the nation's wealth, from which is extracted a substantial portion by government, public and pseudo-private organisations for re-distribution and expenditure in the national interest.

Why do we persist with the commercially stupid concept that private organisations exist to make profit? Profit is a *result* of doing things well - but cannot be the primary objective, because no customer is prepared to pay more merely to increase the supplier's profit.

Private organisations are wholly dependent upon customers, or buyers, *who want to buy*, for their existence, survival, growth and wellbeing - no customers, no business, no profits.

It follows that the entire national economy depends wholly upon individual customers for its existence.

Economic rationalism has forgotten that and is converting buyers into beggars, thereby threatening the entire national economy - remove the supporting foundations and a structure will collapse.

Real improvement to an organisation's effectiveness and competitiveness cannot be made until, and unless, top management recognises the real purpose for the organisation's existence - ie to serve its clients and customers.

A customers is not a buyer until he or she actually makes a purchase, so a *prospective customer* is just as important as a real one.

Organisations must work hard to develop a *quality consciousness* in every activity, including those not directly connected with its primary purpose.

Too often we see empires being built to service internal organisational needs. After a time these vocal groups can exert undue covert influence on product producing areas without direct accountability for either the product or the organisation's performance to its customers, or the consequences to the organisation for their actions.

Organisational wide *quality consciousness* will ensure such activities are integrated, managed and produce the required outcomes to the benefit of the whole organisation.

Stakeholders - ie proprietors, investors, creditors, third-parties and government must take a back seat - they all might have a vested interest in our organisation's outcomes but no Stakeholder will continue to support or sustain us if we do not have a perpetual base of customers who want to come back for more, and support us again and again - because there is no benefit to the Stakeholder.

A few Australian organisations have already developed their *organisational quality consciousness* and are easily recognised by their commitment to serving their customers to the best of their capability, demonstrated by their willingness to openly declare that *customer satisfaction is guaranteed - or money back.* They are prepared to put their money where their mouth is.

The Japanese success story has been the role model for the quality industry since the late 1970's however our focus has been on the application of technology - not *why* they did what they did. It was not until 1986, when Masaaki Imai published his book *Kaizen,* that we learned why, but even then we could not grasp the simple concept that continuous improvement for its own sake is the *ideology*.

Twenty years on we still have not recognised what it is we are really trying to achieve from all our effort in quality management. We have, as a nation, lost the plot. We have institutionalised mediocrity.

Organisational quality consciousness starts and finishes with acknowledging the organisation exists not for its owners or stakeholders - but its customers or clients.

We must develop an *organisational quality consciousness* which sees its only *ideology* as holistic quality competitiveness. To proactively and progressively become good, better, best, in everything we do.

Why competitiveness? - because in the quality/price = value equation, both quality and price are set by the market (customers). Competition drives real prices down and real quality up.

Profit, that topic of interest to stakeholders, is the result (outcome) of interactions between invested capital, sales income, operating costs, and management. Public Sector organisations will be concerned to ensure the outcome of *income will meet expenditure*. Australian costs, of course, will continue to *increase* in real terms, following endemic monetary inflation trends and taxation policies.

An organisation’s capacity to continuously generate profit is dependent upon its competitiveness. Our key role as managers of enterprises must be to *create the conditions* for a competitive organisation, because only a competitive organisation can survive, grow and fulfil its true purpose.

The Future

To become a *quality conscious* organisation, we must *holistically*:

- **create the organisational means - human, physical and financial resources, technology, management, infrastructure, and operations - to enable us to become and stay competitive,**

- **focus our organisation on competitively serving our customers and clients - eliminate proprietor's, stakeholder's and management's self-serving policies, attitudes, work groups and facilities,**

- **eliminate fear and institute empowerment *to act* in a framework of clearly defined commitment, responsibility and accountability,**

- **create the conditions where our customers *want to buy* from us, our clients *want to deal* with us, our suppliers *want to supply* us and our employees *want to work* for us,**

- **satisfy the product, service, price, terms and delivery expectations of our customers and clients - have regard for implied needs,**

- **win and sustain their ongoing support - demonstrate real customer commitment,**

- **maximise value in our goods and services (products) - highest total quality for lowest total buyer cost,**

- **strive to add value to our relationships, interfaces and interactions with our employees, contractors, suppliers, stakeholders, customers and clients,**

- **treat all of them ethically and with respect - we are all dependent upon each other,**

- **vigorously pursue customer-focused continuous improvement in every aspect and activity of our organisation - sustain a state of quality competitiveness,**

- **be ever watchful for those forces or conditions that might affect our competitiveness (environmental scanning) and proactively respond to them,**

Continuous improvement cannot be incremental - it must be continuous. The organisation that does not commit itself to *quality consciousness* will wither, die, or be replaced.

If we ask ourselves honestly *how can we improve today that which we thought was acceptable yesterday*, then devise and implement the essential changes in a quality managed environment, we will automatically achieve the outcomes we so desperately seek.

This then is the hallmark of the *quality conscious* organisation.

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