

QUALITY CIRCLES IN SERVICE INDUSTRIES

comprehensive guidelines
for increased productivity
and efficiency

Sud and Nima Ingle



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PRENTICE-HALL, INC.
Englewood Cliffs, New Jersey 07632

Library of Congress Cataloging in Publication Data

Ingle, Sud.

Quality circles in service industries.

"A Spectrum Book."

Bibliography: p.

Includes index.

1. Quality circles. 2. Service industries—Management.

I. Ingle, Nima. II. Title.

HD66.I46 1983

658.4'036

83-3165

ISBN 0-13-745059-1

ISBN 0-13-745042-7 (pbk.)

This book is available at a special discount when ordered in bulk quantities. Contact Prentice-Hall, Inc., General Publishing Division, Special Sales, Englewood Cliffs, N.J. 07632.

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A SPECTRUM BOOK

Dedicated to all the people in the world who made tremendous contributions through teamwork, and to the United States of America, who made the "impossible" possible by putting man on the moon in the twentieth century.

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10 9 8 7 6 5 4 3 2 1

Printed in the United States of America

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Cover design © 1983 by Jeannette Jacobs
Manufacturing buyer: Cathie Lenard

ISBN 0-13-745042-7 {PBK.}

ISBN 0-13-745059-1

Prentice-Hall International, Inc., London
Prentice-Hall of Australia Pty. Limited, Sydney
Prentice-Hall of Canada Inc., Toronto
Prentice-Hall of India Private Limited, New Delhi
Prentice-Hall of Japan, Inc., Tokyo
Prentice-Hall of Southeast Asia Pte. Ltd., Singapore
Whitehall Books Limited, Wellington, New Zealand
Editora Prentice-Hall do Brasil Ltda., Rio de Janeiro

Preface

This book clearly demonstrates our belief that the Quality Circle concept can work in any type of industry in the world. On the basis of our experience with various types of service industries in the United States and around the world, it is safe to assume that cultural differences do not interfere with the basic philosophy of the process. Our experience in various service industries, along with the supplemental case studies discussed in this book, will assure readers that the Quality Circle philosophy is valid and will work in service industries as long as the people involved show continued determination, support, and commitment.

A unique feature of this book is its emphasis on how to implement the Quality Circle process in a systematic and practical manner. Even though a number of articles have been published on this subject, very few comprehensive guidelines are available for service industries. Also, many managers believe that Quality Circles work only in manufacturing areas, and not in service industries. This book is intended to guide and convince those who would like to learn and try this process in their service organizations. On one hand, this book can serve as a practical guide for managers and employees; on the other, it can serve as a textbook for introductory courses on Quality Circles in schools and colleges. The book can also be useful to consultants in developing the Quality Circle process for new clientele.

The book is divided into four major parts. Part I is concerned with the theory behind Quality Circles. Types of management styles are reviewed; the importance of participation, creativity, and communication is discussed; and the authors' views on the future of the Quality Circle process are analyzed. In Part II the process is described in detail, beginning with the history of the process and covering all facets of it. Chapters 8 and 9 pertain to training, and Chapter 10 answers frequently asked questions on the subject. Part III describes one of the ways of implementing Quality Circles in the service industries, along with financial aspects that should not be neglected. In Part IV, the authors briefly review the operation of various service industries and applications of the Quality Circle process. Many of these applications have been successful for the authors and of mutual benefit to them and the industries.

Completing the book is a conclusion by the authors and five appendices covering information that readers will find useful in the Quality Circle process. It is extremely important to know how to write a leader's or a member's handbook, or prepare a management presentation. All of this knowledge can

be expanded through training; therefore, references are included on where to find the best training materials.

Today every nation and industry face the problems of production, quality, and soaring inflation. Management in a manufacturing or service industry must always consider all factors involved in the particular circumstances before taking any action. A number of case studies discussed in this book will, we hope, convince readers of the importance of participation and the major role that Quality Circles play in this regard. Quality Circles are fascinating if implemented properly. We believe life is more enjoyable through Quality Circle activities. Why don't all of us work together to provide good quality services at reasonable prices while creating a better life for all?

ACKNOWLEDGMENTS

We would like to express our grateful thanks to the following people and organizations who made this book possible:

R.J. Jordan, President; E.J. Morgan, Vice-President; C.F. Alexander, Vice-President; J.A. Anthony, Vice-President Manufacturing; J.C. Stevenson, Vice-President Marine Engine Manufacturing; K.C. Frankberry, Vice-President Administration; and M.E.R. Circle members, Mercury Marine, Fond du Lac, Wisconsin.

J. Saxton, President, J. White, Vice-President Administration, and E.P.C. members at St. Agnes Hospital, Fond du Lac, Wisconsin.

R. Tate, Quality Consultant, Memphis, Tennessee.

R. Scott, Quality Circle Coordinator, Dover Corporation, Memphis, Tennessee.

John Hunger, our editor; Lou-Ann O'Rourke, and Dave Thomas, Prentice-Hall, Inc., Englewood Cliffs, New Jersey.

R. Gehrke, BNA Communications, Rockville, Maryland.

Ken Dax, R. Grosse, and B. Tremel, Wisconsin Public Service Corporation, Green Bay, Wisconsin.

R.A. Bailey, Manager, J.C. Penney Company, Fond du Lac, Wisconsin.

Donald J. Goode, Vice-President Personnel, Security S & L, Milwaukee, Wisconsin.

Ray Gulbrand, agent, State Farm Insurance Company, Fond du Lac, Wisconsin.

Reference department staff, Fond du Lac Library, and library staff, Moraine Park Technical Institute, Fond du Lac, for providing resources for our research.

RoseMary Warren, who typed most of the manuscript; and Sharron Pollom, who also helped with last-minute details.

Our children, Geeta and Vinita, who put up with all the hardship while we were working on the manuscript. The result is a genuine piece of family teamwork.

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I Introduction

THEORY

October 1982, MIT television program a thought-provoking one. It was open to all, called "Japan Comes to the West." The title itself explains the subject: problems in productivity today and what is being done to solve them. It was in fact a series of lectures.

The following remarks had a long, lasting impact on me.

They were given by a very intelligent and very polite man, but I was never so often so surprised in his remarks. He said that Japan won't work for the United States. For example, add a worker to a factory and you will not get the same kind of thing. He said that the Japanese have a history of having a very good education system, but they have not been able to get the same kind of results as the United States. He said that the Japanese have a very good education system, but they have not been able to get the same kind of results as the United States. He said that the Japanese have a very good education system, but they have not been able to get the same kind of results as the United States.

These remarks disturbed us very much, and we felt that we should do something. What you read in this book is the result of our efforts to help service industries provide better service, not only in the United States but around the world.

The main reason for this and for service industries cannot be

1 Introduction

In June 1980, NBC Television presented a thought-provoking, one-hour documentary called "If Japan Can . . . Why Can't We?" The film briefly explained the major problems in productivity today and what is being done in the United States to solve them.

Lloyd Dobyns' following remarks had a long-lasting impact on us:

The United States has overcome inflation and recession before, but it has never even faced a productivity problem . . . copying (Japan) won't work. We are two different societies . . . Government and service—banking, insurance, restaurants and that sort of thing—are inherently less productive . . . Throughout our history, parents have expected their children to live better than they did, and that has always been true. We lived better than did our parents, and they lived better than their parents. Unless we solve the problem of productivity, our children will be the first generation in the history of the United States to live worse than their parents.

These remarks disturbed us very much, and we felt that we should do something. What you read in this book is the result of our efforts to help service industries provide better service, not only in the United States but around the world.

3 The growing importance and size of service industries cannot be

4 Theory ignored; there are more people employed by service industries than by manufacturing and the other industries combined (Fig. 1-1).

Today in the United States we have many different kinds of service industries, and their operational problems are different from those of a manufacturing system. However, one thing is common to both industries—*people*. In order to run any type of business, we need people. We also need customers—who are again people—to buy the products and use the services. Because people form both sides of the coin, the inherent brain power of these people is tremendous. If we could only harness and use this valuable asset, we would be on our way to realizing our productivity goals and a higher standard of living.

TYPES AND PERFORMANCE OF SERVICE INDUSTRIES

More than half of American business is run by a large variety of service industries, and the number increases daily. Following are the key industries that play an important role in the United States economy:

1. Health care.
2. Finance.
3. Transportation.
4. Utilities.
5. Department stores and food supermarkets.

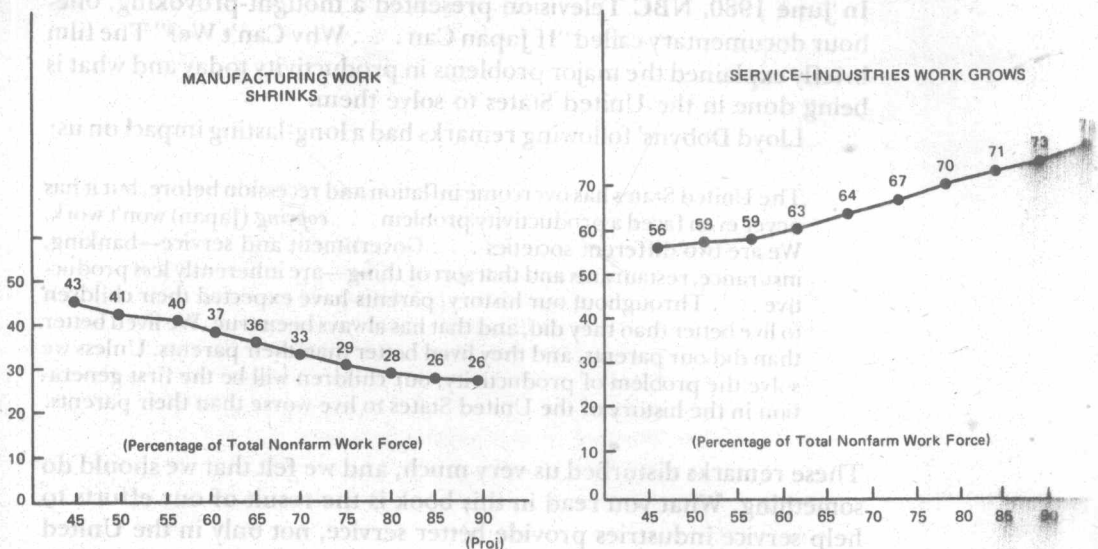


Fig. 1-1

6. Insurance.
7. Education.
8. Government agencies—federal, state, local.
9. Hotels, motels, and restaurants.
10. Nonprofit organizations—churches, Goodwill industry, and the like.

Since the end of World War II in the 1940s, dramatic shifts have occurred in the ways Americans earn their livings. From a time when more than 40 percent of nonfarm workers were engaged in production, the economy of the United States has moved into a period heavily weighted toward services—trade, finance, and government, for example. Today's workforce of some 92 million persons includes only 20.5 million workers in manufacturing, compared with 20.8 million just in wholesale and retail trades. By 1990, more people will be employed in miscellaneous service-type jobs, such as data processing, hotels, and restaurants, than in all of manufacturing.¹

In the United States, public service institutions, government agencies, hospitals, schools, restaurants, and others have grown much faster than manufacturing industries. The service staffs in the manufacturing industries have grown much faster than the operating units.

In general, the performance of most of these service industries is considered to be poor. Some of the popular explanations for this are:

- Managers are not businesslike.
- They may need better people.
- Their objectives and results are intangible.

Peter Drucker, in his *Management: Tasks, Practices, Responsibilities* (New York: Harper, 1974), reviewed in detail the structure of service institutions and the reasons for their poor performance. He analyzed the reasons carefully and showed how to improve performance by citing exceptions (Bell Telephone, some American universities, TVA, Neiji in Japan). Drucker concluded:

- Service industries need to think their own specific functions, purposes and missions. They need efficiency as well as effectiveness. Few service institutions today suffer from having too few administrators; most of them are overadministered and suffer from a surplus of procedures, organization charts and management techniques. What has to be learned is to manage service institutions for performance.

ROLE OF QUALITY CIRCLES

Quoted earlier, Lloyd Dobyn's remarks created further agitation regarding solutions to the problems confronting service industries. Work carried on in manufacturing industries gave more impetus to utilize the Quality Circle concept and to solve productivity, quality, and per-

formance problems than did the service industries. However, people are people and as long as one cares for them and creates a "we care" feeling among them, the Quality Circle technique will work in any industry. Moreover, possibilities for improvement programs in a service industry are as diversified as paperwork, bottlenecks to customer service procedures, construction or distribution work methods. All that is needed is to train one's organization to look carefully at all functions for possible improvement. This people-building philosophy improves the quality of work that a service organization provides as it taps its greatest natural resource, employees—the people.

In this book, we focus on how to apply Quality Circle ideas in service industries. It is hoped that the reader will see how to implement this technique in his or her particular industry without investing a lot of money.

**THERE IS
NO LIMIT
TO WHAT
WE CAN DO
TOGETHER**

During the 1980's, management style is going to change drastically in the United States and many other countries.

The reason is obvious. Management has the responsibility to run a business successfully and profitably, despite inflation, recession or any other economic problems.

Yet the management styles most commonly practiced do not promote profitable operations during periods of economic distress.

Except one—participative management!

Proof of its success is Japan's postwar economic recovery, its dramatic industrial climb and the complete reversal of its former image as a producer of inferior products.

Today, "made in Japan" is synonymous with quality.

How did this all come about?

One of the reasons for Japan's outstanding success is the participative management generated through quality circles, a process that taps the creativity of every individual in an organization.

This is something American business must emulate, if it is to regain its dominant position in the industrial world.

Around 1900, Frederick Taylor showed how to improve productivity by standardizing jobs. Then there was an era of time and motion studies to refine jobs and increase output.

Emphasis was placed on jobs. Little or no attention was given to workers. Their cause was taken up by unions.

Following World War II, behavioral scientists became deeply involved in the management process. They recognized that many workers no longer took pride in their work, that worker apathy was increasing and motivation declining.

One of the solutions to this problem was management by participation which proved highly successful for some organizations. However, its use did not become widespread in the United States.

Based on the teachings of two Americans, Dr. Edward Deming and Dr. J. M. Juran, quality circles were born in Japan in 1962.

The Japanese seized upon this process and soon there were 2,000 circles in existence.

Today, there are more than 1 million quality circles in operation in Japan, and they not only work on quality problems, but also on safety, cost reduction, and much interest in the process.

American business executives visiting Japan in 1974 learned about the process and became interested in it. By the end of 1977 some 50 American companies were trying to implement the process. During the past four years, quality circles have grown in the United States at a rapidly accelerating rate.

Companies which have implemented quality circles are enjoying some of the following benefits:

1. "Teamwork" atmosphere.
2. Job satisfaction.
3. Improvement in quality of products and services.
4. Increase in productivity.
5. Better communication.

The success of quality circles in manufacturing industries stirred the interest of service organizations. They quickly found that the people-building philosophy of quality circles had great application for:

1. Hospitals and health care organizations.
2. Banks and financial institutions.
3. Transportation and hospitality groups.
4. Public utilities.
5. Government agencies.
6. Associations.
7. Wholesale and retail trades.
8. Professional groups such as engineers, advertising, etc.

In brief, one can truly say that with quality circles there is no limit to what people can do together.

The key to implementing a successful quality circle process is TRAINING!

For instance, employees form a vast reservoir of untapped brainpower. Many would like to help their organizations solve problems and increase efficiency. But they need to be guided. Without training, this is impossible.

Training is really the heart of quality circle success.

Moreover, each level of the process has a different training need:

1. Training for the facilitator (the individual in direct charge of the quality circle process).
2. Training for each circle leader.
3. Training for circle members.
4. Training for management.
5. Training for union leaders.

It has often been said that training is a never ending process. Nowhere is this more true than in implementing quality circles.

BNA Communications Inc. has developed several quality circle training packages to meet the needs of manufacturing industries, service companies and government agencies.

Dr. Ishikawan, who is considered the father of quality circles in Japan,

said that without any doubt quality circles can grow in any country, or any culture, as long as one respects the brainpower of human beings, and uses it effectively to the betterment of the society.

One can expect an explosion of quality circles around the world during the 1980's. And participative management would be the buzzword of the decade.

Good luck and a bright future of all the quality circle members who have contributed so much, so far, and whose efforts will go far toward making the world a better place to live in.²

We hope that with the use of Quality Circles, a fascinating tool created in America and well nourished in Japan, we can serve humanity and the world very well into the year 2000 and beyond, and build a better place to live.

ENDNOTES

1. Based on *U.S. News & World Report*, October 12, 1981.
2. Courtesy of the *BNAC Communicator*. Copyright BNA Communications, Inc., 1982.

2 Management Styles

Any management in any industry must carry out certain functions, and the success of the business depends on how well management performs those functions, how effectively and efficiently. Generally speaking, management must carry out the following functions:

1. Planning.
2. Organizing.
3. Directing.
4. Controlling.
5. Staffing.
6. Coordinating.
7. Setting objectives/goals.
8. Motivating and communicating.
9. Developing people.

Even though these basic functions are the same in various businesses, it is important that they be performed to suit one's particular business and according to the needs of the people who carry out the various jobs. Most businesses today have experienced a number of different types of management styles at one time or another, and more approaches will be presented in the future as long as people are involved in any business at all.

In this chapter we review some of the major management styles used during the last few years. Most of these styles have been well publicized and are utilized in different businesses today. They are:

1. Taylor's system of scientific management.
2. McGregor's Theory "X" and Theory "Y."
3. Goal setting by Arguris.
4. Likert's system.
5. Blake's and Mouton's managerial grid.
6. MBO—management by objectives.
7. MBX—management by exception.
8. Japanese management.
9. Theory "Z."
10. Humanagement.
11. Other management styles.

THE TAYLOR SYSTEM OF SCIENTIFIC MANAGEMENT

Frederick Winslow Taylor is considered the "father of scientific management." After several years spent studying management in industry, he devised certain management principles:

1. Develop manager's job.
2. Divide work into smaller elements.
3. Get the best worker for each job.
4. Be sure foreman or manager does the planning, directing, and controlling; workers do the work as given to them.

Taylor's proposals were new in 1905, but the basis for "scientific management" that he created still exists in part today. He divided work into two phases: planning and directing, and doing work as given. This created the management style in which the manager plans and manages and the worker does what he or she is told.

Even though Taylor's ideas increased productivity tremendously, they also created the impression that workers are nothing but another machine doing the job. Taylor was task-oriented, and he applied many techniques, such as work simplification, motion studies, and standardization, to improve productivity. As mentioned earlier, many companies today consider that proper management means the manager should manage and the workers should do the work set before them.

McGREGOR'S THEORY "X" AND THEORY "Y"

A traditional theory concerns what people are like and what must be done to manage them. Douglas McGregor calls it Theory "X," and it contains these assumptions: most people don't like to work; due to dislike for work, most people must be coerced, controlled, directed,