Total Quality Management in Human Service Organizations

Lawrence L. Martin

HSG SAGE HUMAN SERVICES GUIDE 67

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Published in cooperation with the University of Michigan School of Social Work

SAGE Publications
International Educational and Professional Publisher
Newbury Park London New Delhi

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2455 Teller Road
Newbury Park, California 91320
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6 Bonhill Street
London EC2A 4PU
United Kingdom

SAGE Publications India Pvt. Ltd.
M-32 Market
Greater Kailash I
New Delhi 110 048 India

Printed in the United States of America

Library of Congress Cataloging-in-Publication Data

Martin, Lawrence L.
Total quality management in human service organizations / Lawrence L. Martin.
p. cm.—(Sage human services guides; vol. 67)
"Published in cooperation with the University of Michigan School of Social Work."
Includes bibliographical references.
ISBN 0-8039-4949-9 (cl.).—ISBN 0-8039-4950-2 (pbk.)
1. Human services—United States—Management. 2. Total quality management—United States. I. Title. II. Series: Sage human services guides; v. 67.
HV95.M2743 1993
361'.0068'5—dc20 93-2580
CIP

96 97 98 99 00 01 10 9 8 7 6 5 4 3

Sage Production Editor: Yvonne Könneker

Total Quality Management in Human Service Organizations

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PREFACE

The impetus for this book was the realization that the human services have largely ignored the total quality management (TQM) movement. While both business and government as well as the health services have embraced TQM, one finds little mention of this new managerial wave in the human services literature. I hope this book will help spread the word about TQM among human service professionals.

The purpose of this book is to provide the reader with an overview of what TQM is all about. The book stresses the point that TQM is a new philosophy of management and is not simply a new set of tools that human service managers can pick and choose from. I have also tried to point out what I believe is a basic compatibility between the underlying values of TQM and those of the human services in general and social work in particular.

I owe a debt of gratitude to several individuals for their assistance in making this book a reality. I want to thank Steve McLaughlin, Arlene Sarver, Linda Mushkatel, and Pat Matthews, who provided me with information and insights into the TQM programs of the Maricopa County Department of Social Services. I also want to thank Marquita Flemming and Dale Grenfell of Sage Publications. Finally, a special thanks goes to Armand Lauffer, who saw the value in this book and helped guide its preparation.

LAWRENCE L. MARTIN
Boca Raton, Florida
March 1993

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Chapter 1

QUALITY MANAGEMENT

The New Managerial Wave

Thousands of businesses and government agencies across the country are learning how to provide higher quality products and services while simultaneously increasing productivity and reducing costs. If there is a secret behind their success, it is one that is increasingly being shared openly. The secret is quality management. When quality becomes an organizational goal, problems of performance are recast under a different light that illuminates new options. If quality management can work for business and government, there is no reason why it should not work for human service organizations.

Some human service professionals may be inclined to think that quality management, what is also referred to as TQM (total quality management), is just another managerial wave that will sweep across the organizational landscape today and be gone tomorrow. Such suspicions are well founded. Since the 1960s each successive decade has seen the appearance of at least one new managerial wave that was supposed to be the solution to managing human service organizations. The 1960s saw the advent of program planning and budgeting (PPBS). Management by objectives (MBO) appeared on the scene in the early 1970s, followed in the latter part of the decade by zero-base budgeting (ZBB) and quality circles (QC). During the 1980s the search for excellence and privatization were touted as solutions to the problems of human service organizations. While vestiges of these past managerial waves are still to be found in many human service organizations today, most never lived up to their advance billings.

So what is new about quality management, and why should human service administrators get excited about yet another managerial wave? There are at least four good reasons. First, the human services are experiencing a quality crisis that is eroding client, citizen, and contributor confidence. Second, quality products and services create loyal customers, which is the answer to winning back the confidence of these same groups. Third, quality is free. Fourth, quality management—unlike most past managerial waves—is compatible with traditional human service and social work values.

THE QUALITY CRISIS IN THE HUMAN SERVICES

Support for the human services in general, and government-provided and -funded human services in particular, is at an all-time low. The federal government, as well as the 50 states, is grappling with paralyzing budget deficits. The solution of choice appears to be dramatic reductions—and in some instances curtailment—of funding for human services. For example, in fiscal year 1991 Massachusetts and California, historically two of the more progressive and compassionate states of the union, slashed funding for human services by $1 billion and $700 million, respectively (Kettner & Martin, 1993, p. 1). Even when good economic times return, it will take human service organizations years to make up the lost financial ground; some may never totally recover. The damage being done to people and families in the interim is incalculable.

A question that has not been fully explored is, why the sudden dramatic erosion of support for the human services? True, the human services have never enjoyed overwhelming citizen and taxpayer support, but the level of disapproval today suggests something more than just a general antipathy. Evidence suggests that this loss of support can be attributed to a perception that human service organizations provide poor quality products and services. In the final analysis, some of the criticism may be valid. Not all human service programs work as well as they should, and the general public may be telling us to shape up. Consider the following:

- A majority of citizens believe that government at all levels is simply not operating competently. The citizen *disapproval rate* is greatest for the federal government (69%), but is only marginally better for state governments (60%) and local governments (56%) (Carr & Littman, 1990, p. 9).
- Only a slim majority (54%) of citizens are satisfied with the overall quality of government services (Carr & Littman, 1990, p. 9).

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- An analysis of citizen satisfaction surveys in 63 local governments nationwide found that only 54% of the general public is satisfied with the operation of human services programs. The approval rate is somewhat higher (69.4%) for services to the elderly, but even this figure still means that more than 30% of citizens are generally dissatisfied with human service programs (Miller & Miller, 1991, p. 183).

Social scientists like Seymour Martin Lipset and William Schneider suggest that the declining satisfaction with government, including government human services, is based on the issue of performance and is not a challenge to the basic worth of government or government human services (cited in Kettle, 1988, p. 2). The issue then is not the need for, or the benefit of, government human services that is being questioned but rather the quality and performance of government human service organizations.

These findings might also be extended to private sector human service organizations. Most government human services today are actually provided by private sector organizations through purchase of service contracts (Saidel, 1991; Salamon, 1987; Terrell, 1987). It is not unusual for many private sector human service organizations to derive upwards of 60% of their total revenues from government contracts (Terrell, 1987).

Private sector human service organizations also have their own quality image problems. Not even the most prestigious appear exempt. For example, the American Red Cross is still trying to recover from a series of blows to its quality image brought about by problems with its blood program and the handling of disaster contributions (*Newsweek*, 1992). The United Way of America has also suffered a serious blow to its quality image, as a result of the $500,000 annual compensation provided to its former CEO (*Time*, 1992).

Public dissatisfaction, however, is not based on scandal alone. It is often the result of overblown rhetoric by the supporters of human service programs, or by the refusal of human service organizations to address valid concerns raised by the general public. This latter point is evident when we examine recent experiences in the business sector.

The American automobile industry chose to ignore, misread, or dismiss the concerns and complaints of its customers. Those same customers started buying Japanese cars because Toyota, Honda, and Nissan listened. Detroit simply failed to understand the implications of the customer multiplier effect (Peters & Austin, 1985, p. 104). Both satisfied and dissatisfied customers tell others about their experiences. Dissatisfied customers, however, tend to relate their experiences to more people. According to one study, dissatisfied customers, on average, tell 9 or 10 other people about their experiences (Carr & Littman, 1990, p. 33).

What are the implications of the customer multiplier effect for human service organizations? If even 90% of customers are satisfied with the quality of a human service organization's products and services, 10% still are not. When this 10% is multiplied by a factor of 10, the organizational implications of dissatisfied customers take on a whole different perspective. The problem for most human service organizations is that they have no idea whether their customers are satisfied or dissatisfied because they have never bothered to find out.

The customer multiplier effect lies at the heart of many of the problems being experienced by human service organizations today. Despite the fact that the human services in general, and social work in particular, have always maintained that the client comes first, we have historically done a rather poor job of treating clients as customers. Clients have things done *to* them; customers have things done *for* them. Just as the multiplier effect of dissatisfied customers eventually overwhelmed Detroit, the multiplier effect of dissatisfied customers threatens to overwhelm both the public and private human services. The solution to this problem is for human service organizations to redirect their efforts to the pursuit of quality products and services.

Is the problem with quality in human service organizations being overstated? Those who think so should consider the current situation of the Florida Department of Health and Rehabilitative Services (FHRS), the state's omnibus health and human services agency. The perception of customers is that FHRS provides low-quality and ineffective services. The customer multiplier effect has finally overtaken the organization. Even before the devastation caused by Hurricane Andrew, Florida's Governor Lawton Chiles initiated a massive restructuring of FHRS, with the goal of forcing the department to become more responsive to customer preferences. If the restructuring fails to restore customer confidence, the department may well be dismantled, and its programs and functions assigned to existing or new state departments or transferred to county governments.

QUALITY CREATES LOYAL CUSTOMERS

Quality management programs create loyal customers. The notion of the loyal customer has a great deal of significance for human service organizations. Customers who believe their human service organizations are delivering quality products and services will continue to support those organizations through thick and thin. This support can take the form of volunteering time, contributing money, and perhaps most important, lending political support to the organization as it competes for scarce resources with other agencies and with other societal needs.

The notion of loyal customers as a political resource is particularly relevant for human service organizations today. At a macro level, the human services are in competition with other societal needs, such as education, health care, infrastructure maintenance, and others. At a micro level, human service organizations are in competition with one another for limited public and private funds. The perception of the quality of the human services in general may well determine its allocation of future national resources vis-à-vis other competing societal needs. Likewise, the perception of the product and service quality of individual human service organizations may well determine their allocation of future human service resources. In both instances, the key to future survival is the support of loyal customers.

QUALITY IS FREE

A particularly attractive feature of quality management programs is that *quality is free*. A substantial body of research now exists, demonstrating that the costs of implementing quality management programs are recouped by greater productivity and lower total product and service costs (Crosby, 1980; Dobyns & Crawford-Mason, 1991; Feigenbaum, 1983; Zeithaml, Parasuraman, & Berry, 1990). Put another way, the cost of producing high-quality products and services is zero, while the cost of producing low-quality products and services is equal to the cost of putting things right and dealing with disgruntled customers.

The notion that quality actually improves productivity is somewhat revolutionary and runs counter to long-held American notions about productivity and productivity improvement. The traditional American conceptualization of productivity is the ratio of inputs to outputs (see Figure 1.1). This input/output relationship is the classic industrial engineering definition of efficiency. For example, take the case of two intake workers (W1 and W2), employed by the same human services organization, performing the same job tasks, and being paid the same wage. W1 is able to process an average of six applications per hour, while W2 processes an average of five. According to the traditional American view of productivity, W1 is more productive than W2.

Quality management, however, maintains that the singular pursuit of productivity through a focus on efficiency is self-defeating. Quality

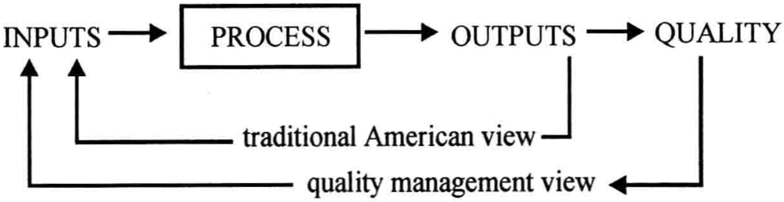

Figure 1.1. The Traditional American and the Quality Management Views of Productivity

management experts would say that any human service organization that strives to increase productivity by increasing efficiency must inevitably wind up sacrificing quality. Decreased quality necessarily leads to lower productivity and higher-cost products and services. Low-quality products and services have more defects and generate more customer complaints, which, in turn, require additional resources to correct. Referring again to Figure 1.1, quality management theory includes quality as the ultimate measure of productivity. Because high-quality products and services have fewer defects and generate fewer customer complaints, productivity is actually enhanced when an organization focuses on quality. In the case of the two intake workers, if W1 makes an average 1.2 incorrect eligibility determinations per hour while W2 makes none, W2 is the more productive. The organization will have to expend additional resources correcting the mistakes of W1 and dealing with unhappy customers.

Does it really cost a lot of money to correct mistakes? Informed judgment as well as empirical evidence suggests that it does:

- Phil Crosby (1992, p. 36) estimates that the cost of not doing things right the first time for a typical service organization is equal to around 40% of total operating costs.
- J. M. Juran (1989, p. 199) estimates that for the whole decade of the 1980s, about one-third of all the work performed by all American companies was actually rework because of quality problems.
- In the early 1980s Merrill Lynch & Company estimated that the cost of correcting mistakes and placating dissatisfied customers was costing more than $200 million a year (Zeithaml et al., 1990, p. 11).
- More recently, the Hewlett Packard Company discovered that rework and dealing with customer complaints cost the company 20% of revenues and involved the time and effort of 25% of company employees (Sheer, 1991, p. 24).

As these estimates indicate, the costs of not providing quality products and services can be so great that the costs of implementing quality management programs are usually recovered.

QUALITY MANAGEMENT AND HUMAN SERVICE VALUES

A unique advantage of quality management is its basic compatibility with human service and social work values. Any managerial system that does not preach the maximization of efficiency should be inherently appealing to most human service professionals. The human services have long objected to the primacy generally afforded efficiency by most management systems (Pruger & Miller, 1991a, 1991b).

Quality management also strongly emphasizes the use of customer feedback in attempting to constantly improve the quality of products and services. In many respects this aspect of quality management is reflective of the maxim that the needs of clients should be put first. Quality management also stresses the self-worth of employees, cooperation between employees, team building, and a partnership relationship between public and private sector human service organizations. Finally, quality management stresses prevention over remediation. Human service organizations have long stressed prevention over remediation as a preferred strategy, although prevention has been hard to sell to most public and private funding sources. Quality management provides theoretical as well as empirical support for preferring prevention over remediation. A basic tenet of quality management is that it is cheaper in the long run to build quality into an organization's products and services (prevention) than it is to expend additional resources on rework and dissatisfied customers (remediation).

IS YOUR ORGANIZATION READY FOR QUALITY MANAGEMENT?

Quality management takes a unique perspective on customers, organizations, and the roles of management, employees, and contractors. Some human service organizations may find that quality management requires a dramatic rethinking and reordering of the managerial and administrative precepts that have guided them over the years; others may find that little change in thinking is required. The exercise in Box 1.1 is designed to assess a human service organization's basic readiness

BOX 1.1 Quality Management Readiness Test

Check whether each of the following statements is generally reflective of how your organization goes about its business:

1. In my organization, we continually tinker with and fine-tune the quality of all our products and services, even when things appear to be working well.
   Yes ____ No ____

2. In my organization, clients, families, stakeholders, and other customers are active participants in determining how best to improve the quality of our products and services.
   Yes ____ No ____

3. In my organization, cooperation between departmental units is prized more highly than is competition.
   Yes ____ No ____

4. In my organization, managers and staff persons usually gather and analyze data on a perceived problem before actually making any changes in the way we provide our products and services.
   Yes ____ No ____

5. In my organization, we have an ongoing training program so that managers and staff can learn how to do their jobs better.
   Yes ____ No ____

6. In my organization, the flow of communication is top-down, down-up, and sideways. Everybody talks to, and shares information with, everyone else.
   Yes ____ No ____

7. In my organization, managers and supervisors are looked on as consultants who are there to ensure that staff succeed at their jobs.
   Yes ____ No ____

8. In my organization, we place an emphasis on teams and teamwork rather than on individual effort.
   Yes ____ No ____

9. In my organization, our contractors are treated as partners, and we work cooperatively with them to provide the highest quality products and services possible.
   Yes ____ No ____

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