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PUTTING QUALITY CIRCLES TO WORK

**A PRACTICAL STRATEGY
FOR BOOSTING
PRODUCTIVITY AND PROFITS**

RALPH BARRA



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**PUTTING
QUALITY CIRCLES
TO WORK**

**To the pursuit of quality
for the betterment of humanity**

PREFACE

Quality circles is an idea whose time has come.

The growing demands and expectations of better-educated people in the work force must be dealt with by a cooperative approach which develops mutual respect between workers and supervisors, between subordinates and managers. This cooperative approach—which is at the root of all quality circles—requires that both groups stop thinking about “us versus them” and start thinking in terms of “us.”

Quality circles enable people to participate in improving their jobs. This builds pride and a sense of belonging to the organization.

Quality circles recognize and tap the intellectual potential of employees. They restore a critical dimension to work—the opportunity to commit one’s mind as well as one’s hands to the job.

Quality circles provide training and structured opportunities for people to become actively involved in an interpersonal process of joint problem solving. The circles are employee-owned, not management-owned. They are people-building, not just cost-reducing. They provide employees with the opportunity for personal growth and development, self-respect, self-esteem, self-fulfillment, and achievement at work.

Quality circles promote a people-oriented management style that respects the intelligence of employees and encourages creativity; a style that credits employees with the capacity to absorb training and the motivation to use it constructively; a style that listens to employees’ recommendations and recognizes achievements in a personal way.

What is a quality circle? It is a group of four to ten employees performing similar work who volunteer to meet regularly, on company time, to identify the causes of on-the-job problems and to propose solutions to management. Once a week, in a carefully structured forum led by their immediate supervisor, the members employ advanced problem-solving techniques to reach solutions. The quality circle concept is based on the premise that the people who do a job every day know more about it than anyone else. As a motivational technique, it is a consummate success.

When quality circles were first formed in a few companies in Japan in the early 1960s, most observers felt that the concept would only thrive in an environment characteristic of Japan. When circles were formed in Taiwan and Korea toward the end of the 1960s, many thought that oriental ethics might be the essential basis for circles. Today, with circles mushrooming in the United States, South America, Europe, and Southeast Asia, most people realize that the general principles of quality circles are universal and are accepted in most countries the world over.

There are about 1,000,000 circles in operation throughout Japan in almost every industry today. Within the last ten years, more than 100,000 circles have formed in Southeast Asia. There are more than 50,000 circles operating in South America. Within the last five years, the number of circles in the United States has grown from just a few hundred to about 25,000. In the last few years, about 2500 circles have formed in Europe.

These figures are impressive, but they represent only a small percentage of the total work force in most countries. Even after twenty years of growth in Japan, more circles are still being formed. The number of circles worldwide can also be expected to grow for another ten to twenty years. However, experience indicates that wherever circles are established, about one-third will be outstanding, one-third will be average, and one-third will fail.

Because quality circles are the embodiment of a special philosophy, not all organizations or all managers are ready to install quality circles. Special management skills and attitudes must be developed before quality circles can be installed with success. The use of quality circles has to grow out of management's commitment to increase quality and productivity and management's realization that this effort will require tapping the creative potential of every employee. The difference between success and failure in installing quality

circles is the difference between digging a hole, planting a seed, watering the ground, praying for sunshine (or doing a dance or two) and watching the plant grow—and just throwing seeds into the wind and hoping that one takes hold.

The best way to describe a successful quality circle program is to liken it to the care of a plant: it must be properly germinated and tended with patience and care. This analogy is so fitting that I have used it as the guiding metaphor of the structure of the book. To yield a crop of quality and productivity, management must prepare the soil for the seeds (today's workers)—with the help of a gardener with a green thumb (the facilitator), and once the seeds are planted (the pilot project has begun), growth occurs naturally under the patient eye of management.

The result is a fruitful harvest in the form of improvement in the quality of processes, the quality of systems, the quality of information resources, the quality of employees, the quality of management, the quality of work life, and ultimately the quality of the *company*.

Thus the purpose of this book. I want to share my understanding of what I believe to be the basic ingredients for success. I want to share my experience, and the experiences of many facilitators, so that others may benefit by it. And I want to provide a successful model that others can use in support of the efficacy of the concept.

In September 1978, the first quality circle pilot project was started at Westinghouse. After a year of pilot projects, the number of circles grew from 50 to 2000 in the next three years of corporatewide expansion. Circles are now operating in all types of businesses at over 200 locations, in field offices with less than ten employees and in large plants with thousands of employees. Both blue- and white-collar workers are members of circles as well as union and nonunion employees. Circles are operating in every occupation, including sales, marketing, engineering, accounting, manufacturing, and purchasing. They are also operating in plants in Canada, Puerto Rico, and in several countries in Europe and South America. The Westinghouse experience is truly relevant to any occupation, any size plant, any business, and any country.

The approach to circles that works so well at Westinghouse works well elsewhere, too. Hospitals, banks, and government agencies have received quality circle training and are having equal success.

Because of worldwide competition and in some cases economic survival, it is now time for business to fully use its greatest resource—

its people. Quality circles offer employees the opportunity to use their creative abilities and to care about their jobs. Given the opportunity to influence decisions about their jobs, employees will take more interest and pride in their work. More interest and pride means more quality and productivity. And more quality and productivity means improved job performance and job security. The results are a mutual trust and respect, an atmosphere of cooperation, and the attainment of a proud, productive, and profitable organization.

Ralph J. Barra

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Ralph Barra

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CHAPTER ONE

QUALITY AND PRODUCTIVITY: THE CROP

QUALITY: THE COMPETITIVE EDGE

There is a way to improve operating profit margin without hiring one new employee, adding another piece of equipment, or selling one more dollar of product. It is called *quality*.

Quality should be a primary concern of anyone striving to get a competitive edge, and thus improve profits. But what do we really mean by quality? And how does quality enhancement contribute to a better bottom line?

All too often the term *quality* is used to denote luxury or extra features that cost more. What we mean, however, is simply this: giving the customer—or the next person in the process—what is required, namely a product or service fit for use, and doing this in such a way that each task is done right the first time. This precise definition makes quality easier to measure and control.

Quality Pays

Just how well does quality improvement really pay? That question is best answered by examining the cost of poor quality. Poor quality can have a potent impact on business performance. Typically,

the cost of poor quality amounts to about 15 to 20 percent of sales. In addition, up to 25 percent of assets, 25 percent of the people, 40 percent of the space, and 50 percent of the inventory could be attributed to handling or coping with defective components or products.

However, most of these costs have been hidden. The visible costs of poor quality, such as scrap, rework, and warranty, represent only the tip of the iceberg, as shown in Figure 1-1. They usually amount to only a fraction of the total costs and have not been large enough to attract management attention. Companies that understand the magnitude of the opportunity and include quality improvement as a key element of competitive strategy can reduce quality costs by as much as 90 percent, improve return on investment (ROI) and profitability, and increase market share.

Profit Impact of Market Strategies (PIMS)

Almost everyone claims to be in favor of high quality. However, products *do* differ in quality and business does compete in terms of quality as well as prices. In view of the importance of product quality in business, it is surprising that so little attention has been paid to it by researchers. Business school texts on marketing generally ignore the topic of quality, as if it were somehow irrelevant to marketing management.

The PIMS data bank is the major program managed by the Strategic Planning Institute (SPI), a nonprofit, tax-exempt membership organization. It contains the strategy experiences, good and bad, of over 1700 product and service businesses operated by the 200 members of SPI. Each experience is documented in terms of the actions taken by the business, the nature of its served market, the competitive environment, and the financial results. Thus, PIMS is actually a statistical model of a wide cross section of different types of businesses.

QUALITY AND PROFITABILITY

Among the data items collected from each business unit in the PIMS research program is an index of relative product quality. Each business is asked to report what percentages of its total dollar sales fall into three categories: