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Is quality dead?
By Chuck Chakrapani

A while ago, I wrote a series of articles on service quality which were published in Imprints*. Since that time, there have been a number of claims, in the media, that quality is expendable. Is quality an enduring way of doing business or should it be exchanged for the newest fad in the market? Is quality really dead or are the rumours of its death 'greatly exaggerated'? Here are some thoughts on the subject.*
Chuck Chakrapani

A number of recent articles in newspapers and magazines have challenged the assumptions that quality is an objective worth pursuing and that quality eventually results in higher profitability. Consider these headlines which appeared this year (see panel). And consider what management guru, Dr. Tom Peters, has to say about Total Quality Management (TQM): "I don't know what TQM means... It means whatever the hell whoever is practising wants it to mean".[1]

Media speak

"The cracks in quality".
The Economist, April 18, 1992

"Quality doesn't help all firms.
Survey finds little impact."
Globe and Mail, October 1, 1992

"The total quality muddle".
Report on Business Magazine, November 17, 1992

Sensation headlines and pronouncements by 'management experts' imply that the quality movement has somehow failed to prove its worth and can be conveniently neglected. Such thoughts are comforting to those who have spent considerable sums of money instituting service quality programs with nothing to show for it in terms of profits. But it is more likely these programs have not paid back because the programs were inadequate in the first place. It may be that management tried to shift responsibility for quality to staff rather than concentrate on improving process. Or management may have failed to show the required leadership.
Major criticisms levelled against the quality movement are:
- Quality programs do not result in increased profits
- Quality programs do not result in increased customer satisfaction
- Quality alone is not enough to make a company profitable
- Quality programs are too expensive
- Quality programs are simply fads.

Such comments may be justified. But the inference that therefore quality is of little or no importance does not follow.
There are many reasons quality programs fail.

Wrong product

Quality is not the only criterion for a product/service to succeed. One may produce a high quality widget and offer excellent service. Yet widgets will not sell unless consumers need widgets. It is not that quality is irrelevant, but the product is. There is a great number of products which are on the decline. Quality may provide a competitive advantage, but it is unlikely to stop the erosion that is created by other factors.
Let us consider an example. The auto industry is on the decline while the computer industry is on the rise. The heart of our economy is now the microchip and not petroleum. Microsoft has replaced General Motors as the largest corporation. When an auto manufacturer adopts the quality philosophy under current economic conditions, they may gain competitive advantage and may sell a few more cars. But the general decline - if that is the major industrial trend due to other factors - is not likely to be reversed.

Inadequate marketing

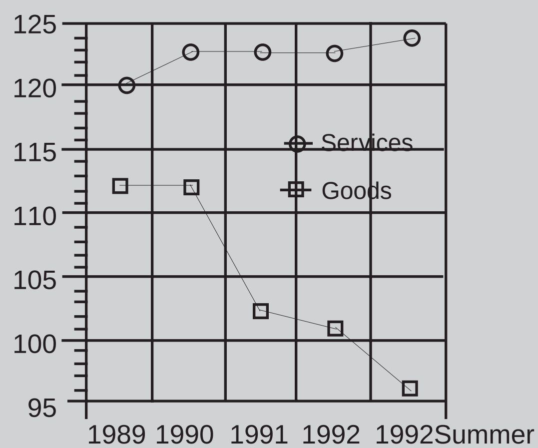
Similarly, quality cannot compensate for marketing deficiencies such as inadequate distribution, and lack of consumer awareness of the product. A quality product that does not reach consumers at the right time and place is not likely to sell.

Fuzzy grasp of change

The economy has been changing radically. As the graph on this page suggests, the Western economy is rapidly becoming service oriented. Yet many institutions have only a fuzzy understanding of the change and its implications for doing business.

Growth in employment

Goods and services sector (1982=100)
(Source: Statistics Canada)



Note how, over the past years, employment in the goods sector has been rapidly declining while employment in the services sector has been steadily growing.

Financial institutions are prime examples of companies that fall into this trap. It is becoming more and more obvious that we are moving from a petroleum based economy to a micro-chip based economy. Employment growth over the past few years shows that while the manufacturing sector is on the decline, the service sector has been growing.

it is also becoming obvious that intangible assets such as knowledge and skill are replacing tangible assets such as real estate, plant and equipment. However, financial institutions continue to lend mostly on the basis of collateral in the form of tangible assets. This is simply because they have not found a way to lend on the basis of intangible assets which are currently producing enourmous wealth.

The fact is that traditional collateral doesn't work as well as it used to in th past. To wit: loans to Campeau, Olympia & York, Canadian Airlines and LDC loans (loans to less developed countries). All of these loans were made on the basis of tangible assets.

The result? Financial institutions are becoming less and less relevant to the economy. Economist Nuala Beck points out that in the U.S., financial institutions currently provide only about 6.4% of all money raised annually by all corporations and individuals combined. Over 93% of the money needed to run businesses and industries is raised form non-financial institutions!

Many financial institutions are now interested in providing quality service to their customers But can quality compensate for diminishing returns due to other factors not related to quality? Quality in itself is unlikely to produce significant results if the massive changes in the economy are not clearly understood and responded to.

Lack of experience

Japan has been following total quality practices since W.W.II. In the West, it is hard to find an organization that has been using these procedures for more than 10 years. Most companies that practice quality management have been doing so for less than five years.

Lack of focus

The main motivation for implementating quality programs in many companies appears to be profits. While the ultimate aim of quality programs is to reduce costs and increase profits, a relentless focus on profits rather than on quality results in constantly relating profits to the quality programs instituted. The effects of quality are likely to be long term and quarterly balance sheets may not be the best way to assess results. Quality and profits are not in the same place in the time continuum. When the focus is shifted to profits, quality goes out of focus. The focus on profits rather than on quality results in a lack of commitment, something that is fundamental to achieving quality.

Lack of commitment

Either due to inexperience or due to lack of focus, many organizations attempt to achieve quality without total commitment. The appearance of quality is confused with actual quality. management and employees simply go through the motions without expending significant effort. (In fact, this was the verdict of a utilities regulator who visited the award wining "Florida Power and Light Corporation.)[2] According to Glenn Eggert (VP, Operations at Allen-Bradley), in order for customers to really see a difference, "quality must run through the company's blood". This is hardly likely to be achieved when appearance and reality are confused.

Creation of bureaucracy

Some organizations tend to create a bureaucracy to implement quality programs. Bureaucracy tends to work against quality The focus shifts from customers and processes to conformance to principles as dictated by the quality bureaucracy. British Telecom, which launched its quality program in the late 1980s, got bogged down in bureaucracy and ‘never fully recovered’. Subsequently, it dismantled most of its quality bureaucracy.[3]

Quality is a fad

Companies that are successful in delivering quality simply view *quality as a way of doing business* and therefore as non-negotiable. Companies that fail to produce results view quality as a universal nostrum to heal whatever may be ailing them. When quality is viewed as a short-term solution to a problem, it is no more than a fad and will be exchanged with another, more glamorous fad when one comes along.

Confusing quality with quantity

Some organizations tend to confuse quantity with quality. They tend to do *more* for their customers (which obviously adds to the cost) rather than doing things that they now do *better* (which may or may not cost more). In terms of our three dimensional model of quality, such efforts attempt to change the first dimension of quality (product features). They barely influence the second and the third dimensions (dependability and exceeding expectations) which form the basis of quality. Quality does not necessarily mean more service features. For instance, it would be uneconomical and meaningless for an airline to provide identical services and features in economy class as it does in first class. But it is possible for the airline to ‘astound and delight’ its economy passengers as much as its first class passengers, even though the first class passengers may receive a variety of services not accorded to the economy passengers.

Confusing the means with the end

Almost all articles that criticize quality programs tend to complain about quality bureaucracy, sloganeering, inefficient programs, going through the motions and the like. While the headlines and even the tone of many articles seem to be an indictment of the quality movement, they are in fact an incitement of the means. The quality movement is being criticized for the means with which some organizations and consultants attempt to achieve the objective. The leaders of the quality movement (such as Dr. Deming) would definitely not subscribe to a quality bureaucracy, sloganeering, lack of commitment and inefficient programs.

Lack of ‘profound knowledge’

To achieve quality, the individual parts of the system, instead of competing with each other, should be made to reinforce each other and work towards optimizing the system as a whole. What is required is a total transformation of thinking.

Transformation requires ‘profound knowledge’ rather than the belief that quality can be added to a product or a service the same way one could add additional features to a product.

But what is ‘profound knowledge’? The system of ‘profound knowledge’ is based on the concepts developed by Dr. W. Edwards Deming to describe the underlying factors required for transformation. Such a transformation is essential if we are to achieve our goal of providing quality.

A system of profound knowledge is based on four inter-related parts.

i. Appreciation for a system

ii. Theory of variation
iii. Theory of knowledge
iv. Psychology

Because these four parts inter-relate and interact, profound knowledge cannot be achieved unless one understands all four parts. I have outlined below (in a very sketchy fashion) what these four parts of the system are.

Appreciation for a system. A system is a network of functions or activities within an organization that work together to meet the aims of the organization. Not appreciating how the system's parts work together can lead to programmes in which efficiency is achieved in the individual components of the system at the expense of the organizational aim of providing quality. In many organizations, different departments are essentially designed to be self-contained units. This structure is not likely to optimize achieving the organizational goal of quality.

Theory of variation. I have discussed this aspect extensively in my earlier articles. The fundamental point is that any performance measure will show variation. Programmes aimed at delivering quality should distinguish genuine variation (attributable to individuals) from random variation (attributable to the system). A programme that does not make this distinction will reduce rather than enhance quality. many quality programmes that are currently in place make no such distinction.

Theory of knowledge. Any plan that is devoid of rational predictions and which fits past events without exception is of no real help to management. Yet many quality programmes are installed with no clear understanding of what is expected.

Psychology. A knowledge of psychology helps us understand how people work and react. To optimize the system we need an understanding of psychology. Current management practices indicate that often such knowledge is lacking. For example, the current emphasis on extrinsic motivation (i.e. rewarding and punishing employees) to the exclusion of intrinsic motivation (e.g. job satisfaction and pride in one's work) results in providing wrong incentives to employees.

Lack of profound knowledge as outlined above is another major reason why quality programmes fail.

What quality doesn't do

To summarize, this is what quality does *not* do.

• *Quality, in itself, does not create a market for a product.* A writer whose grammar and syntax are perfect cannot create a market for his or her work if what is written does not interest readers.

• *Quality, in itself, cannot reverse market trends*. If the demand for red meat is decreasing, improving the quality of red meat will not reverse the decline (except insofar as it is a factor in such a decline).

• *Quality, in itself, cannot compensate for marketing deficiencies.* If a product is not marketed properly (e.g. poor distribution, ineffective advertising, poor location etc.), sales may remain static or even show a negative growth, no matter how high the quality of the marketed product is.

• *Quality, in itself, cannot compensate for inadequate understanding of the changing market place*. Innovative technological changes demand that we change the way we do business. If we do not respond to the profound changes taking place in the market, our business is likely to decline, irrespective of the quality of the product we deliver.

What quality does do

• Quality, like pricing and distribution, acts as a marketing variable. .*Its presence is positive while its absence is damaging. Its a very important factor but not the sole* determinant of marketing success.

• Quality can increase market share but it does not necessarily increase the demand for the product as a whole. *It can slow down or even reverse declining market share, but it is unlikely to reverse a declining market.*

Quality helps us immensely in our marketing efforts. It does not replace them.

Abandoning the end when the means are flawed

A review of the research studies and published articles that are critical of quality programs shows that while the stated or implied conclusion is that ‘quality programs don’t deliver’, the main reason they don’t deliver is that quality programs, in a real sense, never existed in the first place. One should not abandon the objective if the programs to implement it are flawed.

Footnotes

[1] *The Globe and Mail*, November 17, 1992.
[2] *The Economist*, April 18, 1992.
[3] *The Economist*, April 18, 1992.

Dr. Chuck Chakrapani is President of Standard Research Systems Inc., and the author of *Marketing Research: Methods and Canadian Practice* (with Ken Deal) and *Service Quality: Techniques of Research and Measurement*.