Quality of Management Not (Simply) Management of Quality

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1. OVERVIEW

Quality initiatives succeed only when senior management develops a clear, well-articulated, and constantly reinforced total management system. The proper functioning of this overarching system sets the required context for the effective management of (product and service) quality. Defining and establishing a total management system requires that the first area of focus for quality in any organization, private or public, must be the quality of management. This is management and organization in the collective sense, not just the efficacy of individual managers. This paper outlines a total management system, called Accountability-Based Management (ABM), much of which is grounded in the research and work of Dr. Elliott Jaques[1]. It also demonstrates how ABM provides the required context for quality management approaches and activities, and outlines where ABM overlaps and supports Dr. W. Edwards Deming's philosophy and systems approach. The auto industry will be used as a case example, using the contrast between Toyota Motor Company's relentless and continuing success and the struggle of its North American (USA and Canada) and European counterparts as proof of the viability of systems thinking and approaches, particularly where the system incorporates a long-term view of quality and business excellence.[2] Reference will also be made to learning derived from research on the convergence of TQM implementation strategies in the National Health Service and Post Office Counters in Great Britain, and how this supports key elements of the ABM system.[3] The paper will provide some powerful ideas to support quality efforts underway or contemplated in the reader's organization.

2. A KEY PREMISE

Recent history demonstrates that—with possible exceptions such as Xerox Corporation, General Electric, or Florida Light and Power—North American managers tend to take a simplistic (or partial system) view of quality management, often without having a holistic and systems view of their total enterprises. For example, many think quality management simply means applying statistical tools for measuring process variance and training people on the shop floor how to use the tools. Others think it requires only the implementation of quality circles to provide employees with the opportunity for input and influence, or at least give the appearance of doing so. The more successful companies have learned that truly effective total quality management (TQM) requires the understanding and coordination of multiple interrelated pieces of a system. Perhaps the best-known manifestation of this in the quality world is Dr. Deming's view of production as a system rather than a sequence of unrelated mechanical processes (See Figure 1).

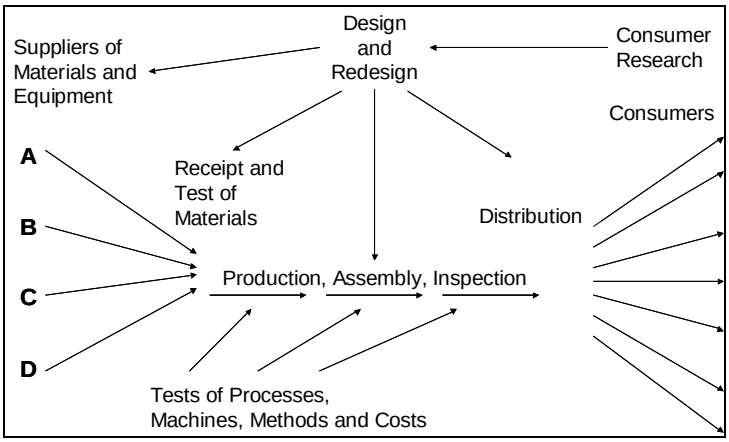

Figure I—W. Edwards Deming's Production System[2]

However, more significant and exemplified by companies such as Toyota is that their current and continued success in the marketplace derives not from applying and adapting Dr. Deming's teachings on product quality management systems, but from creating and maintaining a powerful overarching system into which quality management is integrated. Toyota's total management system—the Toyota Way—is one that organizations around the world have tried to understand and emulate, but generally not very successfully. The main reason for failure lies in the fact that most managers, including very senior ones, do not understand or manage their organizations as systems. They do not fully accept that, or act as if, their organization is a whole that cannot be split into different parts without losing its defining properties. But an integrated management system such as the Toyota Way speaks for itself in terms of the company's success. The outcome is trust at the customer level—rarely do current or prospective Toyota customers question whether they'll get a quality product.

Systems scientists are clear that "systems cannot be understood through analysis, e.g. separating the parts and looking at the parts separately…systems can only be understood through synthesis…the exact opposite of analysis. … since the behaviour of the system is not the sum of the behaviour of its parts, but the product of its interactions." [2]

In other words,

- an organization consists of two or more elements, each of which can determine the behaviour of the whole,

- the way in which one element influences the behaviour of the whole depends on what other elements are doing, and

- no matter which way elements are grouped, every group influences the behaviour of the whole.[2]

Managers are typically not educated to understand that organizations, like all systems, are made up of two primary elements—structure and processes—which must be considered in relationship to each other, not as separate entities. Systems have parts, which have and need boundaries but at the same time are interrelated and interdependent. Thus boundary management is required to effectively and continually differentiate among and integrate the parts of the system. At any moment, systems have limited energy that must be carefully managed, requiring prioritization, choice, and replacement versus

additional approaches or tasks. And, finally, systems are open, not closed—they exist in a larger context or operating environment, parts of which become defining characteristics of what the system is or is not. A key operating environment for organizations, and one critical to both Deming's view of production as a system and the management system presented in this paper, is the marketplace and, within it, customers. Companies will achieve competitive advantage by being structured and managed to effectively and consistently understand and meet customer needs, thereby building trust.

Colleagues close to Dr Deming have said he passed away frustrated with North American business managers, who "just didn't get it!" (i.e. did not understand the need for a systems view). His frustration also related to the failure of many managers and boards of directors to understand or appreciate the concept of accountability and, in particular, who truly is accountable for quality. Very often, the practice is to create a quality group, function, or team, thus putting quality "over there," rather than maintaining accountability for quality in the line as Toyota and other Japanese companies do. Maintaining quality in the line means quality starts with the Board and is passed through the CEO to the customer-facing product and service output parts of the system, right down to the lowest level of the organization. Quality groups can and should be formed and held accountable for providing support and service throughout the line. But the roles in these groups, while they ideally feel a significant degree of *responsibility,* are not *accountable* for the ultimate quality of the product or service provided, nor for the trust relationship with the customer that flows from consistent delivery of expected quality.

Looking at the automotive industry today, there is evidence that some of the players are at great risk of continual spinning, if not dying. Toyota, in contrast, appears poised for world dominance within the next couple of years. As of 2004, Toyota is number two in units sold worldwide, behind GM but surpassing Ford, and a close third in revenue to Ford and GM. But the most significant factor for the future is its number one position in market capitalization—by a three-fold margin over the next two companies who, interestingly, are also Japanese (Honda and Nissan), and by a five-fold margin over both GM and Ford! (See Figure 2.)

The World's Top Ten Car Manufacturers 2003

	Global vehicle units sold in millions	Sales in billion USD * Year ending March 2004	Latest Market Capitalization in billion USD	Latest Market Capitalization per units sold in USD
General Motors	8.59	185.5	23.3	2,712
Toyota	6.78	153.1*	136.4	20,118
Ford	6.54	164.2	24.8	3,792
Volkswagen	5.02	98.4	12.2	2,430
DaimlerChrysler	4.36	171.9	41.8	9,587
PSA/Peugeot Citroën	3.29	61.2	14.3	4,347
Hyundai Automotive	3.05	38.9	9.0	2,951
Nissan	2.97	65.8*	47.1	15,859
Honda	2.91	77.2*	46.4	15,945
Renault	2.39	42.4	22.1	9,247

Sources: Automotive News, Company Reports, Thomas Datastream

Figure 2—World's top ten car manufacturers, 2003 [2]

The reason for this is that Toyota's senior managers not only understand and have a systems, long-term view about the management of quality but they also have a systems, long-term view about the quality of management. They understand that the system has to be built, maintained, and refined over decades. It is not a fad, nor a silver bullet. It has required, and continues to demand, a "focus on patient execution…relentless, grinding professionalism…obsessive devotion to customer satisfaction." [2]

While many organizations have tried, none has yet succeeded in replicating The Toyota Way. A good starting point, however, is to adopt a total management system that has been well researched and proven through several decades of application and refinement. Such a system is the culmination of the life work of Dr. Elliott Jaques and the many students, research colleagues, organization managers, and consultants who accompanied him at various points in his journey. When Jaques was a Visiting Research Professor at George Washington University in Washington, D.C., he and Deming were introduced. On comparing notes, they recognized some areas of commonality in thinking (as well as points of difference). Dr. Deming, in looking further at Jaques' work, later sent a letter paying Jaques what is reportedly the highest compliment Deming could offer: "Elliott, **this** is a system!"

3. THE ACCOUNTABILITY-BASED MANAGEMENT SYSTEM

The accountability-based management (ABM) system originates from a research project conducted at the Glacier Metal Company in north London from 1948 to 1965 (at which time the firm was sold, although the acquiring company continued application of the learning). Dr. Jaques led the work, but in close partnership with Glacier's Managing Director, Sir Wilfred Brown, who commissioned the project. Brown's rationale for the project stemmed from his concern that the field of understanding organizations and trying to make them more effective was, in those days, called the "human relations movement." As an owner/manager, Brown believed that organizations were about work and accountability for getting the right work done, not about human relations in themselves. He believed that people, in occupying roles, had various role relationships that needed to be better understood.

Jaques and Brown took a scientific approach to understanding what actually occurs in hierarchical work organizations to discover their underlying properties. Jaques labelled these "requisite" properties, where requisite means (in the context of a system or organization) "as required by the nature of things." Brown and Jaques felt that managers would perform better and manage their work more effectively if they understood these requisite properties and how they came together systemically. Successful application of ABM system principles in many organizations, public and private, around the world has proven them correct.

As those engaged in quality work know, Deming's system and its underlying philosophy is contained in the relationship between his Fourteen Points for management, the System of Profound Knowledge (SoPK), the Seven Deadly Diseases, the Obstacles, and several important principles such as the 85-15 Rule, Know Thy Customer, and the Plan-Do-Study-Act (PDSA) cycle[4]. This paper focuses on the connections between the Fourteen Points and ABM. Briefly, the Fourteen Points are as follows:

1. Create constancy of purpose for improvement of product and service.
2. Adopt the new philosophy.
3. Cease dependence on mass inspection.
4. End the practice of awarding business on the price tag alone.
5. Improve constantly and forever the system of production and service.
6. Institute training.
7. Institute leadership.
8. Drive out fear.

9. Break down barriers between staff areas.
10. Eliminate slogans, exhortations, and targets for the work force.
11. Eliminate numerical quotas.
12. Remove barriers to pride of workmanship.
13. Institute a vigorous program of education and training.
14. Take action to accomplish the transformation.

Similarly, the Accountability-Based Management system is made up of ten principles that are housed in four groupings: values and behaviour, accountability and structure, managerial leadership, and rewards and recognition. A definition of each principle, drawn from a paper and presentation Dr. Jaques made to the Society of Consulting Psychology [5] is provided below. This will be followed by an outline of some key relationships of the parts of the system, a demonstration of overlaps with Deming's quality management system and, finally, a connection to the resulting overall business excellence achieved by companies such as Toyota.

3a. ABM principles—values and behaviour

Principle 1—One overriding value encompasses all management values issues: all managerial structures and procedures shall ensure *mutual trust* between and among employees, between employees and managers, between employees and the company, and between the company and its important stakeholders.

Principle 2—All employees must be held accountable for behaving in line with specified role requirements and specified role relationships. Individuals who suffer from personal psychopathology that disrupts their work cannot hold their positions unless they are recognized for special employment as disabled.

(See Appendix, Figure A)

3b. ABM principles—accountability and structure

Principle 3—Accountabilities (See Appendix, Figure B):

- Managers determine the results achieved by any managerial hierarchy. Managers have the physical, financial, and human resources to deploy, and the accountability and authority to decide the results to be worked towards. Managers must be held accountable for the results of the work of their direct reports, not the direct reports themselves.

- Individuals should be held contractually accountable only for doing their best, and not for the results of what they do. There is nothing more that subordinates who are doing their best can do to affect their results.

Principle 4—There is one universal requisite pattern of organizational layers for all accountability hierarchies, measured by discrete differences in level of work complexity. (See Appendix, Figure C.) There is also an inherently logical grouping of work driven by a "customer-in" focus. (See Appendix, Figure D.)

Principle 5—Selection criteria for vacant positions in the structure should be limited to a person's current innate potential for dealing with the complexity (time-horizon) of the role, skilled knowledge and experience, and commitment to the type of work. No personality "competencies" should be considered. (See Appendix, Figure E.)

3c. ABM principles—managerial leadership

Principle 6—The function of managerial leadership is not to "motivate" direct reports. As adults, employees are contractually accountable for doing their best. (See Appendix, Figure F.)

Principle 7—Managers must have the authority to decide their direct reports' level of effectiveness and pay within pay bands, and to de-select (after due process) those whose best is not good enough.

Principle 8— The basic unit of management is a three-tier system. (See Appendix, Figure G.). Every manager two levels above a group of employees (the manager-once-removed, or MoR) designs the work system two levels down. The MoR is also the accountable *mentor* to assist in developing employees two levels down for different or more complex work, and to ensure they receive fair and equitable treatment from their managers (See Appendix, Figure H and Figure I). Every manager is the accountable *coach* to help direct reports perform effectively in their current role over time.

Principle 9—Managerial leadership is not a personality issue, nor is there such a person as a stand-alone "leader". Leadership is a set of requisite managerial practices that all managers must carry out effectively, and their own manager must hold them accountable for doing so. (See Appendix, Figure J.)

3d. ABM principles—rewards and recognition

Principle 10: Compensation must be based upon measured level of work (which sets the pay range for the role) and, within that range, upon a manager's judgment of the direct report's effectiveness in doing his/her best. Compensation bands must achieve a level of felt fairness, where the relative increase from the top of one pay band to the top of the next does not exceed tolerable increments. (See Appendix, Figure K.) There should be no results-based incentive pay, commission selling, or bonuses or stock options, or market bargaining that treats employees like commodities.

4. CONNECTIONS AND IMPLICATIONS

It is clear from the success of companies like Toyota that any quality efforts have to be seen not as a separate initiative, but as an integral part of the way things are managed throughout the organization. A key is to ensure a combination of the right structure and accountability for quality. In an ABM system, the Board holds senior managers accountable for quality, and this cascades down through every role in the organization, particularly to those directly providing product or service to customers. Research on the National Health Service (NHS) and Post Office Counters quality initiatives in the UK[3] demonstrates that the best way to support operational roles who are accountable to deliver quality to the customer is to provide them with staff specialist support roles rather than to create a separate Quality organization. An accountability-based management system incorporates, supports, and enhances many of Deming's fourteen points in the following ways.

4a. Constancy of purpose and a new philosophy

In an accountability-based management system, the Board holds the CEO or President accountable not just for the next quarter's results as is so common today, but also for developing the vision, philosophy, and plan that will ensure the organization's sustainable future. All managers are required to stay the course and to manage in a fair and consistent manner that supports the organization's vision, philosophy (including values), and goals. The result is a strong sense of direction and commitment from top to bottom—not only to quality products and services, but to everything the organization holds dear though its value system.

Further, an organization designed according to ABM principles supports Deming's focus on long-range plans for staying in business in that it provides appropriate structure, processes, and people to perform the mainstream work of understanding and meeting the needs of customers—the ultimate arbiters of quality.

4b. Providing leadership

The clearly differentiated accountabilities for managers and managers-once-removed in an accountability-based organization ensure an environment where employees can trust that they will receive appropriate leadership. This three-tier system links the operating level to the Board and fits well with Deming's concept of nested systems with the ability to communicate rapidly face-to-face.

4c. Driving out fear

An ABM system engenders trust that the right work is being done by the right people at the right level, that every employee has a manager who adds value to his or her role, that there is opportunity for learning and career growth, and that employees have recourse to their manager-once-removed in case of unfair treatment. In addition, and related to the learning from the NHS and Post Office Counters research about the importance of keeping promises and abiding by standards at each level, an ABM system provides opportunity for authentic requests and promises in the form of QQTR task assignment. Using this system, a manager specifies the quantity, quality, time and resources (QQTR) for a task but engages in discussion and negotiations with employees to ensure the request can be met. (Deming was particularly pleased to see the quality dimension built in to Jaques' task assignment specifications, since this forces managers to be constantly thinking of and expecting quality.) Further, the ABM concept that the employee will let his or her manager know immediately, without fear of retribution, if things change and an output cannot be met as initially agreed goes a long way to driving out fear. It shifts the nature of the manager-direct report relationship to one where the manager acts as an advisor and problem solver who can be pulled into a situation when necessary, rather than the command-and-control and restrictive method of telling direct reports what to do and discouraging dialogue, then being surprised if goals are not met as assigned. On this point Deming and Jaques were also aligned.

4d. Removing barriers to pride of workmanship

The three-tier concept, particularly within the bottom three levels of an organization, promotes trust that people at the front line will perform effectively while limiting variation in the system.

Allowing this freedom to act within defined boundaries helps minimize interventions (particularly management interventions that themselves tend to create variations) and liberates (or empowers) role holders to do their best. The TQM and Japanese embodiment of trust at the front line is the Andon light, where front line employees can pull the cord to stop the line. Jaques appreciated this approach because of its implication that management trusts employees at the front line, supporting his principle that trust runs downward through an organization rather than upward.

4e. Breaking down barriers between staff areas

An ABM system clearly defines cross-boundary relationships and authorities, as well as when and how to escalate when these are not working well. It puts in place a hardness about the nature and expectation of cross-boundary relationships for information exchange, as well as an awareness of interdependencies and the constant connection to corporate level goals and expectations related to quality and customer service.

4f. Ensuring continual improvement and transformation

An accountability-based management system has continual improvement as a part of every manager's accountability, and processes in place to ensure people are held accountable for commitments and promises made. Further, differentiated levels of work provide a clear distinction between those accountable for continually improving production and services on a day-to-day basis versus those accountable for effecting total transformation. As an example, while Figure C in the Appendix shows the differentiation between seven levels of work in an accountability hierarchy, Figure 3 shows specific distinctions in quality work that could be applied at each managerial level.

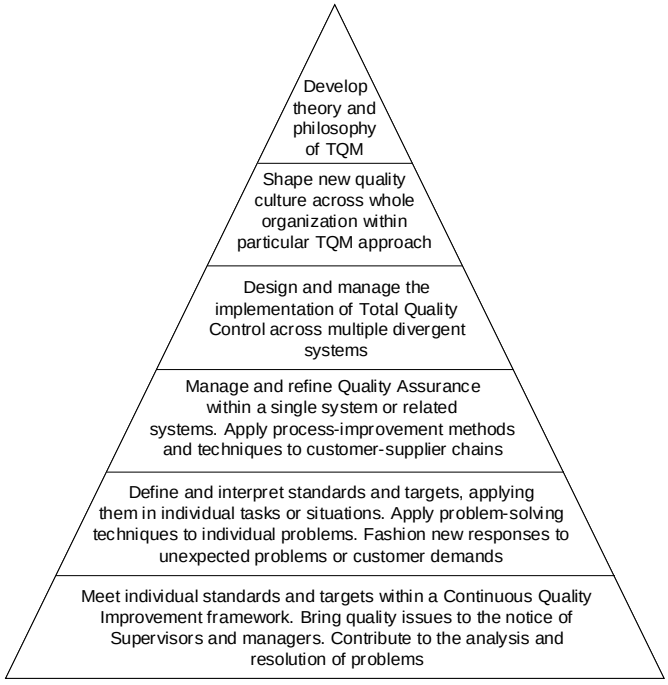

Figure 3—Differentiated levels of quality work [3]

The managerial accountability for continual improvement in an ABM system causes a shift from a problem-oriented approach to a future orientation at every level. This also ties in well with Deming's point of ceasing dependence on inspection to prevent variation from entering the system, placing the focus on improving processes rather than correcting defects, and on knowing ahead through market research what customer expectations are rather than testing for satisfaction afterwards.

5. SUMMARY

Through the Toyota Way, Toyota seems poised for continuing success. Meanwhile, other companies continue to make empty promises, no doubt with the right intent but lacking the foresight, systems, mindset, and determination at the top to make the promise a reality. Only with a trust-enhancing management system can an organization compete and win from a quality standpoint. Front-line workers will not be convinced to focus on quality until they see and experience accountability for quality in every level of management above them. Given their support for each other's principles, Deming and Jaques would most likely agree that an accountability-based management system is not optional.

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Special thanks to Ken Craddock and Michel Desjardins for their knowledge, inspiration, and support in the preparation of this paper.

[1] Dr. Elliott Jaques, M.D., PhD. (1917–2003) was a psychoanalyst who developed several original concepts, including corporate culture (1951), the midlife crisis (1965), and an organizational theory based on employee discretion and judgement (1956). He published over twenty books and over eighty articles on his theory and system. Following his tenure as a major during the Blitz in World War 11, he became a founder member of the Tavistock Institute for Human Relations in London, along with notable social scientists such as Eric Trist, Fred Emery, and Harold Bridger. He was also head of a unique, multi-disciplinary, faculty at Brunel University in Great Britain. There is a substantial body of research published on Jaques' work, including 650 items from the mainstream literature with findings that support it. Over 130 of these were published in A-level academic journals.

[2] Glauser, Ernst C. "The Toyota Phenomenon: How come the world's second largest automobile manufacturer grows continuously and makes large profits whilst its biggest competitors fight for survival?" The Swiss Deming Institute, April 2005.

[3] Joss, Richard "Converging Implementation Strategies in Commercial TQM Initiatives: Implications for the NHS." International Journal of Health Care Quality Assurance, Vol. 7 No. 2 1994, and "What Makes for Successful TQM in the NHS?" International Journal of Health Care Quality Assurance, Vol. 7 No. 7 1994.

[4] Walton, Mary. *Deming Management at Work.* New York: G.P. Putnam's Sons, 1990

[5] Jaques, Elliott, *The Psychological Foundations of Managerial Systems: A General Systems Approach to Consulting Psychology*, Keynote address to the Midwinter Conference of the Society of Consulting Psychology, San Antonio, Texas, February 8, 2002.

APPENDIX

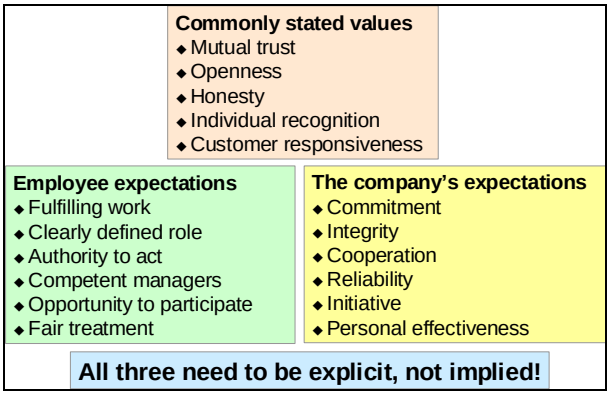

Figure A—Values and behaviour

Accountabilities of a manager
- Outputs of direct reports
- Result or impact of direct reports' behaviour
- Build and sustain an effective team capable of producing required outputs
- Provide team with effective managerial leadership

Authorities of a manager
- Veto unacceptable team members
- Determine work and assign tasks
- Deliver personal effectiveness appraisal and merit review
- Initiate removal of direct reports from role (within due process)

Figure B—Manager accountabilities/authorities

LW	Max time span of discretion	Typical roles	
7	Over 20 years	CEO (multi-national)	Corporate
6	10-20 years	Senior VP Europe	
5	5-10 years	President/COO	General
4	2-5 years	VP Operations	
3	1-2 years	Director Sales	Operational
2	3 months-1 year	Manager QA	
1	Up to 3 months	Customer Service Rep	

Figure C—Seven levels of work

Figure D—Work grouping

Role fit is a function of

Information processing capability	+	Knowledge and skills	+	Valuing the work	+	Required behaviour
IPC*	+	K/S	+	V	+	RB

*IPC must be sufficient to handle the role's level of work complexity

Figure E—Person-role fit

Accountabilities of all employees
- Always do their best.
- Support company values and goals.
- Work cooperatively with others.
- Carry out assigned work.
- Inform the manager if progress on tasks is better or worse than expected.
- When in doubt, ask their manager to clarify expectations.

Authorities of all employees
- Have the manager clarify what's expected
- Discuss resources required to meet goals
- Appeal to the MoR when necessary

Figure F—Accountabilities and authorities of all employees

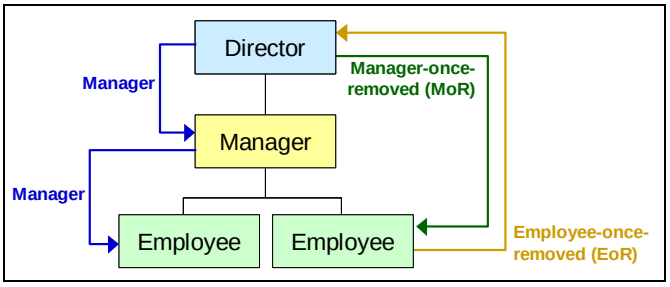

Figure G—Three tiers of accountability

Accountabilities of an MoR

- Ensure direct reports are exercising sound managerial practices
- Establish EoR work levels and placement in compensation bands
- Assess EoR capability and develop talent pool
- Plan succession for roles one level down
- Ensure fair and equitable treatment for EoRs
- Finalize EoR placement in/removal from role
- Ensure effective cross-boundary working relationships for EoRs

Authorities of an MoR

- Veto appointment of unacceptable EoRs
- Approve removal of EoR from role (potentially from company)
- Access to and knowledge of EoRs
- Approve key cross-boundary relationships

Figure H—Accountabilities and authorities of an MoR

- MoRs are accountable for the quality, effectiveness, and viability of entire three-tier system
- Mentoring for all, not just a select few
- MoRs must find time and ways to get to know EoRs' capability and career interests
- MoRs reach agreement with EoRs on development and career plans
- MoRs are involved in selection and dismissal
- MoRs determine job grades of EoRs

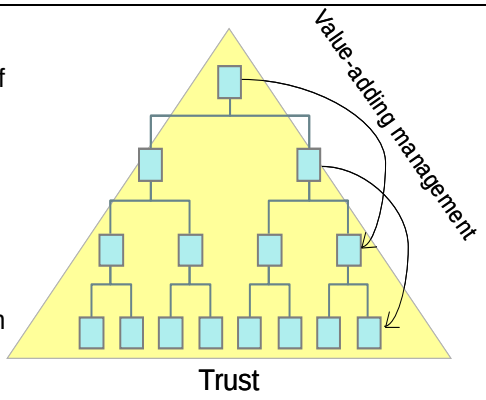

Figure I—Implications of the MoR role

1. Effective two-way communication
2. Setting context for work
3. Planning work
4. Assigning work effectively
5. Providing personal effectiveness feedback and conducting performance reviews
6. Delivering rewards and recognition
7. Coaching
8. Selecting and inducting team members
9. When appropriate, deselecting team members from a role
10. Continually improving processes.

Figure J—Ten managerial practices

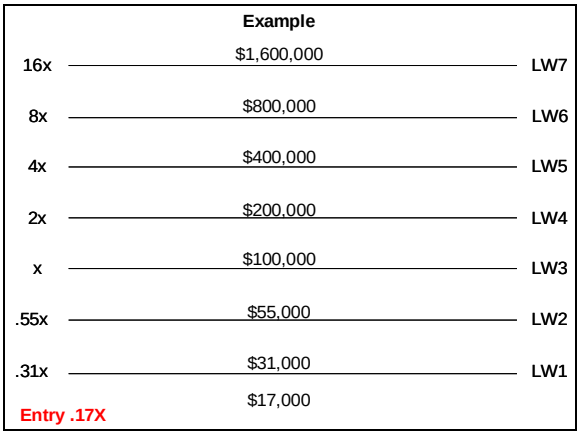

Figure K—Felt-fair pay