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Transformation of Today's Management



Transformation is not a job of reconstruction nor revision. It requires a whole new structure, from foundation upward.

FAILURE OF MANAGEMENT TO plan for the future and to foresee problems has brought about waste of manpower, of materials, and of machine-time, all of which raise the manufacturer's cost and price that the consumer must pay. And the consumer is not always willing to subsidize this waste. The inevitable result is loss of market. Loss of market begets unemployment.

Performance of management should be measured by potential to stay in business, to protect investment, to ensure future dividends and jobs through improvement of product and service for the future, not by the quarterly dividend. It is no longer socially acceptable to dump employees on to the heap of unemployed. Loss of market, and resulting unemployment, are not foreordained. They are not inevitable. They are man-made.

The basic cause of sickness in American industry is failure of top management to manage. He that sells not can buy not. The causes usually cited for failure of a company are costs of start-up, overruns on costs, depreciation of excess inventory, competition—anything but the actual cause, *pure and simple bad management*.

What must management do? The first step is to learn how to change: that is, to understand and use the 14 points and to cure themselves of the 7 deadly diseases.

14 Points for Better Management

Adoption and action on the 14 points signal that management intend to stay in business and aim to protect investors and jobs. These points apply to both small and large organizations, to service as well as to manufacturing industries.

- Create constancy of purpose toward

the aim to become competitive and to stay in business and to provide jobs.

- *Awaken to the challenges of the new economic age and adopt a new philosophy.* Western management must learn their responsibilities and take on leadership for change.

- *Cease dependence on inspection to achieve quality.* Eliminate the need for inspection on a mass basis by building quality into the product in the first place.

- *Stop awarding business on the basis of price.* Instead, minimize total cost. Move toward a single supplier for any one item, on a long-term relationship of loyalty and trust.

- *Improve constantly the system of production and service* to improve quality and productivity, and thus decrease costs.

- *Institute training on the job.*

- *Institute leadership.* The aim of leadership is to help people and machines and gadgets to do a better job.

- *Drive out fear* so that everyone may work effectively for the company.

- *Break down barriers* between departments. People in research, design, sales, and production must work as a team, to foresee and prevent problems with products or services.

- *Eliminate slogans, exhortations, and targets* asking for zero defects and new levels of productivity. Such exhortations only create adversarial relationships.

- *Eliminate quotas* on the factory floor. Substitute leadership. Also eliminate management by objective and by numbers. Substitute leadership.

- *Remove barriers that rob people of their right to pride of workmanship.* The responsibility of supervisors must be changed from sheer numbers to quality.

- *Institute a vigorous program of education and self-improvement.*

- *Put everybody in the company to work to accomplish the transformation.*

The 7 Deadly Diseases

Unfortunately, deadly diseases and obstacles still stand in the way of transformation. The following seven diseases afflict most American companies:

plan products and services that will have a market, keep the company in business, and provide jobs.

- *Emphasis on short-term profits.*

Short-term profits are not a reliable indicator of management performance.

- *Performance evaluations, merit ratings, or annual review.* These appraisal systems reward people who do well in the system. They do not reward attempts to improve the system.

- *Mobility of management.* Mobility annihilates teamwork. Unrest becomes rampant when the Board goes outside the company to bring someone in for a rescue operation. Everyone takes to his life preserver.

- *Management by use only of visible figures.* He that would run his company on visible figures alone will in time have neither company nor figures. The most important figures for management (such as the multiplying effect on sales that comes from a happy customer, and the opposite effect from an unhappy customer), are either unknown or unknowable—but successful management must nevertheless take account of them.

- *Excessive medical costs.* As William E. Hoglund, manager of the Pontiac Motor Division, put it to me one day, "Blue Cross is our second largest supplier." Six months later he told me that Blue Cross had overtaken steel. The direct cost of medical care is \$400 per automobile.

- *Excessive costs of liability,* swelled by lawyers that work on contingency fees.

Long Road to Recovery

Long-term commitment is required of any management that seeks transformation. The timid and the fainthearted, and people that expect quick results, are doomed to disappointment.

Merely solving problems will not halt the decline of American industry, nor will expansion in use of computers, gadgets, and robotic machinery. Management by walking around is hardly ever effective either. The reason is that someone in management, walking around, has little idea about what questions to ask, and usually does not pause long enough at any spot to get the right answer.

All these activities only prolong the life of the patient: they can not halt the decline. Only transformation of the American style of management can get us out of the crisis and give American industry a chance to lead the world again. **EE**

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