

## Chapter 8 – Maintaining Control and Improving Quality

### Kreitner/Eliason Foundations of Management

#### I. Fundamentals of Organizational Control

##### A. Control: taking preventive or corrective actions to keep things on track

1. The word suggests the operations of checking, testing, regulating, verifying, or adjusting.
2. Managers use control to detect deviations ranging from desirable standards and make appropriate adjustments.
3. The purpose of the control function is always the same: get the job done despite environmental, organizational, and behavioral obstacles and uncertainties.

#### II. Types of Control

##### A. Feedforward Control: The active participation of problems and their timely prevention, rather than after the fact reaction.

1. Feedforward control addresses the issue, “What can we do ahead of time to help our plan succeed?”
2. It states, “The only way managers can exercise control effectively is to see the problems coming in time to do something about them.”
3. Examples: preventive maintenance on machinery and equipment, and due diligence

##### B. Concurrent Control: The process of monitoring and adjusting ongoing activities and processes.

1. Known as real-time control because it deals with the present
2. Example: Adjusting the water temperature of the water while taking a shower

##### C. Feedback Control: The gathering of information about a completed activity, evaluating that information, and taking steps to improve the similar activities in the future.

1. Permits managers to use information on past performance to bring future performance in line with planned objectives.
2. Correction action takes place after the fact = increased cost
3. Tests the quality and validity of objectives
4. By Monitoring complaints from discharged patients about billing errors, a hospital comptroller learns about problems in the billing process.

#### III. Components of Organizational Control Systems

##### A. Seven distinct control subsystems

1. Strategic plans
2. Long-range plans
3. Annual operating budgets
4. Statistical reports
5. Performance appraisals
6. Policies and procedures
7. Cultural control

##### B. Objectives

1. An *objective* is a target signifying what should be accomplished and when.

##### C. Standards

1. Serve as guideposts on the way to teaching objective targets
2. Provide feed forward control by warning people when they are off track
3. A proven technique for establishing challenging standards is *benchmarking*.
  
4. Benchmarking- Identifying, studying, and building upon the best practices of organizational role models.

#### **D. An evaluation-reward system**

1. Provides a performance review
2. Extrinsic rewards need to be tied equitably to documented results and improvement.

### **IV. Identifying Control Problems**

#### **A. Executive reality check**

1. Occurs when top-level managers periodically work in the trenches to increase their awareness of operations.

#### **B. Audits**

1. Two types of auditing: External- the verification of an organization's financial records and reports. Internal- the independent appraisal of organizational operations and systems to assess effectiveness and efficiency.

#### **C. Symptoms of Inadequate Control**

1. An unexplained decline in revenues or products
2. A degradation of service
3. Employee dissatisfaction
4. Cash shortages caused by bloated inventories or delinquent accounts receivable.
5. Idle facilities
6. Disorganized operations
7. Excessive costs
8. Evidence of waste and inefficiency

### **V. The Quality Challenge: Quality is conformance to requirements**

#### **A. Five Types of Product Quality**

1. Transcendent quality- inherent value or innate excellence is apparent
2. Product-based quality- the presence or absence of a given product attribute
3. User-based quality- determined by the product's ability to meet user's expectations
4. Manufacturing-based quality- how well the product conforms to design specifications or blueprints
5. Value-based quality- giving customers what they want at a price they think is fair

#### **B. Unique Challenges for Service Providers**

1. Customers participate directly in the production process
2. Services are consumed immediately and cannot be stored
3. Services are provided where and when the customer desires
4. Services tend to be labor intensive
5. Services are intangible

#### **C. Defining Service Quality**

1. There are five service quality dimensions
  - Reliability

- Assurance
- Tangibles
- Empathy
- Responsiveness

## VI. An Introduction to Total Quality Management (TQM)

### A. Definition

1. Total Quality Management is creating an organizational culture committed to continuous improvement in every regard
2. TQM is anchored in organizational culture because successful TQM is deeply embedded in virtually every aspect of organizational life

### B. Four Principles of TQM

1. Do it right the first time- build and design quality into products
2. Be customer-centered
  - Anticipate the customer's needs
  - Listen to the customer
  - Learn how to satisfy the customer
  - Respond appropriately to the customer
  - Customers can be internal or external customers, internal customers depend on your work to get their job done

### C. Make continuous improvement a way of life.

1. Kaizen- a Japanese word meaning "continuous improvement."
2. Four general avenues for continuous improvement:
  - Improved and more consistent product and service quality.
  - Faster cycle times (in cycles ranging from product development to order processing to payroll processing).
  - Greater flexibility (for example, faster response to changing customer demands and new technology).
  - Lower costs and less waste (for example, eliminating needless steps, scraps, rework, and non-value-adding activities).

### D. Build Teamwork and Empowerment

1. Empowerment occurs when employees are adequately trained, provide with all relevant information and the best possible tools, fully involved in key decisions and fairly rewarded for results.

### E. The seven basic TQM process improvement tools

1. Flow chart-a graphic display of a sequence of activities and decisions
2. Cause-and-effect Analysis-also called a fishbone diagram, it shows cause-and-effect relationships.
3. Pareto Analysis- bar chart indicating which problem needs the most attention.
4. Control Chart-visual aid showing acceptable and unacceptable variations from the norm for repetitive operations.
5. Histogram- bar chart indicating deviations from a standard bell-shaped curve.
6. Scatter Diagram- diagram that plots relationships between two variables.
7. Run Chart- a trend chart for tracking a variable over time.

## VII. Deming Management

1. The application of W. Edwards Deming's ideas for more responsive, more democratic, and less wasteful organizations.

2. The approach qualifies as a revolution because when it was first proposed by Deming it directly challenged Frederick Taylor's Scientific Management.

### VIII. Principles of Deming Management

#### **A. Quality Improvement Drives the Entire Economy**

1. Higher quality eventually means more jobs

#### **B. The Customer Always Comes First**

#### **C. Don't Blame the Person, Fix the System**

1. Deming accused U.S. managers of finding someone to blame rather than fixing the problems with the current system.
2. People can and will turn out better quality work if the system allows them to.

#### **D. Plan-Do-Check-Act**

1. The PDCA cycle is Deming's plan-do-check-act cycle, which relies on observed data to continuously improve operations.

### IX. Deming's 14 Points

#### **A. Constant Purpose**

1. Strive for improvement in order to remain competitive.

#### **B. New Philosophy**

1. Consider new realities to be more cautious with resources

#### **C. Give up on quality by inspection**

1. Quality should be built from the beginning

#### **D. Avoid the constant search for lowest-cost suppliers.**

#### **E. Seek continuous improvement**

1. Improving to get greater productivity and lower costs.

#### **F. Train everyone**

1. Everyone should have a clear idea of how their job is done.

#### **G. Provide real leadership**

#### **H. Drive fear out of the workplace**

1. Employees should be comfortable asking questions

#### **I. Promote teamwork**

#### **J. Avoid slogans and targets**

1. Posters and slogans which put carry pride put pressure on employees.
2. Control charts and other tools can work in contrast and provide encouragement for workers.

#### **K. Get rid of numerical quotas**

#### **L. Remove barriers that stifle pride in workmanship**

#### **M. Education and self-improvement is key.**

1. Greater knowledge = greater opportunity

#### **N. The transformation is EVERYONE's job**

Reference:

Kreitner, Robert (2005) Foundations of Management: basics and best practices, Houghton Mifflin Company, New York.