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The Quality Paradigm

Excerpt from *Le paradigme de la qualité* ©Economica 1997

Foreword

Quality is a subject on which usually everything has been said and nothing understood. Since France became aware of the problem of quality in industry, many books and articles have appeared, just to say, in a different or in another way, that quality must be everyone's business. But the word itself, which goes back to antiquity, is indefinable. An important concept on which I have tried to attract the attention of the French for twenty years, is that of "quality control". It's a different way of seeing things : a paradigm shift.

For the first time in history, as technology invades the world, the economy is threatened by growing disorder. It even seems that the efforts to improve the situation have the opposite effect. The explanation lies in the fact that powerful private interests oppose the general interest and that many decisions concerning the economy are inconsistently taken. In the past, errors of decision could be repaired at the cost of a waste of which the consumers and the taxpayers were the expenses, but it is more and more difficult to resort to this means because nowadays the public is well informed. It is therefore necessary to transform decision processes. In public administration, education, research, commerce, and industry, no one should evade the moral obligation to revise one's way of thinking.

Western leaders believe they are acting on a logic of efficiency, but it is a mere façade. Sometimes, without realizing it, business leaders disturb people's minds and cause disasters through inappropriate decisions. The behavior of the Asian rulers is different ; it is for cultural reasons, but also because it was deeply modified after the Second World War. The economic culture in the Far East is largely the result of a historic break. It should be known that after the Second World War, General MacArthur, Commander of the United States Army Forces in the Far East, eliminated most of the former leaders of Japanese industry, selected new leaders from among young engineers and entrusted their education to a team of American experts, especially Dr. William Edwards Deming. Thus a group of about one hundred people prepared the economic future of Japan.

The Deming Prize is awarded each year to companies by a jury composed exclusively of Japanese. It is considered as the "Nobel Prize" for management. It is amazing that a famous Japanese prize has the name of an American scholar. But the way to select the winners is even more remarkable. Keidanren, the Japanese federation of economic organizations, sponsors an association worldwide known as JUSE (Japanese Union of Scientists and Engineers), which operates as a national center for education and research in management. The board of directors of the JUSE, made up of industrialists and academics, determines the choice of the winners after a thorough investigation.

In Japan, chief executive officers apply management methods developed by JUSE. On the contrary, most western chief executive officers, who claim to be pragmatic, improvise. In their mind, managing a company is mainly doing so that every year the total expenditure is less than the total revenue. As a result, when a company's sales decline, management immediately seeks to downsize. It is because they are locked in this short-term financial logic that big western companies make so many cuts in staff.

The western chief executive officers are not judged by public opinion according to employment in their company, but according to the profitability of capital. Sometimes a chief executive officer who fires a hundred thousand people to make a million dollars profits is considered a hero. Who judges the leaders? They are judged by other leaders, bankers, stockbrokers, the press. Who has established the criteria for judgment, for instance the amount of quarterly dividends? Nobody; they settled insidiously in the minds, without discussion. They are believed to be closely linked to capitalism. Now what is the mission of a company? It must grow the capital, but it also must give work to employees and satisfy customers, because if customers and employees disappear, the company will disappear.

If a leader is judged on tons of steel, he will produce tons of steel. If he is judged on millions of dollars, he will make millions of dollars. If he is judged on employment, he will create employment. The question is to create useful jobs in the long term, not dummy jobs which would be the source of a deficit which society could not bear. Unfortunately nowadays, the ability to create jobs is not considered as a performance criterion. This situation can be explained by the fact that external growth is very rewarding for a business owner in the eyes of shareholders, bankers and journalists, because of the media show which comes with and the benefits that experts predict in the short term. Yet experience reveals that external growth often leads to mass redundancies, because the investors who supported the operation want to quickly get dividends and the fastest profits are made by slimming down. On the contrary, internal growth, which is slower and less rewarding for a leader, creates employment.

Another way for a company to increase sales instead of firing employees to survive is the logic of innovation. I often explained how this logic creates jobs, and experience confirms theory. Innovation must be seen as a strategy, not as the solution of a problem. By the way, the logic of innovation can not accommodate a judgment of the company based on its short-term financial results. We will see in this book how financial ratios can be used to assess the ability to innovate and create jobs in the long run.

Unemployment is much more expensive than the sum of spending on allowances, training and management of job seekers. Spending on poverty, disease, alcoholism, drugs and crime is greatly increased by this scourge, which also threatens the mental stability of several generations. We must therefore consider the ability of companies to create jobs as their main performance criterion and begin to study the means of this policy.

Until now, the human mind has always managed to create wealth by making better use of natural resources, thanks to the scientific approach. This phenomenon is illustrated in particular by the fantastic boom of computing. But mankind also strives to waste natural resources, of which recent wars are a sad demonstration. The world will survive only if it continues to produce wealth, which is the goal of the theories presented here. They are so simple that the leaders who run the economy could see them as insignificant in comparison with the obscure and complicated theories that clutter libraries; but they are essential.