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PERSPECTIVES

Quality Management

A Bitter Pill to Swallow or a Panacea for our Pains?

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How can a country so in need of improvement, so in need of being internationally competitive, so in need of change in its workplace practices, be so naïve towards quality management? How can organizations fail to recognize the outstanding results obtained by the "lucky" few, or even worse, having recognized those results failed to follow the lead?

The answer, I feel, is avoidance of short-term pain. It is easier to do nothing than to implement change, particularly when that change is as significant as quality management. Our organization leaders either do not really see the need, or they do not believe that 20 per cent improvements in their bottom-line position are achievable in their organization. It will not be until management changes this view, or until quality management implementation becomes pleasant, that the significant opportunities that quality management presents will be realized.

How do we change the perception? How do we make them act? What are the long-term possibilities?

In an organization, the advancement of technological methods is called research and development (R&D) and is simply defined as effecting a technical change to get an improved financial return. Advancement of technological methods is a matter of almost national strategic significance. The improvement of our technology systems through R&D successes is a significant contributor to increases in gross domestic product (GDP). The importance of this connection between growth and technical improvement is reflected in the way R&D expenditure is treated for taxation purposes.

Surely then, if monies are expended effecting organizational change to get an improved financial return, which across all industries becomes a significant contribution to an increase in GDP, then those monies could be treated similarly to non-equipment R&D expenditure, that is, 150 per cent tax deductibility in the year of expense. What would the effect be?

The transition to a quality organization would become an enjoyable experience. All sensible, though presently reticent, organizations would take their medicine, but with a sweet to take the bad taste away. Some medications, however, can become addictive, so restrictions would need to apply. The guide below may be realistic (see Table I).

Further ongoing expenditure in each category would be self-funding through the improvements that they have already achieved.

The costs to the government are also self-funding as the organizations improve and expand. Their share of the improvements comes from increased revenue through increases in company revenue, materials used and employment created and their tax requirements. These increases would more than offset the tax losses owing to the improved deductibility of quality management expenses.

Allowable expense	Maximum duration
Costs incurred to achieve ISO 9000 or AS 3900 certification	Two years
Costs incurred in the pursuit of major quality awards, e.g. The Australian Quality Awards or The Malcolm Baldrige National Quality Award	A further two years
Costs incurred in the pursuit of World Best Practice	A further two years

Table I.
Allowable Expenditure in Years

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Are there any other ways that quality management can improve the bottom line? We have almost too easily succeeded in the widespread implementation of quality management through organizations, so what is left to tackle?

The next target is society costs.

In quality management, the failure-appraisal-prevention model of cost breakdown is used to highlight the inefficiency of high expenses for failure and appraisal compared to the efficiency of prevention (see Figure 1).

Could this model be applied to society in general? Could health, law and order, education, etc. also have the same potential for improvement? Healthy lifestyle reduces illness that reduces the health bill. Respect for others and their property reduces crime that reduces the law and order bill. The comparison is valid but implementation needs to be somewhat different.

We currently have systems (health, law and order) which, on the whole, maintain the status quo (the pre-quality management stage). How do we effectively and efficiently increase the proportion of our prevention costs while continuing to provide basic support services? ISO 9000 or AS 3900 certification is probably not the answer, although in some areas, some benefit would be obtained. The answer, as it did with the organizational change, again lies with government.

It is the responsibility of government to provide basic services and to manage the gradual improvement of the constituent's lot. They do this by influencing the factors that affect GDP and its growth and by the distribution of taxes raised. How does the government best divide the pie to maintain basic services while encouraging a movement towards increased prevention?

May I propose the following:

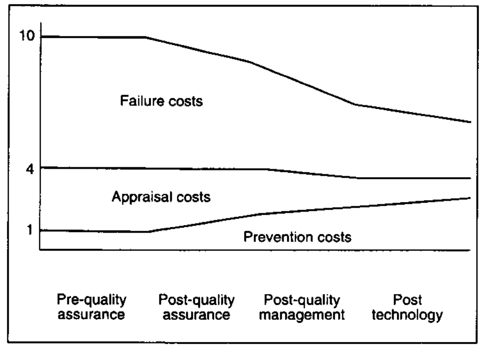

Figure 1.
Cost of Quality

- Maintain current levels of expenditure, in constant dollar terms, to services to maintain the status quo.
- Introduce programme-specific grants, the growth component, to areas of strategic need targeted at the improvement of that service by increasing the preventive component.

What would the effect be?

A gradual decrease in the proportion of GDP spent on the provision of services. A gradual increase in the proportion of GDP spent on the expansion of our infrastructure and facilities. A rapid improvement in the society in which we live.

The combined effect of quality management in the business sector and in society as a whole, would be to remove most of our present pains and have us in a very healthy state prior to the turn of the century.

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