

# **Why Total Quality Management Programs Do Not Persist: The Role of Management Quality and Implications for Leading a TQM Transformation\***

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## **ABSTRACT**

Top-down total quality management (TQM) programs often fail to create deep and sustained change in organizations. They become a fad soon replaced by another fad. Failure to institutionalize TQM can be attributed to a gap between top management's rhetoric about their intentions for TQM and the reality of implementation in various subunits of the organization. The gap varies from subunit to subunit due to the quality of management in each. By quality of management is meant the capacity of senior team to (1) develop commitment to the new TQM direction and behave and make decisions that are consistent with it, (2) develop the cross-functional mechanisms, leadership skills, and team culture needed for TQM implementation, and (3) create a climate of open dialogues about progress in the TQM transformation that will enable learning and further change. The TQM transformations will persist only if top management requires and ultimately institutionalizes an honest organizational-wide conversation that surfaces valid data about the quality of management in each subunit of the firm and leads to changes in management quality or replacement of managers.

***Subject Areas: Leadership and Organizational Learning, Organizational Change, Strategy Implementation, and Total Quality Management.***

## **INTRODUCTION**

Total quality management (TQM) programs had their introduction to U.S. companies in the 1980s in response to the competitive onslaught of Japanese companies in the automobile and electronics industries. Companies in many other industries quickly followed, as did a consulting industry to help companies adopt TQM.

I view TQM as the continuous improvement of work processes to enhance the organization's ability to deliver high-quality products or services in a cost-effective manner (Spector & Beer, 1994). It typically involves a number of interventions. These are explicit identification of customer requirements, cross-functional teams, selection of suppliers based on quality, the use of a variety of technical (scientific) methods to enhance analysis and process management methods to enhance team

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\*Invited paper.

effectiveness (Hackman & Wageman, 1995). Total quality management also involves a multiple-stakeholder philosophy that equally values community, customers, and employees. Implicit in this philosophy are values of teamwork and collaboration.

There is little question that when implemented properly, TQM can have a dramatic impact on the performance and culture of an organization (Deming, 1986; Juran, 1989; Buzzell & Gale, 1987; Hackman & Wageman, 1995; Lawler, Mohrman, & Ledford, 1998). Two recent large-sample studies confirm these assessments. By comparing the performance of firms who have received quality awards with a matched control group of firms who have not, Hendricks and Singhal (1997) have shown that firms receiving quality awards outperform the control group in operating income and revenues over a ten-year period. In a second study Hendricks and Singhal (2001) showed that the long-run stock performance of firms who receive quality awards is far higher (38% to 46%) than a matched control group of companies who did not receive such an award. These stock performance improvements are found in the five-year postimplementation period, not in the first five-year implementation period.

The fact that improvement in the stock performance only occurred after five years of implementation, suggests that a TQM transformation is a long-term process requiring a fundamental shift in management practice and culture. This may explain why there have also been a plethora of studies questioning the value of TQM, many by consulting firms who work with their clients to implement TQM (see, for example, the International Quality Study, a joint study by Ernst and Young and the American Quality Foundation [1992] and Kelly [1992], who presents studies done by Arthur D. Little Inc. and Rath and Strong). According to these studies, senior management in some 60 to 70% of firms feel that quality improvement efforts have not boosted their capacity to compete, have not resulted in implementation of a significant number of practices associated with TQM, and have not focused TQM improvement on improved products and services.

In this article I postulate that failures of TQM to persist are failures in implementation, not TQM theory and method. Failures occur because senior management tends to motivate change through top-down programs (Beer et al., 1990a; Schaffer, 1988). Failure to solicit and receive feedback about potential gaps between their TQM rhetoric and the reality of implementation (Zbaracki, 1998) prevents senior management from learning how their own actions and policies may be responsible for the gap and then making changes accordingly. Top-down programs also undermine unit leaders' commitment and their capacity to lead a TQM transformation in their unit.

I will argue that it is the capacity of management to inquire into the inevitable gap between the TQM program they advocate (their rhetoric) and the reality of actual practice that ultimately determines the effectiveness of a TQM corporate transformation. Paradoxically, it is management's lack of capacity to explore these gaps, the very process of inquiry, analysis, and action embedded in TQM that causes TQM implementation failures. Such *high-quality management* is what I argue is needed if TQM initiatives are to persist. Empirical evidence from an action research program aimed at helping senior management learn about gaps between their espoused strategy and the perceptions of its implementation at lower levels will

be used to specify the management qualities needed to implement a TQM strategy and a process. The missing ingredient in unsuccessful TQM transformations, I will argue, is a total quality management process for assessing and developing a high quality of management at every level. A set of principles for such a management and leadership improvement process will be offered as well as empirical evidence about their efficacy.

### **WHY TQM PROGRAMS FAIL: IT'S NOT THE SEED, IT'S THE SOIL THAT MATTERS**

An underlying, often-unstated, requirement for TQM interventions to take root is a fundamental transformation of the organization's culture (Schein, 1992). Organizations must unhook themselves from their functional moorings by delegating authority to lower-level cross-functional teams who have decision rights to implement process changes using the technical methods of TQM (Hackman & Wageman, 1995; Spector & Beer, 1994). In almost all cases this means functional managers will lose power, and process team leaders and members will gain power. For these changes to occur, the basis of power must shift from authority based on position to authority based on knowledge and proximity to problems and information.

For long-term success the organization may also have to consider how financial gains from improvements are going to be allocated so that employee commitment can be sustained (Hackman & Wageman, 1995). Finally, management's behavior and the organization's emergent culture must become consistent over time with the TQM philosophy or employees will become cynical. Such cynicism in turn undermines commitment. Thus a company seeking to make a fundamental TQM transformation faces significant organizational and managerial change challenges.

It is highly likely the difficulty in TQM implementation reported by consultants (see earlier) reflects the programmatic nature of their interventions. Consultants recommend the adoption of cross-functional teams and extensive training in TQM philosophy and methods, for example, but unless senior teams at every level of the company are committed to the ideas, they will not realign their own behavior and the organization's policies and practices to support this new direction. Without that support managers experience a gap between rhetoric and reality, become cynical and underinvest their time and energy in managing the transformation in their unit. As top managers come to realize that top-down programs are not working, they reduce their commitment and withdraw resources (their time and money). As a result TQM becomes a passing fad until the next program is introduced.

The proposition that TQM is often seen as a fad and not adopted with the deep commitment needed for successful implementation is supported by research. Miller and Hartwick (2002) found that TQM citations in the business literature began a continuous long-term decline in 1992 after a decade of dramatic increases. During the same period there was also a marked decline in TQM consulting firms. Further supporting the conclusion that many TQM initiatives are seen as fads

like other best practices, Miller and Hartwick found that the decline in TQM citation was followed by a rise and subsequent decline in business process reengineering (BPE) citations. Commitment to TQM appears to have been only skin deep.

These findings are also supported by research about organizational change, which finds that top-down programs, including TQM, do not lead to fundamental and persistent corporate transformations (Beer, Eisenstat, & Spector, 1990; Beer, Spector, & Eisenstat, 1990; Schaffer, 1988). The superficiality that characterizes all too many top-down programs is captured by the following observation of a manager whose company had launched a quality program:

The first quality circle program was very political; everybody noticed who participated and who didn't. Any problems we had in implementing it had to be swept under the rug. All management wanted to know was how many teams had been formed and how much money they had saved. (Beer et al., 1990b, p. 33)

The result in this company was cynicism by employees who saw inconsistencies between management's espoused new TQM direction and the reality of superficial change. "This too will pass," was one of the most frequent responses to new programs, an indication of low commitment, an essential ingredient for fundamental change. Indeed, ten years later the company from which the above quote came was no longer in existence, a casualty of competition. Spurred by General Electric's reported success with Six Sigma total management quality program under Jack Welch, a high-status CEO, we are now seeing a resurgence of total quality management initiatives in many companies under this new label. There is no reason to believe, however, that the implementation of Six Sigma programs in many companies will be any more successful than the programs in earlier years.

Innovations like TQM are typically motivated by top management's desire to improve performance. However, if top management adopts TQM because other firms have, the understanding of TQM and how it can be used to improve performance of the firm will be low. If understanding is low, commitment will also be low and will lead to early abandonment. There is considerable evidence that many firms adopt innovations in management in the hope of rapid painless change as well as legitimacy in the eyes of investors and the business community (DiMaggio & Powell, 1983; Staw & Epstein, 2000; Westphal, Gulati, & Shortell, 1997). From a change perspective, the adoption of TQM because other high-status companies have is problematic. Chief executive officers who do so are *not* likely to be responding to problems defined by a rigorous analysis of barriers to higher performance in their own company. As a result they are unlikely to be launching change with real conviction. This causes these CEOs to delegate the TQM change to a staff group, increasing cynicism as rhetoric and reality diverge over time. In these companies TQM is measured by the number of quality teams and people involved in them, as the quote above suggests, as opposed to an honest assessment of how widely and effectively the company and its local unit leaders are making TQM an integral part of their organizational unit's practice and culture. Delegating change to a staff group who launches a program on behalf of the CEO leads to compliance by line managers—they respond to the political pressures described by the manager in

the earlier quote—as opposed to being internally committed. It is not surprising, therefore, that TQM initiatives managed in this manner fail to be sustained.

Once a TQM program is launched, it is highly unlikely that management will hear the honest truth about gaps between their rhetoric and the reality of implementation. Extensive research shows the tendency of lower levels to hide painful truths from senior management (Argyris, 1990; Beer & Eisenstat, 2000; Morrison & Milliken, 2000). Zbaracki (1988) found that the reality of TQM implementation in five firms he studied diverged significantly from the rhetoric of top management. Money was spent on various programs but managers and workers often felt that it was wasted. In these companies TQM successes are more likely to be reported to top management than difficulties in implementation or complete failures (Zbaracki, 1998; Mallinger, 1993). Programs are also likely to result in compliant subunit managers. Because they are passive participants in the TQM program, they will not have developed real understanding and commitment to TQM, are unlikely to have the will to lead change in their unit or to solicit and receive honest feedback from their people about gaps between their aspirations for TQM and reality.

Given this research evidence, I postulate that failure to implement a sustained TQM transformation is a function of deficiencies in the following fundamental managerial capabilities:

**Proposition 1** The capacity of senior teams at the corporate and unit level to develop commitment to TQM through an effective dialogue about why the company should adopt TQM and agreement about what must be done to implement it.

**Proposition 2** The capacity of the senior team to follow up their initial commitment with changes in organizational arrangements (a cross-functional team-based organization) and behavior (their own and that of subunit leaders) needed to support their TQM intentions.

**Proposition 3** The capacity of the senior team to create an honest organization-wide conversation about the effectiveness of TQM implementation from which they can learn about the quality of their management and leadership in moving change along.

**Proposition 4** The managerial capabilities above must exist in all subunits of the corporation for successful TQM transformation to take place.

These managerial capabilities constitute the “fertile managerial soil” essential for the “TQM seed” to take root, grow, and become part of the organization’s fabric. The requirement that these capabilities exist at multiple levels of the corporation is supported by research. In a seminal study, Fleishman, Harris, and Burt (1955) found that changes in supervisory attitudes about how to manage people after training were not sustained unless the supervisor’s manager possessed similar attitudes. Edmondson and Woolley (2003) found that new managerial skills introduced through corporate training programs took root in those subunits whose leaders had the skill and will to embrace these new managerial behaviors (I am indebted to them for first framing organizational interventions as seed and soil).

My own research on strategy implementation, though not focused on TQM strategies per se, provides empirical support for the propositions above. These findings are reviewed next.

## **THE SILENT KILLERS: UNDISCUSSIBLE MANAGEMENT BARRIERS TO STRATEGY IMPLEMENTATION**

For over a decade Russell Eisenstat and I have been conducting an action research program that reveals why a gap exists between senior management's stated strategy and the capacity of the organization to implement it. Using an intervention called Organizational Fitness Profiling (OFP), designed to help senior teams inquire into the quality of their direction and the organization's capacity to implement it as perceived by lower levels, we found, like Zbaracki (1998) who studied TQM programs, that employees perceive a gap between rhetoric and reality. Because OFP enabled lower levels to speak truthfully to senior teams about the causes of the gap, we were able to identify six core managerial barriers (Beer & Eisenstat, 2000). We call them "silent killers" because, like cholesterol and hypertension, the silent causes of heart attacks, no one can talk openly about them (Morrison & Milliken, 2000). Because I will later argue that an inquiry process like OFP will be necessary to overcome the poor leadership and management that blocks a TQM transformation, I first describe the process briefly.

The OFP process begins with the senior management team developing a one- to two-page statement of business and organizational direction that advocates their strategic intent—what the organization must do to succeed in achieving its objectives and what types of values and organizational capabilities they believe the organization needs to implement its strategic intent. The senior team then appoints a task force of 8 of their best people to interview 100 other key people from all parts of the organization one to two levels below the top team. Task force members conduct open-ended interviews under ground rules of complete confidentiality with the understanding that the top team will hear the unvarnished truth about strengths and barriers to implementation. These interviews often turn out to be very emotional. In many organizations it is the first time lower levels have been asked to tell the truth to their leaders. Task force members also display emotions. They are very anxious about feeding back their findings to the senior team and exhilarated about the opportunity they have been given to play a role in improving the organization's effectiveness.

The release of previously hidden data is made possible by the fact that management has committed itself publicly to hear the unvarnished truth and to make itself accountable to lower levels for doing something about what they learn. The "public" nature of the organizational conversation, in the context of a process that credibly enables truth to speak to power safely, is the key to breaking silence, changing norms of silence, and motivating management to act.

A content analysis of the data from a dozen different organizations, subsequently validated through findings in many other organizations, has revealed that task forces almost always report the following six barriers as a group:



Senior management would not be speaking or acting with one voice—something that is reflected in the barrier of conflicting priorities that lower levels often see. Given the tendency of corporate leaders to adopt TQM because other successful companies have, it is not hard to imagine that many TQM programs start with a lack of real understanding and emotional commitment by top management. Their lack of emotional commitment can easily lead them to rely on staff groups or consultants to drive the TQM program, as suggested earlier. This in turn leads leadership teams at the subunit level to passively comply with the corporate TQM program for political reasons rather than out of conviction that TQM will improve their unit's performance.

An ineffective senior team, one that cannot confront issues constructively, is also unlikely to develop empowered cross-functional TQM teams because they threaten the authority of functional managers on the senior team. It is not surprising, therefore, that the *quality of strategy implementation* (see Figure 1) in organizations with ineffective senior teams was perceived to be blocked by poor coordination between key activities along the value chain. These senior teams were incapable of confronting the power issues that need to be negotiated to create a cross-functional organization. Even if these teams were to be created, they require team leaders with the authority and skill to lead them (Spector & Beer, 1994). The inadequate number of down-the-line leaders typically perceived by employees as a core barrier to implementing strategies like TQM is also a function of an ineffective senior team. Ineffective top teams typically have not resolved their different values and assumptions about what constitutes quality management nor do they cooperate to facilitate cross-functional career moves that are so important for developing managers with the general management perspective and skills needed to lead cross-functional teams.

The sixth barrier to strategy implementation identified in all the organizations we studied was closed vertical communication. As Figure 1 shows, poor vertical communication, caused by fear and norms of silence, reduces the organization's *quality of learning*. Senior managers are not confronted with managerial and organizational barriers that prevent the TQM transformation they espouse. They are, therefore, prevented from making the midcourse corrections essential in leading a TQM transformation. Our findings that fear of speaking up blocked senior teams from learning about strategy implementation problems help explain the gap between rhetoric and reality found by Zbaracki (1998) in organizations undertaking a TQM initiative. Without honest vertical communication the senior team cannot discover the leadership and management problems that are blocking use of "technical methods" like statistical process control.

The case of Sigtek, a subsidiary of Telwork, illustrates how TQM initiatives driven by corporate staff groups falter due to the six silent managerial killers (Jick & Rosegrant, 1990). To comply with Telwork's corporate mandate to implement TQM, a divided and ineffective senior team led by a laissez faire and conflict-averse president at Sigtek appointed two of its key people as site trainers and change agents. After an expensive TQM training program workers discovered that they were prevented from solving recurring quality problems due to a deep and politicized divide between the engineering and operations function (poor

coordination). Workers and trainers became cynical about TQM. Due to norms of silence, they did not, however, provide honest feedback (vertical communication barrier) to the senior management team about the increasing gap between the rhetoric of the training program and reality. To do so would have exposed Sigtek's ineffective leader, senior team, and organization (the six silent killers). Telwork's top management was also kept from understanding the failure at Sigtek until very late in the process because they relied on a top-down staff-driven training program that ignored the quality of leadership and management at Sigtek. By then loss of hope by workers and managers had eroded the commitment to TQM and made implementation virtually impossible. Though Telwork eventually removed Sigtek's president, a lot of time and money had been wasted. Moreover, cynicism would make it more difficult to begin a new initiative. Consider the reactions of an employee to a similar top-down TQM program in a government agency:

If you vocalize and you beat the drum and you talk about total quality to a mass of people who aren't going to see it, who aren't going to be involved in it, they get a tin ear. It sounds wrong. People say "what are they doing? Why are they waiting? We don't see anything. They are wasting all that money doing all these things, but we don't see anything." (Zbaracki, 1998, p. 619)

In launching the TQM program corporate top management at Telwork acted as if TQM was about technical methods for continuous improvement despite the fact that its rhetoric imparted a philosophy that valued employee "participation, leadership, and fearlessness in approaching the job." A successful TQM transformation required the very quality of management they espoused but which did not exist in many of the company's newly acquired subsidiaries. To embed TQM practices in all of its subsidiaries (the seed), Telwork's top management needed *a means to assess and develop that quality of management (soil)*.

Failed TQM programs inoculate the organization against learning and change in the future. Each successive change initiative is suspected as another "flavor of the month," explaining the finding, discussed earlier, that TQM in the 1980s was a passing fad. Employees comply but do not make an emotional commitment. Ironically, the fact that employees cannot confront senior management with the truth belies the very continuous improvement culture TQM leaders espouse as essential for improved performance.

The six silent killers of strategy implementation are quite consistent with the three propositions about organizational capabilities proposed in the previous section. In only one of the cases in the sample of companies we analyzed was total quality management an explicit objective of management, however. Therefore, more research in organizations undergoing a TQM transformation is needed to determine if these propositions apply to the implementation of a TQM strategy. Such research might compare companies who have received quality awards and outperformed in the out years to companies that have not received such an award for the management capabilities embodied in the four propositions. Given the emphasis of quality awards on leadership and communication, it is likely that the four propositions would be confirmed.

## HOW TO OVERCOME SILENT MANAGERIAL BARRIERS TO TQM TRANSFORMATIONS

The founders of the quality movement were quite clear that quality is the responsibility of management (Hackman & Wageman, 1995). That is because, as illustrated by the Sigtek case above, scientific methods for data analysis and problem solving cannot be embedded in an ineffective organization with ineffective leadership. Only senior management can shape the managerial capabilities to fit the philosophy that underpins TQM. But how shall this be done given the gap between rhetoric and reality that can silently derail a TQM transformation without management's conscious awareness?

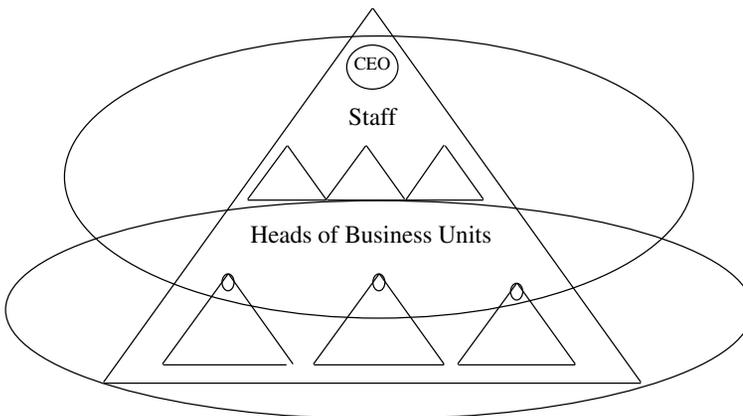
Research that describes and validates the propositions above does not provide senior managers with a method for learning if their own leadership of the TQM transformation or that of down-the-line managers are adequate. For that, a theory and method for organizational learning is needed.

Below I provide the outline of an iterative *advocacy* and *inquiry* process intended to help senior teams at the corporate *and* subunit levels assess and develop the managerial capabilities (the soil) needed to grow the seed—TQM principles and methods (Argyris & Schon, 1996). The assumption underlying the discussion below is that organization change is a unit-by-unit process (see Figure 2) as opposed to a monolithic top-down programmatic process (Beer et al., 1990b). Only by applying a process of action learning in every subunit of the corporation from top to bottom can managers at every level ensure that the TQM transformation they are advocating makes sense and that their leadership is enabling the organization to implement TQM effectively.

### The Role of Top Management

The top management team at the corporate level should start a TQM transformation with a clear understanding of why TQM is essential to its corporate objective and

**Figure 2:** Change as a unit-by-unit process.



strategy and how TQM philosophy fits their values. A searching and open discussion of questions such as “Is TQM essential to our success as a corporation and why?” and “How does TQM fit our values and style as a senior management team?” is the only way to ensure that TQM is not a program that will fade. Unless the corporate top management team can come to agree that TQM is the *core* strategic capability needed to succeed, the initiative will fail. Even if TQM is not thought to be a key success factor the first time it is contemplated, there will undoubtedly be a time in the future when the organization will be ready for TQM. Though businesses must both exploit current opportunities and explore new ones, at any one point in time only one of these strategic tasks may be the right focus for a company (Benner & Tushman, in press; Saloner, Shepard, & Podolny, 2001). In a multibusiness company TQM may be central to the success of some units and far less central to others, at any given point in time.

If the decision is made to go forward with TQM, senior management should avoid “pushing” TQM into the organization through corporate-wide top-down training programs. Instead, they should motivate aspirations for continuous improvement in quality by establishing ambitious performance goals for subunit leaders and the means for measuring their attainment. Consider the directive of top management in one company that told its manufacturing plant managers that by a given date all products that did not meet a new standard of quality would be considered scrap (Beer et al., 1990b, p. 152). Of course, participation is essential to develop commitment to the goals. Goals should ideally include all facets of a balanced score card—financial performance, operational improvements, customer satisfaction, and organization and management effectiveness.

Research suggests, however, that in the early stages of TQM implementation corporate top management is best served by focusing resources on a small number of units where TQM fits the strategy and where leaders’ attitudes, skills, and behavior create a fertile context for TQM. These units are the laboratories where the corporation’s leaders will learn how TQM practices and philosophy can be integrated into the day-to-day process of running the business. As these subunits succeed, they become living models for the rest of the corporation. For these models to spread to the rest of the company, top management must see its role as orchestrating the diffusion of these innovations. This can be done through management conferences that make leading TQM units visible, by providing political support, by encouraging visits to the TQM models by managers from lagging units, and by transferring managers from leading edge units to lagging units (Beer et al., 1990b). Through leading this diffusion process, top management is slowly reshaping the DNA of the company—the attitudes, skills, and behavior of its leaders and people. Over time this approach will result in an ever-larger circle of organizational subunits that have internalized TQM practices and culture. This unit-by-unit approach to change (see Figure 2) is slower than quick-fix top-down programs, but research has shown that it leads to success in the long run (Beer et al., 1990).

The example of Asda, a U.K. grocery chain with 200 stores near bankruptcy when its new CEO began a corporate transformation, illustrates how quality of management at the subunit level is essential to the implementation of new business practices (Beer & Weber, 1997). After creating three highly successful model grocery stores in nine months (changed patterns of management and improved

customer satisfaction and performance), Asda's top management, eager to capitalize on these successes, tried to quickly "push" new business practices and store layout changes into twenty stores in a top-down manner. These stores did not achieve the same results as the model stores. Asda's management quickly realized that the problem in these twenty stores was their quality of management.

Their response provides insights into the means by which top management at the corporate level might assess and develop the quality of management needed for a TQM transformation. Asda's top management required its store managers to pass a "driving test" before the store could qualify for investment in its transformation (a new physical and retail proposition as well as corporate support for the transformation). The driving test was a process for assessing leadership and organizational effectiveness as perceived by employees in the store. If a store did not pass the "driving test," its management team was given an opportunity to learn the leadership attitudes and skills and demonstrate them. Store managers whose stores did not pass the driving test after a reasonable period of time were replaced. In six years Asda's management replaced some 60% of its store managers and transformed 120 stores successfully. A dramatic transformation in culture and performance occurred. The economic value of management's approach to this TQM-like transformation became apparent when Asda was sold to Wal-Mart, a company known for its customer-oriented culture, for eight times the market value of the firm when the transformation began (Beer & Nohria, 2000). That Wal-Mart paid for the skillful cultural transformation led by Asda's top management, as opposed to simply cost-cutting, is evident in Wal-Mart management's statement at the time of the acquisition. "Asda," they said, "is more like Wal-Mart than Wal-Mart is like Wal-Mart."

### **The Role of Subunit Managers**

The Asda story suggests that top management serious about making a TQM transformation must find a means for assessing their subunit leaders' quality of management. It will need a process that can make discussible inevitable gaps that will develop between TQM rhetoric and the reality of change in every subunit of the corporation. It is too easy for subunit leaders to report successes and avoid reporting difficulties and failures to top management, thereby making it impossible for management to assess and develop each subunit's management quality or to learn how their behavior and policies may be contributing to failure. By avoiding the truth subunit leaders also preclude learning. Therefore, leaders at the subunit level should be engaged in a transparent learning process that provides data about the quality of their leadership in implementing changes in their unit. The central question of such an action learning process would be "how well is the TQM strategy we have articulated being enacted in our organization?" It would uncover and make discussible the six undiscussible silent barriers to management and organizational effectiveness (the soil) discussed above, if they exist. And, if institutionalized, such a process would become the total quality process for the quality of management needed to achieve a sustainable TQM transformation.

In more than a decade of applying and researching Organizational Fitness Profiling (OFP), described earlier in connection with the discovery of the silent

killers, we have extracted five principles for an honest organization-wide organizational conversation (Beer & Eisenstat, 2003). These principles can guide the development of an institutionalized process by which a firm's top management might encourage, even require, unit leadership teams to examine and close the gap between their TQM rhetoric and reality, much as Asda did with its "Driving Test." I offer the following testable proposition:

**Proposition 5** An institutionalized organizational learning process that follows five principles (described below) will enable leaders to examine and improve their organization's capacity to implement TQM effectively over time.

Below I describe the principles and how they might be applied in a TQM transformation. The next section presents empirical findings about the efficacy of these principles in confronting and improving the quality of management needed to implement management's strategic intent.

**1. Insist that leadership teams discuss the appropriateness of TQM to their subunit's business model and problems.** Is TQM, as articulated by top management, central to our subunit's success? That is the question that a senior team at the subunit level must discuss to develop its own understanding of TQM and then make a choice. Unless they do, they are likely to be motivated by compliance rather than by commitment. If the answer is no, a dialogue with top management must take place about the nature of the business challenge for that subunit and how it plans to deal with it. Such a dialogue, if conducted properly, will cause unit leaders to come to a better understanding of how TQM may help them achieve ambitious business and customer satisfaction goals or inform top management about unique circumstances that make TQM unadvisable at that time. Both parties have an interest in having a fact-based discussion. Without it the business unit leaders may miss an opportunity to become committed to the tools and philosophy for continuous improvement they may need and top management may miss the opportunity to learn why TQM may not make sense now given the subunit's stage of business and organization development. More important, the dialogue between top management and subunit management can lead to greater understanding of TQM by both parties, increasing commitment and making TQM less programmatic.

This testing for the appropriateness of TQM is essential in multibusiness corporations where strategic capabilities needed for high performance are different for each business. Even in single-business corporations like Asda, where all subunits (stores, restaurant's manufacturing plants, customer service centers, for example) are engaged in the same strategic task and must develop the same strategic capabilities, it is important for the local leadership team to discover for themselves why TQM is important. It enables them to invest the general TQM vision with meaning and make it relevant to their circumstance.

**2. Insist that the leadership team engage a task force of its best managers as partners in a data collection and dialogue process about barriers to TQM implementation.** Involvement of employees as key partners in the inquiry sends a powerful message that management is serious about change. One general manager who followed this principle noted that "by asking for their unvarnished opinions, the employees realized just how serious we were about improving our effectiveness."

By committing themselves to hearing the unvarnished truth (valid data), talking about root causes of the problems identified and making their plans for change known to all in the organization, a senior team is signaling that TQM applies not only to “hard” technical processes but to “softer” processes such as leadership and teamwork. It increases the likelihood that the social system will adapt to the rigors the technical system imposes and vice versa (Trist, Higgins, Murray, & Pollock, 1963). Management would be acting on the central tenet of TQM founders, namely, that continuous improvement in quality can only be achieved by focusing on and shaping the system.

**3. Insist that the data collection and discussion process allow important, often threatening, issues to get raised and “publicly” discussed.** An inquiry into the effectiveness of the organization as a system will undoubtedly raise many difficult leadership, human, political, and cultural issues that may block TQM. Our research suggests that the six silent killers will certainly be put on the table if they are present because they represent core capabilities an effective task-driven organization must develop. The central problem for a senior team is to create a credible process, one that is visible to everyone in the organization and that employees will come to believe leads to an honest inquiry into gaps between management’s rhetoric and reality. Only by making “public” the nature of the dialogue process that will take place (everyone knows its specifications and understands how decisions will be made) can senior management make it clear that they care about continuous improvement in management quality, not just process and product improvement. This is essential for employees to sustain hope that management’s rhetoric will ultimately be translated into reality. Without that hope, commitment to learning and improvement needed for TQM erodes.

For rich, potentially threatening, data to be reported by a task force charged with data collection, research suggests that the leader must ensure members’ psychological safety to speak the truth (Edmondson, 1999). Creating safety in dialogue about management and organizational problems will not only identify social system problems blocking TQM, it will reinforce the organization-wide climate essential for solving technical process problems in day-to-day operations. For example, psychological safety in medical surgery teams was associated with more open identification of technical problems and team learning (Edmondson, 1999).

We have found that one way to ensure safety for the data-gathering task force suggested in Principle 2 is to make its members reporters about what they learned in interviews as opposed to asking them to speak for themselves. Making their feedback a group report also provides them psychological safety. It is equally important that the process of dialogue be guided by ground rules that minimize the defensiveness of senior management and engage them in a productive conversation. Various social technologies and facilitating roles for consultants have been developed to do this (Beer, 1980; Schein, 1998). Of course, there is no substitute for the leader’s commitment to a dialogue process that balances advocacy and inquiry. That commitment is undoubtedly related to the leader’s willingness to be open to learning. The following quote by a general manager who led such a process captures the value of promoting a dialogue about unvarnished truth.

[The process] allowed us to discuss the undiscussible. It put things on the table that would have taken me years. Getting feedback from the employees is indispensable, putting it into a strategic context is important. We were there to discuss behaviors that were consequential; it wasn't personal. We discovered things that would help us succeed or that were preventing us from succeeding. (Beer & Williamson, 1991)

**4. Insist that the senior team conduct a diagnosis of organizational and management barriers to TQM and develop a comprehensive action plan for change.** Managers are action-oriented to a fault. They are apt to craft an action for every problem that comes to their attention. This tendency may prevent leaders from conducting a deeper diagnosis of the organization as a system. The reasons for gaps between the rhetoric of TQM and reality are often complex and involve multiple layers, constituencies, and causes, including the senior team. That is why the senior team needs to have time to discuss and reflect before an action plan is developed. A company can ensure this in several ways. A well-defined “safe” container—a structure and process—for dialogue and diagnosis is essential. It is too easy for managers to allow the urgent problems to delay engaging important ones. The reasons are time pressures, lack of skill, and avoidance of potentially painful issues. Tools and heuristics that prompt senior teams to discuss important and sometimes difficult questions can help overcome some of these problems.

**5. Insist that change plans be stress-tested by the senior team with those who must implement them to determine their validity and the organization's willingness and capacity to implement them.** There is an overwhelming tendency by confident and knowledgeable senior managers to direct change from the top. It is justified by the need for speed and their belief that lower-level managers will resist change. It is also fed by overoptimism about potential success (Taylor & Brown, 1988). We have learned that before a senior management team makes organizational and management changes, it is important that they obtain feedback about the quality of their change plan from the same task force that provided the feedback about problems in the first place. This will be an opportunity for them to acknowledge that they heard and understood the gap between TQM rhetoric and reality. By doing this they increase trust in the inquiry process. It is also an opportunity for them to test their diagnosis and action plan to ensure its validity and viability. It is a way to publicly reinforce the value they place on open inquiry and dialogue so essential in a continuous improvement culture.

## **EMPIRICAL EVIDENCE FOR THE EFFICACY OF THE FIVE PRINCIPLES**

Research that evaluated the efficacy of Organizational Fitness Profiling sheds light on Proposition 4 (Beer & Eisenstat, 2000, 1996). The research involved the application of OFP in ten subunits of one company (one of these ten subunits was involved in a quality strategy) and twelve applications in a diverse set of businesses with diverse strategies. Because the principles above were derived from years of experience with OFP, the evaluation of this method is in effect an evaluation of

how well the principles might help leaders identify and close the gap between their TQM rhetoric and reality.

An analysis of these OFP applications and their effects was performed through ratings by independent researchers of a variety of dimensions. These ranged from the quality of management and business performance before and after the implementation of OFP, various situational factors hypothesized to moderate the efficacy of OFP, and the extent to which the process adhered to the five principles outlined above. Due to space limitations I provide the briefest overview of the findings.

- Organizational Fitness Profiling is an extremely robust process. It always enabled hidden but vital data about leadership and organizational barriers to strategy implementation to surface as well as be discussed and analyzed honestly by the senior team.
- Organizational Fitness Profiling enabled the leadership team to confront sensitive people and political barriers to strategy implementation.
- In all cases the senior team developed a plan to change the organization and alter their leadership behavior consistent with diagnosis and it implemented this plan.
- In the first year after OFP, improvements in the silent barriers to strategy implementation occurred in approximately 80% of the organizations.
- These changes were sustained in all but 20% of the organizations beyond the first year. Sustained change was a function of whether OFP was repeated and became part of the organization's strategic management process.
- In all cases the OFP process had important second-order effects on trust, openness of communication, perceptions that leaders were listening and changing, and on the management development of key managers involved in the process.
- A number of situational factors were associated with the leadership team's decision to institutionalize OFP. These included the extent to which the organization faced challenging performance problems and the extent to which the leader's values and the organization's culture were consistent with the values of participation and learning embedded in the OFP process.

These empirical findings are generally supportive of Proposition 4. Institutionalizing a process of organizational learning will help senior teams improve the quality of their management and the organization's capability to implement strategy. Because the findings above involved only one organization where TQM was used, a similar action research program needs to be conducted in organizations engaged in a TQM transformation.

## CONCLUSION

I have argued that the implementation of the technical methods and principles of TQM requires a quality of management—managerial values, attitudes, skills, and behavior—that enable TQM to flourish over time. In addition to the immediate problems of closing the gap between rhetoric and reality, TQM will only

persist and become a way of life if management deals with a number of fundamental dilemmas that are likely to unfold if the TQM transformation succeeds (Hackman & Wageman, 1995). To achieve reliable quality outcomes TQM requires that employees follow standardized methods. As a result, employees undoubtedly experience a loss of freedom and increased control. Moreover, if TQM succeeds in improving performance, the organization's customers may gain through lowered prices or improved satisfaction; its shareholders gain through improved returns on investment and management gains through higher compensation. Yet, to achieve its promise, TQM depends on employees taking more responsibility for continuous improvement decisions. Thus, a successful TQM transformation can produce an inequality in outcomes that over time may be seen as unfair to employees. Their commitment to TQM will not be maintained unless tensions between the higher control imposed by TQM and the high commitment and motivation needed to ensure continuous learning is addressed. Only an honest and open inquiry process into emerging gaps between senior management's intentions in launching the TQM initiative and implementation quality as perceived by employees is likely to surface and make these difficult issues discussible and negotiable.

If corporate leaders want to ensure that TQM practices are sustained over time, they will have to consider requiring all subunit managers to lead a regular process of organizational learning from which they also can learn. This will of course place demands on them to engage in a similar process at the top of the company. It will be the loudest and most believable signal that senior management is serious about creating a total quality culture. [Received: March 2003. Accepted: July 2003.]

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