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Stevens, T. 1994. Dr. Deming: Management today does not know what its job is. *Industry Week* (January 17): 21, 24, 26, 28.

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This is a summary of Deming's comments during his last interview in 1993. Deming died in December of that year at age 93.

What is Management's Job?

According to Dr. W. Edwards Deming, quality and innovation. Quality is what will sell and do a customer some good. It is management's responsibility to provide the consumer with quality goods and services. Deming explained that the customer does not contribute to the design of a product, he simply 'takes what he gets.' Since the consumer's expectations are simply that which the company and its competitors have led him to expect, it is management's job to focus on the consumer's needs and wants and continuously stay ahead of him and its competitors. Innovation comes from freedom, giving people a chance.

What about Performance Evaluations?

Deming believes that performance evaluations should be eliminated for several reasons. First, performance evaluations cannot accurately measure an employee's performance. What is measured is the interaction between the employee and the system. Secondly, performance evaluations result in humiliation and take the joy out of learning and innovation. Since innovation is essential in creating a quality product for the consumer, it is important that management create an environment in which the employee is encouraged to use his creativity and develop ideas. Management can create an environment where there is 'freedom' by allowing employees to make use of their education, life experiences and dreams in order to accomplish their aim.

What is Profound Knowledge?

Profound knowledge, according to Dr. Deming, is knowledge obtained from outside of the company. A system cannot understand itself, therefore, it is necessary to obtain knowledge from outside of the company. The four components of Deming's System of Profound Knowledge are appreciation for a system, knowledge of variation, theory of knowledge and psychology.

According to Deming, management should first gain an *appreciation of the system* by

understanding how the system works. For example, Harold F. Dodge of the Bell Telephone Laboratories found that the number of defective items an inspector found was dependent on the size of the workload. An inspector will find more items defective in smaller workloads than if he is given larger workloads. By understanding the impact that workload sizes have on employee performance, management is better able to make decisions that will produce the desired result.

The second component, *knowledge of variation*, requires that management be able to distinguish between variation that results from common causes and variation that results from something special. Variations that occur within the control limits (as determined by the control chart developed by Dr. Walter A. Shewhart) are a result of the system. Most variations are a result of the system, rather than an individual in the system. According to Deming, American management is quick to assign blame to an individual when the problem, is in fact, a fault in the system.

The third component of Deming's system of profound knowledge is theory of knowledge. As Deming explains, "Any decision that management makes, that anybody makes for himself or for other people, is prediction." Management's job is to predict what consequences will result from certain actions and chose a course of action that will react in favor of the company.

The fourth, and perhaps the most important, component of the system, is psychology. Management needs to understand the differences between people and between groups and find ways to capitalize on those differences. According to Deming, a good manager of people "capitalizes on the family background, abilities, capabilities, and hopes of his people. He tries to give everybody a chance to take pride in his work, joy in his work." It is management's job to find the best people for the job and then develop a system that will encourage these employees to accomplish their aim while working together to meet the company's goals.

What is the Role of Government?

The responsibility and top priority of government is equity. Without equity, we will destroy our society.

What about ISO 9000?

The ISO series (9000, 9001, 9002) provide specifications, conformance to requirements, but this is not enough. Reducing variation is where you get a payoff.

How about the Malcome Baldrige National Quality Award?

"... (N)othing could be worse." "The evil effect of the Baldrige guidelines on American business can never be measured." One problem is that the guidelines ask for data that cannot be measured.

Where are American Business Schools falling short?

American business schools continue to teach management methods that are currently in

place, methods that are failures. "They teach how to fail, how to continue to fail." American business schools should be teaching students how to improve systems, understand people and understand the product.

Lessons For Management

Dr. Deming's 14 Points for the transformation of management

1. Create constancy of purpose towards improvement of product and service, with the aim to become competitive and to stay in business, and to provide jobs.
2. Adopt the new philosophy. We are in a new economic age. Western management must awaken to the challenge, must learn their responsibilities, and take on leadership for change.
3. 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.
4. End the practice of awarding business on the basis of price tag. Instead, minimize total cost. Move towards a single supplier for any one item, on a long-term relationship of loyalty and trust.
5. Improve constantly and forever the system of production and service, to improve quality and productivity, and this constantly decrease cost.
6. Institute training on the job.
7. Institute leadership. The aim of supervision should be to help people and machines and gadgets to do a better job. Supervision of management is in need of overhaul, as well as supervision of production workers.
8. Drive out fear, so that everyone may work effectively for the company.
9. Break down barriers between departments. People in research, design, sales and production must work as a team, to foresee problems of production and in use that may be encountered with the product or service.
10. Eliminate slogans, exhortations, and targets for the workforce asking for zero defects and new levels of productivity. Such exhortations only create adversarial relationships, as the bulk of the causes of low quality and low productivity belong to the system and thus lie beyond the power of the workforce.
- 11a. Eliminate work standard (quotas) on the factory floor. Substitute leadership.
- 11b. Eliminate management by objective. Eliminate management by numbers, numerical goals. Substitute leadership.
- 12a. Remove barriers that rob the hourly worker of his right to pride of workmanship. The

responsibility of supervisors must be changed for sheer numbers to quality.

12b. Remove barriers that rob people in management and in engineering of their right to pride of workmanship. This means, inter alia, abolishment of the annual or merit rating and of management by objective.

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

14. Put everybody in the company to work to accomplish the transformation. The transformation is everybody's job.

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