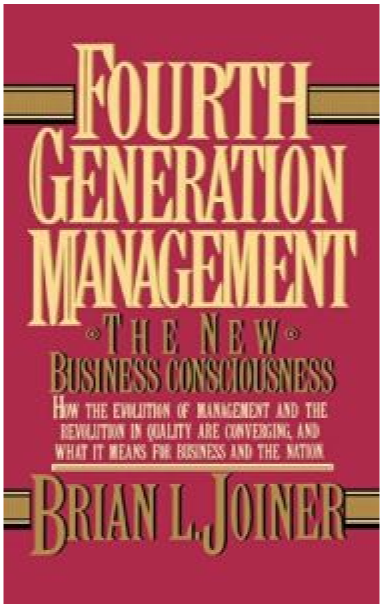

Book Fourth Generation Management

The New Business Consciousness

Brian L. Joiner
McGraw-Hill, 1994

Recommendation

To survive in today's business environment, it's not enough to just keep improving – you have to do it faster than the other guy does. Brian L. Joiner provides valuable direction in how to get better faster. This approach transcends goal-based management by focusing on the needs of the customer. Only then do apparent contradictions between customer service and cost-cutting become manageable again. The author admits that the teachings of management guru W. Edwards Deming heavily influences his advice. *BooksInShort* recommends this very helpful work to managers searching for a more enlightened, more effective approach. It will be particularly useful for those who need a strong rationale to do what they already think is right.

Take-Aways

- First Generation Management was management by doing - "if you want something done, do it yourself."
- Second Generation Management was also management by doing - the boss ordered people around.
- Management by objective, which is Third Generation Management, inspires staff to distort measurements and may encourage rivalries.
- Fourth Generation Management strives to make basic, continuing improvements in processes.
- The "Joiner triangle" is at the heart of Fourth Generation Management. It includes: 1) product quality, 2) a scientific approach, and 3) fostering an "all one team" attitude.
- Whenever you look at a problem in your company and blame an individual, you are missing opportunities to improve your company.
- By addressing fundamental rather than superficial causes, you will discover that quality and efficiency complement rather than oppose each other.
- Your company does not define quality - your customer does.
- Everyone is responsible for satisfying the customer.
- Every customer complaint is a sales opportunity.

Summary

Shortcomings of M.B.O.

Fourth Generation Management is the most effective way you can run your organization. First Generation Management was management by doing - "if you want something done, do it yourself." Second Generation Management was also management by doing - the boss ordered people around. Third Generation Management is management by results - also known as management by objectives. It involves telling your staff what you want done, but not how to do it.

> “Quality is defined by the customer.”

Third Generation Management is an improved method, but not the best. In complex organizations where teamwork and interaction are critical, managers soon learn that there are only three ways of getting better results. First, they can make fundamental improvements that lead to better quality and greater efficiency. This can be difficult, expensive, time-consuming, and risky. Second, managers can distort the circumstances, improving the measured result at the expense of unmeasured factors. These factors are equally important but not quantifiable, or they affect another department, and thus are not in the manager’s departmental report. The third way to achieve stated objectives is simply to distort the figures and use creative accounting - define away the problem before measuring it. For example, inventories more than six months old may be defined as worthless even though they are sitting in the warehouse. Third Generation Management’s shortcoming is its focus on people attaining outcomes for which they often lack the skills, authority, or knowledge. People will tend to distort the system to win kudos rather than complaints, even if the cost is overall inefficiency or friction within the organization.

Fourth Generation Management

The solution: Fourth Generation Management combines the results-oriented focus of its predecessor with a more humanistic philosophy. This approach strives to make basic, continuing improvements in processes rather than seeking someone to blame. The essence of this approach is the "Joiner triangle," which depicts three critical elements of success: quality, scientific approach, and an "all one team" philosophy.

> “Real benefits come when managers begin to understand the profound difference between ’cost cutting’ and ’eliminating the causes of costs.’”

Only the customer can define "quality." Your workers must be obsessed with delighting your customers, striving to meet their expectations rather than the organization’s. This requires a deep understanding of customers’ current and future needs, which results in offering them unexpected products and services. Moreover, this obsession does not belong only to the customer-service department; customers should be the focus of every department and employee.

> “Blame the process, not the person.”

Having a "scientific approach" refers to managing the organization as a system, thinking in terms of the process, using data to make your decisions, and developing a sophisticated understanding of how production naturally varies and fluctuates. A scientific approach to measuring and delivering what customers want, in a team-oriented atmosphere, will rapidly improve any organization.

> “As long as we personalize problems - think about them only in terms of who is at fault - we’re going to continue to have them, because the causes more likely reside in the system than in a person.”

The "all one team" philosophy simply reflects a positive belief in human nature and a commitment to treating everyone with dignity, trust, and respect. The goal is success for all stakeholders - including shareholders, suppliers, employees, customers, and the community at large. The key is that efficiency and quality are ultimately interdependent and not in conflict. "A fundamental tenet of Fourth Generation Management is that nothing happens in a predictable, sustained way unless you build mechanisms that cause it to happen in a predictable, sustained way."

The Customer-Versus-Productivity Focus

Does the customer's demand for quality stand in the way of running an economically efficient organization? Actually, quality and efficiency are often related in a way that is easy to overlook, unless you are willing to make fundamental, rather than superficial, improvements. For example, when your assembly line experiences sporadic parts availability problems, you can end up manufacturing your product in stages, which can cause workflow problems and quality issues. But if you correct your assembly process, then product quality and costs improve.

The Deming Chain Reaction

Management scholar W. Edwards Deming was renowned for his work in the United States and in Japan, dating from 1950. He analyzed and identified the leverage that flows when you eliminate needless complexity and improve processes. He called it "The Deming Chain Reaction." Under this chain reaction, improved quality leads to decreased costs and greater productivity, which in turn lead to lower prices and improved market-share. This allows a company to stay in business, provide more jobs, and generate a better return on investment. Deming focused on improving quality in order to bring about the desired efficiencies.

> "A major benefit of true customer focus is being able to identify and eliminate work in our organizations that has little meaning or value to customers."

Fourth Generation Management, which looks for fundamental causes, makes achieving this goal feasible. Why do managers so often view quality and efficiency as forces in opposition? The answer is that executives often confuse costs with the causes of costs, that is, with the fundamentals that cause inefficiencies. Cost cutting often fails to eliminate the causes of the expense, while an emphasis on quality will naturally cut costs. Many possibilities open up once managers understand the watershed difference between "cost cutting" and addressing the root causes of costs.

The Organizational System

Traditional management views organizations as a series of functions and departments rather than as an interrelated whole. View your organization in terms of the relationships among parts - instead of evaluating the separate parts themselves - or it will be difficult to achieve the desired results. Rather than strive to improve individual segments of the business, improve the business as a whole. For example, an executive discovers that the company has 132 different "profit centers," many of which have no revenues. They all struggle against other profit centers to reduce expenses. This happened because the company focused too heavily on increasing the efficiency of its individual business units, instead of on the organization at large.

The Blame Game

Companies become less effective when their managers blame individuals for problems rather than looking at the underlying systems that lead to difficulties. Management studies have shown that employees usually know where the problem areas are, but do not have the knowledge, resources, or authority to address them. Holding them responsible for something that they are powerless to change will only create friction.

> "Rapid learning is the best survival skill we can grow in our organizations."

The key is to push for "deep fixes," which occur in three layers that define how deep the fix goes. Level One is to fix the output, that is, to correct problems in the product delivered to the customer or related to the delivery system itself. Level Two is to fix the process, that is, to change the process that allowed the error to happen, and to develop ways to prevent its recurrence. Level Three is to fix the system itself, that is, to change the system that allowed the continuance of the flawed processes, which in turn led to the unacceptable product or service. This will lead to the greatest improvement.

Plan, Do, Check, Act

You can summarize the formula for achieving the best results as "PDCA" - Plan, Do, Check, and Act.

- Planning - Plan what you will do, and how you will measure your success.
- Do - Carry out the plan.
- Check - Verify the outcome and review the effectiveness of your plan and action.
- Act - Based on the results of checking, move ahead.

> “Effective, proactive handling of customer complaints presents a major business opportunity.”

In this cycle, each part leads to another important part, but you must be prepared to take the next step. Naturally, circumstances will require you to adapt your specific PDCA to what is happening. "Try out" your ideas before you attempt to implement them at large. Start small. For example, if you have been authorized to construct a new facility that will cost millions of dollars, start out with a scale model that you can show to everyone involved. Their input based on the model will more than offset its cost.

True Customer Focus

Fourth Generation Management has a very strong customer focus. Your must analyze who your company’s most important customers are, and understand their needs. If you develop this strong focus on your customers, you will be able to identify and eliminate work that has little value or meaning to them. Teach your employees that important customers belong to everyone, not just to a specific department. Moreover, managers must find a way to translate their knowledge about customers into daily activities that will benefit them. Many companies have the information they need to do the job, but lack a mechanism to share it and put it into practice. Management is responsible for addressing this gap.

Whack-A-Mole

Executives who address each customer problem as it arises are engaged in a business version of the carnival game "Whack-A-Mole," where you beat down every problem as it sticks its head up. Don’t play Whack-A-Mole. Instead, seek out and fix systemic problems that will create future difficulties if they’re left unattended. Put systems in place that share customer information throughout your organization. This means having a focus on internal as well as external customers. External customers are the most important judges of the quality of your products. How well you serve the people working inside of your organization - the internal customers - will ultimately affect your external customers as well.

Get Everyone Involved

No one can say, "That’s not my customer." All employees must be constantly reminded that they play an important role in satisfying the customer. Let people experience other tasks and roles within your organization. Let new managers get a taste of what it’s like on the factory floor. Get everyone involved in customer contact. Eliminate artificial symbols of status such as dress codes or job titles. Help employees see beyond the narrow experiences of their own jobs.

Wanted: More Customer Complaints!

You will know you understand your customers better when you get more complaints from them. Begin your annual planning by looking at your customers, rather than at your financials. Add a customer satisfaction element to each regular meeting you have. Organizations mistakenly equate a lack of complaints with customer satisfaction. When you instruct your employees to reduce customer complaints, you can experience the following negative effects:

1. People begin to argue internally over what really constitutes a complaint.
2. The staff debates which department should be charged with each complaint.
3. Customers accidentally receive the message, "We don’t want to hear complaints."

> “By working on such systems, management can improve their organization’s ability to improve.”

If you can increase the level of complaints while improving the quality of your product and service, you are sure to win many new converts - because customers whose complaints are resolved are likely to have strong brand loyalty. Understand that each complaint is a sales opportunity.

About the Author

Dr. Brian L. Joiner studied management practices for many years. A graduate of the University of Tennessee and Rutgers, he began as a statistician working in quality management. He spent eight years with the U.S. National Bureau of Standards. In 1963, he met W. Edwards Deming, the management innovator who so effectively taught the Japanese about quality. Deming influenced all of Joiner's subsequent work. Joiner and other experts worked ten years at the University of Wisconsin-Madison, to find way to use statistical principles to improve management. He worked extensively with Japanese quality experts, including Professor Noriaki Kano.