



**Keynote Address:**  
**Gregory H. Watson**  
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**ANQ Congress Tokyo 2009**  
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"Prosperity through Quality -The ANQ Way"

September 15, 2009

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**Keynote Address**

## **Shared Prosperity: The Value of Quality**

**Gregory H. Watson**  
**President**

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## Shared Prosperity: The Value of Quality

### Abstract

Today, there is much talk about “values” and “ethics” and “governance.” A great deal of this conversation has been stimulated by defects, or thing that went wrong in our management of either governments or businesses as both have had a negative impact on our economy. It is the obligation of quality professionals to ask: what can we do to support the world’s growing crisis with the philosophies, methods, and tools that have evolved in our community over the past century? Addressing such a question causes an examination of the roots of our profession – not in terms of methods and tools, but in terms of *the philosophy that drives managing by quality*. We must understand its metaphysical and epistemological foundations. We do quality for what reason? When we do quality how do we know we are the right thing and that we are doing it rightly? This address describes a study requested by the American Society for Quality in 2006 and has been evolving ever since. The study asks the question: “what is quality?” and “How should quality be defined so it will be accepted by the next generation?” Both of these are very good questions – this presentation provides some answers that have evolved from this study!

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## Productivity alone is not the answer!

Ivan Aleksandrovich Ilyin (1893-1954)  
Russian Dissident Philosopher

Essay: "Salvation through Quality" (1928)  
Translated by: Gregory H. Watson

"Scrutinize the history of Russia, the fate of its people, ponder upon its wreck and humiliation and you will see, that all its basic difficulties came from an over-emphasis on **volume** and **quantity**."

"We trust and are confident that the hour will come when Russia will rise from disintegration and humiliation and begin an epoch of new development and greatness. But it will revive and blossom only after Russian people understand that they have to *search for salvation in quality*."

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## Poor quality degrades economic results:

- **Productivity is a natural link for quality:** it assesses results (output) as a function of effort consumed to produce them.
- But, as Ilyin observed, **effort that does not produce high quality is actually economic waste** (output (volume) that does not achieve desired performance quality).
- Output for the sake of production quotas is waste; **output must be generated to meet real needs of people.**
- In addition, this **output must be valued by the consumers.** **Output must also be purposeful and useful – otherwise** it becomes waste (output not consumed for its intended purpose) which generates **an economic loss for society.**

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## Lessons from RMS Titanic:



Scene from the movie "Titanic:"

- J. Bruce Ismay, Managing Director of the White Star Lines, which was the owner of the RMS Titanic:  
"But this ship can't sink."
- Thomas Andrews, designer of the RMS Titanic, then replied:  
"She's made of iron, sir. I assure you, she can."

**Do we adequately consider the potential for failure ...  
... or just plan for success?**

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## A “quality” approach to mutual prosperity:

- Quality is coupled to the economic concept of producing exceptional value as judged by society’s consumers.
- Genichi Taguchi taught that **poor quality results in a loss to society**. Noriaki Kano encouraged mankind to **pursue attractive quality**. From these two complementary ideas, it is clear that **lack of quality causes a loss for everyone**.
- Quality is not a ‘zero-sum game’ where ‘I win-you loose!’ When we achieve high quality then we all win! It must be mutually beneficial – good outcomes for all!
- Prosperity is a state of ‘economic well-being’ – ‘success’ – or affluence. **‘Shared prosperity’ implies a democratic state of economic freedom.**

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## Economic obligation of social responsibility:

- Economic freedom is an essential ingredient of democracy. **What is this freedom? A form of equality – establishing characteristics that are equal in terms of quality or value.** We understand “freedom” from a quality perspective as being free from waste, loss, abuse, bigotry, defects, failure, abuse: all negative aspects in our life’s experiences. When we obtain such freedom, then the outcome is high quality – an outcome which is felt in improved quality of our lives.
- **Quality is socially responsible:** mankind must not squander the world’s scarce resources by consuming them poorly. In the end, **quality outcomes generate economic value!**

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Quality is both content .... and .... process!



We use the word “quality” to refer to the attributes of a product (its content) as well as the methods by which it is produced (the process).



Considering quality as content ....

Content

- We often think of quality in terms of the attributes of a product or service – the performance that it delivers or the characteristics that define its performance as better than its competitive alternative.
- When judged as “**content**” of a deliverable, quality can be used as a “**relative indicator of worth**” and a standard of value in comparing choices between alternatives.
- If defined this way, then the economic impact of the process for delivering quality is not included in the definition. **Here case quality can ‘cost too much’** because the means for the delivery of quality outcomes is not included in the definition (e.g., does waste occur to produce the result?).



## Dimensions affecting quality outcomes:

### What defines the 'quality' of an outcome result?

This quality should be evaluated using five **product** factors:

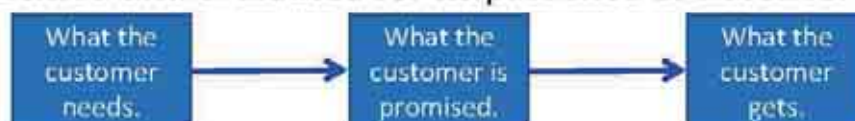
- **Useful:** does the outcome deliver '**fitness for its intended purpose**' – do customers judge that '**attractive quality**' has been delivered – does it **perform its designed job**?
- **Responsive:** is this use **adapted to desires of consumers**?
- **Available:** are outcomes **accessible on demand** according to the customer's desired right for use?
- **Reliable:** does the outcome **operate consistently** over the lifetime of its intended usefulness?
- **Economic:** is the **outcome affordable** in its useful lifetime?



## Considering quality as a process ....

The process for delivering content to customers.

- Another viewpoint on quality is that it consists of a set of procedures, tools, methods, and philosophies that must be followed to assure work performed meets its standard. In this approach, quality is a "checklist" item where each of the activities required to practice quality is specified and evaluated for its presence or absence.



- **Quality 'content' is delivered by a set of processes that coordinate activities in the 'value delivery process.'**



## Sphere of influence for quality approach:

### What defines the 'quality' of the process performance?

This quality should be evaluated using five **process** factors:

- **Effective** achieving **customer-expected performance**.
- **Efficient**: assuring that there is **no waste** in the process of delivering the performance.
- **Informative**: assuring that **profound knowledge** is gained through careful observation of daily work performance.
- **Economic**: delivering performance at the **lowest total cost** throughout the total useful life of the product or service.
- **Risk-free**: **eliminating unintended consequences**, all the risks or threats if performance doesn't occur as planned.

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## Considering quality as a system ....

- Many balk at definitions like "I'll know it when I see it!" – quality must be **producible on purpose** – not an accident!
- They prefer to judge quality using compliance to standard requirements and they speak of a **probability of meeting standard expectations** (e.g., process capability).
- Additionally, they observe that the means for delivering the result must contribute to the cost-effectiveness of the total outcome – **waste cannot purchase quality margin**.
- When defined this way, **quality must be understood from a systems perspective: both the content and the process for consistently delivering customer-expected results**.

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## Quality requires coordinated human activity:

### What defines quality in a shared work environment?

But, **people make the product** and **people also operate the process**, so **people must be factored into quality** – some answers to key questions establish how quality is achieved!

- How does an organization establish mutual respect?
- How does an organization deliver value to customers?
- How does an organization collaborate in teams?
- How does an organization make decisions using facts?
- How does an organization develop consensus?
- How does an organization act rationally, empathetically?



## So, what does it take to do quality?

- **Quality is excellence:** excellence in practice and in results. Aristotle said: **“excellence is a habit!”**
- To achieve consistent excellence requires:
  - **Sense of urgency:** a will to confront the need to improve.
  - **Stewardship Attitude:** integrity foremost; putting service above one’s self; and relentlessly pursuing excellence.
  - **Knowledge:** mastery of those methods required to uncover facts and interpret events and thereby gain understanding.
  - **Discipline:** the plodding persistence in step-by-step moving forward in the never-ending pursuit of excellence.
  - **Practice:** hands-on experience in increasingly responsible tasks to become a role model for the pursuit of quality.





## Thus, quality is a capability that is within you!

Returning to Ilyin's essay "Salvation through Quality," two observations can be made:

- **Doing quality is not enough** – it is essential that a quality method must be applied and quality content be defined and people work together to achieve common goals. But this is insufficient to deliver prosperity in the long term.
- **Being quality is required** – because "soft stuff is the hard stuff" – consistency in our behavior, thinking, talking, and acting is required to develop our own quality role model.

**Excellence is a habit that we must develop within ourselves through discipline that is reinforced by continuous learning.**

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## Considering quality as a global value ....

- This views of quality meets **micro-economic** requirements for a single business.
- The idea of "**quality for prosperity**" is a **macro-economic** application of quality "**thinking and doing**" so that it can become a "**cultural way of being**" that applies to society as a whole.
- To achieve macro-economic quality, the whole of a society must embrace the way of quality; **prosperity must become the objective for all mankind through a pursuit of quality!**
- **Ilyin was right: mankind's salvation is through quality!**

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THANKYOU

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## **Gregory H. Watson**

- **Current Positions:**
  - President, International Academy for Quality
  - Chairman, Business Excellence Solutions, Ltd.
  - Adjunct Professor, Industrial Engineering, Oklahoma State University
- **Past Positions:**
  - Chairman and president, American Society for Quality
  - Vice President for Quality (Xerox Office Document Products Division)
  - Vice President for Benchmarking (American Productivity & Quality Center)
  - Director of Corporate Quality (Compaq Computer Corporation)
  - Manager, Quality Leadership Development (Hewlett-Packard)
- Born in New Jersey, USA in 1948, living in Helsinki, Finland.
- Honorary Member: Argentine Institute for Quality and Excellence, Azerbaijan Quality Association, Chartered Quality Institute (United Kingdom), Singapore Quality Institute, and Russian Organization for Quality.
- Fellow: World Academy of Productivity Science, American Society for Quality, Royal Statistical Society, and Australian Organization for Quality.

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