

Viewpoint

Arthur D. Little's Experience with TQM

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Arthur D. Little's experience with Total Quality Management (TQM) has both emerged from and helped to shape our corporate strategy, which, in turn, is designed to meet a number of goals. Although Arthur D. Little's goals predate our commitment to the specific techniques of TQM, in a sense they have always embodied its essential principles.

For example, our primary goal has always been to provide the highest possible value to our clients – a central theme in TQM. Additional goals are to provide a stimulating and rewarding environment for our staff and to generate satisfactory financial returns for the firm's owners.

These goals are entirely in harmony with the fundamental philosophy of TQM, which is that a balance needs to be achieved among the interests of customers, employees, and owners. In our case, balancing the interests of employees and owners is no longer an issue, because, since we took the company private in 1988, our employees are our owners. Nonetheless, we find it useful to think of ourselves in these two roles – as employees and owners – as we strive to achieve balance and satisfaction among our various constituencies.

Designing Strategies to Meet Our Goals

Our goals guide us as we design our strategies. We begin with a realistic assessment of our capabilities – areas of relative strength and weakness. These are our point of departure. We then take a hard look at our markets, keeping a watchful eye on customers' needs, market trends, competitors, possible alliances, new technologies, and other risks and opportunities.

By combining these two focuses – internal and external – we are able to come up with strategies that both take advantage of our strengths and build new strengths where we need them to serve our changing markets. We define these markets in three basic ways, in terms of geographic region, industry, and function.

Geographically, we offer our services primarily in North America, Latin America, Europe, and the Asia Pacific region.

In terms of industries, our resources are particularly strong in chemicals, consumer goods, electronics, energy, financial services, general manufacturing, health care, information technologies, telecommunications, and travel, tourism, and hospitality.

In terms of functional expertise, Arthur D. Little's consulting services include strategy and organization; operations management; information and telecommunications management; technology and product development; environmental, health, and safety management; and public enterprise management.

With our goals and strategic directions set, we make sure that the strategies we adopt are realistic and viable. Most important, we make sure that they are flexible, so that we can respond with agility to new developments in markets, technologies, or competitive conditions. For example, we recently added a number of new staff members to our rapidly growing practice in the area of environmental, health, and safety management. In Europe, to supplement our efforts in Wiesbaden and Munich, we have just opened an office in Berlin. In the Asia Pacific region, too, our staff has expanded rapidly, and we have just opened an office in Sydney.

Seeking Continuous Improvement

Once strategies are in place, there follows a continual process of fine-tuning. We seek opportunities for incremental improvements in every area of our operations and at all levels of the organization. We are convinced of the superiority of strategies based on smaller, incremental improvements over those based on grandiose leaps. Toward that end, we are committed to using the techniques of TQM to make Arthur D. Little a truly self-improving organization.

TQM is a philosophy and a set of principles and problem-solving approaches that, in concert with the skillful management of reward and recognition, create a continuously improving organization. Total Quality Management is about doing the right things and doing them right. It's about doing everything a little bit better – or a lot better – all the time.

In a sense, TQM is a natural extension of what Arthur D. Little is all about. For more than one hundred years, we've been helping clients all over the world do the right things – and do them right. We have always been practitioners – and innovators – in the area of quality management. But in our zeal to serve our clients, we have not always applied the same exacting analysis to our own operations.

How do you choose the right things to do, and how do you determine the right ways to do them? You ask the people who are in the best position to know: your customers and your employees.

It is a fundamental principle of Total Quality Management that for every product or service there is both a provider and a customer. The provider or the customer may be inside the company or outside it. Everyone in the company, from the CEO to the clerks in the mail-room, is a provider of services to someone else who is his or her customer. Good ideas for continuous improvement are likeliest to emerge from a free, friendly, cooperative interaction between each provider (or group of providers) and his or her customers.

The Role of the CEO

The role of the chief executive officer is to guide and facilitate this interaction in four ways:

- By making sure that the company is addressing all the important issues – that is, the issues that contribute to the satisfaction of clients, employees, and owners.
- By ensuring that the company is taking all appropriate actions.
- By using the best resources available – in terms of both staff and finances – to address the key issues.
- By providing inspiration and motivation for change.

For TQM to work, employees at all levels must be freed from any fear of challenging the status quo. This attitude of welcoming change is not always easy for managers to adopt. The CEO needs to serve as a model for all managers, as someone who genuinely respects the diverse expertise residing in employees at all levels of the organization. He or she must also promote the TQM process by awarding recognition for innovative improvements in products and processes.

The success of any TQM program rests on three fundamental tenets, without which it won't work:

- The people who do the work know it best.
- People want to do the best jobs they can.
- Responsibility and authority should reside at the lowest possible level within the organization.

These ideas sometimes encounter resistance among middle managers, who see themselves giving up some degree of power and authority to the people who work for them. Senior managers in general – and the CEO in particular – must help middle managers by, in turn, giving up some of our power and authority to them. We must demonstrate our commitment to the TQM process. It must be clear from our actions that this is not a gimmick, that we are serious about accepting and encouraging change, that we will not preserve or defend the status quo, and that we intend to move decision-making to the lowest possible levels in our organizations.

In other words, the role of the chief executive officer is not to have all the answers, but to be sure that the answers are being generated in the appropriate places in the organization.

Implementing TQM at Arthur D. Little

Toward that end, over the past two years Arthur D. Little has undertaken a major effort to apply our expertise in quality management to our own operations. We have embraced the principles and techniques of TQM and are committed to becoming a self-improving organization.

Under the leadership of an appointed Continuous Improvement Steering Committee, we began by creating an introductory training session to teach quality awareness and the application of TQM techniques. This training was presented first to senior management, then to the managers of our sections, offices, practices, and departments, and then to everyone else in the company worldwide.

At the same time, we trained some of our staff to serve as trainers and facilitators, both to conduct our own program and to expand our client services in this area. And we developed ways of assessing the quality of our products and services by measuring the satisfaction of our three key constituencies: clients, staff, and owners.

The satisfaction of our owners – that is, ourselves in our role as investors in Arthur D. Little – can be measured fairly routinely in terms of the company's financial performance.

To determine the level of staff satisfaction, we are conducting staff surveys on a wide range of company policies and procedures. In addition, we have identified areas that offer clear opportunities for improvement and formed TQM teams to pursue solutions. We began with simple, easy-to-accomplish projects and became more ambitious as we gained experience. Recent projects have included improving our planning process, streamlining our recruitment and hiring process, strengthening the entire area of staff development, and improving working capital utilization.

At the same time that we undertook all these internal self-improvement projects, we took a hard look at our relationships with our most important constituency – our clients. Recognizing that we needed more information from our clients about how they perceived our work, we introduced a simple but highly effective client feedback program.

Here's how it works: About three months after the conclusion of each client project – or each major phase of a very large project – a designated senior staff member visits the client to learn how the client feels about our work. We have found that a client can sometimes speak more frankly with someone who was not involved in the work than with the members of the project team.

We ask some very direct questions: How well did we do? Did we meet your expectations? Are you satisfied? Would you turn to us again when you need assistance?

The client feedback system is improving our client relationships and our performance in many ways. Most important, it is helping us understand the value of our work to our clients. It is also bringing us closer to our clients and letting us learn more about their needs. It is yielding suggestions for improvements in our consulting process, our output, and our client interactions. It is actively demonstrating our overall commitment to quality, and it is fostering business development.

I am pleased to report that our clients, on the whole, are highly satisfied with our work and intend to engage us again. They are also extremely happy with the client feedback program. Many of them have expressed delight that we are interested in understanding what they think about our work and its value to them.

Conclusion

Total Quality Management is alive and flourishing at Arthur D. Little. In every area of the company, staff members are actively meeting with the people to whom they provide products and services and are using TQM techniques to improve their work processes. Even people who were initially skeptical are expressing excitement about the way the process helps them to work more effectively.

We are now working in partnership with Opinion Research Corporation and ODI – a specialist in quality-management training programs – to assist our clients in implementing similar Total Quality Management programs in their organizations.

And our implementation of TQM, although still relatively new, is beginning to convey significant benefits. We are already seeing reduced waste of both time and resources. We are also beginning to see improvements in the areas of service quality, productivity, and morale.

These early results are highly encouraging. But, for us, TQM is a long-term investment and a commitment. We are confident that, as our program gains momentum, we will see more and more positive change being generated throughout the company. Clearly, we are beginning to become a continuously improving organization.

Charles R. LaMantia is president and chief executive officer of Arthur D. Little, Inc. This article is based on a presentation Dr. LaMantia made to senior executives in Caracas, Venezuela, in October, 1990.