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**DAY 8:**

**A NEW CLIMATE**



## DAY 8: A NEW CLIMATE

(9.00am – 1.00pm; 2.00pm – 6.00pm)



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## DAY 8: A NEW CLIMATE

In a nutshell, Peter Scholtes's "tremendously good guidance" referenced on Day 5 page 22 [WB 90] regarding major issues was that, in general, management needs to start to develop some right things ("good practice") before it can safely start to dispose of wrong things ("bad practice").

So it might have seemed illogical for me to then spend virtually the whole of yesterday telling you about *bad* practices rather than *good* ones! But there were three main reasons why I did so. First, despite all that had gone before during the first half of the course, it may be that you were still unconvinced that very much really needs to change. If so then I hope that Day 7 finally altered your opinion. Second, as an interim measure, it might be possible for you to stall attempts by others to introduce yet further bad practices—now that you're aware of how bad they are. At an early stage, this will be easier than getting rid of bad practices that are already well-established. And third, I really wanted to "clear the decks" of studying the bad practices so that from now on in the course we can at last largely concentrate on studying the good!

There will nevertheless still be occasional reminders of the bad: e.g. on Day 12, in contrast to Deming's System of Profound Knowledge, we'll take a look at Peter Scholtes's "System of Profound Trouble"!

As described near the beginning of the course, this overall structure largely reflects the way that the four-day seminars developed during the second half of the 1980s. At the start of that five-year period the concentration was largely on the bad practices—let's call that a focus on the "Old Climate". By the middle of those five years, the "New Climate" had begun to emerge. And, by the end of the five years, the New Climate had become well-established: the New Climate of good practice based on good theory.

By now you know that, from time to time, I tell you some bits and pieces of personal history. Here comes another. Some time in 1988, Dr Gopal Kanji was planning to launch a new journal entitled *Total Quality Management*. Gopal invited me to write an article for the first issue. What an ideal time for such an invitation! The article just *had* to be on "The New Climate". And, before long, I needed to contact Gopal to ask him if he could find room in his journal not merely for a single paper but for three, to be serialised over the first three issues of the journal. (By now you also know that brevity is not my strongest point!) Gopal agreed. The overall title of the three-part article was simply "Deming '88".

"Deming '88" was not aimed at newcomers. Instead, its purpose was to introduce the "New Climate" to those who were already familiar with Deming's work as portrayed in *Out of the Crisis* (which, recall, was published in 1986) and/or had attended a four-day seminar some time in 1987 or previously, i.e. during the time of what I've just referred to as a focus on the "Old Climate". Part 1 of "Deming '88" was titled "Win-Win, Joy in Work, and Innovation". In Parts 2 and 3 (quoting from the opening page of Part 2) "we revisit the 14 Points, both in the light of these three themes and also incorporating much enlightening material from four-day seminars and other presentations which Dr Deming gave in 1988".

I drafted the three-part article early in 1989 and sent it to Dr Deming for him to read and comment upon if he had the time. When I next saw him he handed the envelope back to me on which he had written a typically concise note. The note began with a compliment which would be embarrassing for me to reproduce here, but finished with: "You must turn this into a book." It was one of the very few occasions when I was ahead of him: *DemDim* was already under way! The first part of the article became the basis of Part 3 of *DemDim* which comprises just three chapters:

Chapter 13. Joy in Work

Chapter 14. Innovation—Not Just Improvement

Chapter 15. Cooperation: Win-Win—Backbone of the New Philosophy

The other two parts of the article became the basis of Part 5 of *DemDim*.

As will have been clear to you on Day 6, during the 1980s Gallery Furniture was infested with many of the major issues discussed yesterday and more besides: appraisals, reward and punishment, ranking, commissions, fear, internal rivalry, targets, fudging figures. Then, after the transition in the early '90s, what did they do instead? Here is one way that Mack summarised it in 1993 (I didn't quote this on Day 6):

“There is now intense **cooperation** where there was intense **competition**. Everyone wins.”

And, as you have now seen, cooperation is one of the three features that I included in the “New Climate”, both in the journal article and in *DemDim* Part 3. Without doubt, all three of the topics in *DemDim* Part 3 figured largely in the Gallery Furniture of the 1990s and subsequently. However, that is not why Part 3 of my book is what it is. Like the article, *DemDim* was written in 1989, two years before I had ever heard of Gallery Furniture—and over a year before Mack had even heard of Dr Deming! Mack did what he did because he learned from Dr Deming. I wrote what I wrote because I learned from Dr Deming. The reason for the similarity between what I wrote and what happened in Gallery Furniture is that both Mack and I were “singing from the same song-sheet”.

So first, to set the scene, please

- **look back at Day 1 pages 38–39 to re-read the short section introducing “A New Climate” in “The Deming Story”; and then**
- **read the introduction to Part 3 of *DemDim* (pages 195–196).**



## OUTLINE OF TODAY'S WORK

The structure of today's work is particularly straightforward. It divides into four parts. The first three parts consist respectively of you reading *DemDim* Chapters 13, 14 and 15 on The New Climate and then immediately embarking upon an Activity. The Activity asks you to consider five questions that relate the content of the chapter to "your organisation" (interpreted as on the previous two days). The five questions are of exactly the same form in all three parts.

The fourth part is today's Major Activity, and this very much follows the lines of the "Example: Huge financial advantages of cooperation" which occupies the final pages of *DemDim* Chapter 15, beginning at page 232. As with the earlier Activities, this Major Activity is entirely concerned with applications to your own organisation. However, in this case you have some considerable choice on the details of *how* you relate it to your organisation. Those details involve you choosing which parts, departments, sections, etc of the organisation you wish to include. Because of this breadth of choice, it could be very useful (and is entirely feasible within the normal timeframe) to carry out the Major Activity more than once with different selections of the areas to involve. You should therefore print out extra copies of the tables to be used during the Major Activity for this purpose (see Note 2 below).

Although, as always, I am including some suggested timings, today's very straightforward four-part structure will make it easy for you to adapt them, if desired, to suit your own particular circumstances and preferences. My indicated timings have been chosen primarily with the individual student in mind, and include the opportunity to carry out the Major Activity at least twice as just mentioned. However, if you are studying in a group, your discussions following the reading of the three *DemDim* chapters and then considering the applications to your organisation could well become quite lengthy. If so, rather than curtailing the discussions to fit into a suggested timeframe, it could well be more valuable for you to continue with the longer discussions. In this case you might instead aim to carry out the Major Activity just once. Because of these various possibilities, I have not included any timings within today's Major Activity.

*DemDim* Chapters 13 and 14 are quite short—only six and ten pages respectively. Chapter 15 is quite a lot longer, and so I have allocated extra time for the reading there. Further, it makes sense to postpone reading those final pages mentioned above (from *DemDim* page 232) until near the start of the Major Activity.

### Two important notes

1. The "Huge financial advantages" in the title of the *DemDim* illustration most certainly include some of Lloyd Nelson's "unknowable" or "invisible" figures. On *Out of the Crisis* page 104[121] Dr Deming refers to Lloyd as saying that "the most important figures that one needs for management are unknown or unknowable"—so have no doubt that they *do* affect the organisation's "bottom line"!
2. On Day 7 page 36 I advised you that you would need to print some copies of the tables to be used in today's Major Activity. I recommend that you print out *single*-sided copies of those tables. For your convenience, the tables (which you'll first see on pages 19, 21, 23, 25 and 27) are reproduced all together on pages 29–33 [*WB* 130–134]: you may need up to three or four copies of them. Tables for a slightly different version of the Major Activity are provided on pages 34–38 [*WB* 135–139]. Further, access to a copier that can produce enlargements would also be useful so that you will have more room in which to write your entries in these tables.

For the rest of today there will be no more writing from me other than to guide you through the reading and the Activities.



## JOY IN WORK

So now please **read *DemDim* Chapter 13 (pages 197–202): “Joy in Work”**.

*Activity 8–a (pages 4–5) is also on Workbook pages 124–125.*

### ACTIVITY 8–a

Is there much Joy in Work in your organisation—either on your part or anybody else’s?

What kind of things in your organisation prevent, or at least obstruct, Joy in Work?

What harm does lack of Joy in Work do to your organisation?

What kind of things could be done in your organisation to encourage and enable more Joy in Work?

What kind of benefits to your organisation could result if there were to be more Joy in Work?



## INNOVATION—NOT JUST IMPROVEMENT

Next please read **DemDim Chapter 14 (pages 203–212): “Innovation—not just Improvement”**.

*Activity 8–b (pages 6–7) is also on Workbook pages 126–127.*

### ACTIVITY 8–b

Is there much innovation in your organisation—either on your part or anybody else’s?

What kind of things in your organisation prevent, or at least obstruct, innovation?

What harm does lack of innovation do to your organisation?

What kind of things could be done in your organisation to encourage and enable more innovation?

What kind of benefits to your organisation could result if there were to be more innovation?



## COOPERATION: WIN-WIN—BACKBONE OF THE NEW PHILOSOPHY

Now please **read pages 213–231 of *DemDim* Chapter 15: “Cooperation: Win-Win—Backbone of the New Philosophy”**. As mentioned earlier, the final pages of this chapter particularly relate to today’s Major Activity, so it will be sensible to postpone those and read them as an introduction to the Major Activity when the time comes. You still have plenty to read here—more than in Chapters 13 and 14 combined—and I have therefore suggested a little more time for this section.

*Activity 8-c (pages 8-9) is also on Workbook pages 128-129.*

### ACTIVITY 8-c

Is there much cooperation in your organisation—either on your part or anybody else’s?

What kind of things in your organisation prevent, or at least obstruct, cooperation?

What harm does lack of cooperation do to your organisation?

What kind of things could be done in your organisation to encourage and enable more cooperation?

What kind of benefits to your organisation could result if there were to be more cooperation?



## INTRODUCTION TO THE MAJOR ACTIVITY

Had I not already given the game away earlier, you might have suspected that today's Major Activity would be similar to the First Project on Days 4 and 5, simply replacing the three foundations of the Joiner Triangle by the three "New Climate" topics that you have now been studying. Indeed, I often gave my seminar delegates such a challenge, and it always turned out to be very fruitful. So, in the unlikely event that you have time to spare, that is something else you might like to try!

Instead however, as described earlier, the Major Activity here is based on the idea of the exercise which occupies the final nine pages of *DemDim* Chapter 15. This exercise has rather a good pedigree: some three years later, Dr Deming was kind enough to reproduce much of my presentation of the exercise as it appears in *DemDim* (although with some differences in detail) in his own presentation on *The New Economics* pages 57–60 [82–87].

Before you spot them, I will confess to a couple of silly errors. Near the bottom of *DemDim* page 232 I should have stated the year 1988 rather than 1987, and "education" would have been more appropriate than "training" near the top of *DemDim* page 239. Heigh-ho: another lesson to learn is that, however much one may strive for perfection, it is rarely achieved.

As with the exercise in *DemDim*, you will proceed through this Major Activity by filling in a sequence of tables. Although there are, of course, some similarities between the tables here and those in *DemDim*, they could not be exactly the same since obviously I cannot know your answers in advance. But, however the tables are designed, it is always necessary when starting to fill in a new table (except, of course, for the first) to copy over some material from one or two of the previous tables. Obviously, when the tables are all bound together as in a book, that would involve a lot of turning backward and forward between the pages – which can become rather tedious. This is why I suggested on today's page 3 that separate single-sided copies of the tables would be preferable: they will avoid all that page-turning. (You *could* work throughout with a single table and thus avoid the copying over. However, this would involve a lot of crossing things out or erasing them, resulting in a rather messy end-product. As a result, when you look back over the Activity, you might well find it rather difficult to see exactly what you've done!)

As an introduction to the Activity, please now **read the final section of *DemDim* Chapter 15 (pages 232–240)**. Read it reasonably carefully in order to get the general idea. But you do not need to take in every detail since, as just indicated, the versions of the tables that we'll use this afternoon are somewhat different from those in *DemDim*. Nevertheless, the overall approach and the lessons to be learned from the two versions are the same. The fundamental point is that if, say, Area A does something which harms Area B, i.e. makes its work more difficult, lowers its quality and reliability, etc, that harm then also harms Area B's "consumers", be they internal or external. And so the harm done carries on spreading, thus harming the operation of the system, i.e. of the *organisation*, as a whole.

I shall begin this afternoon by running through the *DemDim* illustration again but also introducing you to the version of the tables that I shall ask you to work with in the subsequent Major Activity. In the latter you will develop this exercise in the context of your own organisation.

I strongly recommend that you use one of your duplicate sets of tables to mimic the *DemDim* illustration as we go through it this afternoon, starting on page 13. That will help you to familiarise yourself with the method and procedure that we are using with these tables. Thus, when you subsequently start to work on your own illustrations, that prior "on-hand" experience will better enable you to concentrate more on their substance and on what there is to learn from the exercise rather than on the mere mechanics of the procedure.





## INTRODUCTION TO THE MAJOR ACTIVITY (continued)

The very first paragraph in the final section of *DemDim* Chapter 15 that I asked you to read just before the lunch-break is so important that Dr Deming reproduced it virtually word-for-word when introducing the same exercise on *The New Economics* pages 57–58 [82–83]. Here is his version:

**“Illustration of selfish competition versus cooperation between departments.** Harm comes from internal competition and conflict, and from the fear that is thereby generated. A manager of purchasing, under pressure to reduce costs, changes to a cheaper source. Engineering Design imposes unnecessarily tight tolerances to compensate for the fact that Manufacturing never reaches the standards asked of it. Departments performing better than budget start spending near the end of the year because they know that otherwise their next year’s budget will be reduced. As the end of the month looms, salesmen start doing everything they can to meet their quotas, with scant regard to the problems caused to Manufacturing, Administration, and Delivery, let alone to the customer. Figures are massaged, computations redefined, so that reports show more of what senior management wish to see.”

For added authenticity I shall refer to Dr Deming’s wording in what follows. I think you may already have realised how this description contains clear echos of Gallery Furniture as it was during the 1980s!

Let’s recall the main points of what you will have seen in that section from *DemDim*: a story essentially told by the succession of tables in Figures 43–48. In the way that the tables are laid out there you saw that, in a sense, the exercise takes the organisation “from darkness into light” regarding understanding and application of the Deming philosophy. The shaded (“dark”) sections in those tables indicate possibilities that are initially not being considered or, later, have been rejected as not being of benefit to the organisation. So, with Figure 48 (*DemDim* page 238) in particular, the “huge financial advantages” in the title of the exercise become available by *only* adopting the options in the “light” parts of that table.

The presumption is made here that the organisation starts out entirely at the dark end of the dark-to-light spectrum. The same presumption will be made in the Major Activity concerning your own organisation, and so the layout in the Major Activity will reflect this.

On the other hand, if you are fortunate enough to be in an organisation that is *not* completely at the dark end of the spectrum, you can enjoy yourself by initially *pretending* that it is! So think of what the areas might be coming up with if self-protection and self-interest were the name of the game rather than the good of the organisation as a whole. Of course, it might just be that that description reminds you of an organisation for which you previously worked! If so, you could use that as “your organisation” here.

It may be helpful if I quote to you a further extract from Mack’s Gallery Furniture presentations that I did not include in the abridged account on Day 6:

“Before, in the 1980s, we managed the business with chimneys of excellence. Every department had a quota and a budget, and they were expected to stand up by themselves. We had the Sales Department, we had the Pick-Up Department, Data-Processing, Receiving, the Delivery Department, the Back Office. And every one of them had their own little chimney of excellence, and they would never talk to the other departments; they were almost in *competition* with each other.”

Get the picture? Sound familiar? That is the dark end of the spectrum.

So, as you have seen, the envisaged situation is this. Various proposals for development are being considered by each department or section or group (for which I’ll generally use the word “area”) in the organisation. The exercise takes the organisation through three phases, these phases reflecting the organisation’s (particularly its management’s) developing understanding and use of Deming’s teaching. We then study how decisions are made in each of those three phases and their consequences in terms of total gain or loss for the organisation as a whole.

Now, the version of the exercise as laid out in both *DemDim* and *The New Economics* is admittedly rather basic, not to say crude! But it serves its purpose in demonstrating the main kinds of differences that result from the three phases and their consequences. So I shall stick to this basic version for the time being in order for you to see how the same results as those in either book are obtained when using the tables provided in this Activity. Then, when moving on to your own use of the exercise, I'll suggest some amendments that you might like to adopt in order to make the exercise less basic and more flexible and realistic.

The first of the three phases is the “darkness” phase; this reflects the description in Deming’s paragraph reproduced on the previous page. In its decision-making and its choice of strategies, procedures and operations (for which I’ll generally use the word “options”), each area is simply focused on what will be best for itself, irrespective of harm which might be caused elsewhere. It’s as far away as can be imagined from the Joiner Triangle’s “All One Team” and from “Cooperation: Win-Win”. You might like to look back to Deming’s paragraph to confirm that this is indeed the case. Such an approach is often not the “fault” of those involved in the decision-making: it is simply a consequence of the organisation’s management style, culture, methods, and attitude to appraisal and to reward (or the opposite), etc.

In the second phase, there is now *some* understanding of Deming’s fundamental concept of viewing the organisation as a *system*. Recall the hugely important flow diagram on Day 1 page 35 which appeared on that page as the very first item in his list of “[A Summary of Teachings to Top Management and to Engineers in Japan](#)”. For those in the area considering adopting a certain option, this change immediately refocuses their attention from being wholly concerned with the effect of that option *within* their own area to also appreciating its likely effects *elsewhere* in the organisation. Even though the option appears likely to be beneficial *within*, should it unfortunately appear likely to be too detrimental *elsewhere* then that option will now be rejected (whereas it would have been happily accepted during the first phase). The consequence of this change of attitude is twofold: (a) less options are now adopted than would have been the case in the first phase, thus involving less work, disruption and change, and yet (b) the organisation as a whole is better off than it would have been if the options initially being considered *had* all been adopted. Sounds like win-win to me!

So what’s the third phase? This is the one that really reflects Deming’s phrase (see Day 1 page 27): “[transformation of Western style of management](#)” (although the style of management that could do with transformation is hardly unique to the West!). In the second phase, although the various areas now also consider the likely effects of their proposals elsewhere in the organisation, they are still *only* considering possibilities that appear directly advantageous to their own area. What’s new in the third phase is that they also start to consider options which, on the face of it, are *disadvantageous* to their own area but will still be adopted if the gains elsewhere warrant it. The exercise demonstrates that this produces yet further gains for the organisation as a whole. An obvious example is where Purchasing now decides to buy something more expensive than before if its superior quality and reliability etc are worth it.



So let’s now take a look at the tables provided in this Major Activity. As I mentioned on page 10, there are similarities with, but also differences from, the tables in *DemDim*. To avoid confusion you may therefore now largely prefer to ignore the book version: to help you do that, where there are such differences I’ll now mostly place references to them in brackets. Also to help reduce any confusion, in future I shall:

- (i) refer to the *DemDim* tables by their Figure numbers 43–48, *not* their Table numbers 1–6; and
- (ii) refer to the table numbers here in words, i.e. Table One, Table Two, ..., up to Table Five.

*DemDim* Figure 43 is simply a blank sheet, merely showing that this particular use of the exercise involves just three areas. So I haven’t wasted space here by including a version of that blank sheet. The first table to be provided here, Table One (see the next page), is essentially the same as *DemDim* Figure 44. In the Major Activity you will be using full-page versions of these tables. During this introduction I shall use small

versions, and will show you each table both before it is filled in (on the left) and then after it is filled in using the details in the *DemDim* exercise, as you can see with Table One below.

As mentioned on page 3, the tables used in the Major Activity are reproduced on pages 29–33 [WB 130–134]. Also, on pages 34–38 [WB 135–139] I have included an amended version of the tables for considering four areas rather than just three. If you only have time to go through the Major Activity just once then, for simplicity, I imagine you would prefer to stick to a three-areas case: therefore that is the version of the tables included within the text of the Major Activity.

Here then is Table One, firstly as you will find it in the Major Activity (apart from being about one-fifth of its size!) and then secondly corresponding to the details in the *DemDim* exercise. (Now is the time for you to recall and act on the small-print paragraph at the bottom of page 10.)

Areas and their Options	Effects of Options		
	Effect on	Effect on	Effect on
	A:	B:	C:
A:			
B:			
C:			

  

Areas and their Options	Effects of Options		
	Effect on	Effect on	Effect on
	A:	B:	C:
A: a1 a2 a3	+		
B: b1 b2		+	
C: c1 c2 c3			+

**TABLE ONE**

So, as in *DemDim*, three options are adopted in both Areas A and C, and two options in Area B. Otherwise Table One simply shows that all eight options are advantageous (+) to the area that chose to adopt them—which, of course, is the sole interest in the first (“darkness”) phase.

The left-hand column in these tables is relatively wide in order to leave room for you to describe the options that you choose during the Major Activity. Here the options are simply denoted by a1, a2 and a3 for Area A’s options, b1 and b2 for Area B’s options, and so on. Notice that this is a change in notation from that used in *DemDim*: there the options were just denoted by i, ii, etc. The reason for this change is that a few people were misled by the previous notation, thinking that there must be some connection between, for example, the options labelled “i” in each of the three areas. There is no such connection, and so my new notation should hopefully prevent that confusion. The old notation was used not only in *DemDim* but also in *The New Economics* and also, to the best of my belief, by the originator of the exercise, Mr Fred Z Herr, who is acknowledged in footnotes on *DemDim* page 232 and *The New Economics* page 58 [83].

In order to bring this particular exercise rather “closer to home”, you might like to look ahead to your own application of the exercise now by deciding *which* three areas of your own organisation you would like to include. You should surely choose the section or department of the organisation to which you belong or with which you are most involved. Then think carefully about which other two areas to include, areas with which your area interacts, or on which it depends, etc. Perhaps you could consider both a “supplier” area and a “consumer” area, i.e. the former being one on whom your area is affected by the quality, quantity, reliability etc of what it does, and the latter an area which is affected by the quality, quantity, reliability etc of what your area does. For your reference later on, write down here [or on WB 123] your own section or department as Area A and the other two areas as Areas B and C:

Area A ..... ; Area B ..... ; Area C .....

Table Two below reflects the beginning of the second phase in which the effects of the options on *all three* areas are now brought into consideration. (On *DemDim* pages 235–236 this change to Table Two is spread over Figures 45 and 46.) An extra column is added on the right and an extra row along the bottom in order to add up the + and – signs in the table as in the *DemDim* example. In this basic version of the exercise, the judgment is simply made in each case as to whether the option is advantageous (+) or disadvantageous (–) to the relevant area. This is where the basic version is relatively crude, and I shall suggest you consider a wider range of possibilities when you get into the Major Activity.

Areas and their Options	Effects of Options			Net Effect on the Company
	Effect on A:	Effect on B:	Effect on C:	
<b>A:</b>				
<b>B:</b>				
<b>C:</b>				
Net Effect of Adopted Options				

Areas and their Options	Effects of Options			Net Effect on the Company
	Effect on A:	Effect on B:	Effect on C:	
<b>A:</b>				
a1	+	–	–	–
a2	+	–	+	+
a3	+	–	–	–
<b>B:</b>				
b1	–	+	–	–
b2	+	+	–	+
<b>C:</b>				
c1	+	+	+	+++
c2	–	–	+	–
c3	–	–	+	–
Net Effect of Adopted Options	++	--	0	0

**TABLE TWO**

The conclusion from this basic version of the exercise is that, since there happen to be an equal number of + signs and – signs in Table Two, all that work of adopting those eight options would be to no avail: there would be no overall gain (or loss) for the organisation! Instead, of course, the sensible thing to do is to *only* adopt those options which produce overall gain, and that gives us Table Three which follows. (Table Three is equivalent to *DemDim* Figure 47; the only difference is that Table Three includes *only* the options which

produce an overall advantage, i.e. have + signs in the “Net Effect on the Company” column, whereas in *DemDim* Figure 47 the other five options are still visible but are now shaded over in order to indicate that they will *not* be adopted in this second phase.)

Areas and their Options	Effects of Options			Net Effect on the Company
	Effect on A:	Effect on B:	Effect on C:	
A:				
B:				
C:				
Net Effect of Adopted Options				

  

Areas and their Options	Effects of Options			Net Effect on the Company
	Effect on A:	Effect on B:	Effect on C:	
A: <i>a2</i>	+	-	+	+
B: <i>b2</i>	+	+	-	+
C: <i>c1</i>	+	+	+	+++
Net Effect of Adopted Options	+++	+	+	+++++

**TABLE THREE**

Then we move on to the third phase: the really solid understanding of the organisation as a system, Cooperation: Win-Win, “All One Team”, etc. The *whole* emphasis is now on what is best for the *system* rather than what appears to be best for *my* department, *my* section, etc. A quotation from Deming which you will see on Day 10 page 11 [WB 160] expresses it well: “The performance of any component [of the system, thus including individuals, groups, departments and thus what we are referring to here as “areas”] is to be judged in terms of its contribution to the aim of the system, not for its individual production or profit, nor for any other competitive measure.” Think about it! Really, what could be more sensible? When we reach that statement on Day 10, I shall remind you to think back to what you will have learned from today’s Major Activity.

In terms of this exercise therefore, the third phase implies that e.g. Area A will now begin to consider options that are actually *disadvantageous* to themselves in the sense of, say, extra work, cost, inconvenience, etc, *as long as they are of real benefit elsewhere in the organisation*, i.e. to both Areas B and C. The implication is (see Table Four on the next page) that such an option will have a - sign in Area A’s own column but will still be adopted if it warrants a + in the other areas.

Now, you may have some concern that this criterion is too simple! Yes, I agree. For example, if an option involves considerable expense etc to Area A but is of only minor benefit to Areas B and C then clearly it would *not* be worth adopting. As I have already indicated, for your own use of this exercise in the Major Activity I shall suggest refinements that will enable you to take such considerations into account. But, before that, let’s complete this current basic demonstration of the exercise. There is not much left to do.

Areas and their Options	Effects of Options			Net Effect on the Company
	Effect on A:	Effect on B:	Effect on C:	
<b>A:</b>				
<b>B:</b>				
<b>C:</b>				

  

Areas and their Options	Effects of Options			Net Effect on the Company
	Effect on A:	Effect on B:	Effect on C:	
<b>A:</b>				
a4	-	+	+	+
a5	-	+	+	+
a6	-	-	+	-
<b>B:</b>				
b3	+	-	+	+
b4	+	-	+	+
<b>C:</b>				
c4	+	+	-	+
c5	+	-	-	-

TABLE FOUR

In Table Four we see that there were altogether seven such new options under consideration; all of these therefore had a - in the area which was able to adopt it. In five of these cases, both of the other areas showed a +, indicating that the option would be of benefit to them. Therefore, in terms of the simple criterion in this basic version of the exercise, these five options would all be adopted, joining the other three shown in Table Three, thus producing the eight adopted options seen in Table Five at the top of the next page. This happens to be the same number of options as were being adopted in Table One, but just look at the difference in the Net Effect on the organisation. The eight options adopted in the first phase produced a zero Net Effect—loads of work but for no overall benefit to the organisation! Instead, the eight options that have now been much more wisely chosen in the third phase produce a heap of + signs as the Net Effect. Naturally, the latter is the same result as is shown in DemDim Figure 48 (page 238). (The only difference there is that all the non-adopted options are still visible but have been shaded over whereas the adopted options are in the clear!)

The Major Activity begins on page 18. So, as promised, let's now think about making this type of analysis more flexible and realistic. As previously mentioned, the main drawback of the basic scheme used so far is its limited manner of indicating the goodness or badness of the various options from the different viewpoints. Firstly, it can of course sometimes happen that an option which might be adopted by one area may have little or no effect on one or more of the other areas. So to force a + or - decision in such cases is rather silly. Thus let's now introduce the possibility of simply stating 0 instead of a + or - in such a case. Secondly, to only have a single + or - available to indicate whether an option is appealing or unappealing is surely also too limited. From the viewpoint of the area considering adopting an option, that option might at one extreme be merely desirable or, on the other hand, could be considered as almost essential. Similarly, from the viewpoint of the other areas, an option can obviously have different levels of either desirability or undesirability. My suggestion here is therefore for the single + or - to now merely represent relatively moderate levels of favour or disfavour respectively, while we now expand the range to include +++ for extremely desirable and --- for extremely undesirable, and then ++ or -- for somewhere between "moderate" and "extreme". I'll presume you will adopt this more realistic scheme during the Major Activity.

Areas and their Options	Effects of Options			Net Effect on the Company
	Effect on A:	Effect on B:	Effect on C:	
A:				
B:				
C:				
Net Effect of Adopted Options				

Areas and their Options	Effects of Options			Net Effect on the Company
	Effect on A:	Effect on B:	Effect on C:	
A:				
a2	+	-	+	+
a4	-	+	+	+
a5	-	+	+	+
B:				
b2	+	+	-	+
b3	+	-	+	+
b4	+	-	+	+
C:				
c1	+	+	+	+++
c4	+	+	-	+
Net Effect of Adopted Options	++++	++	++++	+++++

TABLE FIVE

Finally, there is a very important practical consideration to confirm and emphasise. What sort of things should be considered when allocating these “grades”—whether we are using the over-simple single + or – grades or the greater variety that I have just recommended? If you take a look back at the details as they were developed in Tables One and Two and then the additional ones in Table Four, the answer immediately becomes clear. The grades have been allocated *according to “Old Climate” judgments*, which could be summarised as “self-interest” for each area. Would this option be good for us here in this area in terms of less cost, less hard work, more convenience? If so, it’s on the + side. If it’s bad for us here in terms of greater cost, more hard work, more inconvenience, then it’s on the – side. End of story! So, during this exercise, *“Old Climate” judgments are always made, i.e. irrespective of the option’s effects elsewhere*. I’ll discuss this matter further on page 28.

If you are reading a printout of what follows, or alternatively have a two-page display on-screen, you will see that full-size Tables One to Five are on the right-hand pages while the left-hand pages contain guidance presented as a series of steps. Also, as a reminder, on the left-hand pages I am also reproducing the reduced-size tables we have just seen while developing the *DemDim* example. If you are using single-sided printouts from the Workbook, start at page 130 (the same as page 19 here) while reading through today’s page 18, then page 131 (the same as page 21 here) while reading through today’s page 20, and so on. Apart from using the wider choice of “grades” just introduced, your progress through the Major Activity should be the same as in the demonstration that we have just been through, though I’ll give a little extra practical guidance where necessary. As mentioned on page 3, if you are working on your own then you may well have time to work through this Activity more than once, e.g. once or twice with three areas and then once with four areas. If you are working in a group then it may be that the discussions which arise will mean you only have time to go through the Activity just once—but that would not necessarily be bad since the discussions could prove to be extremely valuable. However, in view of these various possibilities, there are no clock icons during the Major Activity.





**MAJOR ACTIVITY 8-d**

**TABLE ONE**

**NB** As previously recommended, in order to avoid the need to frequently turn pages backward and forward as you are developing the tables, it is more convenient to use single-sided copies of the tables that have been reproduced on pages 29–33 [WB 130–134]. Also, if later you would like to consider four areas rather than three, the appropriately amended tables are on pages 34–38 [WB 135–139].

**Step 1.** Firstly, here and in the other four tables, write the names of your three chosen areas (see page 14 [WB 123]) in the coloured sections.

**Step 2.** Now decide on some “options”—strategies, decisions, behaviours, etc—which each of the three areas in turn might consider adopting. If the organisation is indeed at the dark end of the spectrum, it is highly likely that at least some of those options will cause difficulties to one or more of the other areas (and elsewhere in the organisation). An example might be the Purchasing Department changing to a cheaper supplier. Another could be Administration coming up with a more complex paperwork or computer system—fine for their own purposes, but a pain for everybody else! So, at this initial stage, you need to be thinking of options which are adopted by the various areas *in their own narrow self-interest*. If you like, refer yet again to Deming’s paragraph on page 11 for examples. Also, initially with this exercise, it makes sense to only include matters that are reasonably within the realms of possibility; it might be interesting in a later attempt to be more imaginative and see what happens then! Write your chosen options in the appropriate spaces in the left-hand column of Table One.

**Step 3.** Then, in the relevant “Effect on” columns, indicate the fact that all the chosen options are perceived as *gains* to the areas adopting them. Remember again that here we are in the first of the three phases and so each area chooses options which its representatives judge to be in the area’s own self-interest. However, with the extended scheme, now use +, ++ or +++ to indicate the *level* of gain anticipated. Also remember that it is, of course, unrealistic to imagine that we could predict an actual *value* for any particular gain—Lloyd Nelson’s “unknown and unknowable figures” are highly likely to be involved.

As mentioned, the tables for the *DemDim* case are reproduced on these left-hand pages just as a reminder. If in doubt about anything, check back to the discussion accompanying these tables where you first saw them.

Areas and their Options	Effects of Options		
	Effect on A:	Effect on B:	Effect on C:
A:			
a1	+		
a2	+		
a3	+		
B:			
b1		+	
b2		+	
C:			
c1			+
c2			+
c3			+

Areas and their Options	Effects of Options		
	Effect on	Effect on	Effect on
	A:	B:	C:
A:			
B:			
C:			

TABLE ONE

## TABLE TWO

**Step 4.** Next, simply copy everything you have written in Table One over to Table Two, placing everything exactly where it was in Table One.

**Step 5.** In the second of the three phases, attention now begins to be paid to the effects of these options on the *other* areas rather than just on the area that can adopt the option. Such an effect might be positive (advantageous) or it might be negative (disadvantageous) or it might make little or no noticeable difference to another area. In this latter case, insert a 0. Otherwise indicate moderate, large or very large advantage by +, ++ or +++ respectively. Or, of course, if the option is *disadvantageous* to the other area then indicate moderate, large and very large levels of disadvantage by -, -- and --- respectively.

**Step 6.** Finally, as shown in the table below and also in *DemDim* Figure 46, insert row totals in the right-hand column, column totals in the bottom row, and the grand total at the bottom right of Table Two. In our example it has turned out that there were exactly the same number of + signs as - signs in the final column (and in the bottom row), resulting in the grand total of 0 at the bottom right. In general, count up how many more + signs there are than - signs, or *vice-versa*. For instance, if there were six + signs and two - signs then you have  $6 - 2 = 4$  more + signs than - signs; I suggest you represent this by writing ++++ at the bottom right. However, sadly there could instead now be more - signs than + signs. So if there were, say, four + signs and seven - signs in the final column (and bottom row), i.e.  $7 - 4 = 3$  more - signs than + signs, I suggest you represent this by writing --- at the bottom right. The entries elsewhere in the final column and the bottom row are obtained similarly by counting the + signs and - signs in the rows or columns respectively in the body of the table.

You *could* of course simply represent these net results of the counts by writing e.g. something like +4 rather than ++++; however, to write ++++ has a greater visual impact! That is especially the case when comparing the entries at the bottom right that you get when progressing through the three phases—as you already saw while working through pages 14 to 17.

It is worth noting that, as a check on your arithmetic, the total number of + signs and - signs in the bottom row should, of course, be exactly the same as in the final column. *Both* counts represent the total net number of + and - signs in the body of the table to be indicated in the bottom right box, i.e. to the overall net effect on the organisation of the choice of options now being adopted.

Areas and their Options	Effects of Options			
	Effect on A:	Effect on B:	Effect on C:	Net Effect on the Company
<b>A:</b>				
a1	+	-	-	-
a2	+	-	+	+
a3	+	-	-	-
<b>B:</b>				
b1	-	+	-	-
b2	+	+	-	+
<b>C:</b>				
c1	+	+	+	+++
c2	-	-	+	-
c3	-	-	+	-
Net Effect of Adopted Options	++	--	0	0

Areas and their Options	Effects of Options			
	Effect on A:	Effect on B:	Effect on C:	Net Effect on the Company
A:				
B:				
C:				
Net Effect of Adopted Options				

**TABLE TWO**

### TABLE THREE

**Step 7.** The second phase isn't quite finished yet. The final stage is to copy information from Table Two into Table Three—but not all of it! Just copy over *only* the rows with a positive “Net Effect on the Company”—i.e. those having one or more + signs in the final column.

**Step 8.** Step 7 included copying over the relevant row totals into the final column. Now complete Table Three by adding up and inserting on the bottom row the column totals and then the grand total, just as you did in Step 6 for Table Two.

What will you see? In the second phase, *fewer* initiatives will have been put into effect—yet the organisation as a whole will now be better off. Can't be bad! But that's what happens as the result of decisions that benefit the organisation as a whole rather than those which are adopted by simply considering sectional self-interest.

Areas and their Options	Effects of Options			Net Effect on the Company
	Effect on A:	Effect on B:	Effect on C:	
<i>A:</i> <i>a2</i>	+	-	+	+
<i>B:</i> <i>b2</i>	+	+	-	+
<i>C:</i> <i>c1</i>	+	+	+	+++
Net Effect of Adopted Options	+++	+	+	+++++

Areas and their Options	Effects of Options			
	Effect on A:	Effect on B:	Effect on C:	Net Effect on the Company
A:				
B:				
C:				
Net Effect of Adopted Options				

**TABLE THREE**

**TABLE FOUR**

**Step 9.** And now we reach the third phase—the unconventional phase (to put it mildly) from the viewpoint of the Old Climate. Start thinking about some decisions that could be made which (a) would be regarded as *disadvantageous* to the area concerned (were it still being measured and judged as in the Old Climate) but which (b) would nevertheless be beneficial to some other areas of the organisation. (If it would be helpful, recall the description of the “third phase” that you saw halfway down page 12 and Deming’s description on page 15 about judgment of components in a system.) In this third phase, Purchasing will now start buying on the basis of *total* cost to the company in terms of value, dependability, reliability, ease of use, etc rather than just the *initial* cost. Here, “initial cost” simply means what Purchasing pays for it (perhaps as little as possible!) and “total cost” = initial cost + cost in use (for failures, breakdowns, repairs, etc). Administration may begin thinking of *reducing* some of the paperwork or computer-time burden which it has been imposing on the rest of the company, a reduction which might cause a little inconvenience to the Administration Department itself but with which it is able to cope in the general interest. If Sales were one of our chosen areas to include in this Activity, perhaps it could cut down on the traditional end-of-the-month push to inflate its figures that has always caused so much scheduling difficulty to the Administration and Delivery Departments. And so on.

Actually, when beginning to think this way, you might even realise that, in some cases, the area implementing such an option might not be making as large a sacrifice as originally imagined. For example, the people in the Administration Department might realise that, by reducing the paperwork or computer-time burden for others, of course there isn’t then so much for *them* to wade through. As a result, they might discover a better and more efficient way of dealing with the issue that they hadn’t thought of before—because they hadn’t *needed* to think about it before (“We’ve always done it that way”). And salespeople might find their lives become more pleasant after smoothing out their workload rather than indulging in the usual frantic end-of-the-month hiatus: less complaints from Administration and Delivery—and customers—and maybe also from their families!

So now start inserting these new options in the body of Table Four. As before, write each option in the part of the left-hand column of the table corresponding to the area which would be responsible for implementing the option and then, again as before, decide what + signs, – signs and zeros would be appropriate in the adjacent columns. The obvious difference from previously is of course that now an area’s own column will contain some – signs.

Finally, insert row totals in the right-hand column.

Areas and their Options	Effects of Options			Net Effect on the Company
	Effect on A:	Effect on B:	Effect on C:	
<b>A:</b>				
a4	–	+	+	+
a5	–	+	+	+
a6	–	–	+	–
<b>B:</b>				
b3	+	–	+	+
b4	+	–	+	+
<b>C:</b>				
c4	+	+	–	+
c5	+	–	–	–

Areas and their Options	Effects of Options			
	Effect on A:	Effect on B:	Effect on C:	Net Effect on the Company
A:				
B:				
C:				

TABLE FOUR

## TABLE FIVE

**Step 10.** Now copy over everything from Table Three *except for its bottom row* onto Table Five.

**Step 11.** Next (similarly to how you formed Table Three from Table Two) copy information from Table Four into Table Five—but not all of it! Remember? Yes, you’ve got it: copy over *only* those entries having one or more + signs in the final column. You’ve now made the sensible decision not to adopt options unless they would produce overall gain for the organisation.

**Step 12.** Finally, add up and write the new column totals and the grand total in the bottom row. Take a look at that grand total ...

*... and then consider well the lessons to be learned from what you have done.*

Areas and their Options	Effects of Options			Net Effect on the Company
	Effect on A:	Effect on B:	Effect on C:	
<b>A:</b>				
a2	+	-	+	+
a4	-	+	+	+
a5	-	+	+	+
<b>B:</b>				
b2	+	+	-	+
b3	+	-	+	+
b4	+	-	+	+
<b>C:</b>				
c1	+	+	+	+++
c4	+	+	-	+
Net Effect of Adopted Options	++++	++	++++	+++++ +++++

Areas and their Options	Effects of Options			
	Effect on A:	Effect on B:	Effect on C:	Net Effect on the Company
A:				
B:				
C:				
Net Effect of Adopted Options				

**TABLE FIVE**

On page 17 I made a big point of emphasising that the “grades” allocated to options in this exercise are made *according to “Old Climate” judgments*. However, you will surely have realised before now that, by the time we reach the third phase—i.e. a good level of understanding and appreciation of the fundamentals of Dr Deming’s teaching—such judgments have become out-of-date and inappropriate. By this stage, if you are in an area considering adopting a particular option, you now regard that option as having *added value* if overall it is going to be useful to other areas and thus to the organisation as a whole. Therefore, with this different mode of thinking, even if you had previously been regarding this option as deserving – signs, it is now less negative or may even have switched over to deserving + signs!

So what would then have happened to that “heap of + signs” referred to on page 16? It would have grown into an even larger heap than in your Table Five! Now you are really beginning to understand what Deming meant by that word “[transformation](#)”. The contrast between (a) decision-making and its consequences focused on sectional self-interest, and (b) decision-making and its consequences focused on the interests of the organisation as a whole, is massive. This difference will be further studied and developed tomorrow morning (Day 9).

However, for the purposes of this Major Activity here, i.e. as a teaching and learning exercise, I think it is safer to stick to the “Old Climate” judgments. If “New Climate” decision-making can produce such an improvement as seen in Table 5 *despite* retaining “Old Climate” judgments, even those who have not progressed very far into understanding Deming’s teaching can hardly deny that they have something to learn!

In case it is not already obvious, take a little time to think about that phrase “Huge Financial Advantages” in the title of this exercise on *DemDim* page 232. I’ll give you a couple of pointers. First, how did I describe those “Old Climate” judgments which give rise to all the + and – signs in the tables—including Table Five here and Figure 48 in *DemDim*? The + signs represent less time spent, less hard work, less inconvenience, while – signs represent the opposite. Immediately we see that all those + signs are freeing up resource that would otherwise have been spent relatively fruitlessly in the first phase. Instead, that extra resource can now be fruitfully spent on improvements and innovation leading to better quality and productivity. That strikes me as being “financially advantageous”! And second, the one major component of the New Climate that I haven’t mentioned here is Joy in Work. But does not every extra + allocated to an area contribute to enhanced Joy in Work in that area? This exercise is closely related to everything that has been raised during *DemDim* Chapters 13, 14 and 15, and hence is indeed a fitting conclusion to the book’s Part 3.

Having carried out this exercise, you may already be thinking of ways it can be improved. That’s fine: even with the increased choice of “grades”, this was still a relatively simple version in order to introduce the idea to you and get you started. For example, unless your organisation is small, there will presumably be other areas that you have not included, and therefore extending the tables in order to include other such areas is likely to be worthwhile. Remember that pages 34–38 [*WB 135–139*] contain the tables for a four-areas case. A particularly interesting possibility would be to include your organisation’s senior management as the fourth area along with the three areas you have involved so far. After all, we are studying Dr Deming’s theory of *management*! You may have already thought of other possible refinements. There may be time this afternoon for you to try out the exercise again. If not, keep such possibilities in mind for when time permits on some future occasion.

### “Out-of-hours” note

It would be very handy during Day 9’s Major Activity for you to use separate copies of Day 9 pages 13–14 [*WB 146–147*] at Stages 3 and 4 of that Activity. The reason is that, during the final (fifth) stage of the Activity on Day 9 page 15 [*WB 148*], you will frequently find it necessary to refer back to what you’ll have previously constructed at Stage 3 and discussed at Stage 4. You will also need a separate copy of Day 9 page 29 [*WB 150*] (you’ll see the reason for this near the bottom of Day 9 page 27).

**DUPLICATE SET OF TABLES FOR USE WITH THREE AREAS**

Areas and their Options	Effects of Options		
	Effect on	Effect on	Effect on
	A:	B:	C:
A:			
B:			
C:			

**TABLE ONE**

Areas and their Options	Effects of Options			
	Effect on A:	Effect on B:	Effect on C:	Net Effect on the Company
A:				
B:				
C:				
Net Effect of Adopted Options				

**TABLE TWO**

Areas and their Options	Effects of Options			
	Effect on A:	Effect on B:	Effect on C:	Net Effect on the Company
A:				
B:				
C:				
Net Effect of Adopted Options				

**TABLE THREE**

Areas and their Options	Effects of Options			
	Effect on A:	Effect on B:	Effect on C:	Net Effect on the Company
A:				
B:				
C:				

**TABLE FOUR**

Areas and their Options	Effects of Options			
	Effect on A:	Effect on B:	Effect on C:	Net Effect on the Company
A:				
B:				
C:				
Net Effect of Adopted Options				

**TABLE FIVE**

**TABLES FOR USE WITH FOUR AREAS**

Areas and their Options	Effects of Options			
	Effect on	Effect on	Effect on	Effect on
	A:	B:	C:	D:
A:				
B:				
C:				
D:				

**TABLE ONE**

Areas and their Options	Effects of Options				
	Effect on A:	Effect on B:	Effect on C:	Effect on D:	Net Effect on the Company
A:					
B:					
C:					
D:					
Net Effect of Adopted Options					

**TABLE TWO**

Areas and their Options	Effects of Options				Net Effect on the Company
	Effect on <i>A:</i>	Effect on <i>B:</i>	Effect on <i>C:</i>	Effect on <i>D:</i>	
<i>A:</i>					
<i>B:</i>					
<i>C:</i>					
<i>D:</i>					
Net Effect of Adopted Options					

**TABLE THREE**

Areas and their Options	Effects of Options				
	Effect on	Effect on	Effect on	Effect on	Net Effect on the Company
	A:	B:	C:	D:	
A:					
B:					
C:					
D:					

TABLE FOUR

Areas and their Options	Effects of Options				
	Effect on <i>A:</i>	Effect on <i>B:</i>	Effect on <i>C:</i>	Effect on <i>D:</i>	Net Effect on the Company
<i>A:</i>					
<i>B:</i>					
<i>C:</i>					
<i>D:</i>					
Net Effect of Adopted Options					

**TABLE FIVE**