



DAY 6:

GALLERY FURNITURE

and

OTHER TRUE STORIES

12 Days to Deming

DAY 6: GALLERY FURNITURE AND OTHER TRUE STORIES

(9.00am – 12.45pm; 1.45pm – 3.30pm)



Introduction (p 1); More wisdom from *The Deming of America* (p 1); The true stories (p 2)
Your organisation; An easier day! (p 3); Activity 6–a (p 4 [WB 98])



Gallery Furniture – Introduction (p 6); Background; Unique selling feature (p 7)
– Top-down management; Winners and losers (p 8); Misguided focus; Internal conflict (p 9)
– Ranking and averages; A brilliant idea; Search for a better way (p 10); Salary vs commission (p 11)
– The hop of faith (p 11); The leap of faith; What happened? (p 12); Then and now (p 13)
– No going back; Before and after (p 14); Thank you, Dr Deming (p 15); The last time (p 16)
Major Activity 6–b (p 18 [WB 100])



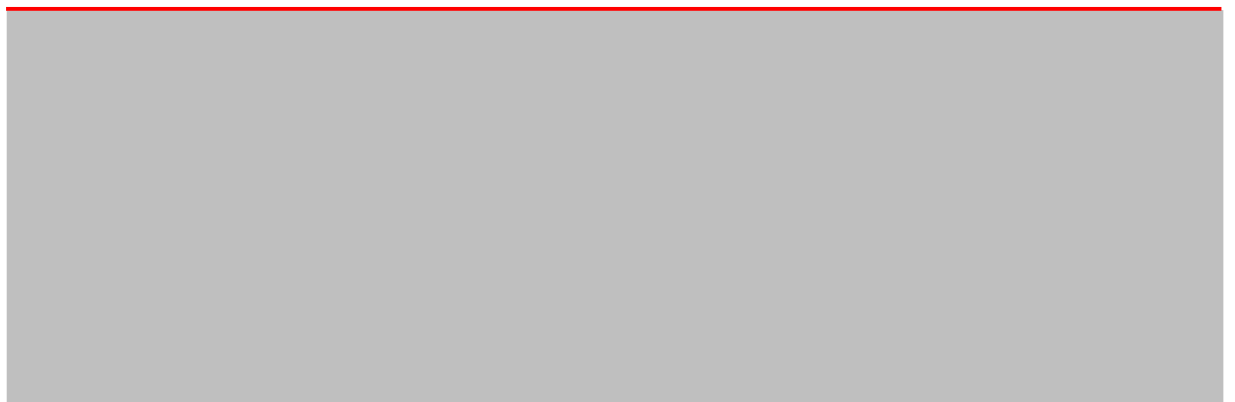
(Some detailed timing guidance is provided during this Major Activity.)



Major Activity 6–b (concluded) (p 20 [WB 102])



More true stories – Hospital waiting lists; Answering the telephone; The police (p 22)
– Gas equipment repairs; Gallery Furniture; The Grade C club; Stafford Hospital (p 23)
– Bonus schemes (p 24); “Lots of fat kids who hate reading” (p 25)
– A politician speaks about the target culture and fudging figures (p 25)





DAY 6: GALLERY FURNITURE AND OTHER TRUE STORIES

Introduction

Having become familiar with the 14 Points and the Deadly Diseases during the previous two days, it will be fruitful to continue focusing on them while they are still fresh in mind. That is indeed what we shall be doing today. So be ready, if and when helpful, to refer back to the work you have carried out during the First Project; you will also probably find it convenient to keep *DemDim* Chapter 3 readily available for some quick reminders.

As you are well aware, we are learning about Dr Deming's *theory* of management. But, of course, as we discussed near the start, the purpose of that *theory* is to guide better *practice*. So, as we now approach the halfway point of the course, it is appropriate to spend most of today working with a case study, examining how one company put the Deming theory into practice—distinctly *better practice*!

A problem with case studies is that they are necessarily *unique*, whereas the Deming theory is *universal*. No two organisations are the same—they are of different sizes, are in different businesses, have different histories, different cultures, different people, different strengths, different weaknesses. And all these, along with a host of other differences, will necessitate *different ways* of *applying* the theory. Sometimes the differences will be small, sometimes great. It is important therefore to approach a case study not with the intention of *copying* it but of *learning from* it. As a result of that learning, one may then intelligently decide which parts of the story may or may not be relevant in a different situation.

More wisdom from *The Deming of America*

The above emphasis is so important that, before we get to work on the case study, I would like to give you some relevant short extracts from the soundtrack of *The Deming of America*. Remember that this video was recorded in 1990, thus reaching the time when Deming was developing the System of Profound Knowledge. So what follows touches on several matters that we shall study much more deeply later on, particularly on Days 10 and 11.

Naturally enough, early in the video there were some recollections of what had happened in Japan:

Dr Deming: I did not export American practice. I took to them new knowledge, philosophy of management, theory of management, which is optimisation of a system whereby everybody gains—everybody gains.

But the video quickly moved on to discussions about the then-present day, which I suggest are still just as relevant 30 years later:

Dr D: Everybody is doing his best with the greatest, the best, of intentions: everybody working hard—at doing what is wrong, not guided by a theory of management. Reactive behaviour, managing by results [MBR]. Sure we want good results. Manage by results: quality goes down, morale goes down. Management has not a theory of management. They work hard, very hard, under terrible stress that I could not endure. Best efforts, hard work: our ruination.

Priscilla Petty (the interviewer): And you're talking about CEOs and presidents and vice-presidents and all other people who are in charge ... ?

Dr D: ... government people, people in education ...

PP: What are they missing?

Dr D: Theory of management ... Our worst thing is failure to understand what learning is. For example, experience teaches nothing. The fact is: there is no experience to record without theory. Theory enables us to ask questions, to learn. Without theory there is no learning.

P P: That was a really hard one for me when I first met you.

Dr D: Why should it be hard?

P P: Well, because that's not what we're taught. We're taught to look at an example and say: I see, I'll do that, that's the right thing to do. But ...

Dr D: But that's their downfall. People copy examples and they wonder what's the trouble. They look at examples and, without theory, they learn nothing. Theory leads you to questions.

And a little later, in the same vein, Dr Deming continued as follows:

Dr D: Taking action on the basis of results without theory of knowledge, without theory of variation, without knowledge about a system. Anything goes wrong: do something about it. Over-reacting, acting without knowledge—the effect is to make things worse—with the best of intentions and best efforts. Managing by results is, in effect, exactly the same. As Dr [Myron] Tribus put it: while driving your automobile, keeping your eye on the rear-view mirror, what would happen? And that's what management by results is.

Much of both today and tomorrow is closely linked with our study of the 14 Points and Deadly Diseases, the learning from which, as we have seen, does not merely provide some miscellaneous collection of ideas but which instead all comes together under a single theory. What theory? On Days 4 and 5 we have used the Joiner Triangle in that role. The Joiner Triangle might be regarded as a “shallow end” version of the underlying theory. That description is in no way intended to be insulting! Quite the opposite. For the other option would have been to use the “deep end” version of the theory: Dr Deming's System of Profound Knowledge. Some people are brave enough to jump straight in at the deep end—but not me. I am both a poor swimmer and have always been a slow learner. So I found the Joiner Triangle to be absolutely ideal for my learning back in 1986.

However, it is worth briefly noting that the first sentence in the final quotation above explicitly refers us forward to no less than three of the four parts of the System of Profound Knowledge. And be sure that the fourth part isn't far away either! The matters covered during the above extracts are particularly relevant to the first of the three parts referred to in that quotation, i.e. the Theory of Knowledge, which could almost as well be called the Theory of Learning. So the System of Profound Knowledge has never been far away, even though it was never mentioned during the whole of the First Project!

The true stories

We shall spend most of today with the true story of Gallery Furniture, learning of a journey from “bad practice” to “good practice” based on Dr Deming's theory of management. But later on there will also be several much shorter true stories involving what you will immediately perceive as “bad practice”—I believe you will find you are already very capable of recognising what is definitely *not* based on Dr Deming's theory! Tomorrow there will be many more such short true stories. Whereas I have written up today's stories, tomorrow's have all been contributed by various friends of mine. You may find it difficult to believe a few of them, but they *are* all true! The purpose of our studying the Gallery Furniture story is to learn more about what can happen if you base your thinking and actions wisely on Deming's guidance; whereas the purpose of the short stories is to learn more about what can and does happen if you don't.

However, despite getting into such sad short stories toward the end of today's material, I promise you that we'll finish on what I found to be a very positive note. Admittedly it is something of a rarity, but it's a politician talking with considerable understanding about the target culture and its consequences. In this connection you might like to remind yourself about "fudging figures" (Day 5 page 10)!

Your organisation

Recall that, at the end of Day 5, I gave you advance notice that today's Activities will ask you to focus some attention on "your organisation". The Activity which follows is the first such occasion. So, if you are not currently involved as an employee or a manager in an organisation, you will instead need to consider a "surrogate" organisation as discussed yesterday and on Day 1 page 15—preferably with the help of a colleague or other friend(s).

An easier day!

Today's Activities are relatively straightforward compared with many others elsewhere in the course—they are not short but at least they do not involve quite such deep thinking! That is intentional since, assuming you made a serious and responsible attempt at the First Project over the previous two days, you should have found it to be a pretty hefty piece of work. So today you deserve an easier time! However, that does not imply what I'm asking here isn't important: quite the contrary. As just pointed out, this is where you begin the highly important task of relating the Deming management theory to your own experience and knowledge of what goes on in your organisation. It is the start of developing your thoughts about things that need to change and how to begin steering a better path forward. Obviously, the more senior and influential you are in your organisation, the greater is your responsibility so to do.

Today involves rather less than the fairly full day's work designed for most days in this course. So, if you need more time on parts of today's study than I am suggesting, you will find my timings easy to adapt. Also, if you are working on the course under a somewhat strict time-schedule and therefore find you have an hour or two to spare at the end of today, I suggest you then have a browse through some of the material for Day 7. For example, if you enjoy the collection of short true stories at the end of today's material, you might like to look through the even larger selection beginning on Day 7 page 9. There is quite a lot to read and do tomorrow, and it would be useful for you to get a head start by having an early taste of what is to come.



Activity 6-a (pages 4-5) is also on Workbook pages 98-99.

ACTIVITY 6-a

Firstly, for your own interest and later use, I'd like you to spend some time thinking and "scoring" your organisation with reference to the 14 Points and Deadly Diseases. How does your organisation match up with what the 14 Points guide managers to do? Is it inflicted with the "Deadly Diseases" or not? This exercise is for your eyes only—you are not expected to divulge your scores to anybody else!

I suggest a 0–5 scale, scoring 5 if, with respect to Deming theory, the organisation already seems to be pretty much there; 0 if it's as "non-Deming" as you could imagine; and 1, 2, 3 or 4 in the likely event that it's somewhere between those two extremes. So, for example, with regard to Point 8: "Drive out fear", score 5 if the organisation seems almost totally devoid of fear (very rare!); 4 or 3 if there is some fear around but nothing too serious; 2 or 1 if a lot of people are pretty fearful much of the time; and 0 if everyone seems virtually paralysed by fear all of the time (hopefully also somewhat rare—but maybe not as rare as the score of 5!). And similarly with the Deadly Diseases. For example, with Disease 3: Performance appraisal, score 5 if the organisation uses no kind of (judgmental) appraisal system, 0 if there is a feared, *extremely* judgmental appraisal scheme used throughout the organisation, with considerable reward or punishment involved including advancement on the one hand and the firing line on the other. You might score 4 or 3 if there is some kind of appraisal scheme but it is relatively informal and is less concerned with judging and scaring than with coaching and helping. And you might score 2 or 1 if the reverse is true.

So, in each case, write down some relevant comments. Then summarise those comments in the right-hand column by inserting what you feel to be the most appropriate score using the above 0–5 scale.

Work through the table reasonably carefully and accurately, but there's no need to spend a huge amount of time over this. In some cases your entries in the table may become obvious quite quickly: others may need more thought. This Activity is simply a device to help guide you on what aspects of the learning from the case study that follows might be most relevant to your organisation and which might be less so.

	Comments	Score
14 POINTS		
1. Create constancy of purpose		
2. Adopt the new philosophy		
3. Cease dependence on mass inspection		
4. End lowest tender contracts		
5. Constantly improve systems		
6. Institute training		
7. Institute leadership		
8. Drive out fear		
9. Break down barriers		
10. Eliminate exhortations		
11. Eliminate arbitrary numerical targets		
12. Permit pride of workmanship		
13. Encourage education		
14. Clearly define top management commitment and action		
DEADLY DISEASES		
1. Lack of constancy of purpose		
2. Emphasis on short-term profits		
3. Performance appraisal		
4. Management job-hopping		
5. Running a company on visible figures alone		



GALLERY FURNITURE

The first time I learned anything of Gallery Furniture was at a four-day seminar held at Newport Beach, California (just south of Los Angeles) in August 1991. You could hardly miss the Gallery Furniture personnel: they had arrived there early enough to bag all the central seats in the front row of the auditorium—between 15 and 20 places as I recall. There they sat, all dressed alike, wearing maroon-coloured tee-shirts displaying the single word “GALLERY” in large letters.



Early during the second morning of the seminar, Dr Deming invited the founder and owner of Gallery Furniture, Jim McIngvale (“Mack”), up onto the stage to tell his story. I listened, amazed and excited by what I heard. Remember, this was back in 1991 when any kind of “Deming movement” in Britain was still pretty young: by then there had still been very few substantive “success stories” to relate—and certainly nothing like this! At the coffee-break which followed, I was one of the dozens who made their way over to Mack to talk to him, congratulate him, and to ask him questions. I had two particular questions for him. First, did he have any write-up of his story that I could bring back home to share with my friends and colleagues? And second, would he come over to Britain and speak to the British Deming Association’s Annual Conference? The answer to the first question was No; but instead Mack gave me a video of the first time Dr Deming had invited him to tell his story to a seminar audience, just one

month earlier. From then on I repeatedly used that video in my seminars. And Mack came over on two occasions to speak at BDA conferences, first in 1993 and then in 1999.

The account which follows is all in Mack’s own words. I have extracted it from three sources: the video just mentioned, his 1993 conference paper, and his 1999 conference presentation. I have had to be selective: Mack spoke so fast that e.g. a complete transcription of his 1999 conference presentation fills about four times the space that I am using here!

After you have read Mack’s account, I shall ask you to carry out a similar exercise with what you then know about Gallery as you have just done in connection with your own organisation in Activity 6–a. Note that you will find virtually *no* direct references to the 14 Points or Deadly Diseases in Mack’s account (although you will certainly recognise a lot of familiar content). That is not surprising: Mack did not come across Dr Deming until late 1990, and by that time Dr Deming himself rarely referred to them explicitly. If there was a mention then it tended to be more in the spirit of the statement on *The New Economics* page 64 [93]:

“The 14 points for management (*Out of the Crisis*, Ch. 2) in industry, education, and government follow naturally as application of this outside knowledge, for transformation from the present style of Western management to one of optimisation.”

Except for a similar statement in the Preface, this is the *only* reference to the 14 Points in the whole book. By “[this outside knowledge](#)” Deming was referring to the System of Profound Knowledge, to be studied here during the Second Project on Days 10 and 11. Mack also mentions the 14 Points just once. Watch out for that single mention—it contrasts amusingly with the above quote from Dr Deming!

You will find it helpful to make yourself quite familiar with Mack’s account before you embark upon today’s Major Activity. It is a pleasantly easy read, and therefore I suggest you will have plenty of time to run through it a couple of times before moving on to the Major Activity.



Mack tells the story of Gallery Furniture for the first time at a Deming seminar on 12 July 1991, Washington DC. Also participating were three of his colleagues: (left to right) Mary Dunstan (Personnel Director), Don Ledford (Sales) and Mark Gervisch (Sales and Training). The session was chaired by Ed Baker (behind Mark) who was Bill Scherkenbach's successor at the Ford Motor Company after Bill had moved on to assist General Motors. *This picture and that of Mack on the previous page are stills from the NTSC video of the event—and so, as on a few other occasions in this material (particularly during Day 2), they are (as will be obvious to you) not technically of high quality but are at least honest copies of the genuine article!*

Background

Gallery Furniture is a retail furniture store serving the medium- to medium-high-priced furniture market in Houston, Texas. We're not in the manufacturing business. Gallery Furniture began in 1981 with \$5,000 in capital and three employees. Gallery Furniture was always a sales-driven organisation, with highly-paid (by furniture industry standards) commissioned salespeople. The emphasis from Day 1 was to make the sale by any method—as long as it's legal!

Unique selling feature

I think any business has to have a unique selling feature. In other words, what is it that this company does that the other companies won't do, or are unable to do, that gives us an advantage over our competitors? When I first started in the furniture business in Houston I noticed that, with almost every store in Houston where you bought a piece of furniture, the quickest you could get it was two weeks and it was more than likely to be six or eight weeks. So, from Day 1, we decided our unique selling feature at Gallery Furniture would be *immediate delivery*. Customers buy furniture at our store, and we deliver it within three or four hours.

We had a customer buying furniture a couple of Saturdays ago. She lived about 60 miles from our store. It was a very unusual situation. Her house had burned down. She came in and bought \$46,000 worth of furniture on a Saturday night. It was 7.00pm when we finished typing the ticket. By 11.00 that Saturday night we had delivered the furniture the 60 miles, all \$46,000 worth of it, set it up in her house—and we were gone. That’s what we do. Our unique selling feature at Gallery Furniture is immediate delivery.

I think, if we are going to be successful in business, we all have to ask ourselves this question: Would the customer miss this company if it was to go out of business tomorrow? I think: Yes, they would miss us at Gallery Furniture because of our unique selling feature which is immediate delivery.

Top-down management

Now, I was taught management at the University of Texas. And so Gallery had a very conventional management structure—that’s the way I was taught. We had somebody at the top (Me) issuing all the orders, coming down throughout the organisation. And we did fairly well the first four or five years. But then, as the business got bigger toward the end of the 1980s and 1990, we lurched from one crisis to the next. We made the same mistakes over and over and over again.

The thing that survived the company through its first eight or nine years, in spite of all my management mistakes, was my marketing strategy—which is quite brilliant. Let me tell you what it is:

Late to bed, early to rise; work like hell, and advertise!

The business had grown because Gallery Furniture had great customers and great employees, in spite of my management practice which was Management by Results, goal setting, incentive pay, and rating and ranking of employees. Top-down management at its finest!

Winners and losers

We were a very sales-driven company back then—we still are. The heart and soul of our business is our employees, of course, but most especially our salespeople. We had salespeople who were commission-compensated because that’s the way I thought would get the best productivity out of the salespeople. We had a system that created winners and losers.

The salespeople working there had one mentality. And that was: “Everything other than sales is not my job”. They spent most of their time between customers (and there was a lot of time between customers back then, because we had nowhere near the customer flow then that we have now) either reading or looking at girlie magazines or figuring their commission. It was not a good use of human resources.

There was a daily sales goal. And, at the high point of this madness, if the goal was reached then the 1st-placed salesperson for the day received a \$500 cash bonus, the 2nd-placed got \$300, and the 3rd-placed got \$200. The thinking was that people worked harder for a carrot. But all that changed were the faces.

In our commission-based sales structure for the first eight or nine years at Gallery Furniture, we had a weekly quota the salespeople had to meet. The week ran from Friday through to the following Thursday night. In that week they had to do \$7,000 in furniture sales and \$400 in “add-on” chemical sales (leather-, fabric-, and wood-care protection) to receive 10% commission. So most of them, if they did that much, would make anywhere from \$700 to \$1,000 a week. However, if they didn’t make these quotas, and perhaps only did \$6,000 for the week (no matter for what reason—say, because their son was sick and they had to take off a couple of days or whatever), they became a loser and they only made 5% commission or \$300 a week. This obviously created a lot of games-playing.

Judging performance using arbitrary goals fostered a giant amount of fudging of the figures. Salespeople went to great lengths to cross that narrow line between being a *winner* or a *loser*. Some salespeople would work six or seven days a week to reach their quotas. The more tired they got, the harder it was for them to make the quota. It was a vicious circle.

Our Delivery Department could expect to be overworked on Thursdays, the end of our pay period, when salespeople would force customers to take delivery of their furniture just so that their quota could be met. “To heck with what the customer wants. I have to meet my quota.”

On the other hand, if a salesperson already had his figure for the week, he would call off all the Thursday night deliveries he had, and postpone them till the Friday or Saturday to give him a good start to the next week. It didn’t matter that the customer didn’t like this. All that mattered was: “What’s good for me as far as my income is concerned?”

If they had a short week where they hadn’t made their quota, it was not at all unusual on Thursday night for salespeople to have as much as two or three thousand dollars worth of furniture delivered and stored in their garage so that they could say they got it on the week’s quota—to be delivered later to the customer at the salesperson’s convenience.

On Thursday evenings it wasn’t uncommon to see customers leaving with dumbfounded expressions on their faces, their arms full with 30 bottles of furniture polish—that was because of the add-on quota.

Customers were not allowed to buy what they wanted if it had little or no profit in it—that would mean very little commission. So they were “helped” to like something else.

Misguided focus

The focus of all the salespeople, because of the way the system was set up, was to make those quotas every single week. However, as I was to learn later from Dr Deming, this was judging performance using arbitrary goals, which fostered short-term thinking. The only thing they cared about was: “Did I make my quota this week?”. Misguided focus. The focus was not at all on the customer. The focus was: “How much money can I make off this customer?”. And they would prejudge every customer before they walked in the door based on the type of car they drove in on. If they drove in in a big Mercedes, they’d get a lot of service. If they drove in in an old Ford Taurus, they wouldn’t get any.

Internal conflict

It created a lot of internal conflict. What type of internal conflict? Well, the salespeople hated having new salespeople hired on the floor, because they felt like it would cut into their commission. They felt like if there were only 50 salespeople they could sell more than if there were 60 or 70. And so they made it very difficult for the new salespeople to hang on; they would try intentionally to run them off the floor, because they perceived these people as a threat to their income. I’ll never forget, one new guy came in one day, and he had his lunch in a paper sack [*bag*], and left it in the back of the break-room. And they went back and put a whole load of Cayenne Peppers throughout his lunch. Trying to run him off. So it created a lot of internal conflict.

Another problem was salespeople continually fighting each other for the next customer that came in. Or, if somebody came in and asked for Don, I’d say: “Don’s not here today—I’ll be pleased to help you.” If Don saw the customer with me, it created a problem.

Ranking and averages

It was a very bad system. It also caused greater fear in the workplace. The fear came from ranking. We ranked all of our salespeople: I thought that was the way to do it. We had, say, 80 salespeople there. And we'd rank them at the end of every month from 1 to 80. The top 10 people were viewed as superstars and the other 70 as losers.

Of the 80 salespeople we had, 10 to 15 turned over [*fired or quit*] every month—and management wondered why half were still below average.

It was only later at a Deming seminar that I got a blinding flash of the obvious. I learned that, in any distribution of people, half will be below average.

To say the least, we were on a roller-coaster of highs and lows. We would have a great month one month and a very poor month the next. After the poor month we would start another flavour-of-the-month programme, another round of firings of the below-average performers, another new sales contest, more incentives—and it all caused more problems for the business. Dr Deming calls this “tampering”—and, believe me, I did lots of it.

A brilliant idea

In the late 1980s, Top Management (which was Me) became frustrated because the store's closing percentage (the number of sales divided by the number of customers that came into the store) seemed to never get above 43%. Now 43% wasn't bad, seeing the national furniture industry average was 24%. But no matter how many extra incentives we offered, how many contests were started, how many threats were made—we never got above 43%. Salespeople would do great one week and very poorly the next. To say I was frustrated would be an understatement. I cajoled, motivated, begged, screamed—but nothing got better.

Then Top Management (Me) came up with a brilliant idea: keep the store open with only the best salespeople. And a contest (or Dr Deming would call it a lottery) was held between all of the 80 salespeople every month. The top ten salespeople in one month could take as many customers as they pleased the next month. This created ten people who were embarrassed because of the deferential treatment they were given. They were consistently going ahead of their friends in the “batting-order basis” in which customers were served. The other 70 salespeople were losers, failures.

Adding insult to injury, if on any Saturday you sold to less than 30% of your customers, you had to sit down all day Sunday until all the other salespeople were busy. We rewarded the so-called Producers, and we punished the supposed Under-Achievers.

Of course, all this caused salespeople to fudge their figures even more. It created fear of failure, and it blinded salespeople to the customers' needs and concerns.

Search for a better way

And at that point I came to the realisation that, unless things changed, they would probably stay the same—or, more than likely, get worse. This business was so frustrating to me. I spent half of my time arguing, settling commission arguments between salespeople. The other half of my time I spent putting out one fire after another after we disappointed the customers.

I knew in my mind there had to be a better way, and so in August of 1990 I was searching for a better way to run the business.

The first thing I did to try to learn about quality was I went to a conference with a guy named Philip Crosby down in Orlando, Florida. He had written a book called *Quality is Free*. I read that book and it talked about Zero Defects, and I got all excited about it. That was the management flavour for the month. The problem with Zero Defects is, to my way of thinking, it meant that you had to do things right all the time. And that's certainly an impossibility. So I was very frustrated.

In October 1990, five of our great people and myself attended a life-changing event, our first four-day seminar taught by Dr Deming. It was at the Sheraton Airport Hotel in Houston, the week of his 90th birthday. Most of the concepts made sense to me. But: eliminate merit pay, incentive pay, and commissions? Never! I had grown up in a world of competition: I win, you lose—beat the other guy. I had grown up in a world of incentives. I had grown up in a world of building superstar mentality. Those things built the business: they took Gallery Furniture “from crayons to perfume”—or so I thought.

I only stayed for three out of those four days that time because his concepts of cooperation and win-win [one of the three topics to be explored here on Day 8] were so radical and off-centre to me. But Dr Deming's concepts intrigued me. I knew in my heart that he was right, and that he was certainly onto something. I figured that, if his 14 Points were good enough for Toyota, Honda, Sony, General Motors and Ford, maybe parts of them (and I could pick and choose) might work for Gallery Furniture. To make the selection process easier, I bought the *Deming Library* tapes and watched and listened to Dr Deming, NBC's Lloyd Dobyns, and Punk the Penguin [a cartoon character used in some of the videos].

I began to get the clear message that Gallery Furniture had been lucky and successful in spite of my bad management practices which crush people and their intrinsic motivation.

Salary vs commission

In December, I went with five other Gallery people to another four-day seminar in Flint, Michigan, sponsored by the Buick-Oldsmobile-Cadillac division of General Motors. I sat next to Carl Sewell, founder and owner of Sewell Village Cadillac, one of the most successful Cadillac dealerships in the country. Mr Sewell had built his Cadillac business in a similar manner to Gallery—with high commissions, incentive pay, and sales contests.

Carl and I discussed salary pay vs commission. I was beginning to think the unthinkable. We already had what *Team Handbook's* author Peter Scholtes describes as “quality commandos”: four or five salespeople who were ready to take the plunge to salary. But there were 75 other salespeople who remained sceptical.

In January 1991, my wife Linda and I took two of our converts, Don Ledford and Mark Gervich, to a four-day seminar, this time in Newport Beach, California. There we met Dr Ed Baker, who was the Head of Quality for Ford Motor Company. He and Dr Deming encouraged us to have faith and “just do it”.

The hop of faith

The more I studied Deming, the more I realised that something must be done. But I wasn't ready for the 100% plunge. So in January 1991 we took not a *leap* but a *hop* of faith, and removed all quotas; but we still paid everyone commission. Amazingly enough, sales went up and attitude improved. Some fear was driven out, but not all.

Store closings ranged from 40% to 46% before removing quotas. After the quotas were removed, store closings climbed to around 50%, and stayed there.

During January, February and March, my wife Linda kept telling me to go all the way to salary pay, but I didn't have the conviction to do it. However, in retrospect, those months of discussion of the pros and cons of going to all salary pay were good preparation for the change.

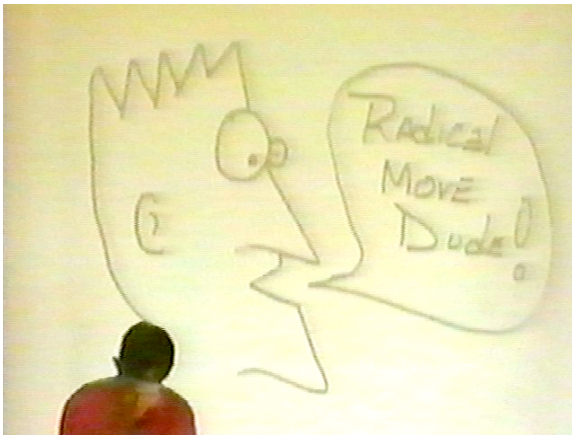
In March 1991, I attended Dr Deming's two-day implementation seminar in Dallas. I finally took courage to walk to the microphone and asked Dr Deming a question: "Dr Deming, isn't incentive pay OK for salespeople?". He looked at me and scratched his 90-year-old head and said:

"Will you ever learn?"

And Dr Baker told me that any change would bring with it a whole new set of problems. But at least the problems would be *new*. And I have to admit that I was sick and tired of the same *old* problems, like battles over commission when more than one salesperson helped a customer, making payroll a real nightmare. New problems would be a welcome change. And things *had* to change!

The leap of faith

So in April 1991 we decided to do away with commissions, and pay all salespeople a salary based on the income they made in 1990 and on their years of service to the business, so that nobody would lose. And if the company profited then everyone would share equally in our profit-sharing plan.



And, as Bart Simpson once said: "That's a radical move, Dude!"

Now, not only did managers have fears about going to salary: the salespeople did too. Salespeople thought that they wouldn't make as much money. Management thought that salespeople would be lazy, having no incentive to do their share. And salespeople feared they would still be evaluated, rated, ranked and appraised on the same old criteria and measurements. Many people told me that Gallery Furniture was betting the company unnecessarily on an all-or-nothing situation. And I personally had a few fears not worth mentioning here. But we pushed all the chips in the middle.

And quite soon those initial fears were behind us. Almost immediately we made some amazing discoveries. People don't work less. They work more, and are eager to contribute and to prove their worth. They jump in and get involved, and display talents we didn't know they had.

What happened?

We had a decision to make in 1991 when Dr Deming and Dr Baker asked me to switch those salespeople from commission to salary. It was a bet-the-company type of decision. We could keep going the same way and get quick returns—we were making money back then—or we could choose the Deming method for long-term prosperity. We chose the Deming method. And here's what happened.

We were able to improve the quality of our services and our products to our customers. No longer when I went in the grocery store and saw one of our customers did I have to hear a horror story from them about how their delivery went. We were able to decrease costs, improve productivity. When we went from commission to salary, the sales per employee went through the roof. We were able to decrease our prices, to sell better-quality furniture to our customers at lower prices. Some of our prices right now in 1999 are lower than they were in 1989.

We were able to increase the size of the market, not only for ourselves but for our competitors as well. Dr Deming says you have to have good competitors, and we certainly have some good ones. We were able to stay in business to provide jobs and get a return on investment—the Deming Chain Reaction.

Store closings, which had been at around 43%, and then 50%, are now consistently exceeding 60%. Gallery Furniture's year-to-year sales have gone up ... up ... up.

Then and now

The core—the heart—of Gallery Furniture still, as it was in the 1980s, is the salespeople. They're the people that, when the rubber hits the road, have the most dealings with the customers. In 1989, what did the salespeople do? They did sales. Everything else was "It's not my job", and they wouldn't do it. What do the salespeople do now? They do sales, they do inventory control, they move the furniture in the store, housekeeping, supervise the playground, display the room full of furniture. They do multitudinous tasks. And you know what? When they do different tasks, the job is not as boring to them and they get energised more often. They now see the business as a *system*, and the phrase "That's not my job" has completely disappeared. Everybody walks in everybody else's shoes, replacing criticism with compassion, and judgment with understanding.

Now we view the organisation as a system: How is the *system* doing? How can we constantly improve? What's important to our customers?

Associates have a vested interest in what they and their fellow-associates do in contributing to the whole. They take more joy in their work. They are listened to and allowed to use their talents and abilities effectively, and participate in the education of their fellow-associates. They participate in merchandising and decorating. Now a furniture-buying team meets with representatives and travels to market, making decisions that were once made by overpaid buyers who had little or no contact with the buying public. This change alone has saved our company tens of thousands of dollars. As we continued to improve, more and more associates became players, further contributing to an ever-increasing whole, and finding a place in the system where they can contribute, lending and blending their talents. It truly amazes me how much hidden talent has surfaced through all the changes. Here is one example, out of many:

Recently we decided to carry out some major remodelling of two of our display areas. The commercial cost would have been in excess of \$70,000 for what needed to be done. A team of our associates pooled their talents and built two of the most beautiful display galleries I have ever seen. The total combined cost was less than \$7,000, with the savings going directly to the bottom line, to the benefit of all through the profit-sharing programme.

In the past, associates would be losing by doing anything other than selling. Cross-training is now rampant. Before, we could not justify the time or the assumed revenue loss, whereas cross-training actually makes better use of the most valuable asset a business possesses: its employees.

Performance appraisal has been completely discarded: we do not use it. Growth and success are measured in other ways, and management doesn't look at an individual's figures but at the sum total of the

whole system. People are simply asked to contribute in as many ways as they can, fully utilising their knowledge, talents and abilities for the good of the whole. The older and senior sales associates now help the newer salespeople, seeing them as an asset rather than as competition and a threat to their income. Turnover of salespeople is down from the 10 to 15 salespeople who used to go every month to virtually none. The thousands of dollars we used to spend every week for salespeople in local newspapers ended entirely.

People are more secure—and people crave security. Now, for the first time, salespeople are able to budget their income without wild swings from month to month. Salespeople work in every area of the business, including the warehouse, service calls, and on deliveries.

Customers' needs are taken into consideration, and customers no longer feel pressured into buying something. Instead of focusing on making a living, sales associates focus on the customer's needs.

Downtime is now spent on improving selling techniques rather than poring over computer printouts, calculating and worrying how close they will be to meeting their quota. Associates have learned that the customer is the business, and their business is the customer.

Payroll only takes an hour each week, not the nine or ten hours it used to be. Our lady in payroll no longer receives 300 calls each week wanting to know: "Where am I at? Have I made my quota yet?"

Management is now spending time helping people, coaching and nurturing rather than ranking, rating, firing, or refereeing commission battles. A learning environment has been created, and people love to learn and excel at their job for the sheer joy of just doing it. And what's wrong with enjoying your work? Like the members of a symphony orchestra, associates each play their part for the good of the whole.

No going back

Someone asked me, at one of the Deming downlinks, if I would go back to commission if our sales were to slide. *No! Absolutely not!* The biggest benefits of salary vs commission are unknown and unknowable. Employees are happier. Management is happier. And customers are treated better. The company makes more profit.

And everybody wins. Is there really anything wrong if everybody wins?

We have been sold down the river on competition. We think it's good: I win—you lose! I learned to compete at the University of Texas in 1969–70. One of my best friends promotes competition in the field of sports. But we must realise that the lessons we learn in sports and in school do not apply to our business lives. Let everyone share in an ever-expanding piece of pie with innovations that expand the market.

The significant problems that we face today cannot be solved with the present level of thinking. Think of the new trade opportunities with Mexico: if we can't speak Spanish, we can't communicate simply by shouting English!

Before and after

In order for transformation to occur, the biggest change has to take place in management's thinking. Here is a comparison of Gallery before we eliminated commissions with how management has totally changed their view today:

BEFORE	AFTER
Individual events, firefighting, kicking butt, and taking names	View company as a whole— not focus on individual events
Goodbye to below-average staff	View employees as assets
No education, high turnover—\$\$\$ spent on recruiting	ROI [<i>Return On Investment</i>]: invest lots of \$\$\$ in best asset: people!
Frustrated because people didn't "get the message"	Be less critical— appreciate diversity
Dwelled on problems ... issued edicts	Job harder: fire prevention
Ignored the potential of competent, talented people	Found out that lots of people can contribute, and want to!

The benefits are many and great. People are happier on the job. There is better morale. Attitudes are high. Associates view the business holistically and are eager to contribute their ideas, opinions and talents. It is now OK to take a chance out on the edge where the rewards are to be found, rather than playing it safe in the middle of the road. No risk: no reward.

Thank you, Dr Deming

At Gallery Furniture we had a choice to make. Continue focusing on the quick buck, or look down the road toward long-term prosperity. We chose the Deming method. It creates the following chain effect:

- Improve quality
 - Decrease costs
 - Improve productivity
 - Decrease prices
 - Increase market-share
 - Stay in business
 - Provide jobs, and more jobs
 - Show a return on investment.

Our challenge at Gallery Furniture is to stay on the Deming course that we have learned. When I read the Wall Street Journal and the newspapers, and I see these companies getting quick gains and quick successes, it's easy for me to relate cause and effect, and say: Well, maybe I should do it that way. But I know the Deming way is the right way. It works for us. So at Gallery Furniture we've chosen to stay the course and grow the business long-term through Dr Deming's methods, which make it better for the employees, better for the customers, better for the community, and better for all of us.

Thank you, Dr Deming. Thank you for teaching us how to cooperate and raise the bar together. You have truly changed our lives.

The last time

In finishing, I'd like to talk about the last time I saw Dr Deming. My son James was very young back then in 1993 and he went to that seminar with me. It was a four-day seminar. At that time Dr Deming was 93 years old, he weighed less than 100 pounds, and disease had pretty much ravaged his body. He had a big oxygen tank on his belt, and they were pumping oxygen into his nose. And he did this seminar all day Tuesday, all day Wednesday, all day Thursday. Friday was the fourth and final day there in Houston. We were sitting up towards the right of the front row. He did the first hour and a half's lecture that Friday morning. He was coughing and wheezing, having a hard time getting through his notes, and shaking. And came time for the first break there at 9.30 in the morning. One of the seminar participants came up to him and said: "Dr Deming, you're old, you're tired, you're sick, you're coughing and wheezing". He said: "Why don't you cancel the next six hours of the seminar, and go home and get some rest?". He said: "Nobody will get upset. Everybody here will understand. Why, why, why are you doing this? Why are you punishing yourself?". I'll never forget—Dr Deming looked him in the eye and said:

"I'm doing this because I have a responsibility to make a difference."

We all do.



(Now please move on to page 18 [WB 100] to make a start on today's Major Activity.)

(Page intentionally left blank.)

Major Activity 6-b (pages 18-21) is also on Workbook pages 100-103.

MAJOR ACTIVITY 6-b

To focus on the learning from the Gallery Furniture story, and to help you relate it to your own situation, I now ask you to carry out two similar exercises with Gallery as you did with your own organisation in Activity 6-a: i.e. commenting on and “scoring” Gallery in relation to adoption of the 14 Points and cure of the Deadly Diseases. The first of the two exercises is based on what you know of Gallery at their “pre-Deming” stage, i.e. reflecting the company as it was, say, back in the summer of 1990. The second exercise will then be based on what you know of Gallery as it was nine years later. Obviously, your awareness of what was happening in Gallery Furniture at both times will simply be based on what you have read in Mack’s account. Although he doesn’t refer to the Points and Diseases explicitly, I think that in many cases you will have read enough there for you to draw valid conclusions about what was going on. (Indeed, often you may find your comments here can simply be a relevant choice of Mack’s own words.) Otherwise, simply write something relevant (like “Don’t know”) and don’t bother with a score.

Both to save space, and for ease of comparison, I am providing you with the single table opposite on which you can write your thoughts on both the “Before” and “After” exercises. Leave the central yellow column blank for now.

As recommended on Day 5 page 28, I hope you have been able to supply yourself with an enlarged copy of this table: you will find it very useful to be able to compare the two situations side-by-side, but at the current size you have little space in which to insert your comments, etc. You will also find it particularly convenient to be able to refer to this table directly (without having to keep turning back) while completing this Major Activity—see page 20.

Now that you know what this Major Activity involves, I also strongly recommend that you take my advice on Day 5 page 28 by reading through Mack’s story once more before continuing any further. Read through it quite slowly and carefully, and this time highlight and write a brief comment on every aspect that you see which can contribute to the table—there are lots of them! This is where you will find the benefit of having prepared a single-sided “working copy” of the story as advised on that “out-of-hours” note.

You *could* then start at the top of the table on the next page with Point 1 and work through each of the 19 rows issue by issue, to end with Deadly Disease 5. But I suggest a better approach would be to check through all of the items you have highlighted in his account, and then immediately transfer your appropriate brief comments along with page references into the relevant place(s) in the table.

Then, after completing that, now comes the time when I *would* advise you to start at the top of the table and work through it, issue by issue. Where there is a blank, have a think to see if you can recollect anything from Mack’s story to include there. Otherwise, even if you have inserted something into a particular cell of the table, you might take a minute or two to reflect on whether there is anything further that you might add.

Finally for the time being, work through the table one more time, now considering the comments you have made on both the “Pre-Deming” and “Post-Deming” sides of the table. In each case, summarise your comments with a relevant score on the same 0-5 scale as used in Activity 6-a.

	"PRE-DEMING"			"POST-DEMING"	
	Comments	Score		Score	Comments
14 POINTS					
1. Create constancy of purpose					
2. Adopt the new philosophy					
3. Cease dependence on mass inspection					
4. End lowest tender contracts					
5. Constantly improve systems					
6. Institute training					
7. Institute leadership					
8. Drive out fear					
9. Break down barriers					
10. Eliminate exhortations					
11. Eliminate arbitrary numerical targets					
12. Permit pride of workmanship					
13. Encourage education					
14. Clearly define top management commitment and action					
DEADLY DISEASES					
1. Lack of constancy of purpose					
2. Emphasis on short-term profits					
3. Performance appraisal					
4. Management job-hopping					
5. Running a company on visible figures alone					



MAJOR ACTIVITY 6-b (concluded)

To complete this Major Activity, transcribe from the table on page 5 in Activity 6-a the scores for your own organisation into the central yellow column on page 19. Think about what they tell you. For a start, you will see “at a glance” whether your organisation relates more to Gallery as it was in its “pre-Deming” or its “post-Deming” days. More particularly, with Points or Diseases where both the “pre-Deming” Gallery and your own organisation have low scores, while “post-Deming” Gallery has a high score, there may be something to learn from the Gallery story about what your organisation might do in order to improve matters. Give yourself plenty of time for this. Write down your thoughts on these two pages.

On page 15, Mack talked of the choice between continuing to focus on the quick buck, or looking down the road toward long-term prosperity using “the Deming method”. That was in the 1990s. His choice seems to have worked: when you have time, take a look at www.galleryfurniture.com.



MORE TRUE STORIES

Finally, as promised, comes my collection of short stories. Tomorrow you will find some of them helpful with Activities 7–a and 7–b. Also, as you read these accounts, you may well think of further similar incidents from your own experience. If so, make a note of them since they could be even more useful tomorrow.

1. Hospital waiting lists

One of the stated aims of the British Government during the late 1990s was to reduce the number of people waiting for admission to NHS (National Health Service) hospitals for non-emergency operations. And indeed, that number did decrease, admittedly by a rather tiny fraction. *But*: there was also much evidence that (a) the number of people awaiting relatively serious operations *increased*, and (b) the number of people waiting for their initial appointment with a consultant also increased—rather a lot. This was sometimes known as “the waiting list for the waiting list”.

I had personal experience of this. In March 1998 it became apparent to me and to my General Practitioner that I needed a hernia operation. He put me on the list to see an NHS consultant. I had the appointment in September 1998. However, that consultant represented the part of the hospital dealing with day-patients. He agreed that I needed the operation; *but*, in view of factors such as my weight, blood pressure, and home circumstances, I was outside the criteria required to have the operation performed as a day-patient: I would need to stay in hospital overnight. But that was another Department: and so I was put at the end of a different queue to see a consultant concerned with overnight admissions. By the summer of 1999 I had heard nothing further. So I had the operation performed privately.

2. Answering the telephone (from *Out of the Crisis* pages 62–63[72–73])

“A woman in my class at the Graduate School of Business Administration of New York University described her job with an airline, which was to answer the telephone, to make reservations, and to give information. She must make 25 calls per hour. She must be courteous, don’t rush callers. She is continually plagued by obstacles: (a) the computer is slow in delivery of information that she asks for; (b) it sometimes reports no information, whereupon she is forced to use directories and guides. Christine, what is your job? Is it:

To make 25 calls per hour?

or

To give callers courteous satisfaction; no brushoff?

It can not be both.”

3. The police

I talked to a member of a police force. They had been set a target on the proportion of 999 (emergency) calls for which their response time, i.e. time to be on the scene of the reported crime, was no more than 10 minutes. Some 999 calls are, of course, matters of life or death; others are trivial. This so-called performance indicator rewarded them if they prioritised trivial calls which could be reached within the 10 minutes criterion rather than life-or-death ones which could not. Incredible? I was there. There was going to be serious trouble if they failed to meet the target.

4. Gas equipment repairs

I have a friend, Trevor, who used to work as a gas engineer, his task being to visit and sort out problems which people had with their gas boilers and central heating systems. Originally he was allowed, indeed encouraged, to do a great job for his customers. But then a quota scheme was brought into force: so many jobs per day. It will not surprise you to know that some call-outs are quick and easy to deal with, while others are not. Ability to simultaneously meet the quota *and* do a respectable job for the customers was largely a matter of luck. Often, when sorting out the problem which a customer had reported, Trevor would notice that something else needed attention, something which would cause another problem within a few weeks. Should he deal with it on the spot—while he’s already there with the boiler stripped down? Or should he leave it, thus giving himself more time to meet his quota for the day? Which would be more cost-effective for his company? Which would be more convenient, let alone safer, for his customer?

5. Gallery Furniture

OK—you know these already. But it is well worth reminding yourself of those “gems” from Mack’s account (see page 9) such as furniture being stored in salespeople’s houses on Thursday nights and customers loaded with 30 bottles of furniture polish!

6. The Grade C club

While speaking with a headteacher some years ago, he mentioned his school’s “Grade C club”. Seeing my puzzled look, he was kind enough to tell me what it was. In Britain, schools had for some considerable time been ranked (“league-tabled”) according to the proportion of passes recorded in national examinations at grades C and above. According to this performance indicator, Grades C and above counted toward the school’s “score”, Grades D and below did not. The Grade C club comprised those pupils who were considered likely to produce passes at *either* grade C *or* grade D. It was vital for the purpose of raising the school’s placing in the league table for those pupils to produce grade C passes rather than grade D. Thus a considerable proportion of the school’s already limited resources had been refocused onto the Grade C club—to the disadvantage, of course, of everyone else, both those pupils forecast to be mostly in the As and Bs and also those at the other end of the scale.

7. Stafford Hospital

*(extracted from The Telegraph and The Sunday Telegraph, January 2013—
these were the best short summaries of this report that I could find^a)*

Stafford Hospital scandal: deaths force NHS reforms

Sweeping reforms of the National Health Service will be demanded by a public inquiry into one of the worst scandals in NHS history

The Telegraph understands that the report on Stafford Hospital, where up to 1200 people died needlessly in appalling conditions, will call for an overhaul of regulations to ensure that poor managers are weeded out, and better training for nurses and healthcare assistants.

The chairman, Robert Francis QC, is set to deliver a damning verdict on the whole of the Health Service. He will paint a picture of the NHS gripped by a “culture of fear” as managers became fixated on meeting targets and protecting ministers from political criticism over Labour’s stewardship of the Service.

The two-year enquiry heard how managers pressured nurses and doctors to ensure official targets were achieved, even when that meant patients were put at risk—leading to the deaths.

Doctors were diverted from critically ill patients to deal with less serious cases that were at risk of breaching a central target to discharge all patients from Accident & Emergency (A&E) units within four hours. Vulnerable patients were left thirsty, starving and in soiled bedsheets. Nurses were told that if they did not meet the targets “heads would roll and A&E would be closed, with all of us losing our jobs”.

The report, which will go first to Mr Hunt [*the Government's Health Secretary*] and is set to be published days later, will provide an excoriating account of a highly politicised system. It will criticise the way Labour's targets, coupled with the race to introduce Tony Blair's flagship foundation trust policy, allowed ministers to say the NHS was improving even though in reality patient care was being dangerously compromised.

8. Bonus schemes

For this illustration, I am reproducing something that was in my seminar materials for many years. Unfortunately I have lost track of its exact source, although I know it came from a letter written to me by a delegate following one of my seminars.

“My experience of bonus schemes for manual workers has made me determined to resist performance-related pay. Frankly, the effort of the individual in the workforce is rarely a major determinant of output—on that I agree with you and Dr Deming. Workers on bonus schemes forever complain to me that, however hard they work, factors outside their control determine their performance as measured by “objective” work-studied methods. It is the system—or, more accurately, the way the work-system has been organised and managed—which determines their output.

I could provide many examples and case studies to illustrate this point. For the purposes of this letter, one simple example will suffice.

I received recently a complaint from some council road-workers about their fluctuating weekly pay. Some 60% of their pay is determined by a bonus scheme. They complained to me that the way their work was organised affected their bonus far more than how much effort they put into their work.

One example of this was quickly recounted. They had been instructed one morning to reinstate some road. The yard supervisor had arranged their lorry and equipment. Unfortunately, when they arrived at the area where they were to work, they discovered that the wrong materials for the job had been loaded on their lorry. This necessitated the driver returning to the yard, unloading those materials, and finding the correct materials for the job. Some two and a half hours of the day were wasted: totally unproductive. And all of this entirely out of the control of this group of workers. Yet this brought down their bonus: cutting their weekly pay. They felt angry with management. Everyone lost from this experience: output was low, pay was cut, and relations between workers and managers were strained. Multiply this experience over many weeks—or over years—and a seemingly insoluble barrier has been created.

When management are challenged with these stark facts, they are terrified of giving up their bonus schemes because this is, in fact, their method of “management” and control. It is, of course, an abdication of leadership.

I fully appreciate that most problems are much more complex than this “hole in the road”. My contention is that the same principle surely applies in more complicated work-situations, even if they are somewhat obfuscated.

The fundamental problem for the workforce is linking performance to pay. Nothing could be more sensitive to people in such situations than their earnings, and fluctuating weekly pay is disastrous for planning the family budget. It is clear that management have failed to come to grips with their own responsibilities for organising the work, and have failed to listen to their workers who continually point out the problems.”

9. “Lots of fat kids who hate reading”

I just have room here for one *very* short story, and so can't resist sharing this one told to me by Peter Scholtes. It concerned a school whose English teacher came up with a great idea for persuading his pupils to read more books. Every time they completed a book they were given a voucher for a free pizza. The result? Peter's words form the heading to this paragraph.

10. A politician speaks about the target culture and fudging figures

Lastly for today, on 25 January 2014 I was fortunate to have the car radio switched on when an interview with Bernard Jenkin was being broadcast on BBC Radio 4. At the time of writing, Sir Bernard Jenkin is the Conservative Member of Parliament for the constituency of Harrow and North Essex in England; he was knighted in the 2018 Queen's Birthday Honours list. I was so impressed by the interview that later that day I recorded it via the BBC iPlayer and then transcribed it as follows. Yet again you may find some matters here which you might like to refer to during the Activities on Day 7 and, for that matter, which could also have been referenced on Days 4 and 5 during the First Project.

Transcript from *“The Week in Westminster”*^o

Presented by Peter Osborne of *The Daily Telegraph*

BBC Radio 4, Saturday 25 January 2014, 11.00 am

Peter Osborne: Now for an uplifting story. It's about crime statistics and the difference one man can make just by doing the right thing. Last Autumn, Police Constable James Patrick went to his local MP Bernard Jenkin who also happens to be Chairman of the Public Administration Committee. I asked Mr Jenkin into our studio to take up the story.

Bernard Jenkin: A constituent came to my surgery, PC James Patrick, and described the fix he had got himself into. He had been challenging his line management to deal with what he perceived to be serious inaccuracies in the reporting of recorded crime about which he was very seriously alarmed. This is what prompted our enquiry. I never for a moment thought that we would finish up taking such *credible* evidence, so *credibly* supported by other police officers, serving and retired, and academics, and that it would finish up, even before we've published a report on our statistics, with the UK Statistics watchdog downgrading police-recorded crime statistics so that they are no longer designated with the National Statistics kitemark.

PO: Crikey! And this was just an ordinary PC, on the beat? We tried to get him on, by the way.

BJ: No, no, that would not be helpful to him. What he said in front of our committee of course is privileged. One of the advantages of giving evidence to a Select Committee is that not even your employer can touch you for what you say in front of a Select Committee—that would be a breach of parliamentary privilege.

PO: So it led to a parliamentary enquiry which led to the conclusion that the police statistics weren't reliable. Tell us of some of the evidence that you've uncovered.

BJ: Well, particularly dramatic is the terminology. There's a number of techniques that PC James Patrick told us that are used, such as “cuffing” which is what magicians do to make things disappear, “nodding” which is where you agree with a criminal to accept that they've committed certain offences so that they can say they've been solved. There's the business of “no crime-ing”: release a recorded crime which is already on the system on the basis that, once you've spoken to the victim

and once you've been through a bit, you can basically take this one off the books because it's not going anywhere. Or there's just "downgrading" crimes, so that the chisel-marks on your window which clearly were an attempted burglary is just put down as criminal damage, or the mobile phone that you say you were mugged for in the street goes in as a bit of lost property. Most concerning of all was the evidence he gave us on sexual crimes, particularly rape. I think this underlines a real central concern in that there was a row a year or two ago about the recording of sexual crimes in the Metropolitan Police, and we were told it was all dealt with. And yet the evidence we took was that rape, for example, might be as much as 25% under-recorded by the Metropolitan Police.

PO: From what you're saying, you're telling me that the police fabricate crime statistics.

BJ: Yes. But I think it's very important not to put this in an accusatory sense, that this is not about saying there is a conspiracy to hide. There is a habit engrained by the target culture which both parties in various places in Government have been tempted to use. By targeting reductions in police-recorded crime, it has created an incentive to mis-record crimes to make things seem a little bit better than they are. And it's also very important to emphasise there is no evidence at all that crime is going up: crime is falling. The question is how much and which categories and, in particular, in which particular police areas are the trends of crime, and that's where we have not got reliable statistics, according to the UK Statistics Authority.

PO: Do we still have these targets?

BJ: Interesting question. In 13 out of 38 responses from police areas, they have no targets at all. In other areas they have degrees of targets. In some areas they still have very specific targets. Notably, in the London Metropolitan Police area, there are still very hard and fast targets in particular kinds of crime. Why set the targets at all? One police authority in Lincolnshire, for example, just says targets are actually counterproductive: they don't help good policing. That may well be a conclusion of our enquiry.

PO: Do you think this confection of statistics applies in other spheres, say the NHS or the Home Office, or more widely?

BJ: The answer is absolutely yes. The question is: how widely? We know, for example, from the Francis enquiry into Mid-Staffordshire [see pages 23–24], that the target culture drove people to be secretive and to hide the truth and not deal with what was going on. In my own local hospital the temptation to achieve targets for cancer treatment times and pathways has led to the falsification of that data, leading to the ultimate resignation of the Chief Executive of the hospital. I think that wherever targets are used and there is data being produced which the targets are aimed at, there must be suspicion that the data are being manipulated.

PO: Are you going to investigate those?

BJ: Well, I think the alarm bell has been rung. Maybe we should make a recommendation to all the Departments' Select Committees to look for this. But ultimately this is the responsibility of the assessment function of the Statistics watchdog, the UK Statistics Authority. Andrew Dilnot, the chairman of that body, in front of our committee has clearly taken on board that alarm bell and is going to gear his assessments of statistics to look at those kinds of statistics as a priority.

PO: And all because of one PC whistle-blower!

BJ: I think that's part of our democratic system. There are question-marks as to how the police treat whistle-blowers, and how the legislation for police treats whistle-blowers. But that will be something for the Home Affairs Select Committee.



Approvals, Acknowledgments and Information

- ^a (page 23) These extracts from *The Telegraph* and *The Sunday Telegraph* have been included with the approval of The Telegraph Media Group.
- ^b (page 25) This transcript from the Radio 4 programme *The Week in Westminster*, broadcast on 24 January 2014, has been included with the approval of the BBC.

