

Approved February 7, 1991
Date

MINUTES OF THE Senate COMMITTEE ON Economic Development

The meeting was called to order by Senator Dave Kerr at
Chairperson

8:00 a.m. ~~XXX~~ on February 6, 1991 in room 123-S of the Capitol.

All members were present ~~XXXX~~

Committee staff present:

Bill Edds, Revisor of Statutes' Office
Lynne Holt, Legislative Research Department
LaVonne Mumert, Committee Secretary

Conferees appearing before the committee:

Dr. Lawrence Sherr, School of Business, University of Kansas

Dr. Larry Sherr provided an outline of his presentation on total quality management (TQM) (Attachment 1). He talked about the importance of quality in order to be competitive and how the world class standards for quality have changed. Answering a question from Senator Feleciano, Dr. Sherr said that TQM can be applied to education and mentioned the University of Minnesota, North Dakota and Pennsylvania as examples of beginning small scale efforts. He added that the City of Madison, Wisconsin has utilized TQM principles for about ten years.

Dr. Sherr described the Malcolm Baldrige National Quality Award and its history. He said that although consumers are primarily interested in the output portion of quality, design and process are equally important. Dr. Sherr stated that 20% of sales revenues nationally go to scrap, rework and unnecessary complexity. Because of that, when quality is increased it does not necessarily mean greater cost. Dr. Sherr said the key ingredients in TQM are honesty, shared vision, theory or plan, patience and commitment. He explained that management philosophy has traditionally been defect detection rather than defect prevention. Dr. Sherr talked about the components of the process: materials, people, facility and machines and methods, which make up the "culture" of a business. He said that traditional thinking is to measure quantity rather than quality. He pointed out that changing the "culture" takes time and stressed the importance of being concerned with the process rather than the output. Dr. Sherr urged that the state figure out what Kansas needs rather than being influenced by what other states are doing and trying to copy their programs. He recommended that everyone learn more about TQM and that a group consisting of representatives from the Legislature, the executive branch, business, labor and education (both K-12 and higher education) be formed to work on this concept. Dr. Sherr offered his services to assist.

Senator Petty asked Dr. Sherr if he thought it was possible for a company to move into TQM without it beginning with top management. Dr. Sherr answered that he feels it can be accomplished with a "groundswell" but it would take a longer period of time. Answering a question from Senator Feleciano, Dr. Sherr said he feels that education is a key to changing the "culture" of an organization. He said there needs to be a balancing act between short-term and long-term vision. Senator Feleciano asked how to begin TQM. Dr. Sherr said it is essential to learn more about the concept and suggested tapping into available resources. Senator Winter mentioned that the SRS task force has endorsed this concept for SRS and asked Dr. Sherr how the Legislature can be sure it is being carried out. Dr. Sherr said it is important to "ask good questions" and a great deal of education for SRS employees will be essential. He also noted that TQM is data driven.

The meeting adjourned at 9:00. The next meeting of the Committee will be Thursday, February 7, 1991.

Date 2/6/91

SENATE ECONOMIC DEVELOPMENT
VISITOR SHEET

(Please sign)

Name/Company	Name/Company
WALT DARLING / DIV. OF BUDGET	
Dave Cleveland	Dept. of Commerce
Marianne Hudson	KPC
Leslie Dick	Washburn U
Jara McOrmeck	Washburn University
Ronnie J. Guest	Washburn University
Jon Josseland	KU

TOTAL QUALITY MANAGEMENT

Prepared for the
**SENATE COMMITTEE ON
ECONOMIC
DEVELOPMENT**

February 6, 1991

Lawrence A. Sherr
Chancellors Club Teaching Professor
School of Business
University of Kansas
(913) 864 - 7531

Attachment 1
2/6/91
Sen. Eco. Dev.

OUTLINE:

- A. Why should you be interested in TQM?**
- B. What is TQM?**
- C. Recommendations**

A. Why should you be interested in TQM?

**KANSAS NEEDS TO
STAY COMPETITIVE
WITH THE WORLD.**

**Fostering QUALITY in all
business and government
activity is an essential
component in achieving
this goal.**

WHY? The standards to be competitive have changed.

Proportion of good items:

n	0.93	0.99	0.997	.99999966
1	0.9300000	0.9900000	0.9970000	0.9999997
10	0.4839823	0.9043821	0.9704018	0.9999966
20	0.2342389	0.8179069	0.9416796	0.9999932
50	0.0265551	0.6050061	0.8605140	0.9999830
100	0.0007052	0.3660323	0.7404843	0.9999660
500	0.0000000	0.0065705	0.2226277	0.9998300
700	0.0000000	0.0008803	0.1220705	0.9997620
1000	0.0000000	0.0000432	0.0495631	0.9996601

Congress, in 1987, established

**THE MALCOLM
BALDRIGE NATIONAL
QUALITY AWARD**

B. What is TQM?

DIMENSIONS OF QUALITY

DESIGN

OUTPUT

PROCESS

**THE MALCOLM BALDRIGE NATIONAL
QUALITY IMPROVEMENT ACT
OF 1987 - PUBLIC LAW 100 - 107**

"American business and industry are beginning to understand that poor quality costs companies as much as 20 percent of sales revenues nationally, and that improved quality of goods and services goes hand in hand with improved productivity, lower costs, and increased profitability."

20 percent of sales

revenues nationally

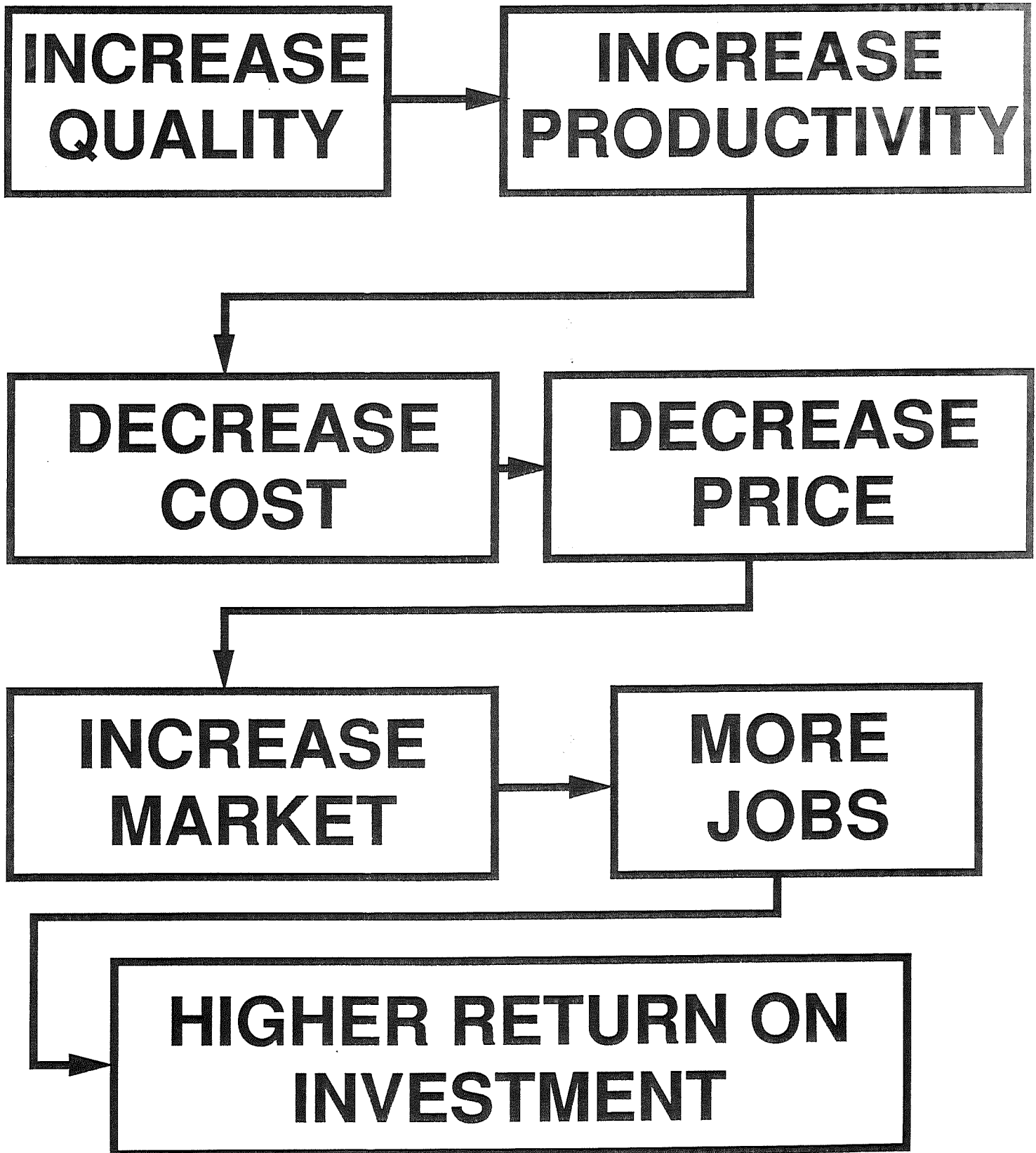
1) SCRAP

2) REWORK

3) UNNECESSARY

COMPLEXITY

DEMING CYCLE



KEY INGREDIENTS

- 1. HONESTY**
- 2. SHARED VISION**
- 3. THEORY or PLAN**
- 4. PATIENCE**
- 5. COMMITMENT**

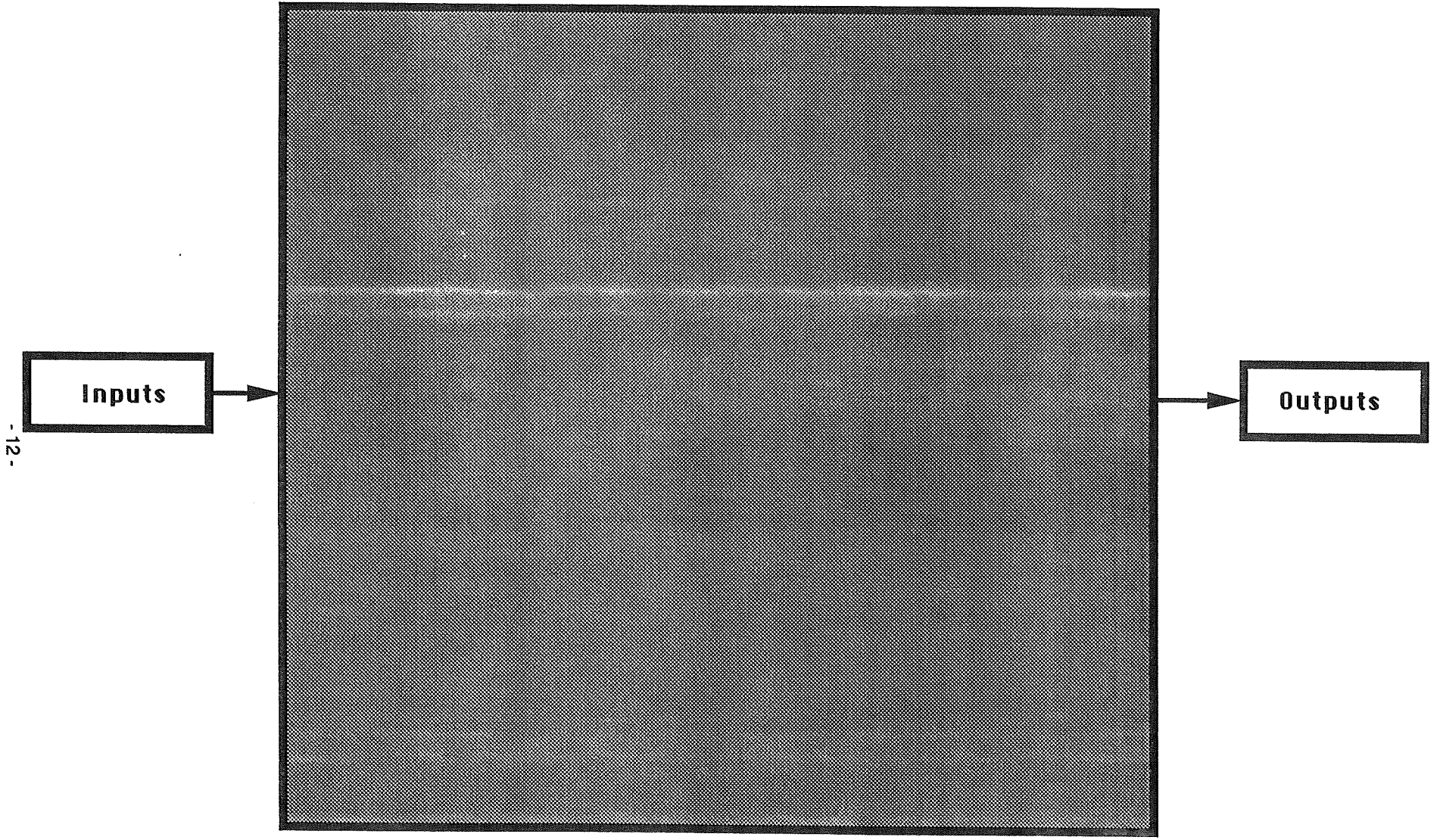
FIVE POINT SUMMARY:

- 1. Customer Focus**
- 2. Systematic Approach to the Improvement of Operations**
- 3. Develop Human Resources**
- 4. Long - term Thinking**
- 5. COMMITMENT**

Customer Focus:

- 1. Customer is the most important part of every organization (or process).**
- 2. To capture and hold customers you must satisfy their needs.**
- 3. To satisfy their needs you must know what they are.**

The Organization



-12-

2/6/91
1-13

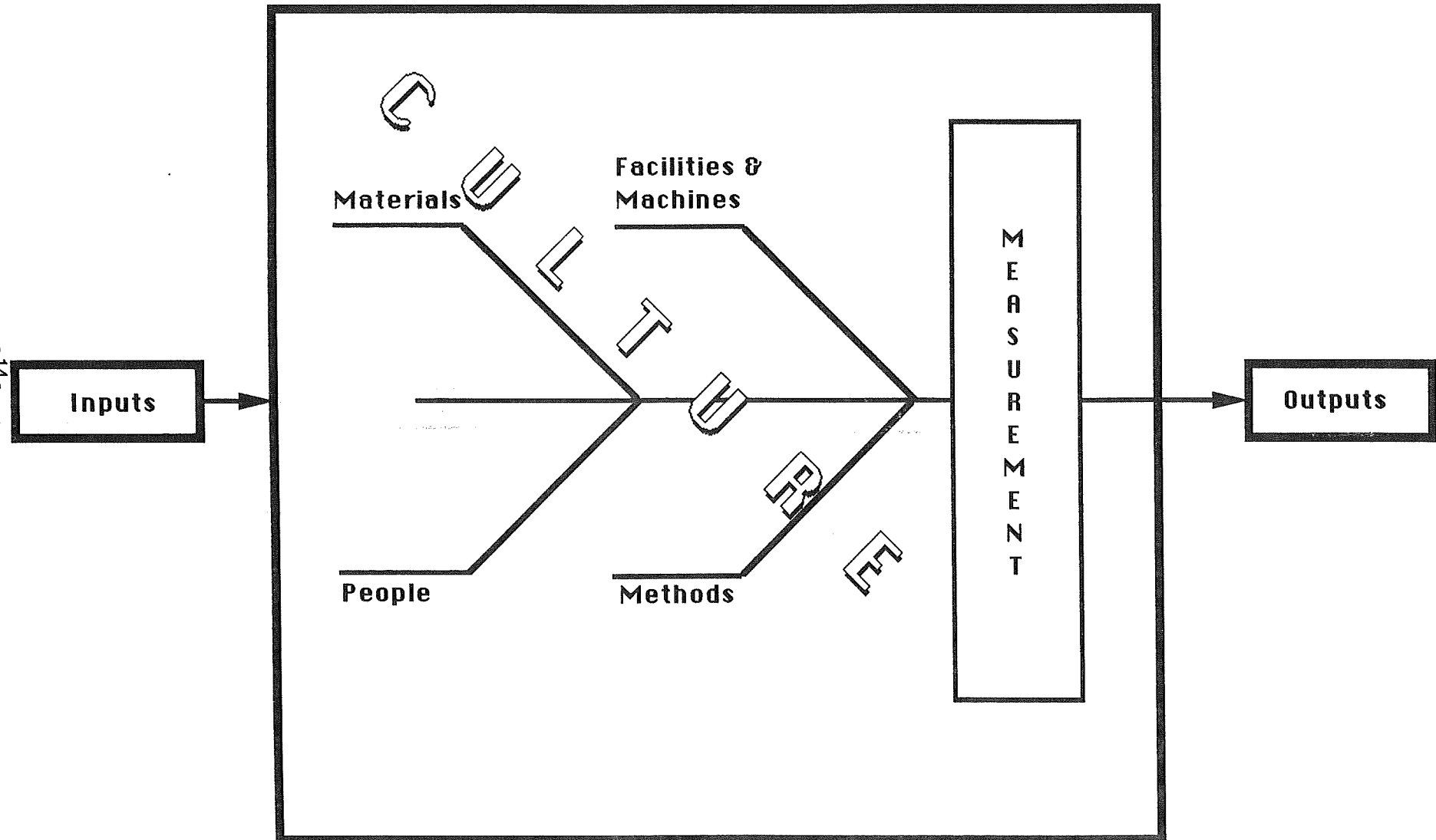
**We must change our management philosophy
from:**

DEFECT DETECTION

to

**DEFECT
PREVENTION**

The Organization as a PROCESS



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2/6/91
A-15

LONG TERM THINKING

**Molding your own future by
understanding the
consequences of today's
decisions.**

Peter Drucker

MALCOLM BALDRIGE NATIONAL QUALITY AWARD

1991 EXAMINATION CATEGORIES, ITEMS, AND POINT VALUES

Examination Categories/Items		Maximum Points
Leadership		100
1	Senior executive leadership	40
2	Quality values	15
3	Management for quality	25
4	Public responsibility	20
Information and Analysis		70
1	Scope and management of quality data and information	20
2	Competitive Comparisons and Benchmarks	30
2	Analysis of quality data and information	20
Strategic Quality Planning		60
1	Strategic quality planning process	35
2	Quality Goals and Plans	25
Human Resource Utilization		150
1	Human resource management	20
2	Employee involvement	40
3	Quality education and training	40
4	Employee recognition and performance measurement	25
5	Employee well-being and morale	25
Quality Assurance of Products and Services		140
1	Design and introduction of quality products and services	35
2	Process quality control	20
3	Continuous improvement of processes	20
4	Quality assessment	15
5	Documentation	10
6	Business process and support service quality	20
7	Supplier quality	20
Quality Results		180
1	Products and service quality results	90
2	Business process, operational, and support service quality results	50
3	Superior quality results	40
Customer Satisfaction		300
1	Determining customer requirements and expectations	30
2	Customer relationship management	50
3	Customer service standards	20
4	Commitment to customers	15
5	Complaint resolution for quality improvement	25
6	Determining customer satisfaction	20
7	Customer satisfaction results	70
8	Customer satisfaction comparison	70
Total Points		1000

C. Recommendations:

- 1. Learn more about TQM.**
- 2. Setup a PROCESS to find a KANSAS approach for encouraging quality.**

The group should include people from:

- a) the Legislature**
- b) the Executive branch**
- c) Business**
- d) Labor**
- e) Academic sector**

CHARGE:

- 1. Assess needs of Kansas business and government.**
- 2. Study what has been done in other states.**
- 3. Propose a plan that is appropriate for Kansas.**