

***In this Issue:***

***American Society for Quality Published Article  
Made in Arizona: A Celebration of Arizona Manufacturing***



[www.asq.org](http://www.asq.org)



# Sun Dial

Official Newsletter of "The Valley of the Sun," Phoenix, Arizona Section 0704

August 2004

## The Linkage of Business and Quality Objectives

Walter Tighe, President  
Sustaining Edge Solutions, Inc.

[www.sustainingedge.com](http://www.sustainingedge.com)

Is it important for top management to select objectives that, when measured, will provide clear indicators of success or failure? We have business objectives, why do we need quality objectives? How do we ensure that our objectives are relevant, understood by our employees, and make us money?

As a management systems consulting and training firm, we find no matter what the industry, these are evolving issues. Most managers do understand the concept of setting specific goals and objectives for their organization. Many companies would not be in existence today if they had not previously set measurable business objectives toward which to strive. Recognizing the things that drive business profitability can help give support to understanding how to align business objectives with quality objectives. The identification and understanding of "these quality things" starts with the business planning process.

What are the factors Management needs to consider in order to ensure business success? We know we must allocate for capital resources, work facilities, and trained personnel. We must determine our market niche in order to understand how we can meet our customer's needs. We must be able to work with an acceptable group of suppliers/vendors that can aid us in meeting our customer's needs. We must have acceptable processes of creating and delivering our products/services to our customers. Our trained employees have to understand what their roles and responsibilities in the organization are, and they must be knowledgeable that their company's Management is fully committed and leads by example. If there are any blips in our business model, we must be able to identify those concerns in a timely manner so our customers experience the smallest negative impact possible.

We have witnessed organizations that develop quality objectives separate from their overall business plan success. This often contributes to suboptimization, where managers select their own objectives to better

their performance, with little regard to the overall company performance. Is it the word “quality” that seems to confuse management to think narrowly and look at quality objectives as an ad hoc activity? The best organizations today understand that the two are fully integrated.

Let’s look at some business objectives that can become measurable quality objectives:

- Customer satisfaction
  - Product conformity
  - Process performance
  - Employee involvement
  - Supplier performance
  - Cost of poor quality
- Continual improvement
  - Internal audit results
  - Benchmarking results
  - Repair and rework
  - Customer communication
  - Employee job satisfaction

For example, a customer may express their dissatisfaction with lead times. Identify the processes that delay the delivery, and create measurable objectives to achieve shorter delivery times and predictable lead times. If the data reflects a much needed process redesign, remove the causes of delays, variation, and reexamine the measurable objectives for consistency of purpose and continuous improvement. By thinking about business objectives as goals, management is able to align their management systems with the actual work that is being done and answers the question of “how do we make money in this business?”

An effective method we have seen some organizations use to identify and demonstrate how its objectives are analyzed, and measured as illustrated by the following diagram.

Objectives	Responsibility	Monitoring Method	Unit of Measure	Data Collection Interval	Data Analysis Method	Goal	Action
Customer Satisfaction	General Mgr., Customer Service Mgr.	Customer Survey	Quality, delivery, cost, customer service	Monthly	Summarize & review results for each measure	Meet guidelines set by Corporate and customers	Mgmt discretion
Supplier Quality Performance	President, General Mgr.	Vendor Receiving/ Rejections report	Number of rejects and/or service failures (Claims)	Quarterly	Review results by vendor	No rejected parts and/or service failures (Claims)	Feedback to supplier or other action per mgmt decision
Supplier Delivery Performance	President, General Mgr.	Vendor Performance Quality Report	On-time deliveries	Quarterly	Review results by vendor	All deliveries within schedule	Feedback to supplier or other action per mgmt decision
Sales Performance	Office Mgr., Sales Mgr.	Posting Reports & Financial Statements	Revenue vs. contacts	Monthly	Graph results	Meet Sales Forecasts	Mgmt discretion
Customer Retention	President, General Mgr., Sales Mgr	Top Customer Report	Sales YTD	Monthly	Comparison of YTD vs. 3 previous months sales	No unexplainable lost customers	Feedback to personnel or other action per mgmt discretion

In addition, some companies use a simple process analysis table of their key processes, helping identify process interactions that contribute to their objectives (see sample diagram below).

Process Description	ID	Process Owner	Suppliers	Inputs	Outputs	Customers	Measures	Procedures
Customer request for quotation	01	Inside sales	Customer	Requests received via phone, fax, e-mail/mail	Approved customer order and confirm	Customer/buyer and production scheduling	Accurate, complete and timely customer order prepared	QSP-01

Purchasing inventory control	02	Purchasing	Approved supplier list	Materials requisition	Purchase order & inventory adjustment	Material suppliers, inventory system and receiving	Accurate, complete and timely prep of PO & inventory adjustments	QSP-02
------------------------------	----	------------	------------------------	-----------------------	---------------------------------------	--	--	--------

Another effective method we have seen is when a company lists its key objectives for all to see and contribute. So there is no question about which objectives relate to each area. Having all employees aware of the objectives of the organization and the results being achieved, is an effective way of reinforcing to each employee the importance, their contribution, and what is taking place within the whole organization (even when the objectives may be from another function or department).

We know objectives should follow the SMART philosophy in order to drive true analysis of our business performance. Specific, Measurable, Achievable, Realistic, and Time bound objectives can aid us in making fact-based decisions based on hard core data. This in turn aids in determining whether we are making the right improvements to our business, and allocating the right resources to make these improvements come to life.



**“Made in Arizona”**  
A Celebration of Arizona Manufacturing

- Date:** October 28<sup>th</sup>, 2004
- Time:** 7:30 am registration, 8:00-11:30 am breakfast included, and expo
- Location:** Phoenix Airport Marriott
- Cost:** \$35 Members, \$40 Non-Members

**Sponsors:** The Arizona Tooling & Machining Association (ATMA), the Phoenix Industrial Development Authority (PIDA), Irwin Union Bank, Manpower

- Program:**
- *The Arizona Manufacturing Network (AMN): Who we are and what we do*
  - *Industrial Education, Certification, and Training Panel Discussion*
  - *“The Pulse of Manufacturing in Arizona” Panel Discussion*
  - *Keynote Address: Arizona Congressman JD Hayworth*
  - *Made in Arizona Expo” in which local manufacturers will be displaying products and services produced here in Arizona.*

For detailed information visit the Phoenix Chamber of Commerce at [www.phoenixchamber.com](http://www.phoenixchamber.com)

**Sustaining Edge Solutions is a member of the Arizona Manufacturing Network and will be exhibiting at this event. Please stop by and see us!**