Vision, Value Added, and Variance

Timothy R. Hinkin

ABSTRACT. This paper discusses the framework developed by Geary Rummler and Alan Brache in the book *Improving Quality* (1995: Jossey-Bass, 2nd edition). It then presents this framework in a prescriptive manner and provides a hypothetical scenario in which it could be applied in an analysis of service quality. The primary objective of the paper is to provide the reader with a typology that will aid in analyzing organizations and in designing research projects. [Article copies available for a fee from The Haworth Document Delivery Service: 1-800-HAWORTH. E-mail address: <getinfo@haworthpressinc.com> Website: <http://www.HaworthPress.com> © 2001 by The Haworth Press, Inc. All rights reserved.]

KEYWORDS. Quality improvement, TQM, Rummler and Brache

INTRODUCTION

As co-editor of this journal it is now my opportunity to share some of my perspectives on quality. This article will be partly soapbox, partly
book review, and partly prescription. Just a bit of background might be helpful for you to understand my viewpoint. I have been teaching a course in managing service quality for nine years. I have authored several articles and written a casebook on the topic and continue to learn through reading the work of others. In recent years I have read about the significant progress made in efforts to measure the intangible aspects of the service encounter. We now know much more about what pleases a customer or guest than we did a decade ago (Seiders & Berry, 1998; Qu, Ryan, & Chu; 2001). I have read empirical evidence of the links between service quality and profitability. We now know that employee retention and development are keys to quality improvement and financial success (Heskett, Sasser, & Schlesinger, 1997; Pfeffer & Viega, 2000). I have read several articles examining those factors that impact customer satisfaction. We have learned that the service or process portion of a purchasing interaction has a greater impact on overall perceptions of quality than does the good or product aspect (Hinkin & Tracey, 1998; Reeves, Bednar, & Lawrence, 1998).

I have also seen TQM become a dirty word to many managers, primarily because they did not understand the level of commitment needed to make real quality improvement and derided it as a fad. As Deming said, “Quality is not a program” (2000, p. 128). A simple question one might ask is “Can quality be a fad?” The answer is clearly no, but it takes a lot of work to attain it. One of my frustrations as both a teacher and a scholar is how slowly quality improvement is occurring in the hospitality industry. There seems to be great resistance to change and a lack of desire for innovation, so my challenge to you is to continue to seek out and study innovative management practices in all service industries that may be applicable in the hospitality industry and to share that learning. Conducting interesting and relevant research and disseminating the results through publication and teaching may be our most effective way of influencing management practices.

**IMPROVING PERFORMANCE**

Speaking of learning, every so often we come across a book that changes the way we think about things. For me one of these is *Improving Performance* by Geary Rummler and Alan Brache. It has provided me with a framework that has been very helpful in the way I teach, manage, consult, design research projects, and organize articles. I would highly recommend the book and would like to share this frame-
work and to provide examples of how the study of quality can be improved through the use of this typology. First I will briefly discuss the framework, then present it in a quality management context and finally use a healthcare case setting to provide an example of how it could be applied.

Rummler and Brache present a three-by-three matrix comprised of what they describe as nine performance variables. The matrix is presented in Figure 1.

On the X-axis are the three performance needs: goals, design, and management. On the Y-axis are the three levels of performance: organization, process and job. In short, the authors argue that in order to improve an organization you need an effective framework for diagnosis and need to understand the systemic interdependencies between the various quadrants of the matrix. Goals must be congruent, the design must be in alignment with goals, and the management must support the goals.

From my own work I have conceptualized quality improvement at three primary levels that correspond well to the Rummler and Brache framework. They are, as I define them, the “three V’s of quality,” vision, value added, and variance. Vision is the ability to formulate and articulate the direction of the organization, focusing both internally and externally at the macro level. This is analogous to the organization level of the framework. Value added focuses on process anatomy, on systems that affect both internal and external customers. This is similar to the

FIGURE 1. Performance Needs and Levels

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<th>THE THREE PRERFORMANCE NEEDS</th>
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<td>Goals</td>
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process level of the framework. Finally variance focuses on the importance of consistency in service delivery and on the individual tasks within each process. This is analogous to the job level in the framework.

How does this transfer to the study of quality? The lesson here is twofold. First, the framework provides an excellent guide for analysis quality management. Second, when developing and designing a study the framework is useful to clarify the level of analysis, the variables of interest, and the most appropriate manner in which to collect data.

**Vision**

Let’s begin with vision. From the work of Deming (2000), Juran (1992), and Crosby (1992) we have learned the importance of top management commitment to the success of a quality improvement program. Deming has his 14 points, Juran his breakthrough sequence and Crosby his 14 points (different from Deming). Examining the organization level may be the best place to start when determining if an organization has high quality or not. For example, if studying an organization we might ask if quality goals are a part of the business strategy. If the only goals an organization has are financial or quantitative, such as return on investment or percent of market share, why would quality be important to employees? Deming would argue that there will be very little emphasis on quality in such an organization. Is it clear that there are goals for customer satisfaction such as repeat business or for employee satisfaction such as turnover?

Similarly, does the organization design support efforts to achieve quality? Is there a way in which various departments can communicate effectively with one another? Is there a mechanism to effectively obtain feedback from customers? Are internal and external customer-supplier relationships clearly understood?

In looking at management at the organization level we might investigate if there are adequate resources to support quality improvement. Is there appropriate technology, adequate training, and compensation structure that supports the quality initiative? Is management making effective use of benchmarking practices? Are they using valid data to make decisions by fact?

**Value Added**

Moving on to value added, the attention now turns to the processes in place. The primary question is “Does an activity within the organization
add value to the guest experience or to the work of an internal customer?” If not then why do it? According to Rummler and Brache process goals should be derived from three sources: internal customers, external customers and benchmarking. They should be aligned with organization goals. Are the goals of the Director of Sales and Marketing congruent with those of the Front Office Manager? Process goals could include factors such as cycle time, accuracy, or timeliness. How long does it really take to process a room service order? How long does the customer want a room service order to take? If these goals are not in place and communicated effectively, there is no way that employees will focus on meeting customer needs.

Once the process goals are determined, the process design becomes the focus. Processes often transcend functional areas and it is at this level that critical interdependencies must be identified. Are processes designed to satisfy the established goals? Are there gaps or bottlenecks in processes? For example, we might examine how a sales department books hotel rooms. What happens to the paperwork? What types of communication take place between various departments? Of particular importance are the input-output relationships. Flowcharting is a very useful tool for designing or modifying a process.

In terms of process management, it is at this level that many of the tools of quality control come into place. Measurement becomes critical to assess the extent to which process goals are being achieved. Statistical process control techniques such as checksheets, histograms, pareto analysis, and control charts are useful. Feedback from both internal and external customers is also very useful.

**Variance**

One finding from recent research on quality is the importance of consistency of service to overall customer satisfaction. In short, variance is usually undesirable. The illustration presented in Figure 2 illustrates this:

Simply put, the objective is to move from low performance with high variance to high performance with low variance. This can be obtained in two ways, first, through strict standardization, which is effective when there is little change in customer wants or needs. Alternatively, in situations when customer needs may vary, employee ability to adapt to changing demands is necessary which may necessitate more training and hiring.
more skilled employees. Like process goals, task goals must be aligned with overall organization goals. These goals should clarify to employees both what is expected of them and how well they are expected to perform. In essence, they create standards of performance that should be based on customer needs. For example, we may want to set goals for how long it takes to seat a customer in a restaurant or to have passengers disembark from an airplane. In both cases, however, there should also be qualitative standards to prevent the focus to be totally on speed.

With respect to task design, it is important that responsibilities are clarified, policies are explained, and that the employee will be safe. There are motivating factors to take into consideration such as task variety and autonomy. Flowcharting is also useful in task design.

Task management involves assessing the level of goal accomplishment and may utilize statistical process control techniques. It also requires that employees receive the appropriate support to accomplish the task and feedback about their performance. Selection and training are a critical part of task management and reward systems must be designed to reinforce desired behaviors.
APPLICATION OF THE FRAMEWORK

Vision

Consider a healthcare organization comprised of forty physicians, fifty-five nurses, a dozen nurses aides, and an administrative staff of ten. The organization is plagued by complaints from patients, morale is low among administrative staff, and there is considerable hostility between physicians and nurses. There is major concern by everyone because there are increasing pressures from competition, government legislation, and insurance providers. They all want things to improve but they don’t know what to do. Where do you begin?

Using the Rummler and Brache framework in this situation the first question we might ask is what are the organization’s goals, what is the vision? As Deming might ask, “What business are you in?” You can imagine the variety of answers you might get from various people but it is very likely that providing patient care and making money would be two of the most common responses. Are these goals compatible? Do they help in directing people’s efforts toward improving quality? What should the vision be, to become the regional healthcare provider of choice? If so, what changes would this necessitate? How would we begin to measure this? Patient referrals might be appropriate, as might employee retention measured by average tenure. The point here is that the vision needs to begin to focus the organization on quality.

When looking at the organization design we find that it is a very hierarchical structure with physicians at the top making most of the decisions. There is virtually no mechanism in place to get feedback from employees and no formal means of obtaining feedback from patients. The administrative staff communicate very little with the healthcare professionals, except when there is a problem. There is virtually no mechanism in place to monitor the external environment so the organization is constantly in a reactive mode. How might the design be changed to facilitate the flow of communication? What are the critical interdependencies?

Because there are no clear organization goals employees do not know how well they are doing. Focus is on meeting budget and cutting costs but there is little emphasis on improving quality. There is adequate technology, but training is lacking so the technology cannot be fully utilized. How can we obtain useful feedback from both internal and external customers? How can we better leverage our resources?
Value Added

When examining the organization we see that there seems to be conflict between various constituencies. Each group thinks that the others are making unreasonable demands resulting in a lot of finger pointing. This is largely because they do not recognize the interdependencies that exist between them. There are two primary dimensions important to the patient in healthcare. First is the medical treatment, the second is the non-medical treatment. They need to identify the key processes in each of these dimensions and begin to develop goals. For the patient there are three primary processes: arriving and waiting, seeing the physician, and departing. How long do they wait? On average, how many people are in the waiting area? How long does it take once they are in the examination room to see the physician? There are other processes such as billing, receiving, and completing insurance forms. For all of these processes, both quantitative and qualitative goals could be developed. How long should a patient wait? What is the desired level of billing accuracy?

Process design is very important in this organization. We find that when scheduling patients, the availability of examination rooms used by various physicians is not considered which often creates a bottleneck. Patient paperwork is not taken from reception to the billing desk until a patient completes the visit with the physician that can cause a delay for the patient. The organization needs to identify, document, and closely examine its key processes. Why does the waiting room seem so crowded at times? Why are there often mistakes in processing insurance forms?

Once process goals are in place processes must be measured and managed. There are peaks and valleys in the throughput of patients that could be tracked with run charts and examined using fishbone analysis. Patient complaints need to be collected and analyzed using histograms and pareto analysis.

Variance

Turnover at several clerical positions has been quite high for the last couple of years. The receptionist who does patient scheduling has been on the job only three months and feels that she is under a great degree of stress. She was supposed to have had several days of training but that never happened so she is doing the best she can on the new computer system. She notices that most patients do not come alone and that often times elderly people must stand in the waiting area. Nurses are often complaining about filling out paperwork, the purpose of which they do
not understand. What are the standards for doing good work? How would a new employee know if he or she was doing well?

It not clear exactly who is responsible for several tasks. Sometimes a nurse does them, sometimes the receptionist, and sometimes they don’t get done. One of the most important jobs in the practice is to keep patient records organized both in the filing cabinets and on the computer but the computer program is very sophisticated and with several people using it errors are often made. These errors usually result in greater problems later. In a situation such is this each and every task must be clarified and someone made responsible for it. Who should have access to the computer? What is the most efficient way of storing patient records?

Management needs to develop standards for many of the tasks that currently have none. Training is often viewed as an unnecessary expense but is clearly needed. Turnover is very costly and the reasons for it need to be identified.

**CONCLUSION**

Based on this analysis what recommendations might one make? First, the vision needs to be developed and articulated. Second, key processes need to be identified and documented. Third, clear standards for these processes would need to be developed. Fourth, individual tasks need to be clarified with assigned responsibility. Finally, the proper training needs to be conducted to assure that people are prepared for the task and technology is fully utilized. By using the framework from the top down and across, it is very likely that nothing has been missed in the analysis and the recommendations should lead to improvements.

From a research perspective, the framework provides a guideline for clarifying the research design and level of analysis. For example, if one wanted to examine a macro tourism policy issue it would be useful to examine the overall organization goals, the design for achieving those goals, as well as the management toward those goals. Implementation could then be examined at the process level. Often times failure in a single matrix sector will keep a good idea from being successfully implemented. It is my experience that the most serious problems usually occur at the process level, particularly for processes that transcend functional areas.

As mentioned earlier, I would highly recommend the book, but it is hoped that this overview and synthesis will provide you with a grasp of this powerful tool.
REFERENCES