



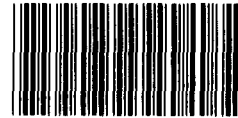
United States  
General Accounting Office  
Washington, D.C. 20548

General Government Division

B-249779

March 30, 1993

The Honorable Donna E. Shalala  
The Secretary of Health and Human  
Services



148856

Dear Madam Secretary:

Total Quality Management (TQM) is a management approach that strives to achieve continuous improvement of quality through organizationwide efforts based on facts and data. TQM also focuses business processes on meeting the needs of customers, both internal and external. Although TQM traditionally has been associated with private sector organizations and their efforts to remain competitive and profitable, in recent years federal organizations have been attempting to implement TQM to cope with budget restrictions and better serve the public.

We recently surveyed federal installations to determine the extent of their use of TQM and learned that 68 percent of the installations surveyed were implementing TQM.<sup>1</sup> An installation, as defined by the Office of Personnel Management, is a unit with a specifically designated head who is not subject to on-site supervision by a higher level installation head and who has been delegated some degree of authority in the performance of personnel management functions. Our survey covered over 2,800 installations, such as Internal Revenue Service Centers, Social Security offices, military depots, and Health and Human Services regional offices. One hundred forty-eight of the installations of the Department of Health and Human Services (HHS) were included in this survey, and the purpose of this correspondence is to provide you a brief summary of the results as they apply to HHS as well as to compare HHS results with the total results of all surveyed federal installations. We believe this information--particularly data on barriers to TQM--can be useful in your planning and as a baseline for judging future efforts.

<sup>1</sup>Quality Management: Survey of Federal Organizations  
(GAO/GGD-93-9BR, Oct. 1, 1992).

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STATUS OF TOM

As figures 1 and 2 show, a significant number of government installations and HHS installations reported implementing TOM. Figure 1 shows about 68 percent of the federal installations responding to our survey reported they were starting or already implementing TOM. Figure 2 shows that 53 percent of the 148 HHS installations responding to our survey reported that they were working on various phases of TOM. Additionally, about 69 percent of the remaining HHS installations reported that they planned to implement TOM.

Figure 1: Percentage of Government Installations Implementing TOM

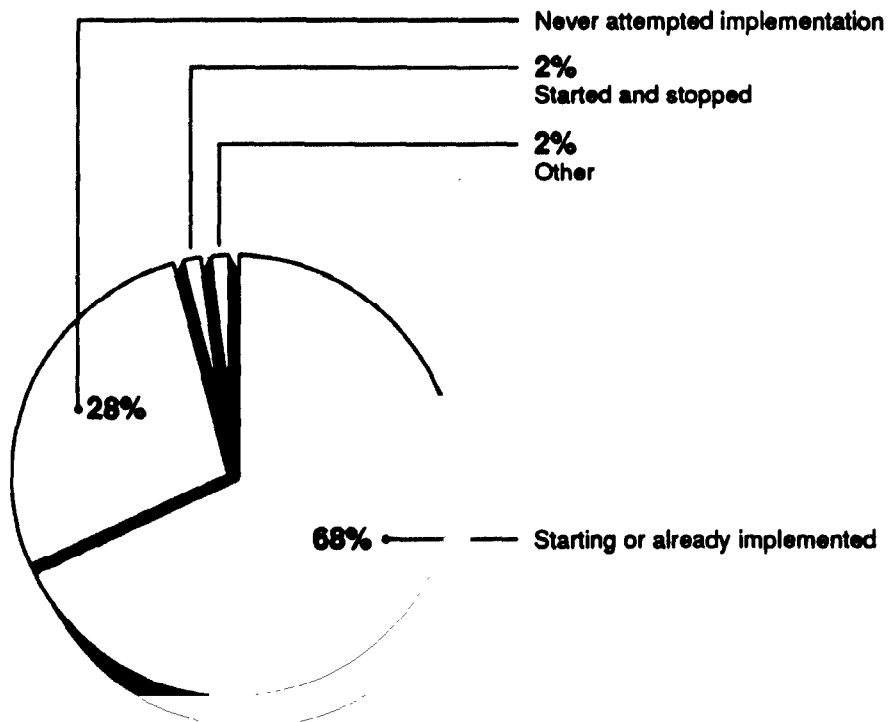
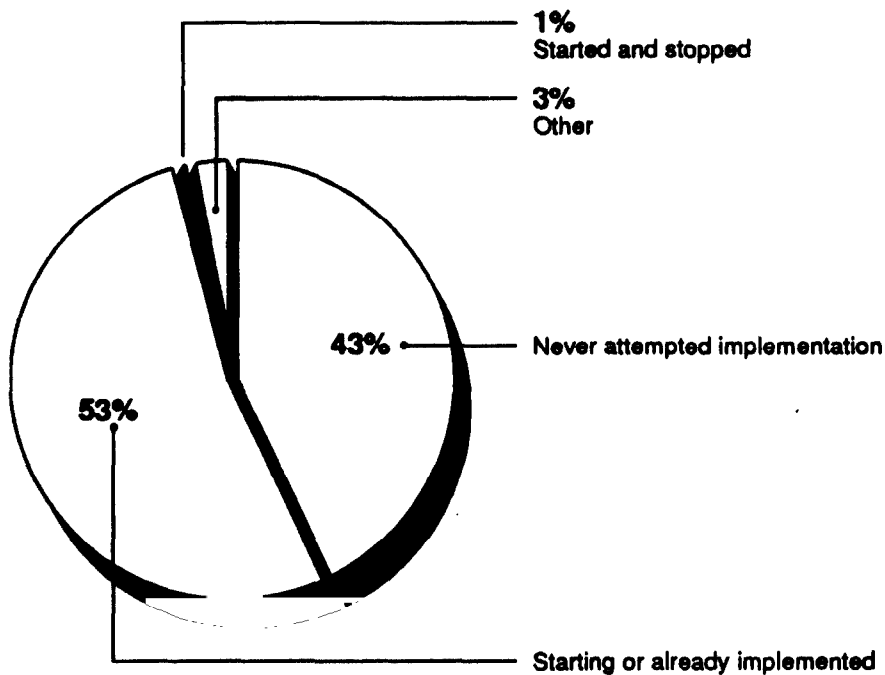


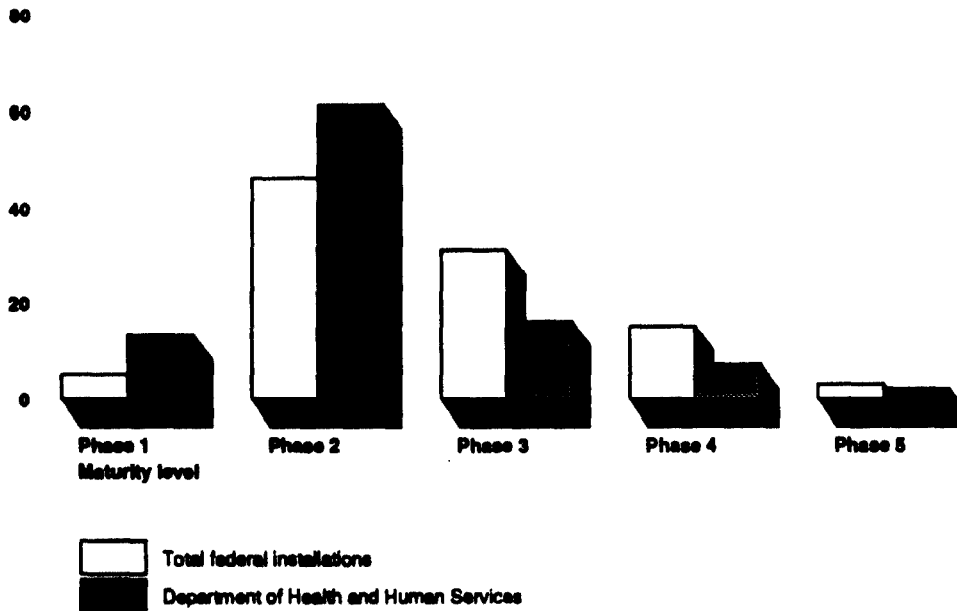
Figure 2: Percentage of HHS Installations Implementing TOM



To obtain a picture of the status of federal TQM efforts, we asked installations to report their efforts in terms of a five-phase maturity scale. Maturity definitions ranged from Phase 1, preliminary TQM efforts, to Phase 5, institutionalized efforts that are achieving significant benefits (see enc. I for definitions). As figure 3 shows, 51 percent of the total federal installations responding to the survey reported being in Phase 1 or 2, while 74 percent of the HHS installations that have implemented TQM reported still being in these early phases. The fact that many HHS installations are in the early phases of TQM reflects the relative newness of HHS's efforts; 96 percent of the installations implementing TQM reported beginning TQM efforts within the past 3 years.

Figure 3: Status of TOM

100 Percent of organizations with TQM efforts



In our survey of federal installations, we asked respondents about the extent of their involvement in 43 activities commonly undertaken by organizations involved in TQM. Such activities include establishing problem-solving teams, providing training in TQM tools for employees, and establishing quality councils or steering groups. Installations reported that their involvement in these activities increased as maturity increased. In other words, installations identifying themselves as more mature in TQM also more frequently said they were doing the 43 activities commonly associated with TQM.

Comparing HHS installations' involvement in these activities with reported maturity phases, we discovered that HHS generally reflected the same trend as in the total survey--that is, as HHS

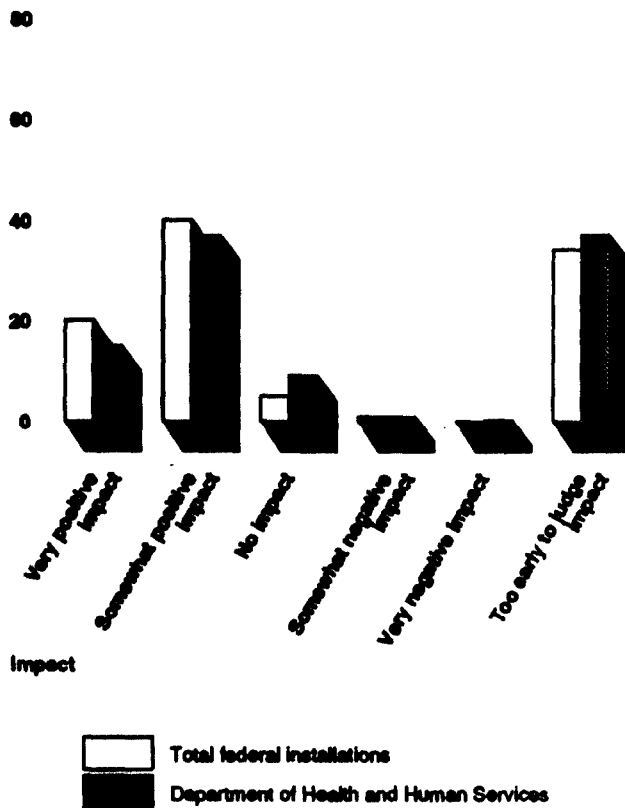
installations' maturity increased, they more frequently reported doing TQM activities. For example, 48 percent of the combined Phase 1 and 2 HHS installations reported establishing problem-solving teams, whereas 85 percent of the combined Phase 3, 4, and 5 installations had such teams. In another example, 25 percent of the combined Phase 1 and 2 HHS installations reported that they provided training in TQM tools to employees throughout the installation; whereas 50 percent of the combined Phase 3, 4, and 5 installations reported having provided such training.

#### BENEFITS OF TQM

We considered benefits in two ways: (1) effect on external customers as reflected by overall organizational performance and (2) effect on internal customers as reflected by internal operating conditions. We asked respondents to assess TQM's effect on organizational performance in terms of productivity, reductions in costs, quality of products and services, overall service to customers, customer satisfaction, and timeliness. To depict the overall impact, we developed an index that is the average of responses to our questions on the degree of impact. Figure 4 compares the organizational performance index for HHS and total federal responses and shows that slightly more than half (52 percent) of the responding HHS installations reported positive benefits, 1 percent saw negatives to TQM, and over a third felt it was too soon to judge benefits. These results are similar to, but slightly less positive than, the overall survey results from federal installations, which may reflect the relative newness of TQM in HHS.

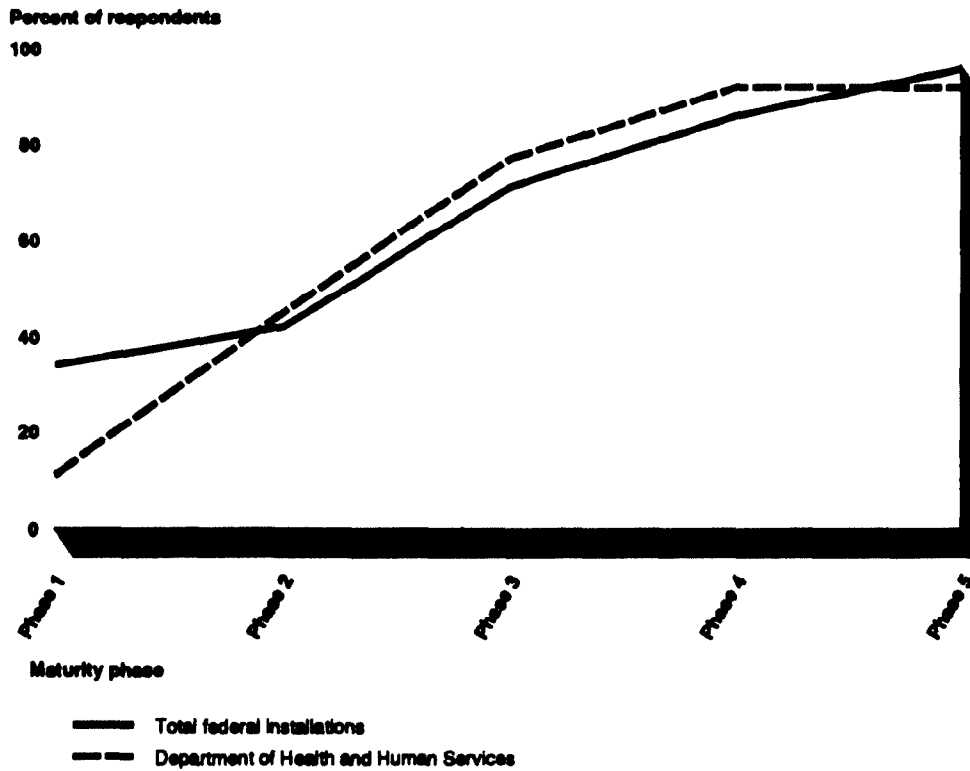
Figure 4: Impact of TOM on Performance

100 Percent of respondents - composite analysis



Reported benefits increased as maturity increased. We compared the composite index or responses on external benefits with maturity phases and learned that more mature installations reported greater benefits. Figure 5 shows, by maturity phase, the percentage of total federal respondents and HHS respondents reporting somewhat positive to very positive benefits. We found HHS results to be very similar to total federal survey results.

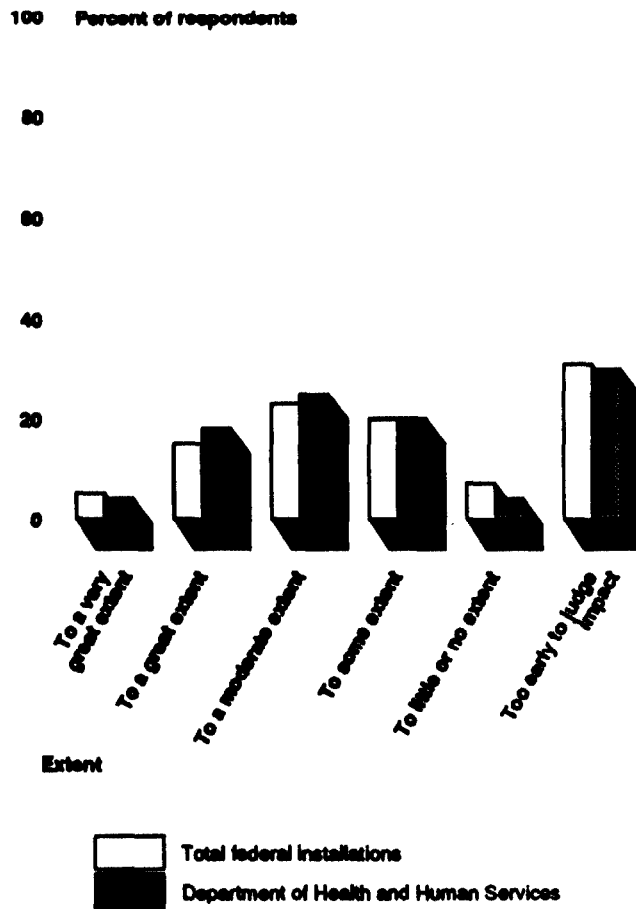
Figure 5: Respondents Reporting Increased Organizational Performance



For internal operating conditions, we asked the installations to identify the impact of TQM on each of 13 internal operating conditions, such as communications and labor-management relations. To illustrate the benefits, we developed an index in the same manner as for the organizational performance indicators.

Figure 6 compares the HHS and total federal responses and once again shows that HHS installations generally reported almost the same benefits as all surveyed federal installations.

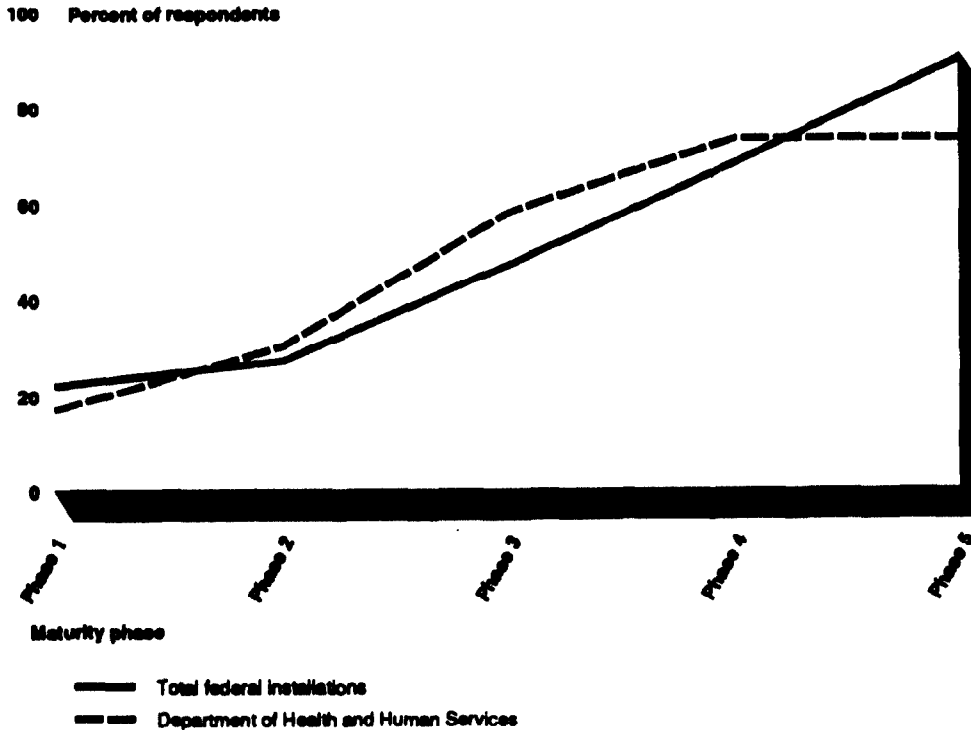
Figure 6: Extent of Positive Impact on Internal Operating Conditions



In a manner similar to the overall organizational benefits, we compared the composite index of benefits with maturity phases and noted that reported internal conditions improved as maturity increased. Figure 7 shows the percentage of respondents reporting a moderate to very great positive impact, by maturity phase, for both HHS and the total federal respondents.



Figure 7: Respondents Reporting Positive Impact on Internal Operating Conditions



BARRIERS TO TOM

We asked installations about the significance of 21 potential barriers to implementing TOM that had been identified through our research. Nine barriers were said to be moderate to very major problems by 39 percent or more of the total federal respondents.

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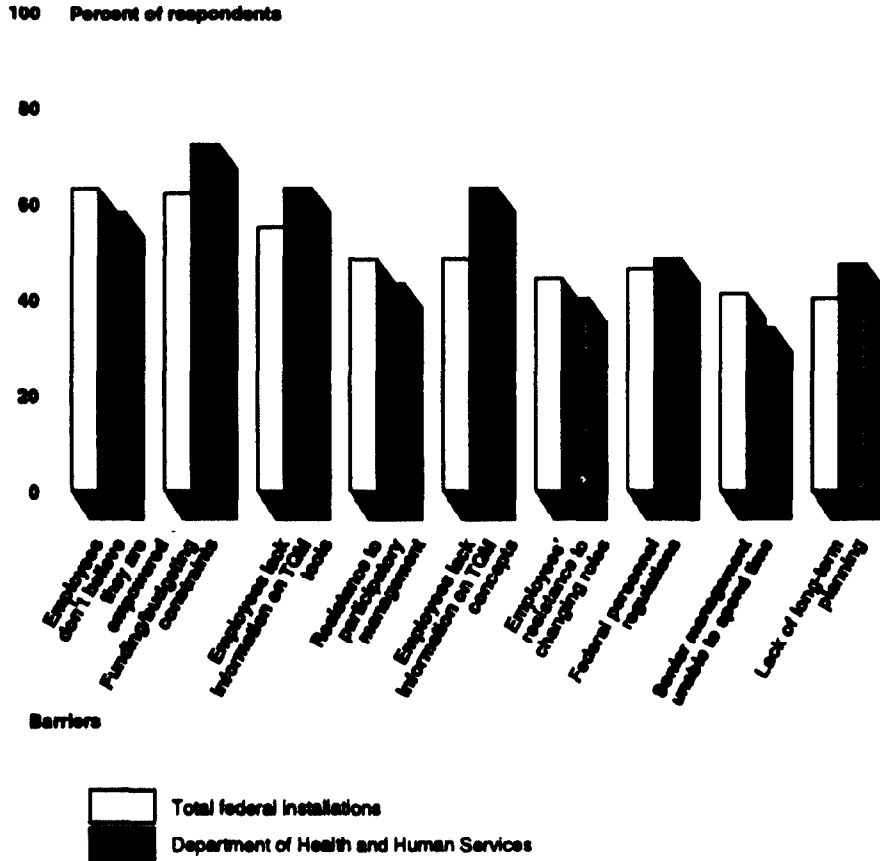
HHS respondents generally reported the same barriers to be major problems as the respondents in the total federal survey. Eight of HHS's top nine barriers were the same as the top nine barriers reported by all federal respondents. Senior management at the installation unable to spend sufficient time on TQM was the one overall top barrier that was not among HHS's top nine.

The one barrier in HHS's top nine not in the total federal respondents top nine was the disconnect between strategic quality plan goals and the installation's other strategic plans. Forty-two percent of HHS respondents reported this was a moderate to very major problem. This barrier was given greater importance by HHS than by the total federal respondents.

As figure 8 shows the extent of impact for barriers reported by HHS differed in several cases compared to the extent reported by all federal respondents. In particular, 72 percent of the HHS installations reported that funding and budgeting were a barrier of a moderate to very major degree. This is about 10 percent higher than the average reported by all federal installations.

It also should be noted that many of these barriers are related to employee issues, such as (1) employees lack sufficient information on how to use TQM tools, (2) employees lack information and training on TQM concepts and theory, and (3) employees do not believe they are empowered to make changes.

Figure 8: Respondents Reporting Barriers Are Moderate to Very Major Problems to Implementing TQM



Total federal respondents reported that the barriers became less significant as installations' TQM efforts matured. Generally, HHS respondents reported the same trend. For example, funding and budgeting were reported as a barrier at a moderate to very major level by 77 percent of the combined Phase 1 and 2 HHS installations, while only 57 percent of the combined Phase 3 and

4 HHS installations reported it similarly. Although this barrier decreased in significance as maturity increased, the decrease was not as great as in employee training and development barriers. For example, 70 percent of the combined Phase 1 and 2 HHS installations reported employees' lack of information on TQM concepts was a moderate to very major barrier, but only two out of seven (29 percent) of the combined Phase 4 and 5 HHS installations saw this as a moderate to very major barrier. Also, 70 percent of the combined Phase 1 and 2 HHS installations reported employees' lack of information on TQM tools as a moderate to very major barrier, but only two out of seven (29 percent) of the combined Phase 4 and 5 HHS installations reported this as a moderate to very major barrier. However, there were instances in which the difference in reported significance was not great. For example, employees not feeling empowered to make changes was reported as a significant barrier by 60 percent of the combined Phase 1 and 2 HHS installations and 57 percent of the combined Phase 4 and 5 HHS installations.

#### SUMMARY

Our survey of federal TQM efforts indicated that as installations invested more time and effort in TQM activities, they matured in the implementation of TQM, found that the barriers became less difficult, and reaped greater benefits. Although there are some differences reported between HHS TQM experiences and those of all federal respondents, overall HHS respondents' message generally appeared to be similar.

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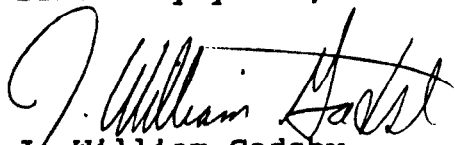
We have enclosed a copy of our report Quality Management: Survey of Federal Organizations (GAO/GGD-93-9BR, Oct. 1, 1992) to provide information on the background; results; and objective, scope, and methodology of the total survey.

We hope you will find this information useful in guiding your quality management initiatives and in improving service to your customers under today's budget constraints. We will make copies of this correspondence available to others upon request.

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The major contributors to this correspondence are listed in enclosure II. If you have any questions, please call me on (202) 512-8387.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "J. William Gadsby". The signature is written in dark ink and is positioned above the typed name.

J. William Gadsby  
Director, Government Business  
Operations Issues

PHASES OF TQM IMPLEMENTATIONPHASE 1 - DECIDING WHETHER TO IMPLEMENT TQM

Management is researching or deciding whether to implement TQM, but no formal decisions or activities have been initiated by top management. A few employees may have attended quality conferences or network meetings, but the installation as a whole has yet to be informed or involved in a TQM project.

PHASE 2 - JUST GETTING STARTED

TQM efforts are in the early planning and implementation phase. Management has made a formal decision to start TQM and has communicated this to the organization. The organization's mission and vision have been articulated. A few quality structures, such as quality councils, steering committees, or teams, have been established, and some awareness training has been given. Preliminary quality planning has been done. Pilot programs or newly initiated installationwide efforts to improve quality are included in this phase.

PHASE 3 - IMPLEMENTATION

Specific TQM processes designed to improve quality are in place. TQM training for management and employees is beyond the orientation/awareness stage and focuses on TQM tools and techniques and team-related activities. Measures of quality and productivity have been identified and specific goals have been set.

PHASE 4 - ACHIEVING RESULTS

The installation has a sustained TQM effort and has begun to achieve and document significant results. Systemic, cross-functional, and/or organizational achievements from the TQM effort have been realized.

PHASE 5 - LONG-TERM INSTITUTIONALIZATION

The installation has incorporated all of the principles and operating practices of TQM throughout much of the organization. The installation has documented substantial improvements in quality and customer satisfaction resulting from these efforts and is making consistent and continuous improvement throughout. An installation in this phase may have been recognized as a Quality Improvement Prototype Award winner or may be a recipient of the President's Award for Quality.

ENCLOSURE II

ENCLOSURE II

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