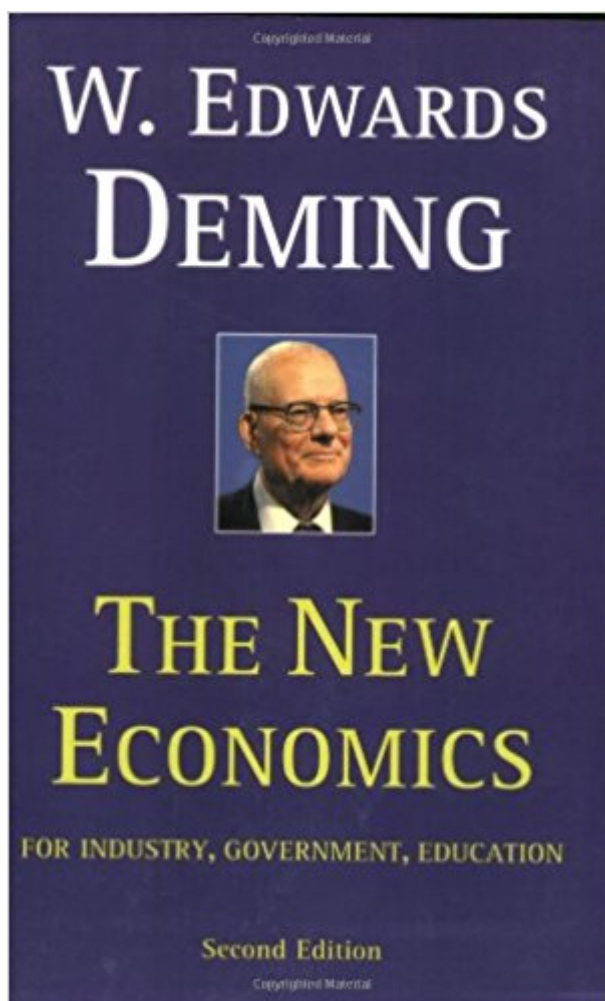


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# The New Economics For Industry, Government, Education - 2nd Edition



## Synopsis

"... competition, we see now, is destructive. It would be better if everyone would work together as a system, with the aim for everybody to win. What we need is cooperation and transformation to a new style of management." In this book W. Edwards Deming details the system of transformation that underlies the 14 Points for Management presented in *Out of the Crisis*. The system of profound knowledge, as it is called, consists of four parts: appreciation for a system, knowledge about variation, theory of knowledge, and psychology. Describing prevailing management style as a prison, Deming shows how a style based on cooperation rather than competition can help people develop joy in work and learning at the same time that it brings about long-term success in the market. Indicative of Deming's philosophy is his advice to abolish performance reviews on the job and grades in school. Previously published by MIT-CAES

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## Customer Reviews

W. Edwards Deming (1900-1993) was an international consultant in quality and productivity management. In 1987 President Ronald Reagan awarded him the National Medal of Technology.

Deming was always known as the father of quality. This book contained his very spirit and passion in pursuing good quality management and structured organizations. I do recommend to read this

book in parts since it can be boring and repetitive in some chapters. The book however, is not grueling to read. My favorite part of the book is where he conducts the red bead experiments in which workers were tasked to produce different colored beads in which white make up 80% of the total beads. Yet there were more red than intended and even with incentive, it is hard to avoid this issue. The funnel experiment ultimately shows that tampering is the wrong solution for variation which in the end will create more problems in the end than reducing it. For me who is a visual learner, this examples allows me to visualize better. The part where I agree most is on page 146 where it concerns on "against grading in school". A grade like the book said is just an arbitrary way of a teacher assessment of a particular student at that particular point of time. One can never predict the future and it is even enforced that there is only a limited amount of A that can be given out. It is like an attempt of quality by inspection. What intrigues me greatly is that a book that was written 30 years ago still make sense now even though we have an exponential advancement in technology and manufacturing. This just means that we have not improve at all since 30 years ago. For a leader, this book does not only guide you along to achieve good management skills but also enlighten you on to be more attentive towards value of teamwork and continuous improvement. Not everyone will be a leader but this book can/will make you better one. Even if you are not, it will make you a better person.

Deming starts by stating that the US is somewhat lacking in terms of quality and customer satisfaction compared to other countries. He says that this problem lies within our education system and teaching our children to cooperate and work together. He stresses the importance of not focusing on reducing defects, but rather focusing on continuous product improvement. The second chapter is focused on the sources of waste and offers some workable solutions such as: removing ranking systems, making management responsible for actions, and understanding common cause variation vs. special cause variation. One of the biggest takeaways from this book in my opinion is Deming's "System of Profound knowledge". This starts with management understanding that cooperation is far more useful than competition in this business atmosphere. His four parts are: Appreciation for a system, Knowledge about variation, Theory of knowledge, and Psychology. Each are split up and discussed in the book. One of the components I found quite interesting was the Psychology section. Deming describes how all people different and these differences need to be understood by management for the system to work efficiently. Also, he describes intrinsic and extrinsic motivation. Management should understand these and realize that extrinsic can provide people with motivation up to a certain level while intrinsic can keep them

continuously satisfied. Later in the book Deming goes over The Red Bead experiment, control charts, and the funnel. The funnel is a great visual demonstration to show tampering and the negative effects it has on a system. Tampering is very common in systems and is usually used to fix slight variation, but it does the exact opposite and creates more variation. Deming explains the need of a leader in a system to make change. He also gives the PDSA cycle which should be used by leaders to further understand and improve the system. This book explains how we need to change our thinking of business and other aspects of society and systems. How we should remove the idea that everyone is in competition and only then will we be able to succeed and see improvements at an exponential rate. I highly recommend reading through this and applying it to your own situations.

Knowledge is a powerful tool. In the present modern era there seems to be a lack of knowledge when it comes to business, engineering and especially management. People rely on new ideas, efficiency, design or other aspects of what they and the rest of the industry thinks makes a good system while forgetting the basis of needing what Deming calls "Profound Knowledge". Present management has evolved and become a representation of "a prison created by the way in which people interact". There is selfishness, intensive competition, unguided attempts at improvement, abundance of waste and certain lack of appreciation for the system and what it can provide. Without knowledge the progress of management is destined to stall and repeat mistakes through history. In this book Deming lays out what management needs to improve on, they need to make a transformation and standardize in a new way of understanding Profound Knowledge. There has to be an appreciation for the system: what their system is, all the system's components and how these components of the system affect one another. Knowledge about the different types of variation from common to special causes and what it means for a system to be stable. Most of all Profound Knowledge requires that management understand that not all people are the same. People vary from one another and knowledge has the ability to optimize people's abilities and capabilities but only if it is learned and applied correctly. Throughout the rest of the book Deming goes over many examples, experiments and systems to further emphasize his argument on how management is capable of being the turning point of a business's future but his explanation on knowledge and its significance is the most important and first initial lesson any prospective student should know. And that's what I feel Deming's purpose of writing this book was, it's more a guide or preparation text for students and those who want to join the industry so that they come in with the right knowledge and

perspective to bring this era to the future.

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