

The Guide for The Deming Application Prize 2006

For Overseas



The Deming Application Prize is an annual award presented to a company that has achieved distinctive performance improvements through the application of TQM. Regardless of the types of industries, any organization can apply for the Prize, be it public or private, large or small, or domestic or overseas. (*Non-profit organizations should read “companies” as “organizations.”)

**The Deming Prize Committee
Union of Japanese Scientists and Engineers**

THE GUIDE FOR THE DEMING APPLICATION PRIZE

2006

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A) The Deming Application Prize

1. Eligibility for Application

Companies or divisions of companies that manage their business autonomously can apply for the Deming Application Prize (the Prize hereafter).

Regardless of the types of industries, any organization can apply for the Prize, be it public or private, large or small, or domestic or overseas, provided that an applicant organization manages its business autonomously. More specifically, an applicant must meet the following conditions:

- a) To the extent that the organization can manage its business autonomously, it possesses the responsibility and authority for its people, materials and money.
- b) It has the responsibility and authority for performing an integrated quality assurance system.
- c) It possesses the responsibility and authority for its profits and future business development.

(*) Companies wishing to apply for the Deming Prize must carry out the TQM Diagnosis by the Deming Prize Committee no later than one year prior to the year of application. Please refer to C) TQM Diagnosis by the Deming Prize Committee for information.

2. Companies Qualified for Receiving the Prize

The Deming Application Prize is given to applicant companies or divisions of companies (applicant companies hereafter) that effectively practice TQM suitable to their management principles, type of industry and business scope. More specifically, the following examination criteria are used for the examination to determine whether or not the applicant companies should be awarded the Prize:

- a) Based on the management philosophy of the company, challenging and customer-oriented business objectives and strategies, that are suited to the business environment, have been formulated under the leadership of top management, taking into consideration the type of business, business structure and conditions, and the scale of business.
- b) TQM has been implemented properly to achieve business objectives and strategies as mentioned in Item a) above.
- c) As an outcome of Item b), the outstanding effects have been obtained for business objectives and strategies as stated in Item a).

The Deming Prize examination does not require applicants to conform to a model provided by the Deming Prize Committee.

Rather, the applicants are expected to understand their current situation, establish their own themes and objectives and improve and transform themselves company-wide. Not only the results achieved and the processes used, but also the effectiveness expected in the future is subjects for the examination. According to the judgment criteria (12. Evaluation Criteria), the examiners evaluate whether or not the themes established by the applicants were commensurate to their situation; whether or not their activities were suitable to their circumstance; and whether or not their activities are likely to achieve their higher objectives in the future.

TQM is defined as follows:

Definition of TQM (Total Quality Management)
(Revised in June 1998)

Text

TQM is a set of systematic activities carried out by the entire organization to effectively and efficiently achieve company objectives so as to provide products and services with a level of quality that satisfies customers, at the appropriate time and price.

Explanation

1. “Systematic activities” mean organized activities to achieve the company’s mission (objectives) that are lead by strong management leadership and guided by established clear mid- and long-term vision and strategies as well as appropriate quality strategies and policies.
2. “Carried out by the entire organization to effectively and efficiently achieve” means to involve everyone at all levels and all parts of the company so as to achieve the business objectives speedily and efficiently with the least management resources. This is accomplished through an appropriate management system that has a quality assurance system at its core, and it integrates other cross-functional management systems such as cost, delivery, environment and safety. The respect for humanity value encourages the company to develop human resources which uphold its core technology, speediness and vitality. The company maintains and improves its processes and operations and uses appropriate statistical techniques and other tools. Based on facts, the company manages its business by rotating the management cycle of PDCA (plan, do, check and act). The company also rebuilds its management system by utilizing appropriate scientific methods and information technology.

3. “Company objectives” refer to securing appropriate profit for the long term through satisfying customers consistently and continuously. Also, they encompass improving the benefit to all stakeholders including employees, society, suppliers and stockholders.
4. “Provide” refers to activities from producing “products and services” to handing them off to customers, including surveys, research, planning, development, design, product preparation, purchasing, manufacturing, installation, inspection, order-taking, sales and marketing, maintenance, after-sales services, and after-usage disposal and recycling.
5. “Products and services” include manufactured products (finished products and parts and materials), systems, software, energy, information and all other benefits that are provided to customers.
6. “Quality” refers to usefulness (both functional and psychological), reliability and safety. Also in defining quality, influence on the third parties, society, the environment and future generations must be considered.
7. “Customers” include buyers but also users, consumers and beneficiaries.

Note

- For any company, the shortest way to win the Deming Application Prize is to manage its business in the most appropriate manner to the company. It is undesirable to conduct unnecessary activities for its fundamental business just for the sake of the examination. Such activities will not help the company with its examination; rather they may negatively affect the examination.
- The emphasis of the examination is on whether or not the company has developed a unique brand of TQM suitable for its business and scale. It does not require all applicant companies to uniformly follow the same brand of TQM.
- If the company just copies the format of TQM from others or if it prepares rules and standards more than necessary under the name of TQM, such activities will not support receiving the Prize.
- Some people think that advanced statistical methods must be used to pass the examination. It is a misunderstanding.
- New activities suitable for the applicant company’s business and scale are highly respected.
- Non-profit organizations should read “companies” as “institutions” or “organizations.”

3. The Overall Flow from Application to Awarding

The overall flow of the Deming Prize application and examination process is shown in Table 1.1 below. The application, examination and awarding process for the Deming Application Prize is carried out once a year. Applicant companies are encouraged to consult with the Secretariat for the Deming Prize Committee.

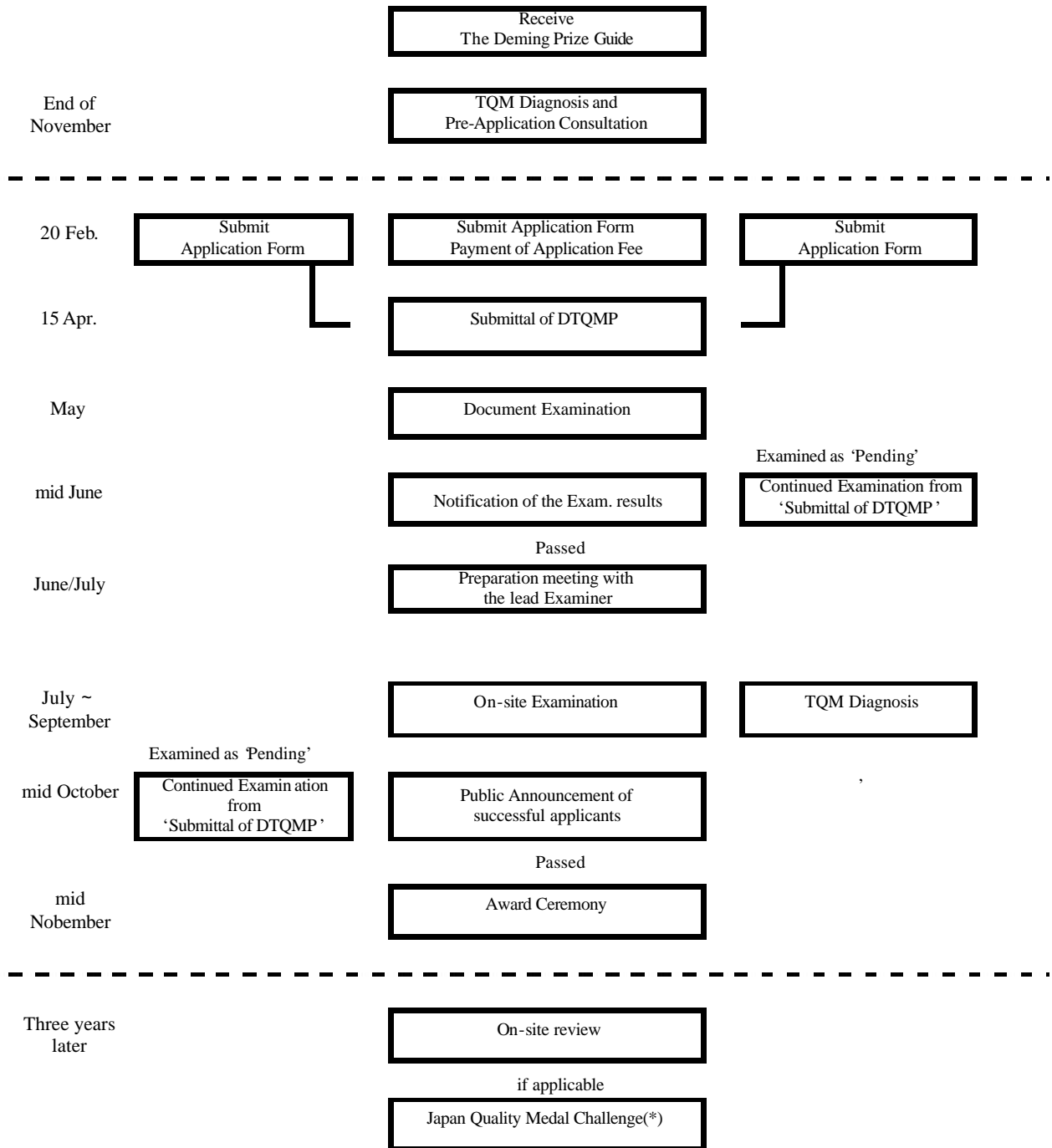
The following are **the major conditions** for companies to receive for the Prize:

- a) To receive the TQM Diagnosis or the Pre-Application Consultation prior to applying for the Prize.
- b) To submit the Description of TQM Practices and pass the document examination.
- c) To receive the on-site examination and pass the examination.

The following are **the major duties** of the companies after receiving the Prize:

- d) To present their TQM practices at the winners' report meeting.
- e) To actively announce the TQM know-how obtained through the processes of challenging for the Deming Prize and receiving the examination for the benchmarking purposes.
- f) To receive the on-site review three years after receiving the Prize.

Table 1.1: The Overall Flow from Application to Awarding



(*) The Japan Quality Medal challenge requires the TQM diagnosis by the Deming Prize Committee at least one year prior to the application.

[Flow for the Deming Prize Application]

To be eligible to apply for the Prize, applicant companies must receive “the TQM Diagnosis”. This process is intended to make the applicant companies’ overall examination more effective and efficient by fully understanding the Deming Application Prize.

The details of the TQM Diagnosis are presented at the end of this Guide. The Subcommittee members form a team to diagnose the level of the receiving companies’ TQM and present the report on the Diagnosis findings.

At the “Pre-Application Consultation,” the members listen to companies’ explanation of their current status and discuss the Deming Application Prize so as to help the companies to apply for the Prize speedily. As for the Pre-Application Consultation, please refer to 5. What is the Pre-Application Consultation?

To apply for the Prize, the applicant must complete the designated application form and submit it with necessary documents followed by the Description of TQM Practices. Considering the applicant status in receiving the Pre-Application Consultation and the TQM Diagnosis, the Subcommittee conducts the document examination.

When an applicant passes the document examination, the company will proceed to receive the on-site examination. The Committee determines and notifies the applicant which examiners will conduct the on-site examination, which one will perform as lead examiner and which dates the examination will take place. To conduct the on-site examination, a team of the examiners consisting of multiple Subcommittee members will visit the applicant company and carry out the course of Schedule A, Schedule B and Executive Session as well as the Reference examination if necessary.

When applicants are considered qualified based on the on-site examination results, the Deming Application Prize will be awarded. The prize-winning companies are expected to make a short report on their TQM practices at the Winners Presentations by the prizewinners, which follows the award ceremony the next day or two days later. In the event that the applicants have not passed the examination, they will receive the “continued examination” status. As for the “continued examination,” please refer to 14. Determination of Prize Winners and Notification of the Examination Result.

The prize-winning companies are requested to report their TQM practices at the Winners Presentations by the prizewinners.

To contribute to the mission of the Deming Prize—the promotion and proliferation of TQM—the prize-winning companies are also encouraged to actively share with the other companies their TQM know-how obtained through the processes of challenging for the Deming Prize and receiving the examination.

For a follow-up review, the prize-winning company is requested to submit a short report on the status of its TQM practices three years after having received the Prize. To conduct such a review, the Committee members will visit and have an informal talk with the company on its TQM status.

In lieu of this review, the prize-winning company may choose to receive the TQM Diagnosis or to apply for the examination for the Japan Quality Medal. As for the details of the Japan Quality Medal, please refer to the Guide for the Japan Quality Medal.

4. The Secretariat for the Deming Prize Committee

To carry out the Deming Prize Committee's administrative duties, the Secretariat for the Deming Prize Committee was established at JUSE. When applying, companies are encouraged to consult with the Secretariat as the need arises for application procedures, general questions about the Deming Prize.

5. What is the Pre-Application Consultation?

To respond to inquiries and/or to give advice regarding application for the Deming Application Prize and the examination, the Deming Application Prize Subcommittee has carried out the Pre-Application Consultation. At the Pre-Application Consultation, members of the Deming Application Prize Subcommittee (the Committee hereafter) attend and respond, with recommendations on the challenge inherent in the Deming Application Prize, to inquiries.

Each meeting lasts half a day. As a rule, the meeting place will be at the Secretariat.

Those companies that wish to apply for the Deming Application Prize or the Quality Control Award for Operations Business Units (the Prizes hereafter) must receive the TQM Diagnosis. During the on-site TQM diagnosis, the Pre-Application Consultation is also carried out to respond to inquiries regarding application. Experience shows that prizewinners evaluate highly the efficacy of TQM diagnosis.

5.1 Contents

- a) The company that wishes to apply for the Prize explains the following:
 - The purposes of applying
 - The overview of the business activities
 - The structure of the company and the size of its employees
 - The aims of TQM
 - The current situations of TQM (including introduction of at least 3 actual improvement cases carried out, showing how PDCA cycle was rotated in each case)
 - The plans for receiving the examination and others
- b) The Committee explains about the Deming Application Prize
 - Significance of the Prize
 - The way of TQM thinking and the examination viewpoints
 - The examination procedures, methods and others
- c) Questions and answers

5.2 Documents to be presented and their contents

No later than a week prior to the Pre-Application Consultation, the company should submit 3 hard copies of the following documents:

- a) Company brochure
- b) Latest annual report
- c) The overview of the company's business activities
- d) The outline of its TQM aims and implemented items
- e) Summary of at least 3 actual improvement cases
- f) The organizational chart (with number of employees assigned to each business unit)
- g) List of Functional roles and responsibilities
- h) Other related matters that need consultation

* Total number of pages for c), d), and g) combined should be contained within maximum 50 pages. Do not try to include every single detail, but write concisely and to the point.

5.3 Costs

All fees and expenses associated with the Pre-Application Consultation (including fees for the Consultation, expenses for traveling, and interpretation fee) will be charged to the company.

6. TQM Diagnosis by the Deming Prize Committee

The TQM Diagnosis by the Deming Prize Committee is conducted with the aim of contributing to the further development of the applicant company's TQM promotion. The company will become eligible to apply for the Deming Prize the following year. For details and its application, please refer to 'C) TQM Diagnosis' section in this guide.

7. Application Procedures

The examination of the Deming Prize is undertaken by the Deming Prize Committee members' gratuitous services, and therefore there is no examination fee. However, to cover various administrative expenses, all applicants are requested to pay the application fee (refer to 6.3 Application Fee) at the time of application. Also, please bear in mind that all the expenses related to the examination, such as examining team's travel expenses, accommodation fee, examination findings report production costs will be borne by the company that has applied for the Deming Prize.

7.1 Submittal of the application form

A company that wishes to apply for the Deming Application Prize (applicant company hereafter) must complete and submit a copy of the application form for the Deming Application Prize provided at the end of this booklet to the Deming Prize Committee by February 20(one copy). Please send the application form by fax, followed by postal mail. When the due date for an application or submission falls on a Saturday or Sunday, it will be extended to the following Monday. This rule applies to all of the other submittal due dates.

It should be noted that operations business units such as factories and sales offices are not eligible for the Deming Application Prize. (These organizations may apply for the Quality Control Award for Operations Business Units.) In case that a division of a company is unsure of its eligibility, it should contact the Secretariat for the Deming Prize Committee or discuss it at the Pre-Application Consultation.

7.2 Submittal of documents

Together with the application form, the applicant is requested to send the following documents (55 copies of each for Items a), b), c) and d), and one each for Items e), f) and g)):

- a) Company brochure
- b) Catalog of products
- c) A brief explanation of the outline of the company; the products produced and sold; and the types of services provided. Other materials that explain each division's scale and business activities
- d) Latest annual report
- e) The company's organizational chart (includes the numbers of employees) and its functional roles and responsibilities
- f) Materials that show the address of the head office and that depict the relationship of the head office with each division and factory (transportation means, time, etc.) Maps may be used to show the location of head office, plants, and nearest airport)
- g) Request for on-site examination units and schedules (refer to 10.3 Request for On-Site Examination Units and Schedules)

7.3 Application Fee

The examination of the Deming Prize is undertaken by the Deming Prize Committee members' gratuitous services, and therefore there is no examination fee. However, the applicant company is requested to pay for the application fee following the instruction stated below at the time of application. The fee will be appropriated as part of the administrative fee.

For applicants with 1 on-site examination unit*: JPY700,000

For applicants with more than 1 on-site examination unit: Initial fee of JPY 700,000 plus JPY100,000 per additional unit

Example) For applicant with 3 on-site examination units:
 $\text{JPY } 700,000 + (100,000 \times 2) = \text{JPY } 900,000$

*Refer to 10.3.1 What are on-site examination units?

8. Receipt of the Application

Upon receipt of the application and payment, the Subcommittee meets early March and examines it to determine if the applicant is eligible for the Deming Prize examination referring to its accompanying documents. Within 10 days after this meeting, the company will be notified of receipt of the application, request for submitting the Description of TQM Practices and other documents, and upcoming document examination and schedule.

9. Submittal of the Description of TQM Practices

By April 15, an applicant company is expected to submit the following documents to the Secretariat for the Deming Prize Committee. Please send 20 hardcopies and 5 CD-ROM of each document including the list of the documents submitted.

- a) Description of TQM Practices (DTQMP hereafter)
- b) The other materials for supplemental explanation

The examiners and the Secretariat for the Deming Prize Committee are responsible for maintaining the submitted DTQMP and other documents, and they will destroy these documents - by burning, for example - at the conclusion of the examination.

9.1 What is the Description of TQM Practices?

DTQMP is a written report that describes the applicant company's promotion and implementation of TQM activities from the time of introduction to the time of application, including resulting effects. It is the subject for the document examination to judge if the applicant company qualifies to stand for the on-site examination. It is also used as a reference for the on-site examination.

9.2 Dividing the Description of TQM Practices

As a rule, two types of DTQMP should be compiled—for the company as a whole and for each business unit or department.

a) The Corporate DTQMP

The Corporate DTQMP should encompass all of the business units' (or departments') activities. It should include the features of the applicant's TQM, the status of its implementation, the effects and the future plans.

b) Each Business Unit's DTQMP

Each Business Unit's DTQMP should describe the details of the TQM activities, such as the features, deployment and implementation at each business unit or department.

If multiple business units are involved, each business unit may compile a separate DTQMP, depending on the scope and structure of the applicant company's organization.

A business unit refers to the head office (general corporate functions), a division, plant, factory, research laboratory, regional office, branch office, sales office, local office, etc. A very small business unit does not need to prepare a separate DTQMP.

The following table illustrates how the DTQM may be divided.

	Organization of your company	DTQMP to be prepared
Example One	One factory company, small head office and factory	1. Corporate 2. Head Office/Factory
Example Two	Multiple small-scale factories or branches each functional group is combined	1. Corporate 2. Administrative Department 3. Production Department 4. Marketing Department
Example Three	Multiple large-scale plants and branches	1. Corporate 2. Head Office 3. Plant A 4. Plant B 5. Branch Office C 6. Branch Office D
Example Four	Multiple divisions and the entire company is applying for the Prize	1. Corporate 2. Head Office 3. Division A 4. Division B 5. Division C 6. Division D
Example Five	Multiple factories and branches, and the entire company is applying for the Prize	1. Corporate 2. Head Office 3. Factory A 4. Factory B 5. Factory C 6. Factory D 7. Branch Office E 8. Branch Office F 9. Branch Office G

Note 1) The examination unit for the on-site examination may not be divided the same way as it was for DTQMP.

Note 2) In the case that the applicant is a division, corporate functions should be regarded as "Division Overall" and the Head Office as "Division Headquarters."

9.3 Contents of DTQMP

The applicant company should prepare its DTQMP to facilitate an easy understanding of its TQM practices. The descriptions below include the points to be remembered in writing DTQMP. These are the necessary points that help examiners to understand the company's TQM implementation status. The applicant may add to or modify these points, if deemed necessary for making the examiners understand its TQM status.

a) The contents of the corporate DTQMP

The Corporate DTQMP should encompass all of the business units' activities. The contents may be organized according to the following example:

- 1) Outline of the company
This section should explain the products and services that the applicant company provides as well as its business activities. For these items, the applicant is encouraged to describe the features of the products and services, its business scale and the company's position in the market in a chronological order. Also, it should include the overall structure of the company and the roles and the number of employees at each business unit or department. In the case that an organization other than applying organizations plays an important role, the applicant should include the information about such an organization.
- 2) Aims and features of TQM introduction and promotion
- 3) Status of TQM implementation
As for the Status of TQM practices, the applicant company should have multiple chapters that describe the featured activities to achieve its aims—for example, the activities to improve customer satisfaction and to strengthen quality assurance. The applicant is expected to develop an appropriate organization of chapters. When organizing its featured TQM activities, the applicant company may take the evaluation criteria provided on page 25 into consideration. For example, if the company wants to focus on new product development, it may take up the theme in one chapter and describe how this activity is carried out in the chapter. Or, if the emphasis of the company's TQM activities is on improvement and maintenance as well as employee development to support these activities, then the company probably wants to describe the status of these activities.

Additionally, the company must include the description of its unique activities as mentioned in evaluation criteria (refer to 12. Evaluation Criteria). The unique activities mean the activities that the company focuses among its quality activities, develops unique ideas and achieves the remarkable results, reflecting its management principles, industry, business and scale. Depending on the contents of these activities, these unique activities may be included in several chapters or described in an independent chapter.

4) Effects of TQM implementation and future plans

The effects obtained through TQM should be described in such a way to show the relation to the aims and features of TQM introduction and promotion as well as TQM implementations. The applicant company is encouraged to show its tangible effects in a quantitative manner using graphs in a time series. In the case of intangible effects, which are not so easy to quantify, should also be described as concretely as possible.

5) Senior executives' thoughts on TQM Practices

Each of the key senior executives is expected to individually describe his/her understanding of TQM, roles in promoting TQM, and thoughts on the organizational strengths, human resources development and the organization's social responsibilities. These points written on his/her own should include his/her name and title. This will be used as source material for the executive session during the on-site examination. Those who intend to participate in the executive session must submit this document.

b) The contents of business units' DTQMP

Considering the evaluation criteria (refer to 12. Evaluation Criteria), each business unit should prepare its DTQMP that describes the details of the unit's TQM activities. The writing style and format of the DTQMP is open; it should, however, include the following points.

- 1) An outline and the features of the business unit and an overview of its products, services and business activities
- 2) The relationship between the business unit head's policies and the corporate management and TQM policies (short, mid and long term)
- 3) The organization of the business unit and its relationship to the TQM organization
- 4) The history of the business unit's TQM (including the historical TQM policy changes and the current TQM policies)
- 5) The unique features of the business unit's TQM activities (areas of emphasis)
- 6) Self-evaluation of product and service quality and a comparison with other companies
- 7) Both tangible and intangible effects of the TQM practices at the business unit level

- 8) Remaining problems and future plans for the business unit's TQM practices

The DTQMP at the head office should describe each corporate department's activities.

- c) The following points should be remembered when the Description of TQM Practices is prepared at the head office and at each business unit.
 - 1) Confidential matters should be avoided in the DTQMP. For example, codes may be used in stead of proper nouns or indexes may be used for the scales of graphs. If necessary, such matters should be supplemented during the on-site examination.
 - 2) The description should be based on the facts.
 - 3) DTQMP should show the overall TQM activities as well as specific individual activities and the systems. For example, to describe TQM status corresponding to the evaluation criterion, "management and improvement of product and operational qualities," one or more representative improvement cases should be included.
 - 4) By separating important and unique activities and systems from those that are not, the applicant should explain its TQM in a focused manner.

The applicant company is encouraged to consult with the Secretariat for the Deming Prize when it has any questions regarding how the DTQMP should be divided and organized.

- d) Examples of the Description of TQM Practices (DTQMP)

1) Example of arrangement of chapters, items and description of contents in the DTQMP

Example 1

1. Company outline	? Describe the outline, scale of operations, history, main products and characteristics etc.
2. Organization and Management	? Describe about the organization, main businesses, main committees, characteristics of organizational management etc.
3. Introduction and Promotion of TQM	? Describe the objectives behind introduction of TQM, issues at the time of introduction, focus areas for activities, progress of activities, implementation status, confirmation of effects, future issues etc.
4. Policy Management	? Describe the framework of systems built based on TQM.
5. Human Resource Development	In each chapter, describe the objectives, problems (issues), focal point of activities, progress of activities, implementation status, systems and mechanism built, effects, future issues etc.
6. Information Management	
7. Standardization	
8. Implementation Status of Quality Control	
8.1 New Product Development	? Describe function-wise (Q, C, D, S, M etc.) implementation status of unique activities on quality control. (Choose the activities that you would like to emphasize on).
8.2 Quality Assurance	
8.3 Cost Management	
8.4 Quantity and Delivery Management	
8.5 Safety Management	
8.6 Marketing	
8.7 Environment Management etc.	
9. Overall Effects	? Describe the overall effects of TQM promotion in a manner that relation with implementation status of TQM is understood. For tangible effects, show the trend graph using quantitative measures if at all possible.
10. Future Plan	

Example 2

1. Outline of the Company
2. Business Goal and Strategies
3. TQM Promotion
 - 3.1 Framework
 - 3.2 Policy Management
 - 3.3 Daily Work Management
 - 3.4 CFT
 - 3.5 QC Circle Activities
 - 3.6 TPM
 - 3.7 TPS/Lean Manufacturing
4. Challenging Strategies
 - 4.1 Strategy 1
 - 4.2 Strategy 2 ...
5. Infrastructure Strengthening Strategies/Systems
 - 5.1 Strategy/System 1
 - 5.2 Strategy/System 2...
6. Effects
7. Future Plan

Human Resources Development, IT Utilization etc. could be one of the above items.

The effects should be corresponding to Business Goals and Strategies

2) Example of description of Chronology of Activities

	Year			
P	Objective			
	Main Items of implementation	Focus areas of Activities 1		
		<ul style="list-style-type: none"> • Specific items implemented • Specific items implemented 		
D		Focus areas of Activities 2		
		<ul style="list-style-type: none"> • Specific items implemented • Specific items implemented 		
		Focus areas of Activities 3		
		<ul style="list-style-type: none"> • Specific items implemented • Specific items implemented 		
C	Effects			
A	Problems			

Describe in a manner that the rotation of PDCA is understood year by year.

3) Important remarks upon describing “Implementation Status”

1. Describe regarding each focal point of activities how the system/mechanism for improvement was devised and the level was improved.
2. Emphasize on activities that you are proud of or are your unique activities.
3. Describe to make easily understood with maximum use of tables and graphs. Do not reduce the size of Tables/Graphs and ensure that they are legible.
4. Explain the implemented activities with specific case studies of Kaizen carried out.

8.4 The Format of DTQMP

- a) Size: A4 or Letter size
- b) Cover: Follow the style of the attached sample at the end of this guide
- c) Writing Method: Written horizontally and bound at the left
One page should contain approximately 800 words.
The use of a word-processor is encouraged to avoid extra costs.
- d) Number of Pages: Including charts and figures, the standard number of pages is shown below. A folded page is counted as one page plus the amount of material over one page.

1) Corporate: 50 pages or less excluding pages for the senior executives' thoughts on TQM Practices

2) Each business unit

Number of Employees per Unit	Number of Pages
100 or less	50 pages or less
1,000 or less	60 pages or less
2,000 or less	75 pages or less
more than 2,000	For each additional 500, 5 pages added. However, the number of pages must not exceed 100 in any case.

If a plant (factory) must be combined with the head office in the Description of TQM Practices, another 50 pages may be added.

Notes

- 1) The standard number of pages given above is only a guide; slight changes in number (approximately 10%) are acceptable.
- 2) The use of a large folded page and small letters in charts and figures should be avoided.

8.5 Other supplemental materials for explanation

The other materials submitted with DTQMP are as follows:

- a) Materials that show the recent status of business activities (for example, the latest sales report, etc.)
- b) A Terminology Glossary, which explains company-specific terminology and abbreviations.

c) Organizational Chart and Explanatory Notes on Functional Roles

1) Organizational Chart

(1) Organizational Chart of the applying unit

It implies the Organizational Chart of the applying unit i.e., the whole company, a division, a business unit etc. In the Organizational Chart, kindly indicate the direct reporting system with a solid line and the indirect reporting system with a dotted line for each subordinate organization reporting to the higher ranking organization (or Manager). When the higher ranking organization (or Manager), reported directly or indirectly, is outside the organization of the applying unit, indicate it as a sub-organization (or by the name of position) in the complete organizational chart of the whole company as described below.

(2) Organizational Chart of the whole company

It implies the Organizational Chart of the entire higher ranking organization of which the applying unit forms a part. Here, indicate the reporting system by the applying unit to the higher ranking organization with a solid line if direct and with a dotted line, if indirect. Kindly indicate the direct reporting system from a sub-organization of the applying unit to the higher ranking organization (or a position) without going through the Head of the applying unit with a solid line and indirect reporting with a dotted line and also indicate the position (rank) of the reporter on the line for the reporting system.

Organizational Chart of the whole company implies the organizational chart of the company as if the applying unit is functionally a part of it, irrespective of the classification under corporate registration, difference in name and difference in capital composition as well as capital affiliation.

2) Explanatory Note on Functional Roles

It should include the name of the organization, number of employees, and details of main businesses that the organization is engaged in. To be more precise, the number of employees (total employees including part-timers, workers paid by the hour, temporary workers from an agency etc. who are hired on on-going basis. The respective number of each employment type should be indicated in the bracket after entry of total employees) and main businesses that the organization is engaged in should be indicated regarding each and every organization shown in the Organizational Chart of the applying unit. The organization for the applying unit should be summarily and systematically arranged. It may be included in the Organizational Chart mentioned above under 1).

This Organizational Chart as well as explanatory notes on functional roles will have to be submitted at the time of application for the TQM Diagnosis by the Deming Prize Committee or holding the Pre-application Consultation for the Deming Prize etc. This will be used as the basis to decide whether the applying unit is suited for the Deming Application Prize or to finalize the unit and the schedule for assessment.

Twenty copies of these materials should be submitted.

9. Document Examination

The purpose of the document examination is not a screening process to simply limit the number of companies that can proceed to the on-site examination. Rather, it is to evaluate the level of TQM practices at the applicant companies based on their documents submitted. In this manner, the document examination serves as a preparatory process so as to carry out the on-site examination without wasting any costs and time, which can be a high burden especially for the overseas companies.

9.1 The purposes of the document examination

The document examination is a process to evaluate the applicant's DTQMP and other documents and judge if it is possible to conduct the on-site examination effectively at the company. Multiple examiners assigned to the applicant conduct the document examination to assess if the company can stand for the on-site examination from the viewpoint of the evaluation criteria (refer to 12. Evaluation Criteria) and if the on-site examination can benefit the applicant company.

9.2 What is the document examination?

The results of the document examination are either passing or pending. If the company passes the documents examination, it moves on to the on-site examination. If it doesn't, the company is given a "continued examination" status. The continued examination means to allow the company to start with the process of resubmitting its DTQMP in the following year, unless it withdraws from the application. This status remains in effect for three years.

The cases that applicant companies may receive the status of "continued examination" are when they are in special types of businesses where appropriate examiners cannot be assigned or when the applicants' descriptions of their DTQMP are extremely insufficient to be used as reference materials for on-site examination.

10 On-Site Examination

When an applicant company passes the document examination, it proceeds to the on-site examination.

The on-site examination is carried out in Japanese. However, English may be used for handout or visual aid materials.

10.1 What is the on-site examination?

The on-site examination makes the core of the examinations for the Deming Application Prize.

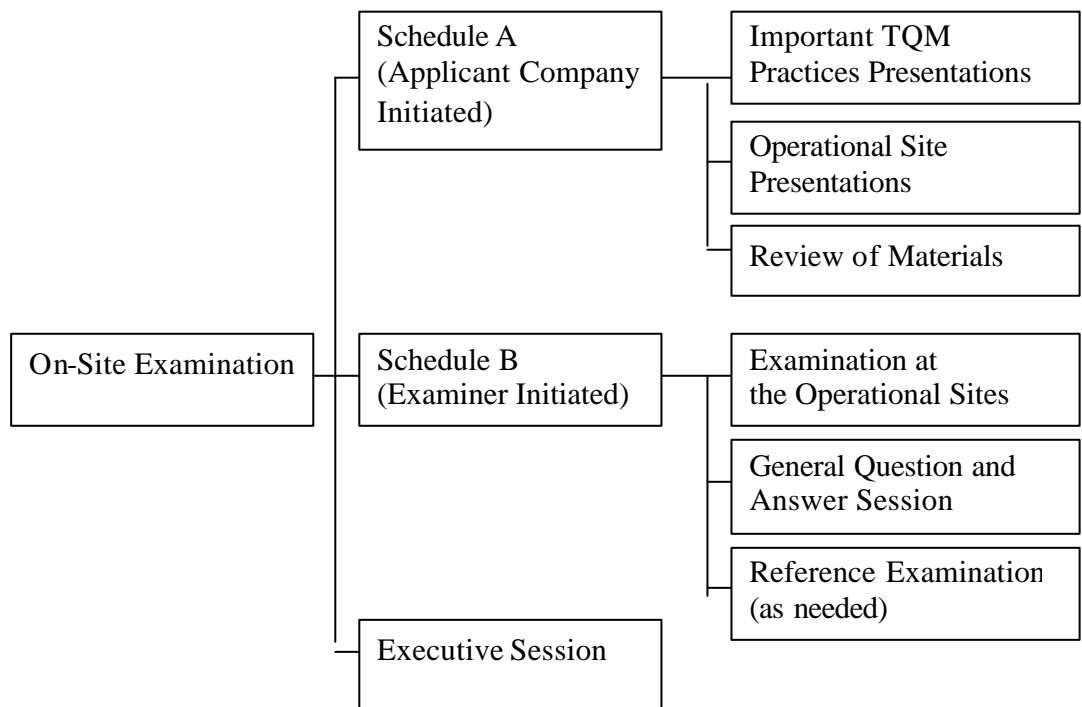
During the on-site examination, the examiners, who have been assigned to an examination unit (refer to 10.4 Notification of the Examiners and On-site Examination Schedule), visit and investigate the status of its TQM practices referring to its DTQMP.

In determining examination units, locations, schedules and the number of examiners for the on-site examination, the Subcommittee considers the applicant's request and the best possible method for examining the company's TQM implementation status.

As shown below, the on-site examination consists of Schedules A and B. If necessary, a reference examination will be conducted.

Additionally, during the on-site examination of the examination unit that includes the head office (of the company or the division), an executive session will be held with top management.

The specific schedules of the on-site examination are determined through discussions between the applicant company and the lead examiner at the preparation meeting.



a) Schedule A

Schedule A is the time allocated for the applicant company to take the initiative in making the examiners understand the status and features of its TQM practices.

Schedule A consists of Important TQM Practices Presentation, Operational Site Presentations and Review of Materials. The ratio of time allocated for the first two activities at the business unit level is two to one respectively. In the case of the head office, the operational site presentations may be further shortened upon consulting with the lead examiner at the preparation meeting.

1) The Unit's Important TQM Practices Presentations:

These presentations include an explanation of the points that are considered to be particularly important in the Description of TQM Practices and the activities after the submittal of DTQMP which are followed by questions and answers on these points and explanations.

As a rule, 25 percent of the total time allocated for the important TQM practices presentation is for questions and answers.

Materials supporting the important TQM practices presentation may be presented to or circulated among the examiners on the day of the examination. It is acceptable to use visual aids or wall charts to explain the applicant company's important TQM practices; however, extra money should not be spent on such materials.

2) The Operational Site Presentations

For a factory, the operational site presentations include explanations at the operational site regarding production processes such as manufacturing, inspection, testing, packaging and storage; management methods; and products. For a non-factory site, the presentations are made at the sites where jobs are performed. When a product or its use needs to be understood, explanations may be provided at any appropriate site.

During the operational site presentations, explanations should be given so as to enable the examiners to understand the business activities and the method of managing at each process and department. There is no need to make special preparations for this purpose. Rather, the use of existing materials is encouraged.

The time scheduled for the operational site presentations should include questions and answers allocating 20% of the time.

3) Review of Materials

At the end of the important TQM practices session, approximately 40 minutes should be allocated for viewing the supporting materials, which help the examiners better understand the contents of the important TQM practices. In principle, documents of the past 3 years for the main organization concerning the important TQM practices presentation will be required. If significant organizational change has been introduced in the last 3 years, documents including the period prior to the introduction of the organizational change may be added. These documents must be prepared in a separate room for review.

Documents to be arranged include:

1. Long Term Plan, Annual Policy, Trend Graphs of Management Indicators on QCD etc.
2. Formats being used on daily basis for functions like new product development, quality assurance, cost management etc.
3. Case studies of kaizen

In the room for this document review, a few persons who can assist in document searches or respond to simple confirmations by the examiners and, in case materials are in electronic media format, those who can operate the system, should be available. However, no discussion on the contents of documents will be carried out during the review. In the event discussion does take place, it is not regarded as the formal answer.

c) **Schedule B**

Schedule B is the time allocated for the examiner-initiated portion of the examination. It is conducted at the departments and functions related to Schedule A's presentations on the important TQM practices and operational sites. The purpose of Schedule B is to see in actual the TQM practices presented during Schedule A. The applicant is to prepare at least 3 drafts of Schedule B and submit for discussion with the examiners at the preparation meeting. The examiners will decide on the final draft of the schedule. This plan, however, is subject to change. As a rule, the timetable for Schedule B will be presented to the company at the completion of Schedule A and implemented upon approval.

Schedule B consists of the examination at the operational sites and the general question and answer session.

1) The Examination at the Operational Sites

When appropriate, the examination at the operational sites is conducted simultaneously by teams consisting of two or more examiners. However, each member of the same team may conduct his part of the examination separately.

This examination at the operational sites is conducted under the instruction of the examiners. Therefore, the examiners also determine the examination methods. There is no fixed format for the examination. The examination methods may change department by department or examiner team by examiner team. The examiners use various methods of their own. The following show some examples:

Example 1: Please show me your department's lists of management items, control graphs and process capability indices. Among these management indicators, please pick the most important one and explain how you rotated the PDCA cycle using a case example.

Example 2 Please show me a case example that you solved problems on a priority issue of your department's annual plans this year.

Example 3: Please go and get a defective item at the final inspection process at the operational site and point out how you rotated the PDCA cycle regarding this item on an actual document used.

Example 4: Please show me how your section's important management items are related to the corporate's priority issue. Among these items, please pick one that you could not achieve its target and tell me how you rotated the PDCA cycle.

Example 5 Please present a case example that you used SQC effectively.

These questions are directed to the items related to the important TQM practices and the operational site presentations during Schedule A. The examination is conducted according to the evaluation criteria introduced later. The examination is to review if the activities are indeed carried out based on the facts. The company is requested to prepare related materials. However, there is no need to make special preparations for this purpose. Rather, the use of existing materials is encouraged.

2) The General Question and Answer Session

The general question and answer session is conducted after the examination at the operational sites. It also does not follow a fixed format. The applicant may be allowed to provide supplemental and corrective explanations on what have been presented as well as additional materials. If so desired, the company should consult with the lead examiner.

c) Executive Session

As executives play such important roles in promoting TQM, “the executive session” intends to investigate (evaluate) their understanding, enthusiasm, establishing and deploying policies and reviewing activities through questions and answers in an informal manner. The following points are included:

- 1) Understanding of and enthusiasm toward TQM
- 2) Insights into top management leadership, visions, strategic policies and environmental changes
- 3) Organizational strength (maintenance and strengthening core technology, speed and vitality)
- 4) Employee development
- 5) Organization’s social responsibilities

The executive session is conducted after the Schedule B on-site examination that covers the head office.

Participants from the applicant company in the executive session are determined at the preparation meeting for the on-site examination. Those who intend to participate in this session must have submitted their thought's on TQM Practices at the time of DTQMP submission. (Refer to 8.3 a)-5) Senior Executive's Thoughts on TQM Practices)

The lead examiner acts as moderator, and after the participants share their thoughts, as a rule, a talk between the examiners and the executives ensues. In the case of a division, the senior executives are those in charge of the division, the division general manager and other division management personnel. The Executive Session will be conducted with these individuals.

d) Reference Examination

A Reference Examination may also be carried out, if deemed necessary. Reference Examination is applied to companies (especially subcontractors, dealers, vendors, affiliated companies etc.: Reference Examinees hereafter) related to the applicant from the point of view of quality assurance regarding products/services. The purpose of reference examination is not grading the Reference Examinee, but to confirm the approach of the applicant’s management and quality, status of quality management activities, and to use this information for reference in evaluating the applicant. Therefore, in principle, the Reference Examinee is not evaluated for its status of TQM, its level of QA, its level of sales management etc. Reference Examination is included in the Schedule B but is carried out with consent of the Reference Examinee.

In case the Reference Examinee is not located close by, the introduction of the company, promotion status of QCD, case studies of Kaizen etc. may be arranged and shown at the applicant's place through video or other mediums. However, it is not necessary that Reference Examination be carried out for each examination unit.

10.2 Standard Time Allocation for the On-Site Examination

As a rule, the on-site examination is carried out from 9:00 a.m. to 5:00 p.m., with lunch break of one hour. The morning session of the examination includes a 15-minute break and the afternoon session a 20-minute break. The following is a typical time allocation for the on-site examination.

Standard Time Allocation for Business Units Except Head Office

Days Needed	Activities and Time Allocation	
0.5 day	Schedule A	2 hours (A.M. or P.M.)
	Schedule B	2 hours (P.M.)
1.0 day	Schedule A	3 hours (A.M.)
	Schedule B	4 hours (P.M.)
1.5 days Example 1	Schedule A	3 - 4 hours (Day 1 A.M. and P.M.)
	Schedule B	3 - 4 hours (Day 1 P.M.)
	Schedule B	2 - 3 hours (Day 2 A.M.)
1.5 days Example 2	Schedule A	4 hours (Day 1 P.M.)
	Schedule B	5 - 6 hours (Day 2 A.M. and P.M.)
2.0 days	Schedule A	7 hours (Day 1)
	Schedule B	7 hours (Day 2)

Note) The above time schedule does not include time for interpretation. In general, the examiners will carry out the on-site examination in Japanese. Additional time should be allotted for interpretation. Interpretation should be consecutive interpretation, not simultaneous interpretation. Standard interpretation device of microphones and headphones must be provided if simultaneous interpretation will be conducted.

Standard Time Allocation for Head Office

Days Needed	Activities and Time Allocation	
1.0 day	Schedule A	2 - 3 hours (A.M.)
	Schedule B	3 - 4 hours (P.M.)
	Executive Session	1 hour (P.M.)
2.0 days	Schedule A	5 hours (Day 1 A.M. and P.M.)
	Schedule B	2 hours (Day 1 P.M.)
	Schedule B	5 hours (Day 2 A.M. and P.M.)
	Executive Session	1 - 2 hours (Day 2 P.M.)

Note) If it is deemed necessary, the examination schedule for the Head Office may not follow as the schedule presented above.

10.3 Request for On-Site Examination Units and Schedules

The applicant company should submit its request for on-site examination units and schedules at the time of applying for the Prize.

Properly speaking, this request should be made after the company has passed the document examination. However, this information is essential for selecting examiners. Therefore, the company is requested to send it at the time of application.

10.3.1 What are on-site examination units?

Depending on the company's size and organizational structure, the scope of its business and its geographical location(s), the on-site examination is carried out according to the following two plans:

Plan (I): The examination is scheduled and conducted separately for the head office (general corporate functions) and for the divisions, plants, factories, research laboratories, regional offices, branch offices, sales offices, local offices, etc. (these are referred to as business units).

Plan (II): The examination is scheduled and conducted together for all business units.

In the case of (I), the on-site examination is not necessarily conducted at every business unit. A business unit selected for the on-site examination is referred to as an "examination unit." The Deming Application Prize Subcommittee chooses which business units will be examined after considering the applicant's request for certain units to be examined. In general, a business unit comprised of only a few people will not be chosen as an independent examination unit.

In the case of (II), the entire company constitutes an examination unit.

10.3.2 The contents of the request

When making a request for examination units and schedules, the applicant company should clarify the following points:

- 1) Plan I or Plan II
In the case of Plan (I), how to divide the organization into examination units.
- 2) The number of examiners and the number of days for each examination unit.
- 3) The examination dates for each examination unit

In general, two or more examiners conduct the on-site examination for each examination unit (four or more examiners for Plan II). The standard number of examiners is 4 and the maximum 8, basically even numbers. As a rule, the on-site examinations are scheduled as shown below. The applicant company should select the dates for each examination unit between July 21st and September 30th. The request should show the company's choices (up to the fifth or so) and inconvenient dates. When Plan (I) is selected, the on-site examination of the head office will be conducted at the end.

Examination Unit	Number of Days
Head Office	1 – 2 days
Regional Office	0.5 – 1 day
Plant, Factory	1 – 2 days
Laboratory	0.5 – 1 day
Branch, Sales, Local Office	0.5 – 1 day

- (Note 1) Depending on their size, divisions may be treated as one or may be divided into multiple groups, and an appropriate schedule is set for each one.
- (Note 2) When the head office and the plant are organized as one unit and are, therefore, difficult to separate for the examination, they are treated as one examination unit, and the examination is conducted for one or two days.
- (Note 3) In the case of unique organizational structures, the Deming Application Prize Subcommittee listens to the applicant company's concern and tries to accommodate it in its decision-making process.

10.4 Notification of the Examiners and On-site Examination Schedule

After reviewing the applicant's request, the Deming Application Prize Subcommittee determines which examiners will conduct the on-site examination and what schedule they will follow. This information will be communicated to the applicant company together with the notification of passing the document examination. Even after the notification was made, the examiners and the number of examiners may change due to unforeseeable circumstances. In such a case, the company will be advised of the change as soon as possible.

One of the examiners assigned for each examination unit is the lead examiner and serves as the primary contact for the applicant company. When two or more examination units are chosen, a chief examiner, who coordinates the overall on-site examination, is selected from among the lead examiners.

Note) The restriction for consultants or counselors to the applicant company

When a Deming Application Prize Subcommittee member has been offering TQM consultation services to the applicant company, he/she should not provide any such services to the applicant after the day when the first on-site examination for the year begins to the day when the examination result is publicly announced. The applicant company's consultant/counselor will not be involved in the on-site examination. However, this rule does not apply for the consultants/counselors who have only lectured for the applicant company or whose last consultation services to the company was a year or more before the examination.

10.5 Preparation Meeting for the On-Site Examination

For each examination unit, a preparation meeting for the on-site examination will be held between the applicant company and the lead examiner (the other examiners may also attend this meeting.) As for the participants from the applicant company, there is no limit. Commonly 3 or 4 people attend including the person in charge for applying for the Prize, managers and staff members. When multiple examination units are involved, the people in charge for these units may also attend the meeting.

The time allocated for this meeting is approximately half a day (including interpretation time)

It is held at the location of the Secretariat for the Deming Prize Committee.

10.5.1 The contents of the meeting

For the smooth implementation of the on-site examination, the following will be discussed at the preparation meeting:

- a) Schedule A determined at the meeting
- b) Schedule B draft plans are determined
- c) Companies for the reference examination (refer to 10.1 d) Reference Examination) determined at the meeting
- d) Participants of the executive session determined at the meeting

Additionally, administrative issues (hotels, transportation means and examination room layouts) will be discussed at the meeting.

10.5.2 Materials to be prepared

The applicant company is requested to bring the materials listed below to the meeting. As for the number of people attending the meeting, the company should contact the Secretariat for the Committee.

- a) The materials that explain each examination unit's business activities and the organization of its employees
- b) Draft plans for each item listed a) to d) in the section above.

When developing these draft plans, the company may want to refer to "10.1 What is the on-site examination?" and "10.2 Standard Time Allocation for the On-Site Examination."

10.6 Overall Points to Remember Regarding the On-Site Examination

- a) Based on the applicant company's DTQMP, the examiners judge if the applicant company passes the document examination. In the case the company passes, DTQMP helps the examiners conduct the on-site examination efficiently.
- b) As a rule, the examiners will provide no advice or guidance during the on-site-examination, nor will they give any comments to the company immediately following the examination.
- c) Unless otherwise requested by the examiners, the people in each respective examination unit only should answer the examiners' questions. If the examination unit wishes to have an employee from outside the unit answer, the lead examiner should be consulted first.
- d) When confidential items are included in the presentation materials during the examination, they should be clearly indicated as such. The examiners will be especially cautious about the information indicated as confidential so as not to disclose it to any third party.
- e) Because of confidentiality requirements, the applicant company may refuse to provide explanations, furnish materials, or allow access to operational sites. On the other hand, the examination must be conducted based on facts. If there are too many such refusals, the examiners may be unable to perform the necessary examination.
- f) On examination day, the examiners may wish to hold talks among themselves. The applicant is requested to provide facilities for such purposes.
- g) For the on-site examination, hospitality such as chauffeuring and dining should be simple and frugal.
- h) The examiners will not receive any articles other than documents necessary for the examination
- i) The examiners will not dine with the applicant company's personnel (including the associated companies') during the on-site examination and also on the day before.
- j) As a rule, the examiners will not ride in the same vehicle with the applicant company's personnel. However, this does not apply to the driver of the company car and when the on-site examination is in progress.

The on-site examination may be recorded on audio or videotapes. However, these tapes should be limited only for the applicant company's internal use. Their external use is strictly prohibited.

11. Examination and Evaluation Methods

The examination for the Deming Application Prize focuses on the following key points:

- a) Based on the management philosophy of the company, challenging and customer-oriented business objectives and strategies, that are suited to the business environment, have been formulated under the leadership of top management, taking into consideration the type of business, business structure and conditions, and the scale of business.
- b) TQM has been implemented properly to achieve business objectives and strategies as mentioned Item a) above.
- c) As an outcome of Item b), the outstanding results have been obtained for business objectives and strategies as stated in Item a).

Each category has evaluation criteria, and each criterion contains “items” and “points” which should serve as tentative standards. At the time of examination, the Subcommittee may change them in consideration of the applicant company’s business type. The focus of the examination is on three points listed above. Therefore, the company is examined how it implemented TQM and obtained the results.

12. Evaluation Criteria

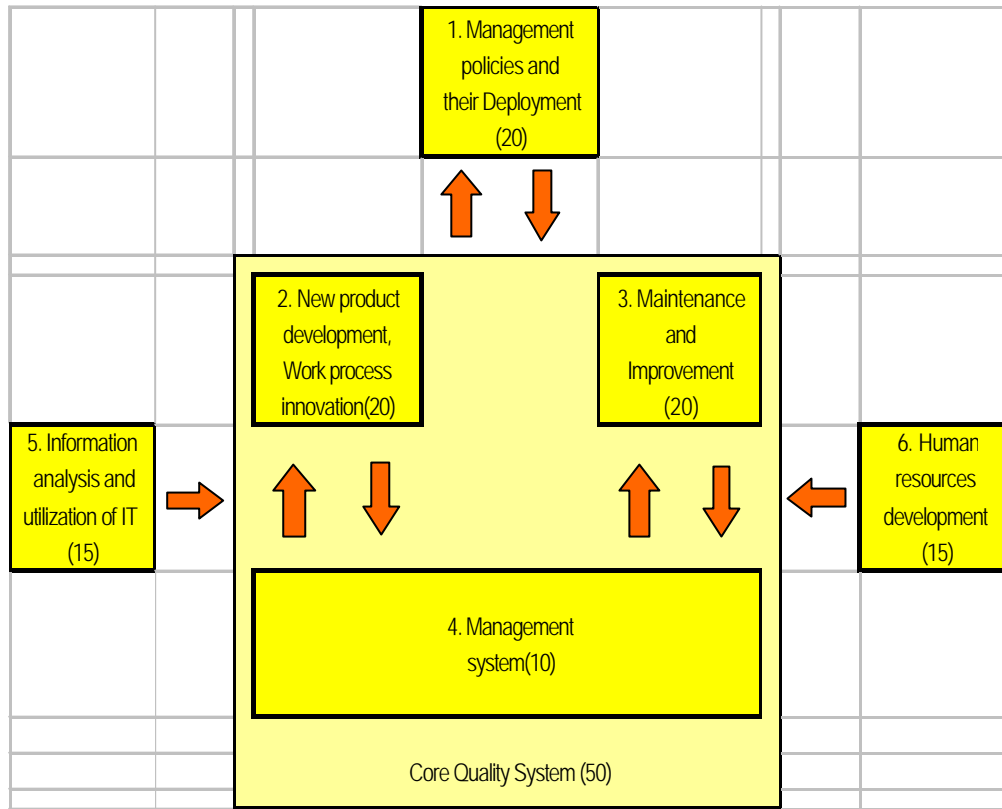
Evaluation criteria consist of “basic categories”, “unique activities” and “roles of top management.” The items and points given to each basic category are tentative standards. Considering the applicant company’s business type, the Subcommittee may change them.

12.1 Basic Categories

12.1.1 Evaluation items and points

Evaluation Items		Points
1.	Management policies and their deployment regarding quality management	20
a.	Under clear management policies that reflect its management principles, industry, business, scope and business environment, the company has established challenging, quality-oriented, customer-driven business objectives and strategies.	(10)
b.	Management policies are deployed throughout the organization and implemented in a united way.	(10)
2.	New product development and/or work process innovation	20
a.	The company actively develops new products (including services) or innovates work processes.	(10)
b.	New products need to satisfy customers' requirements. In the case of work process innovation, it must contribute greatly to the efficiency of business management.	(10)
3.	Maintenance and improvement of product and operational qualities	20
a.	Daily Work Management Through standardization and education/training, the company rarely has troubles in daily work and major operations in each department have been stabilized.	(10)
b.	Continuous Improvement The company makes improvements on quality and other aspects of its business in a planned and continual manner. It has reduced claims and defect problems in the market or the succeeding processes. It has been maintaining claims and defect problems in the market or the succeeding processes at extremely low levels. The customer satisfaction rate has improved.	(10)
4.	Establishment of systems for managing quality, quantity, delivery, costs, safety, environment, etc	10
	The company has established the necessary systems among the ones listed above and utilizing them effectively.	
5.	Collection and analysis of quality information and utilization of information technology	15
	The company collects quality information from the market and within its organization in an organized manner and utilizes it effectively. Together with the use of statistical methods and information technology, such information is utilized effectively for developing new products and maintaining and improving operational qualities.	
6.	Human resources development	15
	The company educates and develops its human resources in a planned manner resulting in maintaining and improving product and operational qualities.	

The relationship within basic categories and points



12.1.2 Evaluation methods

Each evaluation item is reviewed from the following four angles and scored according to the levels listed below:

a) Evaluation angles

1.	Effectiveness	Effective to achieve the objectives
2.	Consistency	Consistent throughout the organization
3.	Continuity	Continuous from mid- and long-term viewpoints
4.	Thoroughness	Through implementation at the department involved

b) Levels

Levels	Activities Implemented	Points	
		Items with 10 points max.	Items with 15 points max.
1	No Activity	0	0
2	Inferior	3	4~5
3	Fair	6	9
4	Excellent	8	12
5	Exceptional, benchmarks in the world	10	15

The Relationship Between Evaluation Items and Angles

	Effectiveness	Consistency	Continuity	Thoroughness
1. Management policies and their deployment				
Policies and strategies(10)				-
Deployment of policies(10)				
2. Product development, work process innovation				
Enthusiasm(10)				
Results(10)		-		-
3. Maintenance and improvement				
Daily management(10)				
Continual improvement(10)				
4. Management system(10)				
5. Information analysis and utilization of IT(15)				
6. Human resources development(15)				

Note) In the table, “ ” indicates the strong relationship between a given evaluation item and a given evaluation angle. In evaluating the specific evaluation item, its corresponding angle will be the focus. The “ - ” symbolizes no relationship between a given evaluation item and given evaluation angle, and no evaluation made from that angle.

12.2 Unique Activities

12.2.1 What are unique activities?

Unique activities refer to the company's core quality related activities for its development that it focuses on, employs unique ideas to and achieves the favorable results from. Such activities may include basic items 1 to 6 listed in Section 12.1 above. The applicant company should have at least one unique activity. The following lists some examples:

Top management vision, business strategies and leadership

- Strong leadership is exerted to share the values of the vision.
- Business strategies are established to become an excellent company.
- Under the excellent vision, the organizational innovation and improvement takes place.

Development of systems for creating and improving unique and effective qualities suitable for its industry and organization

Innovation of quality system processes such as concurrent engineering

Establishment of production and purchasing systems that secure quality and delivery in the case of overseas production and procurement

Creation of values for the customers

- The company develops quality systems to create values for the customers and provide products and services that include such values.
 - Materialization of its product planning process that is excellent for developing products and services
 - Development of research and technology development systems for creating excellent new products and services
 - Development of quality systems that can secure customer satisfaction in solution businesses

Remarkable improvement of organizational performance

- Quality improvement
- Speed and productivity improvement
 - Establishment of new product development systems that shorten the development times while securing quality
 - Development of quality management systems that secure qualities in supply chain management (SCM)
- Cost reduction
 - Development of quality systems to secure qualities while significantly reducing costs
- Securing environment and safety
 - Establishment of quality management systems that incorporates maintenance of environment, resources saving and energy saving
 - Establishment of management systems that emphasize the safety of operations and products

Establishment of the company's management foundations

- Enhancement of technological capabilities and core competence
 Enrichment of core competence that focuses on quality
 Development and deployment of quality management systems that can deepen technological capabilities
- Response to changing business environment
 Building management fitness that can respond flexibly to the changes in business environment
- Strengthened human resources development
 Establishment of human resources development systems that can enhance employees' capabilities and satisfaction
- Strengthened foundation of information systems
 Establishment of excellent quality management systems using information technology

Others

- Excellent and unique activities that are not listed above

12.2.2 Evaluation method

The unique activities are not evaluated if they conform to existing criteria; rather, their evaluation is focused on performance. There is no criterion set for each evaluation item. It is evaluated from the evaluation angles listed below 1) to 3) using the scale of 1 to 5. After all points are summed up, an overall evaluation is performed using the scale of 1 to 5.

a) Evaluation angles

1) Effectiveness	It is actually conducted as an organized activity and contributes to the organization's performance improvement and further growth.
2) Reproducibility	The subject for evaluation is not on new products, services and technologies developed, but it is on management method that enabled their development. Such a method must be established as a system so that similar results can be expected when it is applied to similar situations.
3) Innovativeness	It must be innovative and can be expected to contribute to management development in a given field.

b) Evaluation criteria (for each angel)

1 point	None exists
2 points	Hardly any exists
3 points	Somewhat exists
4 points	Exists
5 points	Greatly exists

c) Criteria for overall evaluation

1 point	Non-admirable activity
2 points	Activity can be found elsewhere
3 points	Good activity, but not excellent
4 points	Excellent activity constituting an element of the core technology
5 points	Exceptional activity, can be other organizations' benchmark

12.3 Roles of top management

As executives play such important roles in promoting TQM, “the executive session” intends to investigate (evaluate) their understanding, enthusiasm, establishing and deploying policies and reviewing activities through questions and answers in an informal manner. The following points are included:

- 1) Understanding of and enthusiasm toward TQM
- 2) Insights into top management leadership, visions, strategic policies and environmental changes
- 3) Organizational strength (maintenance and strengthening core technology, speed and vitality)
- 4) Employee development
- 5) Organization's social responsibilities

12.3.1 Evaluation methods and criteria

An overall evaluation is made using the scale of 100 points in consideration of the examination findings from the executive session, basic items and unique activities as well as the management results obtained.

13. Judgment method

13.1 Basic Categories

- 1) Each examiner evaluates independently giving a point to each item from 1) to 6) and totals them.
- 2) The median value of all examiners' scores is identified. If the value is 70 points or higher, it is considered passing.
- 3) When the condition above is not met and the scores among the examiners are dispersed, the examiners meet to disclose their scores and review their evaluation before the final judgment is made.

13.2 Unique activities

- 1) Each examiner evaluates the activity on its effectiveness, reproducibility and innovativeness in the scale of 1 to 5 with his/her short description of reasons. Based on these points, he/she reviews the activity again and comes up with an overall score in the scale of 1 to 5.
- 2) The median value of all examiners' scores is identified. If the value is 3.5 points or higher, it is considered passing.
- 3) When the condition above is not met and the scores among the examiners are dispersed, the examiners meet to disclose their scores and review their evaluation before the final judgment is made

13.3 Top management

- 1) Each examiner evaluates independently based on the results of the executive session using the scale of 100 points.
- 2) The median value of all examiners' scores is identified. If the value is 70 points or higher, it is considered passing.
- 3) When the condition above is not met and the scores among the examiners are dispersed, the examiners meet to disclose their scores and review their evaluation before the final judgment is made.

13.4 Overall judgment

- 1) When the company has only one examination unit,

To pass the examination, the company must be awarded passing point for each of the categories—top management, basic items and unique activities.
- 2) When the company has two or more examination units,

For each examination unit, the evaluation mentioned above is performed. Next, passing units are given 1 point, while non-passing units are given 0 point. Then the weighted average of these points is calculated. If it is 0.5 or higher, the company passes the examination.

When it is judged that the applicant company has acted in a socially immoral manner, the decision on its passing or not passing may be suspended.

14. Determination of Prize Winners and Notification of the Examination Result

The Deming Application Prize Subcommittee reports the evaluation results of each applicant company to the Deming Prize Committee. When applicants are considered qualified based on the report, the Deming Application Prize is awarded by the Deming Prize Committee.

In the event that the applicant has not attained a passing point score, final judgment is reserved and, unless the applicant requests withdrawal, the status is considered as “continued examination.” Subsequent examinations are limited to twice during the validity of next three years. Subsequent examinations will focus on what was indicated at the previous examination and what has changed since then. The applicant is recognized as having passed the examination when it has sufficiently improved upon the previously noted issues and has achieved the necessary level to pass.

The successful applicant company will be informed of the examination result as promptly as possible, followed by an official written notice by mail. In the case of continued examination status, only an official written notice by mail will be provided.

15. Report on Examination Findings

The successful applicant company will receive a written report on the examination findings on the day of the Deming Prize award ceremony. In the event that the applicant receives a continued examination status, the report will be sent by mail. Upon request from the applicant company, two or more examiners will visit the applicant with a written report to explain the examination findings around the time of the Deming Prize award ceremony. The report on examination findings is prepared for each examination unit. Each report consists of three parts: an overall evaluation, comments on each item (given in 12. Evaluation Criteria) and comments on each department. In concrete terms, it presents merits, improvement opportunities and recommendations for future improvement by item and by department.

16. Public Announcement of Prize Winners

In October, the Deming Prize Committee makes a news release at a press club about the prize-winning companies. The contents are announced in the “Nihon Keizai Shimbun” (the world’s largest selling business daily) and also reported in the JUSE’s home page and monthly magazines “Quality Management” and “JUSE News.” At this time, the reasons for the award are revealed to the public. If an applicant company receives a “continued examination” status, nothing whatsoever about the company, including its name, is announced.

At the award ceremony, which takes place in November, winners receive the Deming Medal with an accompanying certificate of merit.

17. Duties of the Prize Winner

- (a) **Winners Presentations by the prizewinners**
The prize-winning company will be asked to report its TQM practices and experience at the Winners Presentations Meeting (held the next day of the ceremony as a rule). Within 15 days after being notified of the examination result, the prize winner is asked to submit a manuscript of its TQM practices, to be included in the summary report of the prize winners’ TQM practices distributed to all participants at the Winners Presentations Meeting.
- (b) The prize-winning companies are encouraged to actively share with the other companies their TQM know-how obtained through the processes of challenging for the Deming Prize and receiving the examination.

18. Status Report and On-Site Review Three Years after Receiving the Prize

The prize-winning company is requested to submit a short report on the status of its TQM practices three years after having received the prize. As a rule, an on-site review for about a day will be conducted based on the report. For example, the recipient of the 2000 Prize is expected to submit its status report and receive the on-site review in 2003. To conduct such a review, two members of the Deming Application Prize Subcommittee will visit the company, listen to an explanation of its post-prize TQM practices and exchange views with the management including the president and the executive in charge of TQM. (The post prize TQM practices include 1. Progress made in TQM after winning the Prize, 2. Follow-up status on the report on examination findings and 3. Progress made on the future plans that had been presented at the time of the examination).

19. Examination Expenses

There is no examination fee. However, the applicant company is expected to carry the expenses associated with the on-site examination, such as travel and hotel accommodations for the examiners and their accompanying Secretariat member, as well as production cost of the report on examination findings and the summary report of the prizewinners' TQM practices distributed at the Winners Presentations.

GUIDE FOR APPLYING FOR THE QUALITY CONTROL AWARD FOR OPERATIONS BUSINESS UNITS

1. Eligibility for Application

Even if a business unit of a company is not eligible for applying for the Deming Application Prize, it can apply for the Quality Control Award for Operations Business Units, provided that the organization satisfies the following conditions:

- (1) The head of the business unit possesses management responsibilities for the budget, although the unit does not meet the eligibility conditions for the Deming Application Prize on page 1. Such a business unit must not be too small to have management activities.
 - (2) The business unit has clearly established responsibilities and authorities for quality management within the business unit with a clearly defined relationship with the head office or other related departments. The unit does not have to possess all functions related to quality control and quality assurance.
- (*) Companies wishing to apply for the Quality Control Award for Operations Business Units must carry out the TQM Diagnosis by the Deming Prize Committee no later than one year prior to the year of application. Please refer to C) TQM Diagnosis by the Deming Prize Committee for information.

In the case where a general manager is responsible for multiple factories in a region that make similar products, all of the factories, not each factory, are considered as a subject for the Quality Control Award for Operations Business Units. Similarly, when a manufacturing company has several plants, each of which has multiple factories, each plant can apply for the Award separately. For any questions regarding the Award, please contact the Secretariat for the Deming Prize Committee.

2. From Application to Awarding

The application and examination process for the Quality Control Award for Operations Business Units follow ones for the Deming Application Prize. The procedures for the Deming Application Prize such as prizewinner determination and announcement, award ceremony and Winners Presentations by winners, status report and on-site review three years after receiving the prize and expenses also apply. However, prizewinner for the Quality Control Award for Operations Business Units is not eligible for the Japan Quality Medal challenge. Successful applicant for the Quality Control Award for Operations Business Units will receive the Certificate of Merit and a Plaque at the award ceremony.

TQM DIAGNOSIS BY THE DEMING PRIZE COMMITTEE
Encouraged to Be Used for Preparing for the Deming Prize Application or
Understanding Your Company's Level of TQM

1. Eligibility for Application

The TQM Diagnosis by the Deming Prize Committee is conducted with the aim of contributing to the further development of the applicant company's TQM promotion. Since there are no eligibility conditions for this diagnosis, any companies and organizations that are implementing TQM can apply for the TQM Diagnosis. Please keep in mind that a company that has received the TQM Diagnosis cannot apply for the Deming Prize in the same year as the TQM Diagnosis. The company will become eligible to apply for the Deming Prize the following year.

2. Application Procedures

Those companies that wish to receive the TQM Diagnosis must select one of the three reasons provided below and submit the application (provided at the end of this booklet) at least three months prior to the desired dates. However, no diagnosis will be conducted during the Deming Prize examination period (early July to mid-October).

- (a) To receive a diagnosis and recommendations for the introductory or promotional stage of TQM.
- (b)* To receive a diagnosis and recommendations for making an effective use of the Deming Application Prize challenge.
- (c)* To receive a diagnosis and recommendations for making an effective use of the Japan Quality Medal challenge, in lieu of receiving the on-site review three years after receiving the Deming Application Prize.
- (*) Carrying out the TQM Diagnosis by the Deming Prize Committee is a mandatory requirement upon application for the Deming Prize/Japan Quality Medal. In the event that the application is made to prepare for the Deming Prize/ Japan Quality Medal challenge, the pre-application consultation will also be carried out by the examiners during the on-site TQM diagnosis.

As a rule, the lead examiner who represents the diagnostic team will have a preparation meeting with the company representatives to discuss the procedures for the Diagnosis at least one month before the targeted dates.

3. Submittal of Documents

To ensure an effective diagnosis, the following documents should be submitted at least 1 month prior to the dates desired for the TQM Diagnosis:

- (a) A document that describes the company: materials that provide information such as the scope of the business, organizational chart and its functional roles, products and services and company-specific terminology.
- (b) A document that describes the company's TQM practices: materials that reflect the status of TQM implementation in each diagnosis location. For example, materials used for a company's internal TQM audit may be used. As for the format and contents of this document, there is no set standard. However, the total number of pages for each diagnosis location should be between 30 and 50. Do not try to include every single detail, but write concisely and to the point.

The documents are requested to prepare based on the instruction as well as the checklist provided by the Secretariat.

The above documents for each diagnosis location shall be prepared for the number of committee members who will conduct the diagnosis, plus two for the Secretariat. Photocopied documents may be used. During the diagnosis, the company's documents for day-to-day management are requested for viewing.

4. Diagnosis Process

- (1) The members of the Deming Application Prize Subcommittee will conduct the TQM Diagnosis. The results of the diagnosis will not be disclosed to the outside whatsoever.
- (2) The dates and locations for the diagnosis are generally determined in concordance with the company's request. However, every location the company wishes to be diagnosed may not necessarily be examined.
- (3) As a rule, one to two days will be spent at each diagnosis location, and the hours of the TQM diagnosis for each day are from 9:00 a.m. to 5:00 p.m.
- (4) In general, two to four committee members handle one location. Depending on the size of the diagnosis location, the Deming Application Prize Subcommittee shall determine how many committee members will conduct the diagnosis, with due respect to the company's request.
- (5) The diagnosis will be based on the company's presentations, the on-site examination, the document review and questions and answers. At the conclusion of the TQM Diagnosis, the examiners will provide brief summary comments.
- (6) The details of the diagnosis program will be determined in consultation with the company.

5. Report of the Diagnosis Findings

The results of the diagnosis will be communicated through comments provided immediately after the diagnosis and through a report on the diagnosis findings. The report on the diagnosis findings will be sent to the company, as a rule, within one month after the diagnosis, following the lead member has compiled the findings of all the committee members who conducted the diagnosis.

6. Costs

All fees and expenses associated with the diagnosis, including fees for the diagnosis as well as expenses for travel and hotel accommodations, production cost of the diagnosis report and administration costs, will be charged to the company.

Please remit the appropriate amount to the following bank account in Japanese yen.

On your remittance, please quote "Deming Prize"

THE BANK OF TOKYO-MITSUBISHI UFJ, LIMITED

Yaesu-doori Branch in Tokyo

Account name: Union of Japanese Scientists and Engineers (JUSE)

Account number: 0705651

Contact Information

If you have questions regarding the Deming Prize, please contact the Secretariat for the Deming Committee as follows:

The Secretariat for the Deming Prize Committee
The Union of Japanese Engineers and Scientists
1-2-1 Koenji Minami, Suginami-ku
Tokyo, Japan 166-0003

Telephone: 03-5378-1212 (weekdays 9:00 ~ 17:00)

Facsimile: 03-5378-9842

Email: demingprize@juse.or.jp

APPLICATION FORM FOR THE DEMING APPLICATION PRIZE

Date: _____
(month / day / year)

To: The Chairman of the Deming Prize Committee

- Name of the Company: _____

- Address of the Company: _____

- Name of Principal Representative: _____

(First Name) / (Family Name) (Signature)

We would like to apply for the _____ Deming Application Prize.
(Year)

- Reason for Applying: _____

[Declaration for Application]

Does your organization satisfy the following conditions? (Tick appropriate response)

- a) Does your organization have the responsibility and the authority to manage people, materials and money to the extent that the management is independent and autonomous?
() Yes () No
- b) Does your organization possess the responsibility and the authority to carry out consistent quality assurance?
() Yes () No
- c) Does your organization possess the responsibility for profitability, as well as the responsibility and authority for the future growth of the business?
() Yes () No

If you have anything to supplement regarding the above a) ~c), kindly elaborate below.

- Principal Contact Person

Name: _____
(First Name / Family Name)

Affiliation (Department): _____

Telephone: _____ Facsimile: _____

Email: _____

We have transferred the amount JPY _____ (amount) as application fee on _____ (date).

**APPLICATION FORM FOR
THE QUALITY CONTROL AWARD FOR OPERATIONS BUSINESS UNITS**

Date: _____
(month / day / year)

To: The Chairman of the Deming Prize Committee

- Name of the Company: _____

- Address of the Company: _____

- Name of the Principal Representative:

(First Name) / (Family Name)

- Name of the Business Unit Executive

(First Name) / (Family Name) (Signature)

We would like to apply for the _____ Quality Control Award for Operations
Business Units. (Year)

- Reason for Applying: _____

[Declaration for Application]

Does your organization satisfy the following conditions? (Tick appropriate response)

- a) Does your organization have the responsibility and the authority to manage people, materials and money to the extent that the management is independent and autonomous?
() Yes () No
- c) Does your organization possess the responsibility and the authority to carry out consistent quality assurance?
() Yes () No
- c) Does your organization possess the responsibility for profitability, as well as the responsibility and authority for the future growth of the business?
() Yes () No

If you have anything to supplement regarding the above a) ~c), kindly elaborate below.

- Principal Contact Person

Name: _____
(First Name/ Family Name)

Affiliation (Department): _____

Telephone: _____ Facsimile: _____

Email: _____

We have transferred the amount JPY (amount) as application fee on
(date).

APPLICATION FORM FOR THE TQM DIAGNOSIS

Date: _____
(month / day / year)

To: The Chairman of the Deming Prize Committee

- Name of the Company: _____

- Address of the Company: _____

- Name of Principal Representative (or Name of the Business Unit Executive):

(First Name)

(Family Name)

(Signature)

We would like to apply for the TQM Diagnosis by the Deming Prize Committee members as follows:

1. The Month Desired: _____
(month/year)

2. The Locations Desired: _____

Locations	Number of Days	Number of Committee Members

3. Objective:

Item ____ of items (1) to (3) on page is requested.

- Principal Contact Person

Name: _____
(First/Last)

Affiliation (Department): _____

Tel: _____ Fax: _____

Email: _____

Note) Please attach an overview of the company and the desired examination locations.

**APPLICATION FORM FOR
PRE-APPLICATION CONSULTATION FOR THE DEMING PRIZE**

Date: _____
(month / day / year)

To: The Chairman of the Deming Prize Committee

- Name of the Company: _____

- Address of the Company: _____

- Name of Principal Representative or Name of the Business Unit Executive):

(First Name)

(Last Name)

(Signature)

We would like to apply for a meeting at the Consultation Office for the Deming Prize as follows:

1. The Month Desired: _____
(month / year)

2. Main Discussion Items: _____

- Principal Contact Person

Name: _____
(First/Last)

Affiliation (Department): _____

Tel: _____ Fax: _____

Email: _____

Note) Please attach an overview of the company.

Year:
NO. * Please number each copy serially from 1 to 20.

DESCRIPTION OF TQM PRACTICES

Date of Writing (day/month/year)			
Head Office	Name of the Company		
	Address		
Unit	Name		
	Address		
Principal Contact Person		Name	
		Position	
		Tel	
		Fax	
		Email	

Name of the Company:

Name of the Unit:

This is a sample cover of the Description of TQM Practices.
Please use this format for each bound copy.