

# “The Changing Role of Quality Professionals to Successfully Meet the Current Economic Challenges “

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5<sup>th</sup> Annual Business Process Excellence Summit

31<sup>st</sup> May to 4<sup>th</sup> June 2009, Dubai

IIR Middle East, Dubai.

# Agenda

1. Effects of economic recession on quality profession.
2. Implications for quality profession and professionals
3. Proposed strategies for quality professionals
4. Gaining leadership support
5. 10 tips
6. Emerging consensus

“It is not the strongest species that survives, or the most intelligent, but the most responsive to change.”

*Charles Darwin*

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# Doing the Right Things



*Rearranging the deck chairs on the Titanic as she goes down!*

## What Organizations are Currently Doing ?

- Reducing budgets for training/ participation in conferences
- Cancelling/ delaying either ongoing quality programs or new quality programs, participating in award programs
- Reducing frequencies of Assessments/ certifications
- Paying more attention to
  - cost reduction,
  - cost control,
  - waste reduction,
  - improving efficiencies.
- Reducing Staff

## What Organizations are Currently Doing ?

To gain competitive advantage and clearer quality focus.

- Some are redoubling certain quality efforts like
  - Reviewing systems
  - Placing stronger emphasis on preventive actions
  - Increasing commitment to continuous improvement
- Forced to do more with less.

# ASQ Quarterly Quality Report, Dec. 2008

**Given the economic downturn over the past 12 months, have you noticed any of the following events at your company? (Check any and all that apply.)**

	%
Reductions in work force	54.3
Less training	50.0
Reduction in budget for quality activities	32.6
Backing away from quality initiatives	28.3
Culture changes (e.g., less emphasis on quality)	26.1
Cancelling the introduction of planned new quality programs or activities	19.6
Cancelling ongoing quality programs or activities	10.9
Changes in visibility of quality	8.7
None of the above	23.9
Other	19.6

## ASQ Quarterly Quality Report, Dec. 2008

**Question: “ Because of the recent economic downturn, is your company paying more or less attention to each of the following?”**

***(1 = much less attention, 2 = less attention, 3 = no change, 4 = more attention, and 5 = much more attention.)***

	Mean Scores
<b>Cost cutting</b>	<b>4.28</b>
<b>Downsizing</b>	<b>3.65</b>
<b>Becoming more efficient</b>	<b>3.57</b>
<b>Waste reduction</b>	<b>3.55</b>
<b>Listening to the voice of the customer</b>	<b>3.33</b>
<b>Incremental improvement to existing processes or products</b>	<b>3.20</b>
<b>Innovation</b>	<b>3.13</b>
<b>Creativity</b>	<b>3.09</b>
<b>Quality</b>	<b>3.09</b>
<b>Building a culture supportive of quality</b>	<b>2.93</b>
<b>Organic growth through new product introduction</b>	<b>2.89</b>
<b>New product development</b>	<b>2.87</b>
<b>Growth through acquisition of products or companies</b>	<b>2.60</b>

# Different Type of Responses

- **Type 1** - Going into crisis mode, cutting back and de-emphasizing quality initiatives.
- **Type 2** - Continue to invest in quality and innovation as a competitive advantage even in the face of economic uncertainty.
- *Organizations that refuse to panic and move ahead judiciously and don't cut too deeply will be better positioned to excel when economy improves.*

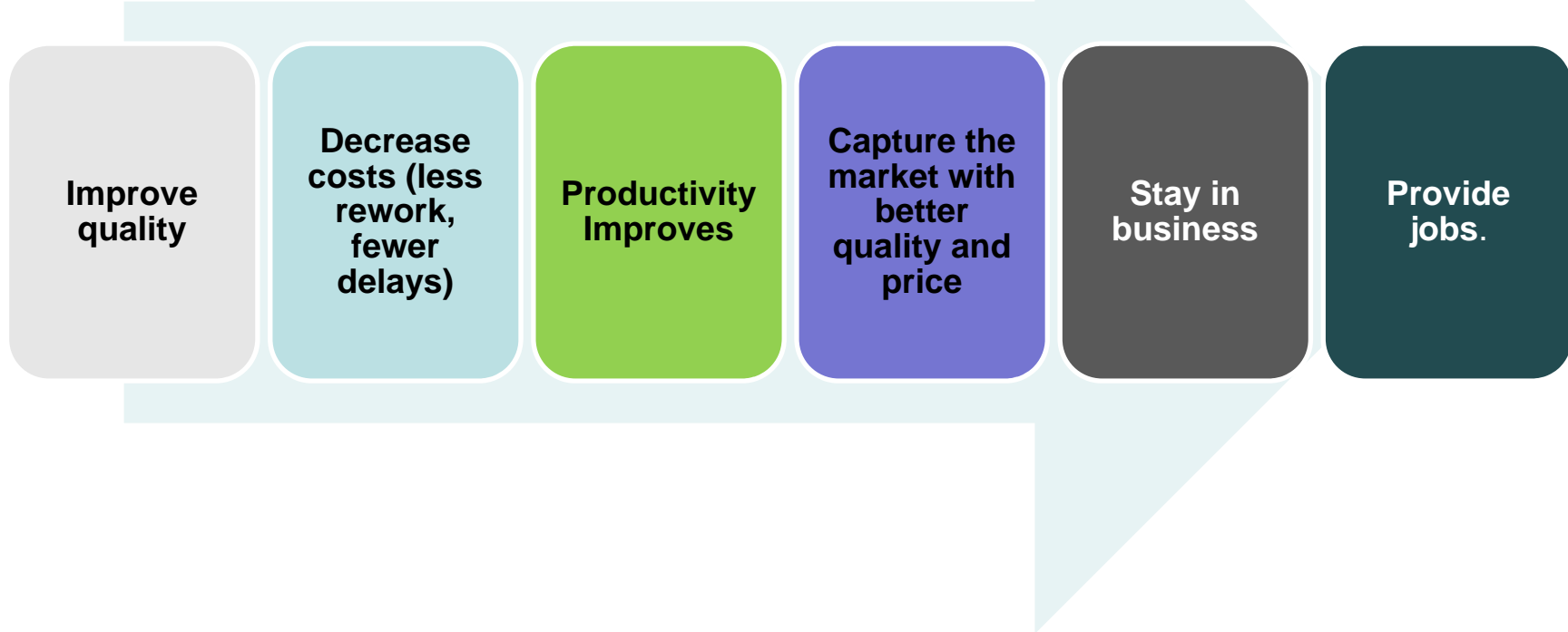
## DQG – CIG Survey Results

Improvement Methodology	Responses
Six Sigma	41 %
5-S	36 %
Kaizen	34 %
Lean	30 %
QC Circle	27 %
TRIZ	23 %

*63 % responses rate from a total sample of 74 respondents  
March-April 2009*

# Dr. Deming's Chain Reaction

Deming shared the following chain reaction with Japanese in the summer of



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# Implications for Quality Profession

- With internet reaching everywhere, quality will know no boundaries.
- Larger social concerns like healthcare, environment and social responsibility.
- Quality to find a way into education system to equip graduates with quality tools and practices

# Implications for Organizations

- New measurement and inspection techniques will be needed for nano and bio technology fields.
- Product performance is “given”. Customers will demand speed, agility, adaptability, ease of doing business.
- Shift from quality of product to quality of management and governance of the organization.

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# Proposed Strategies for Quality Professionals

1. Gain leadership commitment by speaking their language supported by data (Example follows)
2. Adopt Jurans' big **Q** concept
3. Continue challenging Inhibitors like:
  - Higher quality cost more.
  - Employee apprehensions.
4. Focus on vital few projects to reduce chronic waste/ improve efficiencies/ cost reduction ( Kaizen, Lean, BPR)
5. Listen more to customers and **act quickly**.

# Proposed Strategies for Quality Professionals

6. Incorporate quality and quality improvement in:
  - Job Descriptions of all staff
  - Establish measures of quality goals
  - Implement quality in all functions
7. Establish a robust sustainable quality improvement program including:
  - process for quality improvement
  - organisation structure
  - measuring, tracking and reporting system for quality goals
  - Train all levels of personnel, including upper management,
  - Recognition and reward system for superior quality performance
  - Empower people to make improvements.

# Proposed Strategies for Quality Professionals

8. Continue to focus on improving products, services, and processes and improving bottom line.
9. Compute Cost of Poor Quality.
10. Broaden the emphasis of quality functions to include:
  - new product development,
  - innovation,
  - rapid deployment,
  - flexible manufacturing,
  - differentiation in service.
11. Compute economic benefits of all Quality initiatives
12. Do not make winning awards the key driver for quality.

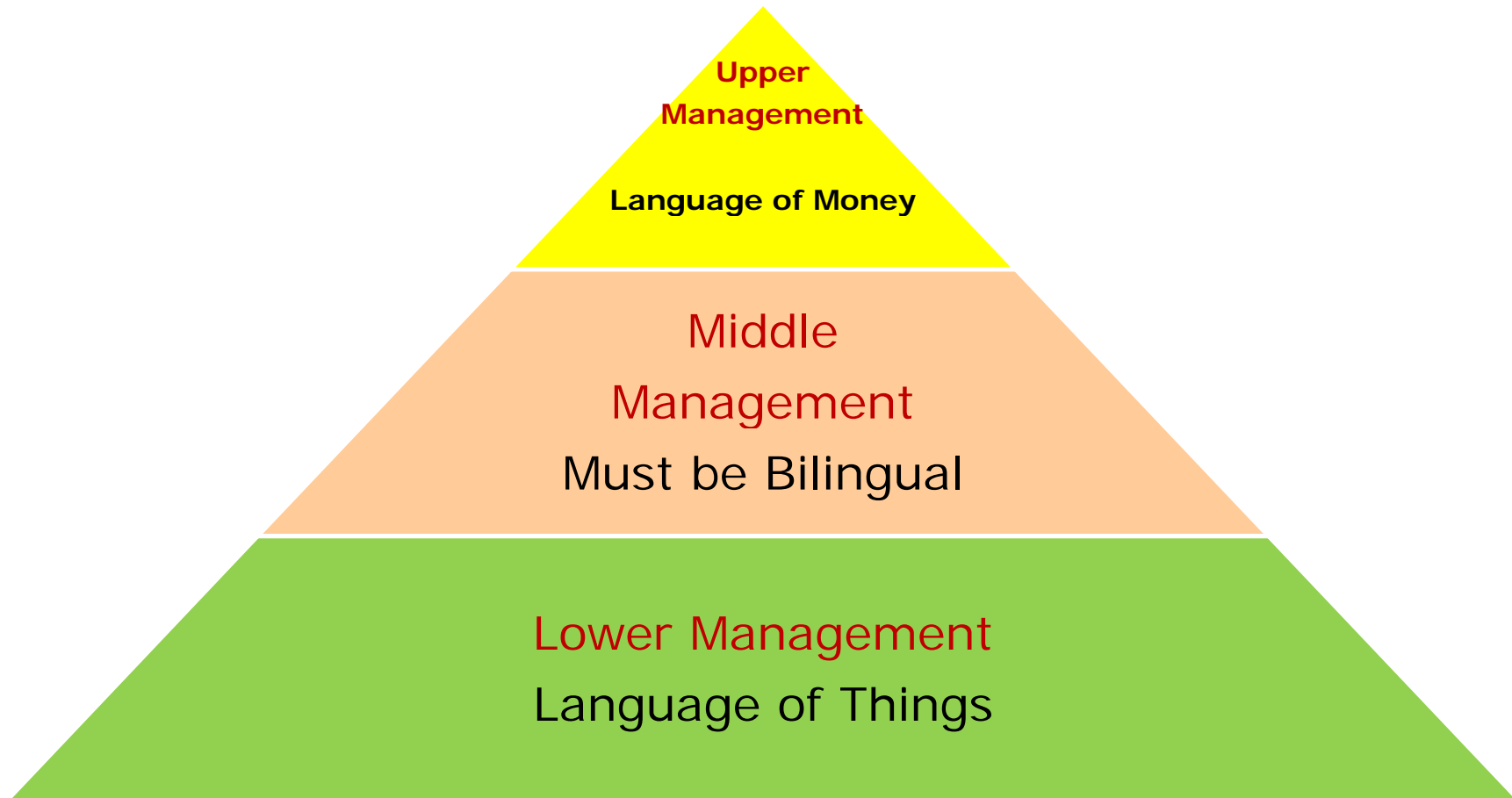
# Proposed Strategies for Quality Professionals

13. Be part of the solution, not the problem.
14. Review your strategy
  - Does it still fit with the company strategy?
  - Ensure alignment
  - Must talk the language of business
15. Develop new action plans.

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# Language in the Hierarchy



# Presentations to Upper Managers

- Must focus on the goals of the upper managers, not on the goals of the advocates.
- Proposals to identify specific problems and estimated benefits like:
  - Last year's cost of poor quality was 43% of profit of \$1.5 million.
  - 13% of last year's sales orders were cancelled due to poor quality totalling to USD 3.7 million.
  - 25% of manufacturing capacity is devoted to correcting quality problems.

# Securing Leaders Approval & Participation

- Convince the upper managers of
  - Merits of annual quality improvement.
  - Need for active upper management participation.
  - Precise nature of the needed participation of upper management.

# Gaining Leadership Support with ROI

- Quality improvement proposal should have ROI to gain management support.

E.g.

- Compute ROI to reduce chronic waste:
  - Costs of chronic waste
  - Potential cost reductions if projects are successful
  - Costs of the needed diagnosis and remedy

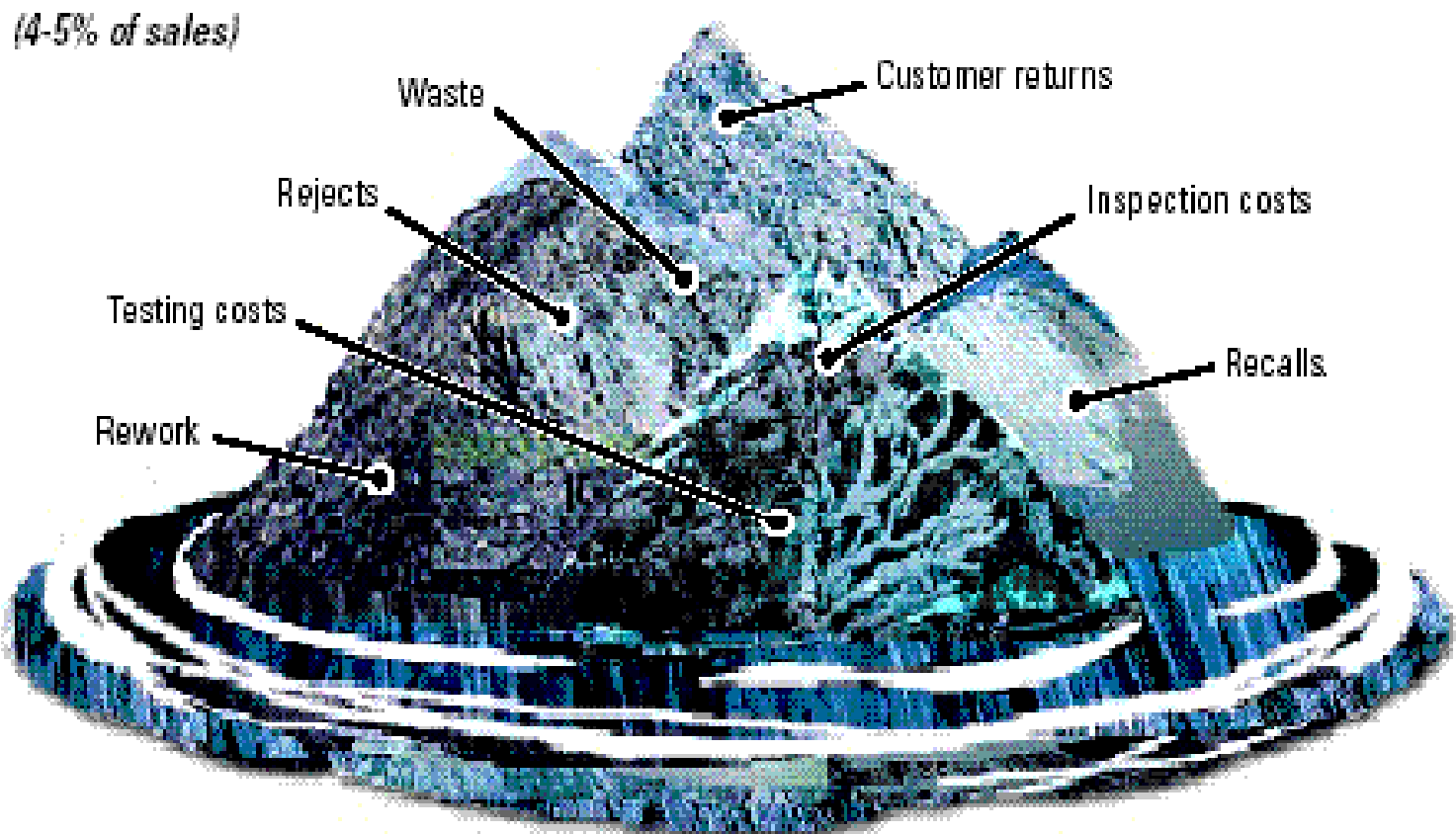
# The Size of Chronic Waste

- A widespread major opportunity is to reduce the Cost of Poor Quality (COPQ).
- Usually COPQ is greater than the company's annual profit if not much greater.

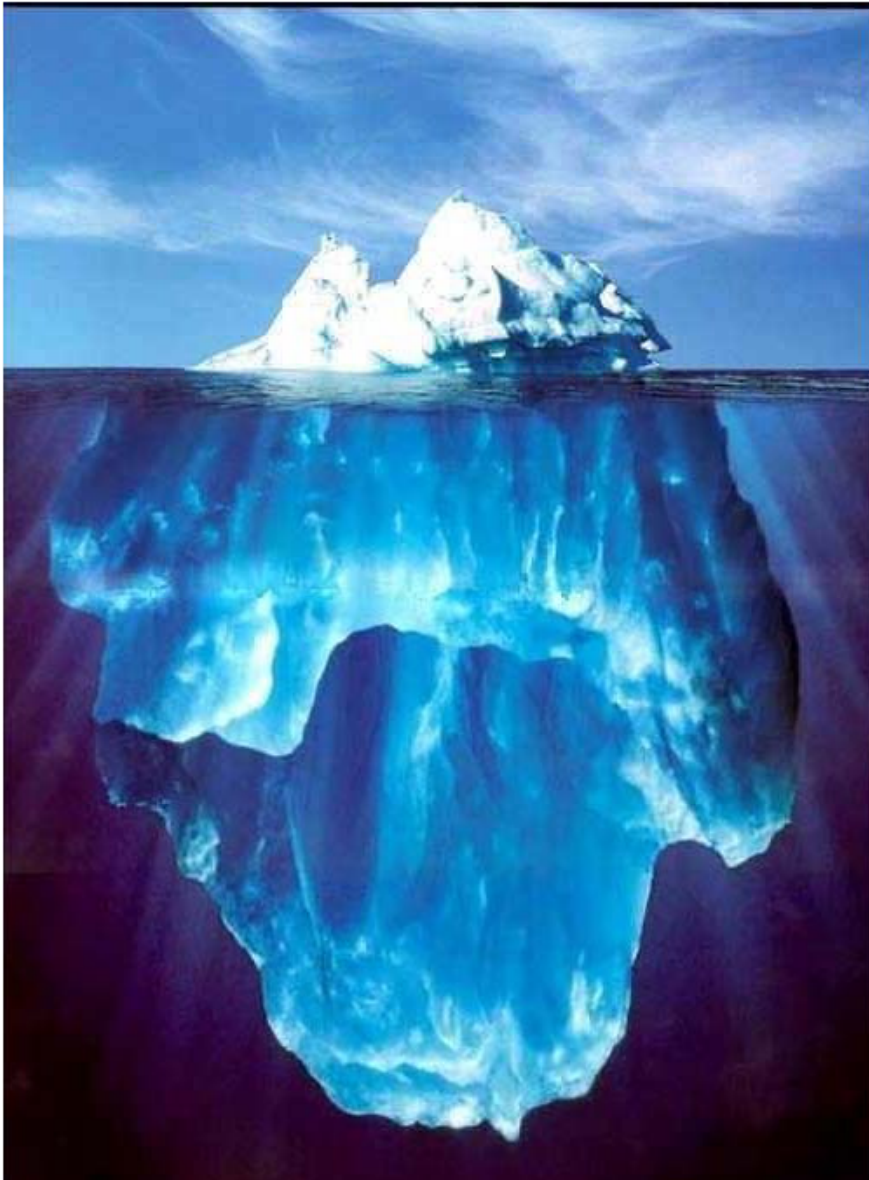
# Cost of Poor Quality

**FIGURE 2** Traditional Cost of Poor Quality

When quality costs are initially determined, the categories included are the visible ones, as depicted in the iceberg below:



# Hidden Process Costs



What we do not see is below. Can be identified as waste:

1. **Overproduction:** producing more, sooner and faster than required by the next process.
2. **Excess transportation:** any transport that adds cost but no value to the product.
3. **Excess inventory:** this not only is a waste, but also creates waste.
4. **Excess processing:** doing more work than necessary.
5. **Waiting:** operator or machine idle time.
6. **Correction:** repairs to products.
7. **Motion :** walking or wasted motion to pick up or store.

COPQ 15 to 25 % of total cost

# The Size of Chronic Waste

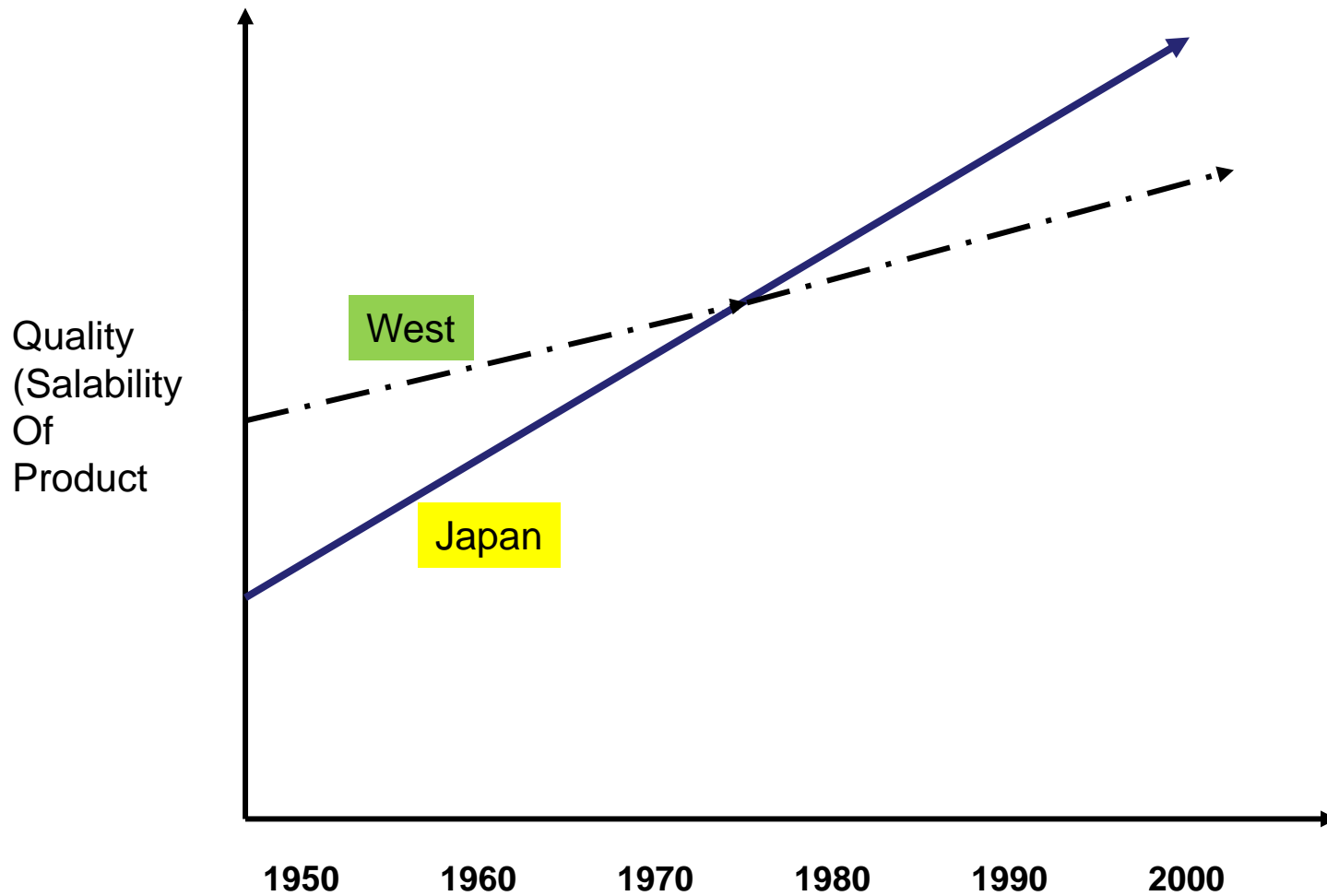
## Analysis of Cost of Poor Quality – Typical Example

Category	Amount, \$	% total
Internal failures	7,279,000	79.4
External failures	283,000	3.1
Appraisal	1,430,000	15.6
Prevention	170,000	1.9
Total	9,162,000	100.0

# The Size of Chronic Waste

- *The order of magnitude:*
  - Total estimated cost \$ 9.2 million per year. Represents a major opportunity.
- *The areas of concentration:*
  - Costs of internal failures- 79.4 %
  - Major cost reduction must come from internal failures.
- *The limited efforts for prevention:*
  - 1.9 % for prevention suggests that greater investment in prevention would be cost-effective.

# Rate of Improvement is Decisive



Rate of Quality Improvement in Automobile Industry,  
From "Making Quality Happen" Juran Institute, 1988.

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# 10 Tips

1. Connect to finance department to understand each function and organization profit/loss.
2. Shift your focus from projects/ initiatives to reducing Cost of Poor Quality.
3. Reach out to functional areas with big cost reduction targets. Offer expertise. Use Lean and Kaizen.
4. Stay customer focussed. Time is to cut costs and not quality/ service. Reach out to your customers and see how you can help them. They are also feeling the pain.
5. Provide training to colleagues on Lean, Kaizen, COPQ....as organisations are cutting training budgets

# 10 Tips

6. Be proactive – offer bold ideas for cost reduction like outsourcing.
7. Communicate: Continue reporting data/ performance on cost reduction, savings, improvements, voice of customer.
8. Help establish dollar saving targets/ cost reduction targets for all functions.
9. Be flexible and adapt your strategies and plans to meet organization needs.
10. Do not give up. Keep asking your self – How can Quality help your company ?.

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# The Emerging Consensus

Points of consensus on quality improvement:

- Customers are increasingly demanding improved quality.
- Chronic wastes are known to be huge.
- Direct Quality improvement at all areas that influence company performance.
- Do not make Quality improvement a voluntary initiative. Must be built into the system.
- To attain market leadership, upper managers have to personally take charge of managing for quality.

# Quality Improvement Is Applicable Universally

- Service industries as well as manufacturing industries.
- Business processes as well as manufacturing processes.
- Support activities as well as operations.
- Software as well as hardware.
- All industries, including government, education, and health.
- All functions: finance, product development, marketing, legal etc.

# ROI in Quality Improvement is Highest

- Reduction in chronic waste is not capital-intensive.
- ROI in quality improvement is among the highest.
- Average quality improvement project costing about \$ 15,000 yielded about \$100,000 of cost reduction (*Juran 1985*).
- Major gains come from the vital few projects.

*The annual rate of quality improvement determine which companies emerge as quality leaders. Adopt revolutionary rate of improvement in quality year after year.*

*“ There are never better times for quality profession and professionals than times of crisis. And that time is now.”*

# Questions and Answers

Thank you

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