

Quality info

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Lessons on Quality Management From Kobe Steel

Building a culture of quality requires top management to participate in quality initiatives

The cheating at Kobe Steel shook not just Japan but the entire manufacturing world. As Kobe Steel CEO Hiroya Kawasaki revealed, about 500 companies had received its falsely certified products, which affected not only those companies but also its entire supply chain. However, the issue at Kobe was only the latest. Sadly, Japan has had many quality eruptions during the past year, including the recent recall by Nissan Motor Co of more than one million vehicles, and the major quality issues with now-bankrupt airbag producer Takata Corp.

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As W. Edwards Deming said, more than 85 percent of quality problems are due to management, and that seems to be the case with what happened at Kobe Steel.

Here are few lessons that top management in any company could learn from Kobe Steel's problems in order to avoid the same.

Conduct a top management diagnosis

As organizations mature, CEOs often take quality for granted. They delegate the quality function to the head of quality and chief quality officer, and assume everything will run as desired. They may involve themselves in occasional quality reviews and make big pronouncements in town-hall meetings, but remain at arm's length to quality.

If a CEO's involvement is superficial, any quality deployment will also be cosmetic. A company's quality agenda must be owned by the CEO and the entire

top management. This is where a top management diagnosis comes in. A top management diagnosis is a meeting where the CEO and top management come together to discuss all matters that have an effect on the quality of the company's product or service.

These are not just sessions where staff members present progress, but are deep discussions during which top leaders ask questions about current, past, and potential issues that could be faced by a product or service. The power of this meeting comes from the cross-functional leadership looking at issues pertaining to quality from different perspectives. For example, the CFO, who may have no knowledge about the manufacturing process, could still make an incisive observation.

These sessions should also include unplanned visits to the shop floor, vendor location, or product delivery centers to understand the operating system of the workplace. The typical agenda for such leadership meetings would include topics such as customer issues, chronic quality problems, strategic alignment (i.e., how employees are aligned with the larger objectives of the company), employee engagement issues, accomplishments, product design, and so forth.

The objective of this exercise is for top management to gain a deep understanding of one part of the company and also connect with those on the shop floor and the front line. What delivers value to this exercise is incisive questions posed not only by the CEO but also the diverse team of top management.

The top team should set aside at least one day per month for this exercise.

Do a regular external deep dive

An outsider's observations can be important in dissecting the operating system of a selected area of the company. This would mean an outside set of relevant experts coming into a department to look at it with fresh eyes. They look at existing practices, how well they are being adhered to, whether they are relevant today, people issues, the degree of strategic alignment, and how all these compare with best-in-class companies. The findings are reported back to the CEO.

For example, a CEO of a food company could get an outside perspective of the existing manufacturing practices being adopted by the firm. When these experts come in, they would not only look at the equipment and other engineering and operational excellence parameters but also GMP (good manufacturing practices), microbiology challenges, sanitation processes, the shop-floor environment, employee engagement, and strategy alignment. Essentially, this has to be a cross-functional, multidisciplinary team.

The outsiders' deep-dive has to be should be done on a regular basis across all departments and functions.

Build a culture that embraces quality

This is the most important element that is spoken about a lot yet rarely done well. The root cause of issues such as those at Kobe Steel was an inept culture.

Edgar Schein of MIT taught that culture is not just what's visible to us (such as policies, processes, structure, and behaviors) but also comprises values and assumptions.

Here are five things that are critical for building a culture that brings "quality" and "customer" to the center of the enterprise.

Never let anything unacceptable go unnoticed. This includes unacceptable behavior, unacceptable practices, unacceptable products, and so forth.

If there are practices that go unnoticed or overlooked, they become part of the organizational culture. For example, if the management of a manufacturing company does not reprimand or take action against employees who take shortcuts while doing final inspection, employees will soon think that it's OK to take shortcuts.

Make it safe for employees to speak out when something isn't right. This is not just about things in their work area but also on matters pertaining to other departments and even the larger organization. As a matter of fact, identifying abnormalities is an integral part of the lean thinking that has emerged from the Toyota Production Process.

Remember that employees who are closest to the processes, or frontline employees who are in contact with customers, have some of the finest ideas for improvement. Hence, it's imperative to reach out for their ideas, not just on matters pertaining to their work but also about anything related to the larger company. It is known that few CEOs who proactively share even the larger business strategy with employees so they can question and contribute wherever is relevant. The top management of a company that encourages ideas not only demonstrates its openness but also shows it knows about the treasure trove lying in people's minds.

Empower employees to take action if required. For a shop-floor worker in a manufacturing company, this would mean having the authority to stop a machine if the output is not good quality. For customer-facing staff, this would mean having the authority to resolve customer issues on the spot.

Leaders in the company must lead by example. They not only communicate the culture they want to see, but also demonstrate and live the values that the

organization espouses, at all times. They know that if they want to see a positive culture change, they must demonstrate the change for others to emulate.

Clearly, there are no shortcuts to building a good culture. It's both the little and big things that make it happen. Making quality an integral part of the organizational fabric is only possible when the CEO and top management lead from the front.

Stages of Quality Improvement:

- ✓ Comprehension
- ✓ Commitment
- ✓ Competence
- ✓ Communication
- ✓ Correction
- ✓ Continuance

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