



Enrichmentors Business Review

Improving Quality for better sales
Insights about quality improvements as a growth strategy

November 2013

What is in this Issue From The Editor's Desk

Arun Singhal is the Founder and Principal Mentor & Managing Partner of Enrichmentors India. He founded Enrichmentors in 2007 to help Small & Medium Enterprises in India improve their business through consultation, coaching and counseling. He has done his Post Graduate Diploma in Management in Marketing and Finance from Indian Institute of Management (IIM), Bangalore, India. Arun worked for Dumex, Johnson & Johnson and Unilever in India and Asia Pacific based in Delhi, Mumbai and Singapore in a variety of management roles spanning over sales, marketing, operations and general management for 26 years. His mission now is to share his knowledge and experiences of these 26 years with Small & Medium Enterprises and help them improve their business. Some of the companies he has worked as a consultant are Ayushakti, Mind Technologies, Hia Designs, Bayer, Cello, Makarizo, Kris & Volkswagen. He operates out of his offices in Mumbai & Udaipur and can be contacted at arunsinghal@hotmail.com.



Dear Reader,

Hope you enjoyed the last issue where I had shared with you how can you identify your business opportunities for growth

Quality has come up as one of the frequently occurring key issues in driving growth for my SME clients. Initially I saw this as the initial response of the sales team as an excuse for poor sales as also seen by their top managements. But in a few cases, I have experienced the quality being the real obstacle for growth and that has prompted me to share with you how to identify when it is critical to address the quality issues and how.

In one of my consultancy assignments for improving the growth of a business, I was puzzled to find that while we were adding substantial new customer business every month, we did not register significantly sustainable growth. When we analyzed the Gains and Losses of the businesses by customers, we found that while we were adding more business by gaining new customers, we were losing about the same amount of business due to customers not ordering repeat business. We also found rejections of the products supplied as a significant occurrence. Unfortunately the top management, did not make any significant changes in the Quality Systems to address the issue and business continued to stagnate.

Getting a repeat business from a new customer is the basic block of building a sustainable profitable business and you can only get the repeat business if your product or service quality meets the customer expectations and competitive benchmarks. Without such a quality, all the efforts of increasing sales will only give a temporally benefit!

So, take a look at how to identify if your quality systems are becoming a real bottle neck in building a sustainable profitable business and what you need to do to address your quality systems! As always, do let me know if what is said makes any sense or not!! Happy to help.

Building Businesses, People, Health & Wealth successfully over 30 years

Improving Quality for better sales

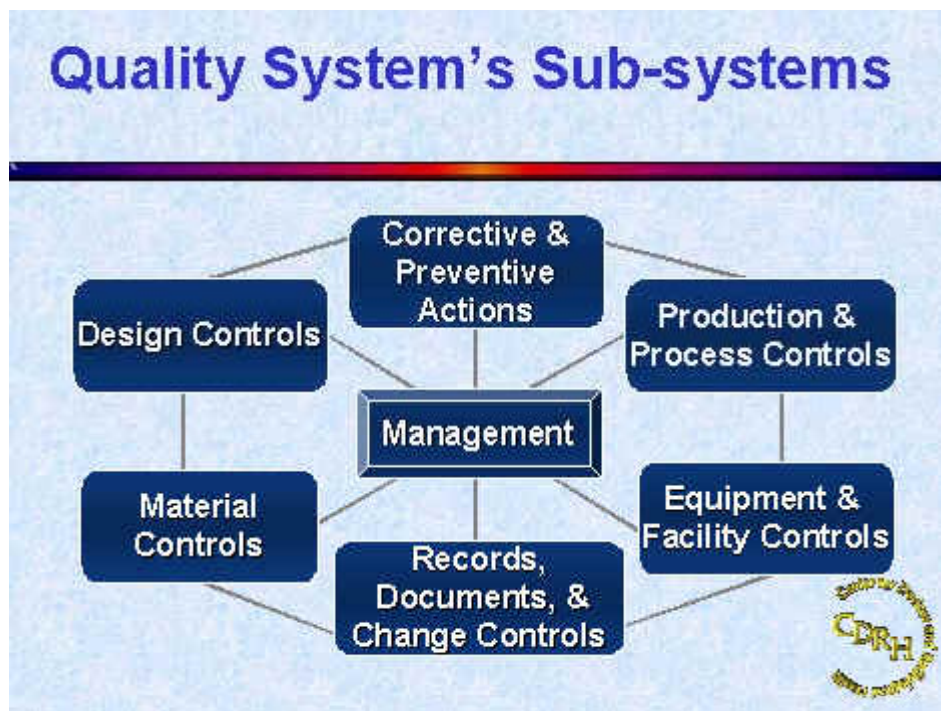
Insights about quality improvements as growth strategy

This systems development paper attempts to answer following questions in learning how identify if your Quality Systems need to improve and how.

- *What do we mean by Quality Systems?*
- *How can you identify that your Quality Systems need to be improved?*
- *How can you improve you Quality Systems?*

What do we mean by Quality Systems?

Quality Systems to me means all the processes, structures and actions a company takes from time to time to control the quality of its products and services to its external customers right from design to procurement of materials and equipments & Facilities to production of the final product or service. This includes the Management Structure of the Quality Function, how it records and documents the activities, controls the changes and takes corrective and preventive action for quality issues.



Given that a product or service delivered to the external customer is made from the materials a company buys and produces it is facilities using the equipments, you need to manage and control the activities and process used for all these activities on going basis. In addition you need to documents these activities so that you can identify the source of any quality issue occurring as well as manage any change properly so as to maintain the required quality. It is the most important function a company does because the product or service is the reason why the company exists!

So, let us now look at how can you know if you need any improvement is quality system and how can it be improved!

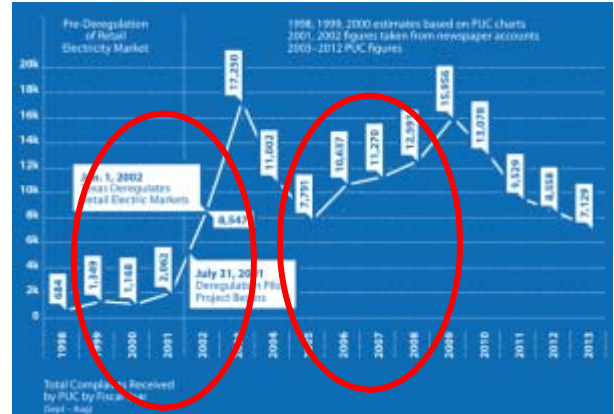
How can you identify that your Quality Systems need to be improved?

There are many ways you can examine to see if your quality systems need to be improved

1. Quality Complaints Trend Analysis
2. Customer Satisfaction Survey
3. Quality Benchmarking
4. Quality Systems Review

Quality Complaints Trend Analysis

This is the most basic way of finding out if your quality systems need improvements. You need to track the number of quality complaints received from your customer on a monthly basis. If the trend of the number of complaints is increasing and your sales team is concerned about the level of customer complaints, it is time to look into your quality systems to reverse the trend of rising quality complaint. Just be sure that you are not reversing the trend by shooting the messengers!



Customer Satisfaction Survey

This is the next stage of measurement in managing quality where you ask your customer to rate your product and service quality annually on an over all and individual attributes on a 5 point scale with very satisfied being 5 and very unsatisfied being 1. If your overall score from the customers aggregated is lower than 4, you have a reason to look into your quality systems for products and services.



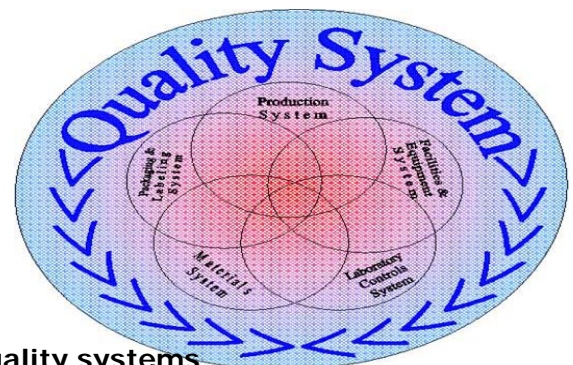
Quality Benchmarking

Still further in the evolution of the Quality Measurement, this involves comparing your quality levels with your competitors and identifying where you stand vs. where you want to be. This benchmarking can be either done by analyzing the competitive products in the lab or getting feedback from the customers. If your quality of products and services is lower than your target competitors, you need to look into your quality systems to address this gap.



Quality Systems Review

This is the most advanced form of actively managing the quality where you review the process, procedures etc of your quality systems vs. a set of Good Quality Practices (GQP) to determine the gaps and address the gaps proactively. The GQP is based on the target quality that you want to deliver in your industry. Higher the quality requirements, tighter the GQPs.

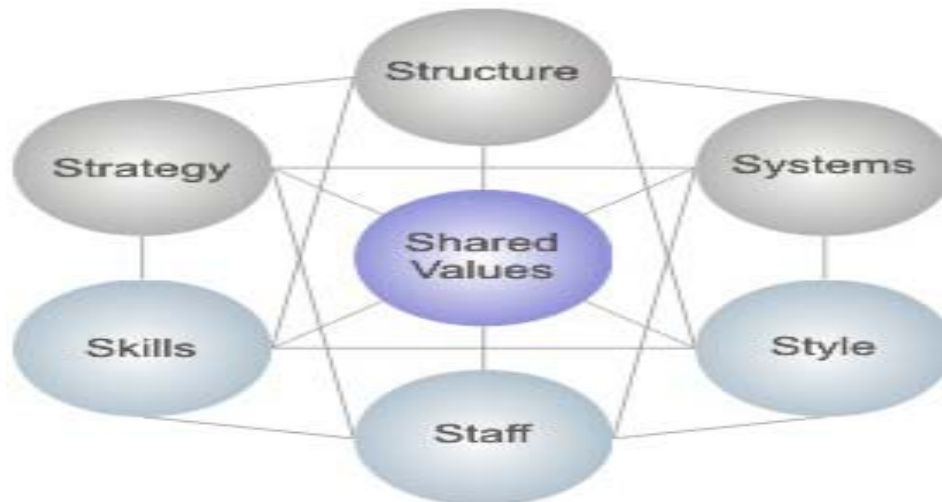


Let us now look at how can you improve the quality systems

Management

Like any organization which wants to improve its performance, the best place to start for a company's Quality Systems to improve is to look at the 7 S for the Quality Function of the company

Figure 1: The McKinsey 7S Model



1 Is the Quality Function's Structure right?

I have seen the Head of Quality Function report to many different people in different organization and that determines the importance of Quality and the level of Quality a company wants to attain. Usually in the SMEs the Head of Quality reports to the Manufacturing Vice President. This leads to the Quality Systems being compromised by the other goals of the Manufacturing Organization like cost and timely delivery. To ensure that the Quality is driven independently in a company, you need to make its head report to the Managing Director of the business like Johnson and Johnson does all over the world. I have seen such high level reporting ensuring that Quality is customer driven NOT manufacturing driven. If the SMEs can make this one change their quality systems will see dramatic improvements in years to come. Failing to make this change leaves the Quality Systems at the mercies of the Manufacturing People in the companies, compromising meeting the customer requirements.

2. Does the Quality Function has the shared values?

All the members of the quality team need to have the common understanding of what is quality to what they will do to ensure that required quality is delivered all the time.

3. Does the Quality Function has its own Strategy?

To drive the improvement in quality in the organization the Quality Function needs to have its own functional goals, strategies, key initiatives etc. I have found this to be a major gap in the SMEs. The Quality Function does not have their short term and long term goals leave aside strategies. They keep doing what is tactically necessary to survive!

4. Does the Quality Function has the right staff with the right skills?

Managing and improving quality as required by customer required people who are customer oriented and have the skills to understand the customer requirement and transmit into the manufacturing function. All such requirements need to be well defined and provided adequately

5. Does the Quality Function posses the right style?

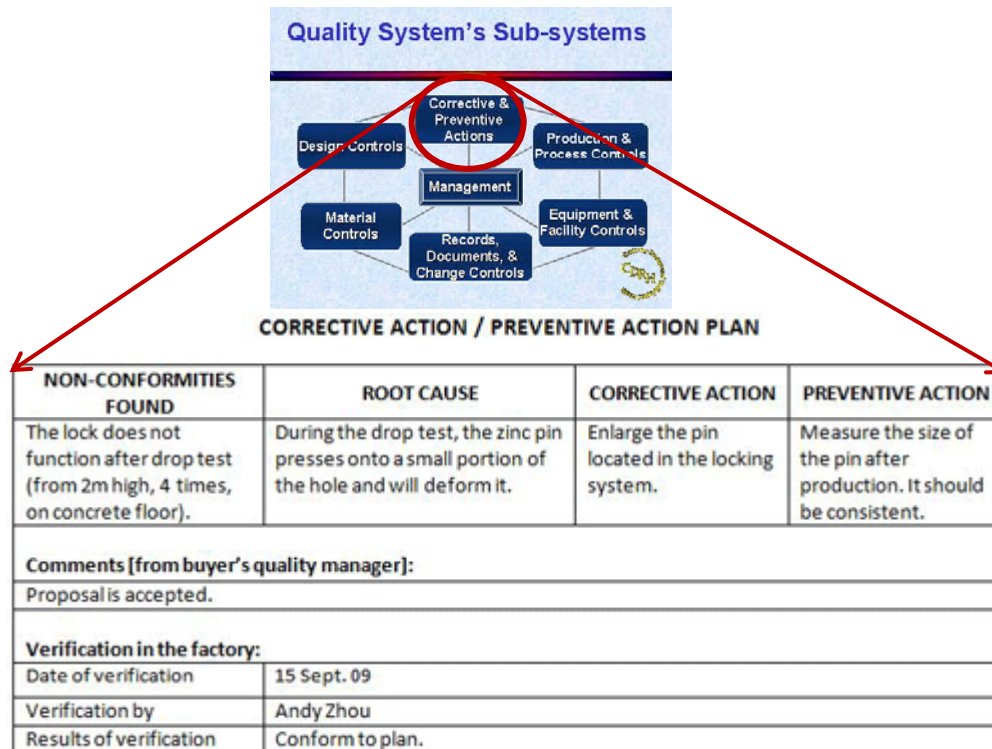
Most quality people in the SMEs focus on resolving the immediate issues. They need to also look at how to prevent the recurrence of the same issue.

6. Has the Quality Function established the right Quality Systems in the company?

The quality function needs to set up right systems that can ensure that right product and services are designed, right materials, equipments and facilities are procured and right processes are in place to make and deliver the products and services.

Let us now look each of the other elements of the Quality Systems

Building Businesses, People, Health & Wealth successfully over 30 years



Corrective And Preventive Actions (CAPA) is a good point to start looking at what improvements and where should they be made in the company's quality systems instead of starting making improvements all over for a company in the initial stages of making the quality systems improvements.

I found that most companies have this system of preparing CAPA primarily driven by the buyers or regulatory agencies. However the system tends to become a formality of meeting the buyers or regulatory agencies requirements instead of being used as a tool for making real improvements in quality system. The issue and opportunities exist at each step of this process

1 Finding Non conformities (=Quality Issues)

Since the quality function reports to the VP Manufacturing in most SMEs the quality issues discovered are not fully reported. The issues are discovered later at the customers end and the existence of the non conformity takes time and effort on the part of sale people. A change in reporting of the Quality Head to the Managing Director will make the finding of non conformities easier and more transparent.

2 Identifying Root Cause

Most of the quality people are not trained adequately to identify the root cause. Consequently the actions plans do not result in real lasting improvements. People needs to trained and coached in using methods like KT Problem solving in identifying root causes

3 Developing Corrective Actions

This is normally the step required to immediately address the quality issue and most people spend a lot of time doing this.

4 Developing Preventive Actions

These plans are also not developed well due to lack of training in the 5 why's methods and quality issues recur in spite of the implementation of the CAPA. The solution lies in training the quality staff in 5 why technique and top management reviewing the CAPA before its implementation.

5 Alignment with Buyer

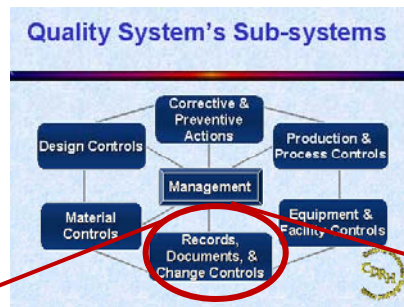
A very few companies proactively communicate the CAPA and get their alignment.

6 Verification of implementation in the Factory

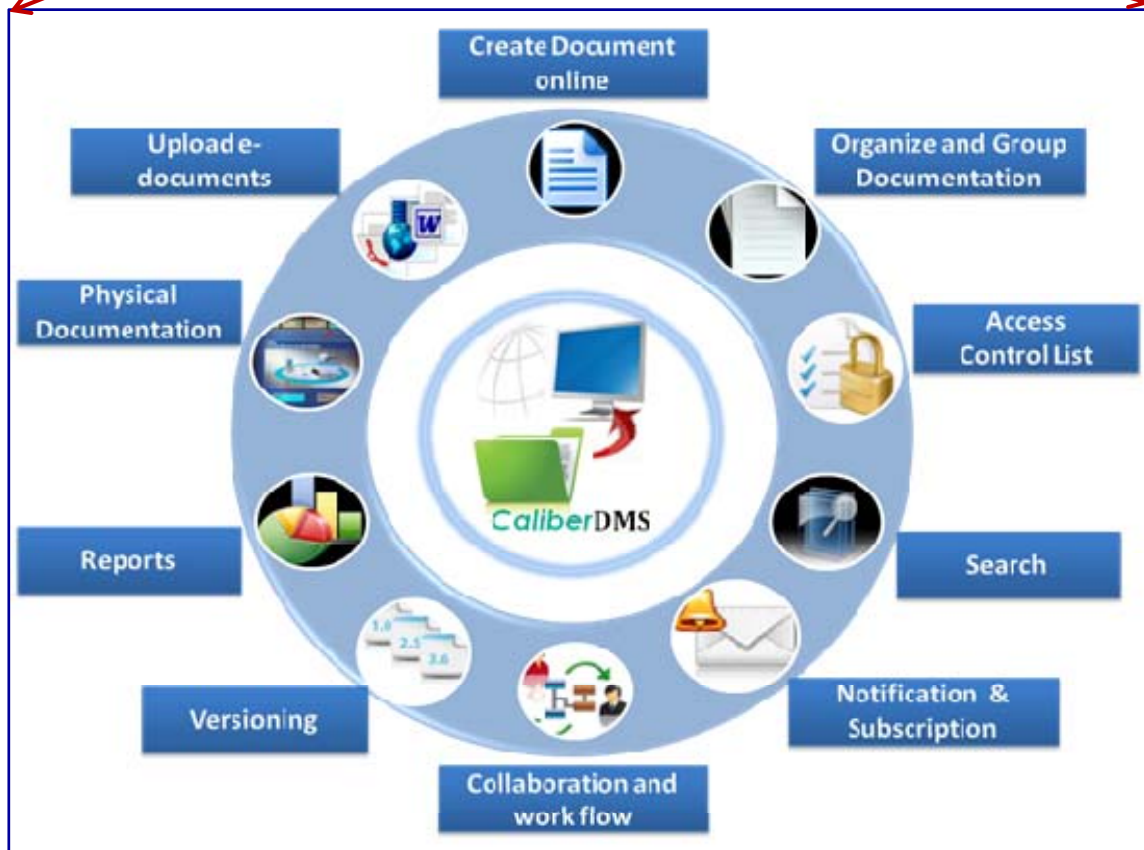
This also gets often missed in the day to day priorities. A good way would to review all the pending CAPAs every month in the Top Management Meeting.

Let us now look at the other basic building block for improving Quality Systems.

Building Businesses, People, Health & Wealth successfully over 30 years



Records, Documents & Change Controls



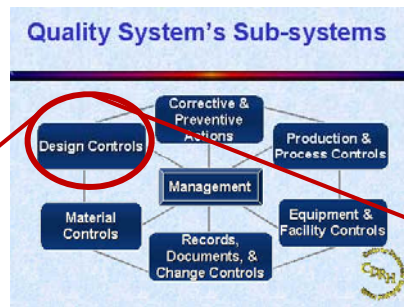
A good Quality Management System needs to have a sound record and documentation management system with an appropriate change control system. Most of the quality issues in established products and services arise from an inadequate change control system which allows the changes in any of inputs and processes being made without evaluating its impact on the final product or service quality. An adequate change control system needs a sound documents management system

So how can you create a sound document management and change control system? Here are some broad basic guidelines.

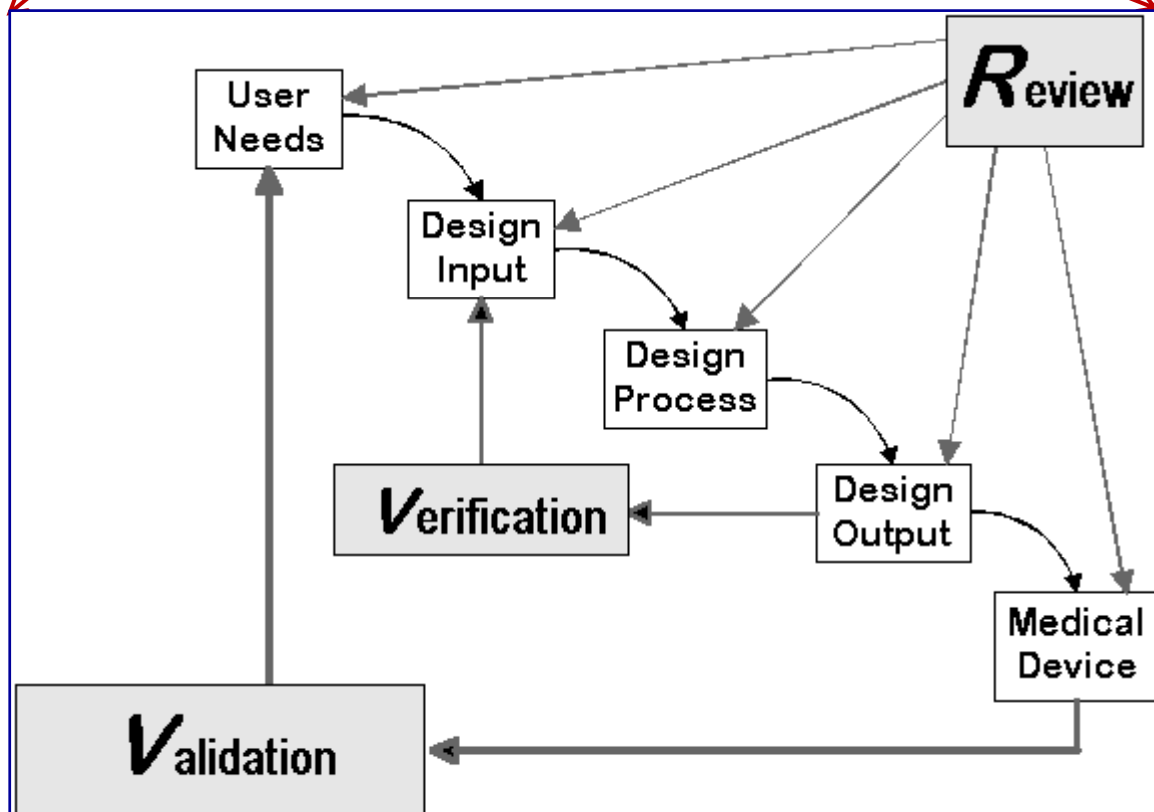
1. Ensure that all the procedures from designing the product and service to procurement of right materials, equipments and processing the materials is documented. This will include design process specifications, materials specifications, approved vendor list, production process specifications, Equipments and Facilities setting specification for each product or service
2. All these specifications MUST include how can a change be done that will ensure the final product or service quality remains at least same when a change is made including the approvals required for the change including that of the Managing Director of the business.

Let us now look at some basics of controlling each of these .

Building Businesses, People, Health & Wealth successfully over 30 years



Design Controls



The Design Control Systems essentially includes the Review, Verification and Validation procedures while designing the product or service that will meet the user needs. It will start with reviewing the understanding the user needs to reviewing the design of the input quality and quantities, production process, facilities and equipment settings, producing the output, verifying and validation the output & final product or service.

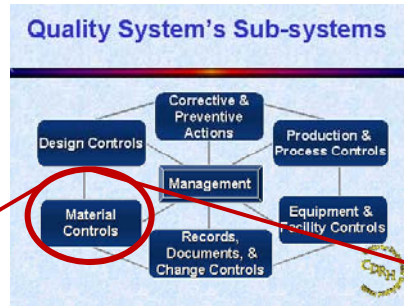
How can you ensure that you have a good design control system? The following checklist may help you as the Managing Director or owner of the business.

- 1 Do you have sound procedures for reviewing the understanding of the user needs?
- 2 Do you have effective procedures for reviewing the product or service prototype designs?
- 3 Do you have adequate procedures for reviewing the design inputs and process designs?
- 4 Do you have effective procedures to verify the Design Outputs vs. the Design Inputs
- 5 Do you adequate procedures to validate the final product or service output vs. the User need?

If the answer is a confident yes to each of the above, you then have a good design control system. Else, you need to address the steps you are not confident about.

Let us now look at the other basic building block for improving Quality Systems.

Building Businesses, People, Health & Wealth successfully over 30 years



Material Controls



Effective materials controls require to ensure that the same input material quality is issued for production as was used while verifying and validating the product or service with the user during the design process. Since a large part of the product is made up of the input materials used, this becomes a frequent source of quality issues if not managed well

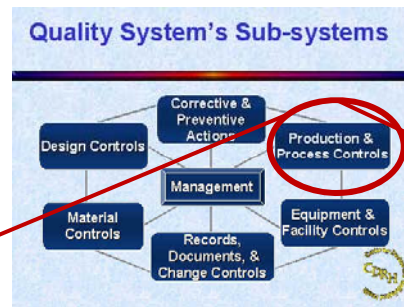
How can you know that your material control system are adequate to ensure the right material as used during the design phase is issued for production? You can use the following checklist to assess how sound is your materials quality control system.

- 1 Do you have incoming materials specifications laid out for each material in line with the specification of materials used during the design phase?
- 2 Does your materials specification sheet contains list of approved vendors whose materials was tested during the design phase or later and validated with users?
- 3 Do you have agreements with your vendors to change their input materials vendor only after your agreement?
- 4 Do you have right sampling procedure for each material including the sample size, how, when and where to take the sample for testing?
- 5 Are all your incoming materials tested for quality as laid down in the material specification sheet and documented?
- 6 Are only the approved materials issued for production?
- 7 Are there adequate controls to ensure that the rejected materials are not reused by the vendor unless specified in the materials specifications?

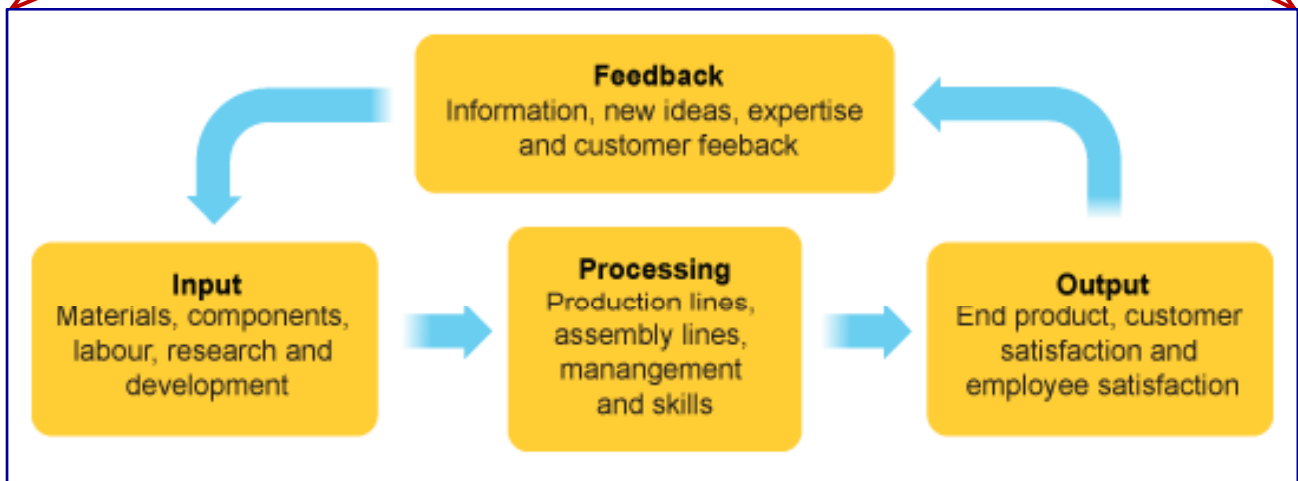
It will be worthwhile to ask these questions when you visit your factory next!

Let us now look at the Production Process Controls to improving the quality.

Building Businesses, People, Health & Wealth successfully over 30 years



Production & Process Controls



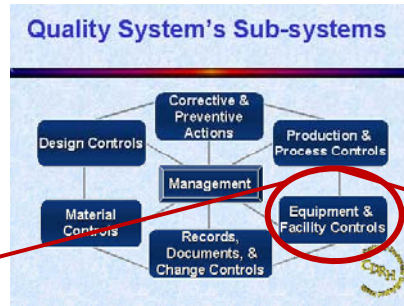
Production and Process Control system are equally critical in ensuring that quality products are made time and again as planned during the design phase. This part of the Quality Systems includes the controls over receiving of the approved materials and using them on the approved machines as per approved operating procedures in the approved facilities. Having done the incoming materials control, the focus in this part of the system is to control the quantities used, operations performed on the equipments and the parameters maintained in the facilities.

How can you know that your production and process control system are adequate to ensure the right production processes are performed on the input materials? You can use the following checklist to assess how sound is your Production and Process quality control system.

- 1 Do you have the Standard Operating Procedures (SOPs) for each production process which clearly states what the worker is required to do and how?
- 2 Have all the Workmen been trained on how to use the SOPs?
- 3 Are all the workmen trainings refreshed regularly?
- 4 Are the actual production operations performed measured vs. the SOPs?
- 5 Are there adequate quality controls procedures on the work in process at different stages of production including the final stage?
- 6 Are the workmen given feedback on their quality performance regularly? How?
- 7 Are the workmen motivated to produce right quality products? How?
- 8 Are the workmen encouraged to reduce defects and produce right way the first time? How?
- 9 Does the Production Management provide the required support to the workmen to produce the products right way the first time? How?

Continuously producing the right products right the first time requires getting best out of your workmen. Take a look at the March 2013 issue to learn how can you do that. Let us now finally look at the Equipment & Facilities Controls to improving the quality.

Building Businesses, People, Health & Wealth successfully over 30 years



Equipment & Facility Controls



Lastly the most neglected area by the SMEs- Facilities and Equipment Control.

Ask the following questions to know where do you stand in controlling the Equipments and Facilities to ensure the right quality of your products.

- 1 Is your plant layout designed to avoid the easy mix up of the rejected materials with good materials?
- 2 Are there SOPs for keeping the materials in right place?
- 3 Are your warehouse people be trained on how to issue right materials?
- 4 Does your facility has controls to ensure the right quality of air, water, humidity etc
- 5 Does your facility control the right quality of utilities and consumables?
- 6 Does your plant has controls to ensure that equipments run as required?
- 7 Are there adequate procedures for maintenance of the equipments including their replacement?

Improving quality requires looking at what is most important for your customer from these system and them making the improvements. I found this to be the famous "Darkness below the lamp" See if you need to light that area first!

Building Businesses, People, Health & Wealth successfully over 30 years