

ISSUE #180

Quality Failures of the Modern World

Human history is rife with examples of organizations that ignored key principles of quality management.

This series presents some of the most significant quality failures of recent times, starting with what may be the biggest of all...

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ASK THE EXPERT

Ask the Expert

In this issue, BRC Quality Consultant Ted Uffen offers advice on the "Cost of Poor Quality" and how it can help with evaluating process effectiveness.

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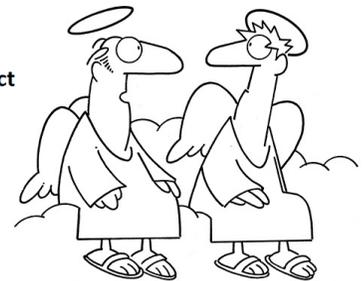
6 Keys to Improvement (Part 2)

The second installment of a 2-part article offering 6 key elements that you can use to help shape your improvement strategy.

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"Everything is perfect here, you idiot!
There is no suggestion box."



ISO Glossary

A light-hearted reference for not-so-real ISO terminology...

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Quality Failures of the Modern World

Quality assurance, control and management are key pillars of business stability and success, with the 7 Quality Management Principles intended as a framework for sound decision-making, risk management/mitigation, and effective quality management.

Ignoring these principles and/or avoiding established quality management processes can often have significant and tragic consequences. Human history is rife with examples, and in this series we present some of the most significant quality failures of recent times...

“The Biggest Quality Failure of All Time”

How do you even begin to dissect the myriad of events leading up to the Global Financial Crisis?

Paul Moore, former head of group regulatory risk at HBOS (part of the Lloyds Banking Group since 2009), provides an explanation straight from the horse’s mouth. Moore was dismissed from his role in 2004, after he warned senior executives of the perils of excessive risk-taking. Five years later, HBOS was one of the UK’s most high-profile victims of the credit crunch, requiring a takeover and billions of pounds in government bailout money to stay afloat. Moore was the only senior risk and compliance executive in the UK banking sector to speak out publicly and dubs the crisis ‘The biggest quality failure of all time.’

It was during his time at American Express as head of compliance that Moore was charged with implementing total quality management – a project that saw him compete for the Baldrige award. He theorised that if the financial sector thought in terms of quality rather than risk, compliance or governance, and positioned culture and people above processes and structure, the events leading up to the crisis could have been avoided. Stringent governance processes mean nothing, Moore argues, if they are ‘carried out in a culture of greed, unethical behaviour and an indisposition to challenge.’

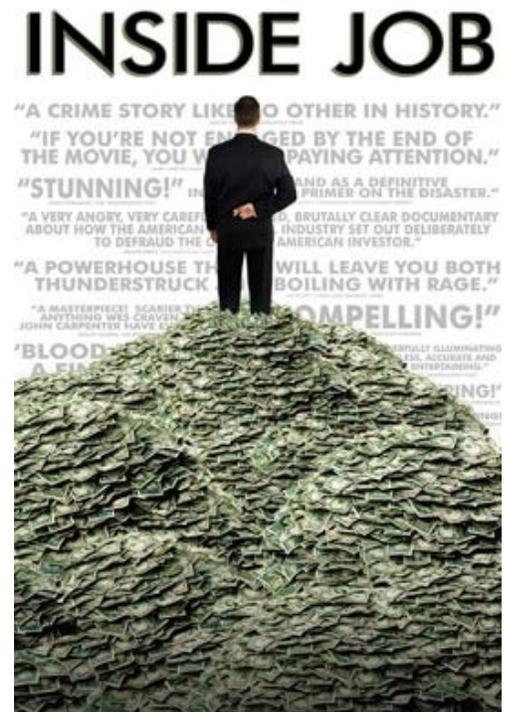
Moore points to the improper selling of pensions, endowment, home income plans, precipice bonds, interest rate swaps and PPI as examples of unethical behaviour. He draws parallels with the manufacturing industry, likening the devastating effects intangible financial promises had on consumer health and sentiment to ignoring risks associated with safety-related products (car brakes, tires, airbags, etc.).

Regulatory changes in response to the Global Financial Crisis have been significant. In general, there has been widespread recognition of the conflict of interest faced by many of the parties that had traditionally been responsible for identifying and quantifying risk. In spite of what appeared to be individually sound and supervised financial institutions, functioning financial markets, diversified risks, and robust institutional infrastructures, the crisis has made clear that systemic risks were undetected or not addressed for some time and then created great havoc. Policymakers were not thinking of the system as whole when engaging in risk management, with catastrophic results.

References:

“5 Quality Failures that Shook the World” – Sam Miranda, processexcellencenetwork.com

“The Regulatory Responses to the Global Financial Crisis: Some Uncomfortable Questions” – Stijn Clessens & Laura Kodres, International Monetary Fund



The 2010 film ‘Inside Job’ paints a backdrop of unscrupulous Wall Street banking, laissez-faire regulators, and credit rating agencies and investors failing to price the risk of mortgage-related financial products.



ASK THE EXPERT

Cost of Quality

Q:

My question for you is on our CPQ Sheet, it asks if the parts can be salvaged and then asks for an estimated cost to fix or estimated cost to scrap. Can I take that off the sheet completely?

- Anonymous

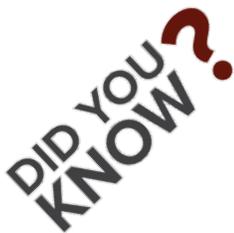
A:

Based on the copy of the sheet provided, the acronym CPQ probably stands for Cost of Poor Quality. The objective is to manage the non-conformity, then assess the impact on the efficiency and effectiveness of the process. This is completely consistent with the intent of sections 8.7 and 4.4.1 of the ISO 9001:2015 Standard. Presumably, this impact would then be reported as a summary, or indicative of a trend, to management at operational or management review meetings.

The only characteristic I might add is the lost productivity calculation, for the time wasted making the non-conforming product.

You are doing something worthwhile that adds value to the business. Please continue to collect the data and report to management so that decisions can be made to improve the processes and systems based on data rather than suspicion.

- E.J. (Ted Uffen), BRC Quality Consultant



The “**Cost of Quality**” is defined in several different ways by different organizations.

It can be used as a simple measure of the value and worth of different quality-related activities OR as an incredibly detailed analysis of how different factors contribute to the cost of producing a product or service.

In its simplest form, the Cost of Quality is a combination of:

Cost of Poor Quality – The more traditional measure of all costs incurred by a company as a result of poor quality (scrap, waste, rework, etc.).

Cost of Good Quality – The costs associated with efforts to establish and maintain quality (planning, testing, calibration, continuous improvement, audits, etc.).

Watch the next Quality Review for an in-depth article providing Everything You Need to Know about the Cost of Quality...

6 Keys to Improvement - Part 2

By Ted Annis, BRC President

“Improvement” is one of the 7 management principles outlined within ISO 9001:2015 and is a fundamental component of any management system. We often see organizations making a commendable effort to improve processes, procedures, products, etc. Unfortunately, we also see some companies that are paralyzed by the process. The intent and effort are there, but while searching for a perfect solution they miss many opportunities for incremental improvements.

Do you recall the “Leaping Frog” problem from grade school math? A frog starts in the centre of a pond and tries to hop out, but each leap covers just half the remaining distance to the edge of the pond. Will the frog ever reach land? The answer, of course, is “no”. Although in time he will come frustratingly close, he will always leap just half the distance and will never reach his goal (unless we use university math, which I long ago swore not to revisit).

In Part 1 we introduced the importance of Continual Improvement as one of the management principles and a fundamental component of any management system. Our keys to help shape your continual improvement strategy are not all-encompassing...rather some suggestions on how to mould and shape your approach.

Keys 1-3 from Part I...

1. Understand "Continuous" vs. "Continual"
2. Set Goals (Objectives) and Take Steps
3. Avoid Perfectionism as a Hindering Behaviour

In Part 2 we've got 3 more suggestions to share...

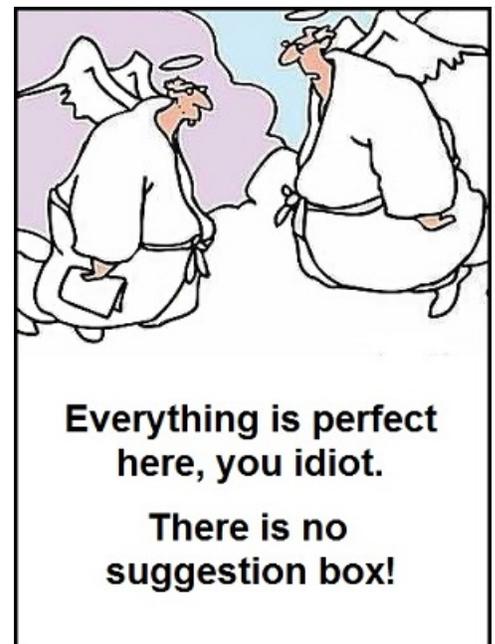
4. Find Opportunities for Improvement

“Opportunity” is a great, optimistic word. It is used frequently in sales and marketing in reference to profit that can come from increased revenue. Unfortunately, it is much less often used in reference to design, development and production. An increase in sales will help the bottom line, but so will a reduction of costs!

With this in mind, one way to fuel your Continual Improvement efforts is to encourage your team to look for opportunities to improve. We can do this during formal audits, but we can also do it as part of our everyday activities...as long as you are able to create and maintain a culture that encourages it. If you look at it this way, Continual Improvement becomes a simpler process to:

- 1) Document opportunities to improve (training, simplification or alteration of processes & procedures, new technology, monitoring & measuring, etc.).
- 2) Implement improvements wherever possible and acknowledge those who made contributions. Look at each improvement as an opportunity to acknowledge and communicate.
- 3) Monitor and measure any and all quantifiable results of the improvements (e.g. 8% reduction in waste material and the associated \$ savings).
- 4) Report these results as a regular part of your management review meetings, which helps to remind everyone that quality can have a positive impact on the bottom line, too.

Ask yourself how you can structure your procedures and approach to help ensure a focus on opportunities for improvement. One simple way is to supplement your audit checklist with questions that specifically inquire about possible improvements. "How do you think we could improve this process?" or "What changes might make you better at your job?"



5. Don't Be Afraid to "Cross the Chasm"

Most of our tips here are related to Kaizen-oriented thinking and behaviour, where continual small, incremental improvements provide tremendous improvements in performance and results over time.

But we should also be careful not to avoid or ignore opportunities to "Cross the Chasm" by introducing drastic change to replace inefficient or ineffective practices. Within a continual improvement culture there is room for both approaches, and they complement each other nicely.

6. Take a Lesson from the Frog

Thinking back to our friend the frog, who can only ever jump half the distance to his goal...

Remember that setting lofty objectives and targets (even unattainable ones) is encouraged as long as you don't lose sight of the organization's main goal – increasing profit. That goal does not come with an absolute finish line...or any measure of perfection...just the need to continually improve.

So, work to implement improvements wherever possible, then measure their impact and advertise those benefits as a way to provide recognition and encourage more participation. It is a "continual" process.

We may never quite reach our objective, but it is clearly in our best interest to keep hopping!



The ISO Glossary

ISORE - Eye strain resulting from writing procedures and work instructions.

ISOAP - Detergent used to clean up before the Registration Audit.

ISO-SO - Not a full blown nonconformance; something that's just getting by.

ISOCIAL - A party thrown to celebrate passing an ISO audit.

ISODA - Beverage served at an ISOcial.

ISOB - The shedding of tears resulting from receiving too many audit nonconformances.

ISOHAPPY - The pure joy of conformity!

ISO-NO-NO - Activity leading to a nonconformance.

BISON - Official ISO mascot.

ISORRY - Response to a Corrective Action Request.

ISOMETRICS - Used to measure quality objectives.

ISOLATION - How the management representative feels when introducing the new system.

BRC Training

On-Site Training

Our 90+ courses cover a diverse range of subjects and are presented by experienced professionals. We can customize content to meet your needs and add practical, hands-on workshops that incorporate your own processes, procedures, problems or data.



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CLICK HERE to get more details or request a quote for on-site training.

Public Training Courses

The following is a partial list of BRC courses scheduled in upcoming weeks. Click on the course title for more details online.

City	Course	Dates
Barrie, ON	Root Cause Analysis	October 24-25
Calgary, AB	ISO 45001:2018 Internal Auditor ISO 9001:2015 Internal Auditor	October 17-18 November 7-8
Charlottetown, PE	AS9100 Rev. D Internal Auditor	October 15-16
Edmonton, AB	ISO 9001:2015 Internal Auditor	November 7-8
Halifax, NS	ISO 45001:2018 Internal Auditor ISO 9001:2015 & Risk-Based Thinking AS9100 Rev. D Internal Auditor ISO 9001:2015 Internal Auditor	October 2-3 October 9 October 28-29 November 13-14
Mississauga, ON	AS9100 Rev. D Internal Auditor AIAG & VDA FMEA	October 17-18 October 28-29
Montreal, QC	ISO 13485:2016 Internal Auditor	October 3-4
Ottawa, ON	ISO 9001:2015 Internal Auditor	November 7-8
Vancouver, BC	ISO 9001:2015 Internal Auditor AIAG & VDA FMEA	October 10-11 November 28-29

BRC Auditing & Consulting

As a full-service consulting firm, The BRC works with organizations to help implement, maintain, support and update management systems covering quality, the environment, and occupational health & safety.



Auditing

For over 15 years, The BRC has helped companies across North America in a wide variety of industries and standards keep their management systems running smoothly and efficiently.

Regardless of the industry and situation, our goal is consistent – to be professional, effective, and efficient...always with a focus on delivering value to your organization.

Internal Audits –to confirm systems are operating as intended/required, identify areas for improvement and assess the effectiveness of the management and control of processes.

Gap Analysis Audits – to gain a clear sense of work required to meet a set of requirements.

Desk Audits / Documentation Reviews –to confirm that documentation meets stated requirements.

Pre-Assessment Audits –to confirm that your management system is conforming to the requirements of a standard in advance of a registrar audit.

Supplier Audits – conducted on suppliers, contractors, distributors, and other business partners.

Operational Audits –to assess that the documented processes and procedures are being properly followed.



Consulting

The BRC offers a full range of consulting services designed to help organizations improve processes, people, and performance. Our goal is to help create and maintain management systems that add value to your organization by simplifying processes and systems, increasing effectiveness, improving efficiency, and lowering costs.

Examples of consulting projects include:

- Creating, updating, and streamlining documentation.
- Mapping processes to help document and formalize procedures and systems.
- Identifying the “root causes” of persistent problems.
- Addressing issues or corrective actions that arise from audits, customer complaints, etc.
- Integration of systems, processes, and documentation as a result of mergers, acquisitions or reorganizations.
- And more...



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