



Logistics Association of Australia Ltd

TOTAL QUALITY MANAGEMENT The Driving Force in Logistics

Dennis Bright is the National Logistics Manager at Allowrie Foods Australia Limited, part of the National Foods Limited group. During his International Study Tour through America and Japan, arranged by the Logistics Management Association of Australia, he studied Logistics, Total Quality Management, Just in Time management and company quality and service strategies. While touring the 11 companies on his agenda, he noted the emphasis that was being placed on quality and service in both manufacturing and service industries in America and Japan.

Recently in America 100,000 people watched by satellite as a few of the top Chief Executive Officers celebrated the vast improvements that had been made in quality control in America.

IBM was quoted as an example of this improvement as it is eliminating defects three times faster now than it did a few years ago. Its quality plan is to have less than 3.4 defects per million parts produced by early 1994.

On the same programme, Mr Eberhard Von Kuenheim, BMW Chairman, pointed out that American companies in the past were too occupied preventing defects and not spending enough time and resources on service improvement levels that give their product that "special touch" that will identify it or separate it from the competition.

Today, all Australian companies need a competitive edge and besides the main criteria of a well produced, well marketed and sought after commodity, there are still two basic ingredients that elude many Australian companies and they are – service and quality.

How many Australian made products have failed due solely to the absence of total commitment to quality before, during and after manufacture? How many companies realise that, once established in the logistics process, quality is free?

Logistics today is the entire supply chain from raw material procurement to customer satisfaction, and because it now encompasses a much higher degree of logistical time, quality and customer service must be seen as the logistics

segment that means the difference between success and failure in today's competitive world.

In the past a well made product or service rendered was considered to be quality enough and this has been policy for too many Australian companies over the years.

This, and the high consumption rate in the Australian market were considered sufficient enough to ensure present and future years of prosperity.

The emergence of, first, the Japanese and then the American quality and service programmes, and most recently the Taiwanese and Korean forces in the quality and service market has made many Australian companies realise that quality controls at any one point of the manufacturing process are now not sufficient to succeed.

American companies, in the past, as do some Australian companies even today, wrongfully defined quality as zero defects and gauged their service levels by the number of customer complaints received or the number of errors detected in the logistics process.

As the competition increases, the zero defect ideology can no longer apply, as customers become more selective and harder to attract.

Customers purchase products to fulfil their needs, not to satisfy your company's production programme or sales forecasts and as such that is why quality and service are paramount to success.

It must be remembered that the customer is the one to decide what is quality. If the product exceeds the customers' expectations it can then be classed as a quality product.

The Japanese have a work for it and it is "Kansei" which, when translated, means "the intangible thing that delights the customer".

Therefore, it is imperative that Australian companies, in order to survive must have Total Quality Management (TQM) as a prerequisite to their operational base of corporate policy.

Companies that operate under TQM policies are the ones that will not only survive but thrive in the future when the world markets become smaller, customers will be harder to find and easier to lose, plus the globalisation of trade will be the accepted way of doing business.

In recessionary or in times of serious business downturn, many companies make the fatal mistake of placing budgetary restraints on quality and service programmes, such as TQM, or even worse, scrapping them altogether,

resulting in an inferior product entering the marketplace under the same brand name as that which may once have been a market leader.

The last process that must suffer in times of economic downturn is quality and probably the best time to gain quality perfection is by aggressively adopting TQM when we all have difficult trading times. Although minimising costs still appears to be a logistics priority in many companies, there is a very limited future if this philosophy is pursued when one is after premium customer service.

Mr Watanabe, whose company supplies lens to Japanese camera manufacturers said that the Japanese companies which adopted TQM during the difficult times in the early 80s were the companies that were now, not only surviving, but thriving in today's marketplace.

This is no more evident than when I toured Isuzu Motors. While American and Australian car manufacturers are dismissing workers en masse, Isuzu Motors has two shifts at full capacity and is only just meeting demand.

Isuzu was one of the innovators of TQM and has now honed this competitive tool to the degree that it now enjoys enormous trading benefits at the expense of other car producers.

The Americans have now realised the power of TQM and are relishing in its force in their endeavours to obtain maximum quality and service levels. It took them a while but they now realise that they have a tool to take the Japanese, Koreans and Europeans head on.

TQM is widespread in America today and has been in Japan for many years. Both these countries now have many companies practising TQM and enjoying vast international market sales as a result.

The Sante Fe Railroad, Coca Cola, K and B Convenience Store Food Distribution and all the companies that I visited in Japan practised TQM. Every company employee understands the concept, the impact that it has on their job, and the company's future. They also realise the significance it has in not only maintaining, but continually improving quality and service in their business field.

The new buzz word in American companies I visited is "empowerment".

This is to give every single employee the increased authority, responsibility and accountability to effect his/her own quality control. Any employee has the power to shut down the entire production line if a quality fault is detected in the manufacturing process. This empowerment does not stop here, but extends even to other sectors of the company. This act of empowerment has lessened the need for the line supervisor, the line quality control personnel and

even the need for quality control managers. Empowerment allows for a leaner, more committed, better focused, cost effective company.

Isuzu Motors believes in TQM to such a degree that all production line workers receive three months training before they are permitted to commence work on the production floor! How long in Australia? One hour on one day maybe.

As with Coca Cola Enterprises, America's largest bottler of Coca Cola, its highly trained delivery drivers not only effect the delivery, but they merchandise at store level, price stock, re-order, complete stock rotation at each store and maintain the vending machines.

The Sante Fe Railroad is not just a railway company that practises TQM. It provides a myriad of services whether it is bilingual staff, door to door parcel delivery or storage facilities for companies that have Just in Time commitments in states other than where they are based.

K and B will deliver unit items on a delivery to provide a competitive edge and keep the opposition at bay.

This is the competitive edge that Australian companies must aspire to not only in local, but also in the global marketplace.

To do it effectively, logistics policies, which must now be part of the corporate policies of the company, must incorporate TQM as their base strategy.

TQM must now be a way of life in businesses to ensure future success.

Outstanding service and quality of today will be the norm in the future and the future is here now.

Service and quality in business today is like breathing. Don't do it and you'll die!