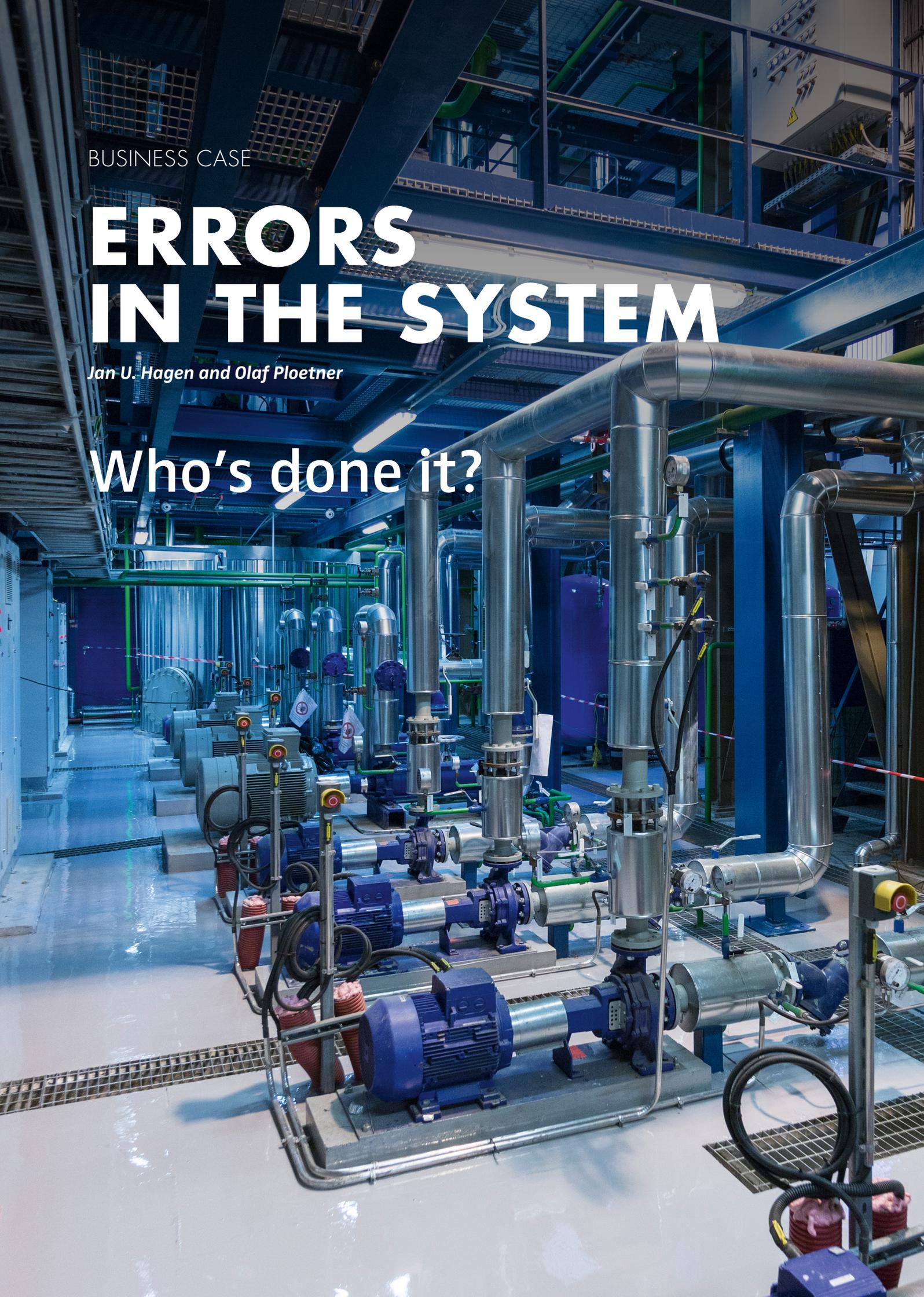


BUSINESS CASE

# ERRORS IN THE SYSTEM

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## Who's done it?



## BUSINESS CASE

# ERRORS IN THE SYSTEM

Monday morning, 9 o'clock. Robert Feldheim was on his way to Düsseldorf. He was heading to a meeting with Ulf Schneider, a buyer for Ontag SE and a longstanding customer of Feldheim GmbH. Feldheim was preparing himself for some criticism because Schneider had indicated that he was unhappy with the handling of the most recent Ontag contract. Feldheim's plan was to apologize profusely and smooth things over. The conversation did not last long. "I am sorry, Robert," said Ulf Schneider. "But with your commitment to quality, I expected better. Don't be angry with me for changing suppliers, but I need to answer for things internally."

*A customer for 12 years, thought Feldheim during the return journey from Schneider's office. Three years of being on first-name terms. And then, boom, finished.* Ontag was the third customer that the company had lost in the past half year. The reason was the same every time – complaints about customized regulation- and pump systems. With Ontag, it was the structure of the rotor that had been faulty. Feldheim could make neither heads nor tails of what was happening. The company's standard systems were rightly regarded as premium products and very rarely the target of complaints. Production manager Jack Bluecher was an experienced engineer and manager who had been in this role at Feldheim for four years. He was also very conscious of quality. It was virtually inconceivable that corners were being cut in his department. Moreover, a year ago Bluecher had introduced a type of error prevention system, something that went beyond total quality management (TQM). If Feldheim understood it correctly, it involved monthly error reports that Bluecher had his employees write. He then collected them and discussed them in weekly group meetings.

Back in his office, Feldheim phoned him. The pair agreed to meet early that evening. Shortly before their meeting, Thomas Kanter, head of sales management at Feldheim, phoned and said: "I want you to hear it from me – we are out of the running with the French."

"Since when?"

"Half an hour ago, I've just heard."

"Did they say why?"

"They don't trust the quality of our work anymore. They met up with van Huyten." Van Huyten was the second customer that had transferred its contracts to a Swedish competitor of Feldheim.

"The standard products are flawless," Feldheim said. "It is only with the customized systems that we are having problems."

"Only?"

"You know what I mean. Listen, I am meeting with Jack in my office in an hour. We are going to discuss the problems we are having. Join us if you can fit it in."

"Damn right I can fit it in." With that, Kanter hung up. Assuming it would turn into a long evening, Feldheim ordered some drinks and snacks.

As the three sat down together, Bluecher seemed in a jovial mood, dumping a new pile of error reports on Feldheim's desk, pouring a glass of wine, and helping himself to a sandwich.

"Glad you are enjoying that," said Kanter. "Did you know that we are out with Schneider and the French?" Bluecher nodded. Kanter asked: "So what do you have to say about that?"

"That your sales people used the wrong customer specifications or did not note them down properly for customized contracts."

Kanter stared at Feldheim. "Is Jack our comedian?"

"Why, what do you think is happening?" Bluecher asked, turning to Kanter.

Kanter thought about his sales team. With more than 60 managers in-house and in the field, most of them were experienced customer advisors with many years of experience in the industry. He forced himself to stay calm. "Jack, do you know how many discussions we have with customers before we get a contract?" Bluecher shrugged. "Do you know how long our customers take to decide on a customized system after all those discussions? Do you know that they get consultants to help them define exactly what they need?"

Bluecher reached for another sandwich. "What is that supposed to mean? That consultants do not make mistakes? Everyone makes mistakes."

Kanter shook his head. "So it is the sales team's fault that we have been losing customers for a year, while production never makes a mistake? Is that what you are trying to tell me?"

"Of course we make mistakes." Bluecher tapped the pile of error reports. "But if we had mistakenly used the wrong motor for van Huyten, I would tell you. I would be able to explain why, too. Perhaps someone read something too carelessly and passed on the wrong figures. Perhaps the next person felt the numbers looked a bit strange, but thought they must be okay. You know how these things happen."

"No," said Kanter. "I do not know how these things happen." He pointed to the error reports. "I hope you do not think your error logging actually achieves anything. Your people are complaining about it. Or do you think anyone enjoys being made an example of at the weekly meetings?"

"They are not being singled out, and they will get used to the error analyses and discussions," said Bluecher. "In –"

Feldheim cut them short. "Okay, let's finish for now. Please come up with some suggestions about how we can resolve our problems. How about we meet here again in a week's time? Ten in the morning, does that suit?"

When they arrived at Feldheim's office the following week, Kanter and Bluecher had each come up with a concept. Bluecher's consisted of a description of a comprehensive error management system, including detailed reporting. Kanter had put together a report in which he recorded all conversations with those customers that had recently been lost, complete with all the participants' names as well as duration of the talks and relevant outcomes. In an appendix, he had outlined the sanctions imposed in his department in the event of customer complaints and losses.

Bluecher was the first to present his concept. He laid an organizational diagram of the production department on the table and indicated the employee structure. "Errors were identified earlier here at the bottom rung. They might have been reported up to the plant manager, but that was it. When I started here, I received one error report each business quarter. It listed about 10 minor errors."

"We have not had any errors reported," said Kanter. Feldheim asked him to let Bluecher finish.

Bluecher described the error management system that he had set up in production. Each error was recorded in writing and the corresponding report explained why it had occurred. He said no one was made an example of during this process. Instead, the reporting process was viewed as constructive. This was true regardless of who had made the error.

"Odd," said Kanter. "So why is your team bad-mouthing the system behind your back?"

"Because they have to change their mindset," said Bluecher.

"But you cannot really believe that one of your workers will speak up if you or your plant manager makes a mistake," said Feldheim.

"Not all of them, obviously," replied Bluecher. "But more and more of them are getting there. They can see that the error rate is falling. They want to know what has gone wrong."

"Amen," Kanter said. Bluecher turned to him. "How many of your sales staff do you think would tell you that you had made a mistake, had noted something down wrongly, or misunderstood customer specifications? How many would admit to you that they had not understood something properly?" Kanter said nothing.

"None of them," answered Feldheim on his behalf.

"And what about the customers?" asked Kanter. "What about the ones who do not know what they need, provide incorrect information, and are very vague? Are they supposed to write error reports for me, too?"

"Why not," answered Bluecher. "That would be the best idea."

"Great," said Kanter. "I must remember that joke."

"Right," said Feldheim. "We may have a problem with sales or maybe with production. But whatever happened, the question now is: Where do we go from here?"