

## Made in Australia

### By William W. Scherkenbach

William Scherkenbach is internationally recognized as one of the world's foremost authorities on the subject of quality and its implementation. Theory without action is useless. Action without theory is costly. Bill has the rare combination of both state-of-the-art theory and the experience of applying it in the real world.

He was in the very privileged position of learning from and working with Dr. W. Edwards Deming in the last 25 years of his life. He was with him on over 1000 meetings, including at least 50 four-day seminars, with leaders of industry and government all over the world.

*"He was my student, and there's none better in the world... It takes a little ingredient called profound knowledge, and he's got it."*

*W. Edwards Deming*

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MR WILLIAM SCHERKENBACH - "MADE IN AUSTRALIA" - SEMINAR

The following 13 questions were presented to Mr Scherkenbach earlier this year by Mr Richard Bradley. The book that is referred to in the text is "Deming's Road to Continual Improvement".

1. (RB) In your book you mention your work at Ford and General Motors, it all sounds very promising but what did it achieve "in the real world" are there any results the man on the street could understand? You commenced work at Ford in 1982, did your management methods produce better cars or products and if they did what were they? You constantly refer to the Voice of the Customer, that's me! What benefit did I get?

(WS) "First of all, I am certainly not naive enough to think that any one event or one person's efforts caused either feast or famine at either of these large companies. However, I will relate how Donald Petersen (Chairman of Ford) and Robert Stempel (Chairman of GM) saw the contribution that these methods made to Ford and General Motors. For Petersen's views, I refer you to his book "A Better Idea". To paraphrase his comments, he attributes the improvement in his thinking and the questions that he asks, to Dr Deming. As he improved, so did Ford Motor Company. For Bob Stempel's views, I refer you to a video-tape made by Priscilla Petty which is one of a series of videos by CEO's and their opinions on quality. I plan to show excerpts of these videos in my seminars. As for the man on the street, the quality and value of both Ford and General Motors cars has improved dramatically since 1982."

2. (RB) After working at Ford, you are now helping General Motors, why didn't you stay at Ford? Did GM head hunt you because your methods proved so successful? And if this is so what effect did your methods at Ford improve their competitiveness against General Motors and other car manufacturers?

(WS) "My mission has been to help Dr Deming be known for turning America and other countries around, not just Japan. In the five years that I was with Ford, I established an organisation of professionals that would continue to grow in knowledge and effectiveness. It has. General Motors convinced me that they were serious in their wish to follow Dr Deming's philosophies. They are the largest company in the world in many dimensions and the impact that they could make on my mission is enormous."

3. (RB) Why should Australian manufacturers listen to an American who is working with a US company that is being accused of doing secret deals with Japan? What's the point of improving our management methods if Australian markets are being eroded, no matter what we do? It doesn't matter if the article I've sent you is 100% accurate or not, the harsh reality is that it is in print.

(WS) "I am reminded of the story that a Canadian told Dr Deming and me about three men who went for a stroll in the woods one sunny afternoon. A Grizzly bear happened to be out for a stroll in the same woods in the same afternoon. The men were not looking for the bear; and the bear was not looking for the men. But there they were. Two of the men sat down and began tightening up their shoes so that they could run better. The third man scoffed at their efforts saying that anyone knows that a bear can outrun any man. The other two agreed but said that they only needed to outrun him. No one is saying you have to do anything. But it may help to try. You get beat up a lot or a little or not at all depending on your decisions. Don't put your head in the sand."

4. (RB) What knowledge do you have about Australian industry, how can an American tell us what to do or advise us if he has never been to this country?

(WS) "David Chambers, from the state of Tennessee was asked the same question by people from the state of Kansas. His reply, as is mine, was numbers and people behave the same way in Kansas as they do in Tennessee. And I will add in Australia. Yes people and specific situations are different. But in the important characteristics, people are the same. I have been all over the world, including Australia, and I have yet to see a situation that was not similar to others elsewhere."

5. (RB) You constantly mention in your book the Voice of the Customer and the Voice of the Process. Very nice in theory, but can the Voice of the Customer tell us in five years time what will give he or she joy in ownership? I think not. In predicting the Voice of Process as a variable, say linked to Special and Common Causes, what will happen in five years time? For instance a Special Cause in history will be the next volcanic eruption, no matter what geologists say and do, it comes right out of the blue, with devastating consequences. In fact we can only predict special causes in our weather about four days in advance. So how can we predict the next boom or bust cycle? If we can't predict with any degree of accuracy the up or down variations in business over the next few years and the customer cannot tell us about what will give future joy in ownership, why bother? Why bother to put your methods in place for today if we can't predict the future?



(WS) "Certainly, many future events are difficult to predict. You don't have to even go out five years. If one could predict the specifics of the stock market 24 hours from now one could do quite well. If we accept that we must make decisions that affect the future, or as Dr Deming says management's job is prediction, then we must spend more effort to try to improve our ability to predict. We are getting better at our ability to predict macro cycles and can plan accordingly. The cost of not getting better at prediction or forecasting is incurred in the design of the system that must be ready to quickly react to all contingencies and if we do not have such a system, then we pay the cost of the catastrophe. One key to prediction in the marketplace is to keep frequent tabs on your customers, past, present, and future. Many times you can see trends, clusters or groupings of needs. This is valuable information because with this knowledge you can design a lower cost, higher value system than you could without the knowledge."

6. (RB) The reality of Deming in Japan. In 1950 Japanese industry was emerging from the rubble of W.W.2. In essence there was no industry, it had to be reborn, so the reality is it was in a position to be carefully nurtured and moulded. In Australia and America industry had been left unscathed so over the years it has become set in its ways. Many people say that the Quality movement are asking the impossible. Deming for instance is a fine statistician but he's never run a corporation. You can write all the books you like but you will never change human nature, Japan was a Special Cause because of the War, however we have not had W.W.3. What would you say to this?

(WS) "Change takes place on three levels: physical, logical, and emotional. Japan did indeed change because of a significant physical event. One need not have WW3 to have a significant logical event or a significant emotional event. Either of which can be just as effective means for change as a physical event."

7. (RB) In many radio interviews John McConnell was asked about the progress of Deming's methods in Australia, his honest answer is very little. When Deming was asked the same question about the United States, his honest answer is very little. What is your answer and why?

(WS) "Dr. Deming's criteria for his answer is that no matter how much you progress you make, because of continual improvement, you will always have a long way to go. There is no finish line. Thousands of people from various industries are attending Dr Deming's seminars every year now and the numbers are growing."



8. (RB) Deming often talks about rugged individualism, I win you lose. You mention it as a negative, you also point out that teamwork without leadership is a negative. Do you know of any corporation that has good leadership with good teamwork?

(WS) "First of all I do not speak of individualism as a negative. I see a need to balance the individual with the team or family. I think that both General Motors and Ford are working to better balance individual with team. I do not know of any Japanese companies that recognise the need for this balance in their formal systems."

9. (RB) Your book doesn't seem to allow for the present condition of many Australian manufacturers, especially in the car industry. They are trying to deal with a depressed economy, bank overdrafts to stay in business and being forced by banks to reduce overheads and staff. What you seem to ask is for them to stop and reinvent the wheel, they don't have time for this. How do they make the time?

(WS) "This phenomena is not restricted to Australia. There are only 25 hours in a day and everybody is working hard to stay afloat. The opportunity is there because we are doing many things that perpetuate the fires that we spend so much time fighting. I have found it useful to dedicate a team of people to work on the system that generates the fires. You promise not to pull them off to fight fires; you have everyone else in your organisation to fight them. With this approach, overheads and costs will go down because you have reduced waste in the system."

10. (RB) You and Dr Deming talk about the red and white beads and the funnel experiments. Aren't they just experiments and nothing else? Is there any positive example of these experiments being used by a company which actually turned into a positive result that benefited the company, its employees, management and the customer?

(WS) "With theory, you see many applications in your world. Dr. Deming uses these experiments to illuminate very important theories. You must remember that there are many processes where the people do not dominate the outcome as in the red bead experiment. But there are also many processes where the people can and do influence the outcome as in the funnel experiment. Some of those processes include: expediting, adjustment of schedules based on the last job, calibration of an instrument to a standard, using the last piece or batch as a model for future, many forms of bench marking, engineering changes based on the last version of a design without reviewing the original purpose, changing company policy based on the latest attitude survey, following the latest magazine article on management, or reacting to every financial or schedule variance as if it was a special cause."

11. (RB) You talk about "Definition of a Process", People, Method, Material, Equipment and Environment. These five factors move along as an input through a transformation and come out as an Output be it the customer, the next machine or another department in the company. This seems to be governed by the Voice of Customer or Voice of Process. In many instances the Voice of Customer is wrong because the customer either doesn't know what he or she wants now and especially in the future. Wouldn't that make this entire exercise a waste of time?

(WS) "Absolutely not. As I said before, the producer, with market research can see niches and patterns that the individual customer cannot see. It is a forest and a tree issue. The producer must research how consumers live, what might be useful to them to help them live better. As Dr Deming said, the customer only knows what you or your competitor delivers to him. If you can discern patterns or trends in what they really like and what they really dislike, you can develop product that they will positively respond to. The real money is found when you are able to discern patterns of living that have not been serviced yet. You can then expand the market with your innovation."

12. (RB) Both you and Dr Deming constantly talk about large corporations, employing thousands of people around the world. These multinationals have the resources to do what you and Dr Deming recommend. Yet, the hard fact of life in Australia is that over 50% of the workforce is employed by small business, many of these companies may come to your seminars. What do you tell a company that has small staff and limited resources? You work for the big guys can you really help the little guys?

(WS) "There are certain dynamics and leverages in working with the big guys. But the leverage is with the little guys who supply and distribute for the big guys. I work with the little guys all the time. Each has its strengths and weaknesses. The strength of the little guys is the ability to quickly change. the strength of the big guys is their access to resources."

13. (RB) Your book, like Deming's, like McConnell's, is full of very impressive graphs, charts, numbers and experiments. I sometimes wonder if all of this might seem to scare away the reader rather than educate and inform?

(WS) "The reason that I use graphics as well as narrative is that they each reach the reader in different ways. Those that might be intimidated by the graphics can read the narrative. Those that might be intimidated by the words can look at the graphics. Those that might not be intimidated by either can use both. Those that are intimidated by both, the book cannot help, but my seminar can because of the spoken word. People learn in different ways and we must use the appropriate methods to reach all."