

THE
DEMING
LIBRARY

The Ford Story

DISCUSSION GUIDE

VOLUME 3:
CORPORATE LEADERSHIP

VOLUME 4:
ADOPTION OF THE NEW PHILOSOPHY

VOLUME 5:
COMMUNICATION OF THE NEW PHILOSOPHY

VOLUME 6:
APPLICATION OF THE NEW PHILOSOPHY

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THE DEMING LIBRARY

VOLUME 3: CORPORATE LEADERSHIP

INTRODUCTION

When different people view a videocassette, each sees, hears, and learns slightly different information. If all those people discuss what they've learned – their different insights – they will learn more than they would have if they only viewed the tape. Talking about the information makes the cassette more valuable.

This guide is designed to help you get a general discussion started. The idea is to raise questions that participants will try to answer. However, the discussion leader is not limited to these few questions. Indeed, the leader is encouraged to help participants raise their own questions about points made on the cassette.

One caution: Be sure the people in the group understand that this is a discussion – it is not a quiz.

QUESTIONS 1-5

1. What made Ford's Chief Executive Officer Donald Petersen think that Ford had to change to operate effectively in the new economic age?
2. Why did Dr. Deming test Mr. Petersen to see if he "was serious about improving matters at Ford, and about taking the steps necessary so that Ford would indeed provide the best possible products and services to our customers"?
3. How did Dr. Deming's "seemingly simple question [of] whether we at Ford had constancy of purpose" lead the company to take a broad look at itself? Why did it ultimately require a year and a half to answer?
4. How did the answer to the question "What do we mean by quality?" lead Ford to focus the definition of quality on the customers' wants and needs? What does that definition mean?

5. What do you think of Mr. Petersen's definition of quality: "to provide to our customers the best possible products and services, that meet fully the customers' wants and needs over the lifetime of those products and services, at a cost that represents real value"?

QUESTIONS 6-10

6. Why is it significant that Ford kept the Thunderbird off the market in 1983?

7. Why did Ford decide to shut down its plants for a two-week vacation, rather than hire temporary employees and keep running?

8. What does Mr. Petersen mean when he says that only with continuous improvement of the processes can you get the final result of improvement of profit?

9. What is continuous improvement?

10. Why is it good to adopt a long-term incentive plan for the executive management team?

QUESTIONS 11-15

11. Why does Mr. Petersen say "However well you're doing, there's always someone, if you have good teamwork and cooperative effort going on, someone with good ideas of how you can improve further"?

12. What does Mr. Petersen mean when he says, "You simply stop progress if you live in a world where you think you can set a set of standards, a set of requirements, and that you have done the job if you meet them"?

13. What does Mr. Petersen mean when he says that he cannot "think of any element in our society that can't take Dr. Deming's basic ideas and basic concepts and, with some good hard thinking, get some real help from these ideas in adopting a set of principles to guide the efforts in that enterprise"?

14. Why does Mr. Petersen say that it is necessary to train management in the "whole participative management concept of how you must deal with people in a spirit of trust and cooperation and true interest in what they are thinking about, true interest in their ideas of how things can be improved"?

15. Why does Dr. Deming ask Mr. Petersen about what he is doing "to make it possible for people to work together without fear, without taking risks"?

QUESTIONS 16-17

16. Why does Mr. Petersen say that he is "working very hard to change how we reward people, trying very hard to change our performance evaluation to emphasize team efforts as opposed to individual effort"?

17. Why does performance evaluation make it difficult for people to work together?

VOLUMES 4, 5, AND 6

OVERVIEW

Volumes 4, 5, and 6 of THE DEMING LIBRARY take you inside the Ford Motor Company to see how the Deming Method is applied in a modern, competitive industry. They provide a valuable opportunity to see the Deming Method in a practical setting.

The Discussion Guides are designed to help you get the best possible benefit from these cassettes. The more people think about what they have seen and heard, the more they talk to each other about what it means, the more they will sharpen their thoughts. They will also begin to work together – a step toward teamwork. The discussion leader should encourage participants to help each other during the talks. The greatest emphasis should be put on group cooperation.

You will notice that some questions are repeated. They represent key points, about which participants might change their minds as they advance through the three tapes.

It is essential that the discussion of each tape comes at the end of that cassette, while the information is still fresh in the minds of the participants.

THE 14 POINTS

Following are Dr. Deming's 14 Points and Ford's "Company Mission, Values, and Guiding Principles." They are the cornerstones on which Ford built its new operational methods. Familiarity with them will help in your discussions.

1. Create Constancy of Purpose.
2. Adopt the New Philosophy.
3. Cease Dependence on Inspection to Achieve Quality.

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4. End the Practice of Awarding Business on Price Tag Alone.
5. Improve Constantly and Forever the System of Production and Service.
6. Institute Training on the job.
7. Institute Leadership.
8. Drive Out Fear.
9. Break Down Barriers Between Departments.
10. Eliminate Slogans, Exhortations, and Targets.
11. Eliminate Work Standards (Quotas) and Management by Objective.
12. Remove the Barriers That Rob Workers, Engineers, and Managers of Their Right to Pride of Workmanship.
13. Institute a Vigorous Program of Education and Self Improvement.
14. Put Everyone in the Company to Work to Accomplish the Transformation.

FORD'S MISSION

Ford Motor Company is a worldwide leader in automotive and automotive-related products and services as well as in newer industries such as aerospace, communications, and financial services. Our mission is to improve continually our products and services to meet our customers' needs, allowing us to prosper as a business and to provide a reasonable return for our stockholders, the owners of our business.

FORD'S VALUES

How we accomplish our mission is as important as the mission itself. Fundamental to success for the Company are these basic values:

• **People** - Our people are the source of our strength. They provide our corporate intelligence and determine our reputation and Vitality. Involvement and teamwork are our core human values.

- **Products** - Our products are the end result of our efforts, and they should be the best in serving customers worldwide. As our products are viewed, so are we Viewed.

- **Profits** - Profits are the ultimate measure of how efficiently we provide customers with the best products for their needs. Profits are required to survive and grow.

FORD'S GUIDING PRINCIPLES

- **Quality comes first** – To achieve customer satisfaction, the quality of our products and services must be our number one priority.

- **Customers are the focus of everything we do** – Our work must be done with our customers in mind, providing better products and services than our competition.

- **Continuous improvement is essential to our success** – We must strive for excellence in everything we do: in our products, in their safety and value-and in our services, our human relations, our competitiveness, and our profitability.

- **Employee involvement is our way of life** – We are a team. We must treat each other with trust and respect.

- **Dealers and suppliers are our partners** – The Company must maintain mutually beneficial relationships with dealers, suppliers, and our other business associates.

- **Integrity is never compromised** – The conduct of our Company worldwide must be pursued in a manner that is socially responsible and commands respect for its integrity and for its positive contributions to society. Our doors are open to men and women alike without discrimination and without regard to ethnic origin or personal beliefs.

VOLUME 4: ADOPTION OF THE NEW PHILOSOPHY

INTRODUCTION

The discussion leader should read chapters one through six in *Out of the Crisis*, along with the general introduction to this Discussion Guide. The leader must also remind the participants that this is a group discussion, that there are no wrong answers, and that no grades will be given.

One of the hardest things to do is to change, to decide that there is a better way for the future. Volume 4 of THE DEMING LIBRARY examines what happened at the Ford Motor Company when its executives decided to change – to adopt the Deming Method.

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The people on the cassette are talking about real-life experiences in the context of a major modern American corporation in a competitive industry.

QUESTIONS 1-5

1. What does Dr. Deming mean when he says, "Everybody can do his job to perfection while the company goes down the tube"?
2. Why is it significant that quality is now the major topic at the quarterly management meetings of many companies?
3. What does Dr. Deming mean when he says that management *cannot* do its job by studying reports, such as sales reports, annual appraisals of people, reports of customers' complaints, and reports on quality?
4. Why do Donald Petersen and Dr. Deming both say that quality must begin at the top of a company?
5. What is continuous improvement?

QUESTIONS 6-10

6. How do you think adopting the practice of continuous improvement would change your company?
7. Can you understand why Ford officials thought that "never-ending improvement sounded like such a long time, [they] decided to call it continual improvement"?
8. Compare Dr. Deming's 14 Points and Ford's "Company Mission, Values, and Guiding Principles" (see page 6). In what ways is Ford's statement a restatement of Dr. Deming's 14 Points? How would you describe management's job under the 14 Points?
9. Why is it important for Ford to understand what its mission, values, and guiding principles are?
10. How could the discussion of mission, values, and guiding principles help Ford's top management work to produce better cars?

QUESTIONS 11-15

11. Why is it significant that Ford kept the Thunderbird off the market in 1983?

12. Why did Ford decide to shut down its plants for a two-week vacation rather than hire temporary employees and keep running?

13. What does Dr. Edward Baker mean when he says that the focus has shifted from solving problems to improvement of processes?

14. What does Donald Petersen mean when he says that even if Ford had a monopoly in the auto industry, its job would be the same?

15. Why aren't quality control circles alone the answer to improvement of quality?

QUESTIONS 16-18

16. Why does Dr. Deming say, "Everybody doing his best won't do it"?

17. Ford Vice president James K. Bakken says, "'Quality' is providing products and services that meet customers' needs and expectations at a cost that represents value to the customer." What do you think of this definition? What is your company's definition of quality?

18. What do you think of the statement that it could take 15 or 20 years before a program for improvement of quality would have an impact?

VOLUME 5: COMMUNICATION OF THE NEW PHILOSOPHY

INTRODUCTION

The discussion leader should read chapters seven through twelve in *Out of the Crisis*, along with the general introduction to this Discussion Guide. The leader must also remind the participants that this is a group discussion, that there are no wrong answers, and that no grades will be given.

A modern American company, manufacturing or service, cannot just adopt new management techniques or work standards and expect anything good to come of them in the long term. What is needed is a new way to think about what you do, and a new way to do it.

When the Ford Motor Company started to work on the Deming Method, its executives realized that they could not just change management practices. They also had to change

how they related to each other, to their customers, and to their suppliers. They had to change their whole business philosophy.

QUESTIONS 1-5

1. Why does Ford Vice president James K. Bakken say "The most important thing I have learned is that continuous improvement just has to be our way of life"?
2. What does John Betti mean when he says, "Uniformity of parts, the reduction of variability, is far more important than building to print or specifications"?
3. What made Mr. Bakken understand that work standards hurt quality?
4. Why does Dr. Deming say that work standards in service industries are just as damaging as they are in manufacturing? What does Dr. Deming mean when he says that a work standard becomes a floor standard, or a limiter?
5. Dr. Deming asks the workers at Windsor, "When will a supervisor that tells you about a mistake bring about improvement, and when will that not bring improvement?" What is the answer?

QUESTIONS 6-10

6. Why will it increase mistakes if a supervisor tells a worker he or she made a mistake, when in fact, the mistake is in the system?
7. Statistical methods can help determine whether a mistake is in the system or made by an individual worker. But why are statistical methods not the complete solution?
8. Explain how Ford's long-term relationship with General Electric for Taurus/Sable bumpers led to better quality and lower costs.
9. Under what conditions does everyone—manufacturer, supplier, and consumer—gain from a company when it has a long-term relationship with a single supplier?
10. Explain what Ford Vice president David Travis means when he says, "We may need twenty years [more] to do what Dr. Deming wanted us to do—change the manufacturing industry in America – but I think we have a good start."

QUESTIONS 11-15

11. What does Mr. Travis mean when he says, "If a supplier has a long-term commitment from his customer, then he can do things he ordinarily wouldn't do, or couldn't think of doing with a one-year contract"?
12. What are the implications of Dr. Deming's statement that today "only one item in twenty that Ford uses has more than one supplier"?
13. What does Mr. Bakken mean when he says, "We now view . . . our suppliers as our partners, . . . an extension of Ford's internal capabilities"?
14. What does Mr. Bakken mean when he says, "Every supplier adds variability"? And what does he mean when he says that every supplier is "an additional work load"?
15. Why does Dr. Deming ask the workers at Windsor, "How can you do your work if you don't know how the customer is going to use it?"

QUESTIONS 16-18

16. What does Dr. Deming mean when he says, "The simplest task is not defined by procedures It is defined by the use that will be made of your work"?
17. Why does Donald Petersen say, "You've got to guard against taking action in such a wholesale fashion or so rapidly that just the repetitive change becomes damaging"?
18. Why does Lloyd Dobyns say that the Ford experience is a story to study, not an example to copy?

VOLUME 6: APPLICATION OF THE NEW PHILOSOPHY

INTRODUCTION

The discussion leader should read chapters 13 through 18 in *Out of the Crisis*, along with the general introduction to this Discussion Guide. The leader must also remind the participants that this is a discussion, that there are no wrong answers, and that no grades will be given.

From the days of time and motion studies and assembly lines, American business and industry have been run on one basic rule: Managers manage and workers work, and both do it by the book without any real concern for the product or the process.

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This is the way it was done at Ford Motor Company, until Ford started to work on the Deming Method and its new philosophy. At Ford now, managers still manage and workers still work, but they all work cooperatively toward the same goal. Part of being able to work together is getting rid of the fear that pervades business and industry.

QUESTIONS 1-5

1. What does Ford Vice president James K. Bakken mean when he says that driving out fear is a "very subliminal thing"? Relate Dr. Deming's point of driving out fear to Mr. Bakken's comment that "a manager dare not take a risk."
2. Explain why Dr. Deming says, "The greatest fear is in management . . . People . . . on the shop floor just get worn out. They don't get results [when they ask for changes], so they don't bother."
3. What does Ford Vice president David Travis mean when he says that he used to have "to be a marine drill sergeant . . . and be a dictator, and that was viewed by my management as success"?
4. What change now allows Mr. Travis to say, "I love my job. I feel that I am a team player"?
5. Why is it important that Ford work on change of reward? Donald Petersen says that it is "an area where the Ford Motor Company has a great deal of work to do."

QUESTIONS 6-10

6. How does the new Ford long-term incentive plan for principal executive managers relate to constancy of purpose and continuous improvement?
7. What does Ford vice president James K. Bakken mean when he says that now "employees can be meaningfully involved, not just involved, but meaningfully involved in running the company"?
8. Why does Dr. Deming say, "When somebody can contribute to his work . . . he has fun on the job. He feels that he owns the company"? Why is it important for employees to feel this way?
9. Mr. Travis explains how the first-line supervisor has changed from a "drill sergeant" to a resource coordinator. How does this help Ford make better automobiles?

10. Why is it important that the workers talk to their customers on the telephone and ask, "How is the product that I am making today working in your plant?"

QUESTIONS 11-15

11. Do you agree with the manager who says, "As an individual you might have good ideas, but when you amalgamate those ideas with the ideas of other people, you have far better ideas and you are far better able to accomplish what you really want"? Is this statement always true?

12. What does Mr. Bakken mean when he says, "Now I really do believe that people are our most important resource, and I can say it with conviction"?

13. What does Dr. Deming mean when he says, "Your people cannot improve unless you improve"?

14. What does William Scherkenbach mean when he says, "Mass inspection is not as effective as we once thought it was, and . . . there is a better way to get higher quality at a lower cost"?

15. Why does Mr. Bakken say that unless you are trying to improve the process continuously, "you're merely trying to sort the good from the bad"?

QUESTIONS 16-21

16. What is continuous improvement?

17. Why does Dr. Deming say, "Inspection robs somebody of his pride of workmanship"?

18. What kinds of operations require 100 percent inspection?

19. What does Mr. Bakken mean when he says, "You will never improve the product by mass inspection"?

20. Why does Dr. Deming say that in most companies "in management, people get ahead by conforming to the system, not by trying to improve it"?

21. Why does Lloyd Dobyns say, "You cannot copy success. What works at Ford might not work at your company. But the Deming Method, the 14 Points, will work. You have to study them and apply them to your situation"?