



## TRANSCRIPT – 2025 Excellence Roundtable

### Unlocking the True Cost of Quality

*\*This transcript was AI-generated.*

1

00:00:03.846 --> 00:00:19.656

Michael Sullivan: So, we'll go ahead and get started. So, first and foremost, I want to thank everyone for coming today for our Excellence Roundtable, with the key topic of Unlocking the True Cost of Quality. So, we do have this recorded, so if you want to kind of keep in mind.

2

00:00:19.656 --> 00:00:28.506

Michael Sullivan: If you have anything you want to put in versus, any kind of a question, you can put them in the chat, and we'll actually kind of get to those at the end after it.

3

00:00:28.506 --> 00:00:42.595

Michael Sullivan: For those of you who don't know, I'm Michael Sullivan. I am the Manager of Organizational Success within the Organizational Members, so some of you may or may have met me before, talked to me. If you have any questions on Organizational Membership, please reach out to me.

4

00:00:42.596 --> 00:00:47.726

Michael Sullivan: We're doing something a little different, this time for our recordings.

5

00:00:47.726 --> 00:01:12.416

Michael Sullivan: Previously, they were always on the ASQ portal, where you'd actually be able to access them. Now, we're going to be having them put on ASQTV. It's going to give a couple of things. It's going to give a little bit more exposure for our events, it's going to give you the exact same place that you can always go to look for those, and then anybody who has questions on, if they're a member and they're looking at ASQTV, they're actually going to see it as another resource.

6

00:01:12.416 --> 00:01:35.535

Michael Sullivan: So, we looked at it as kind of a really big win to kind of do that, so keep that in mind. And again, if you have any questions, put them in the chat, and we'll try to get to those at the end. And again, this will be recorded, and that's where you can actually share it with any of your team members. What you can do is, once you see it on ASQTV, you can actually get that link and send it to your coworkers. It's a great way to kind of push that information out.

7

00:01:35.536 --> 00:01:37.726

Michael Sullivan: And really kind of push things like this, too.

8

00:01:38.426 --> 00:01:57.496

Michael Sullivan: So, first and foremost, I want to thank our... special thanks to our sponsor today. So, today's sponsor for our 2025 ERT is ETQ, not to be confused. So, ETQ is the leading provider of EHS compliance and quality management software.

9

00:01:57.496 --> 00:02:21.176

Michael Sullivan: They're trusted in the world's strongest... one of the... they're trusted as one of the world's strongest brands. They help organize... organizations manage and optimize the cost of quality and make data-driven decisions. Some of you may have seen them at some of our world conferences, if you... if you're kind of walking around through some of the convention center. And again, there's going to be the contact information on here. Shirley Chan is on there, that's her email.

10

00:02:21.176 --> 00:02:31.715

Michael Sullivan: And again, this is going to be posted on the ASQ, MyASQ TV, so again, if you wanted to get that information, if you don't get it right now, don't worry about it. It'll be available for you as well.

11

00:02:32.006 --> 00:02:44.256

Michael Sullivan: So, I want to talk a little bit about, the 2025 year. We had the ASQ IoE survey campaign period, and new this year, we actually launched a Diamond Award.

12

00:02:44.256 --> 00:03:06.906

Michael Sullivan: The Diamond Award is an exclusive way of recognizing and celebrating some of our high-performing organizations within the usage of the tool. So the IoE is the Insights on Excellence, and we have a benchmarking tool, and it's exclusive only to the Organizational Members. Obviously, anybody could kind of take a look at any of the reporting that's out there, but kind of keep in mind the people who can participate

13

00:03:06.906 --> 00:03:17.586

Michael Sullivan: in that are just Organizational Members, and if you have any questions on that, please feel free to reach out to me. I'm happy to help you with that. So, the Organizational Members that have at least,

14

00:03:18.256 --> 00:03:25.235

Michael Sullivan: we had 3 that kind of came in as great participants, and out of those, each one of those 3 receive an award.

15

00:03:25.236 --> 00:03:44.985

Michael Sullivan: So, I'm actually super excited, and I want to congratulate our two Diamond Award winners, which is Oceaneering and Lilly, which is the medicine company. And both of them have taken a lot of individual... well, overall, we had 26 organizations that participated within the survey campaign period this year.

16

00:03:44.986 --> 00:04:08.636

Michael Sullivan: Ocean Engineering, Oceaneering and Lily demonstrated exceptional dedication. They got as many people as they could to participate from their organization, and it's just a huge thank you to them. So, these will be actually sent out to them, and it's just a great way for us to recognize our organizational members, that they're seeing that value within that tool. So again, if you're interested in an Organizational member

17

00:04:08.646 --> 00:04:24.126

Michael Sullivan: Membership and you have questions on it, please feel free to reach out to me. I'm happy to help you. And then next year, you can kind of continue to see some of these awards going out, and it's... it's a great way to really see how they're really getting involved in the tool itself and maximizing the usage of their membership.

18

00:04:24.656 --> 00:04:45.246

Michael Sullivan: So, for those of you who don't know, we have the latest Insights and Excellence report that came out, and it's, you know, it's hot off the digital press, so to speak. This report is the latest research data and key insights on the Cost of Quality, and you'll see the names Doug Wood and Frazier Pruitt throughout this, because they actually helped us with this. So, it's a huge

19

00:04:45.246 --> 00:04:59.555

Michael Sullivan: shout out to the both of them. And so you'll see their names repeating on throughout that report, as well as that's why they're here today, too. So I don't want you to miss that. Go ahead and you can download it on using the QR code, or there's the link right here.

20

00:04:59.716 --> 00:05:06.976

Michael Sullivan: And in addition to that link that's there, there's all the other reports, so feel free to download any of those reports as well.

21

00:05:07.856 --> 00:05:31.606

Michael Sullivan: Now, as I had mentioned, Doug Wood and Frazier Pruitt, they both have a long-standing history with ASQ, so we're super excited that they're here. So, Doug Woods is the President of DC Wood Consulting. He's a veteran consultant, educator, author. Doug has a lot of accolades after his name. So, including the Executive Guide to Understanding the Implement Quality Cross Program, so if you say it really fast.

22

00:05:31.606 --> 00:05:45.395

Michael Sullivan: And you can see from his CV there, all of the things that he's done. So, quite an accomplished individual. Likewise accomplished, Frazier Pruitt, Quality Supervisor with Corning, he's a rising star in the Quality Leadership. He was 2021's

23

00:05:45.396 --> 00:05:58.146

Michael Sullivan: ASQ 40 Under 40 honoree, so congratulations to that. He is the finance officer for both ASQ Geographical Communities Council, as well as Performance Excellence Committee. So, both of them are...

24

00:05:58.486 --> 00:06:11.146

Michael Sullivan: basically integrated into ASQ, and really kind of helping us share all of their knowledge. So, together, I want to welcome both of them, and I'm going to hand it over to you gentlemen. So, first and foremost, thank you for being here, both of you.

25

00:06:17.086 --> 00:06:19.076

Michael Sullivan: Doug, you're... gotta unmute.

26

00:06:22.436 --> 00:06:30.516

Douglas Wood: Okay, thank you, Michael. I really appreciate you guys having us here. So, this is today's agenda.

27

00:06:31.006 --> 00:06:39.546

Douglas Wood: I'm gonna start off. Frazier Pruitt will take over about halfway through. So...

28

00:06:39.966 --> 00:06:46.296

Douglas Wood: Let's, let's take a little look here at the, it's some history.

29

00:06:57.926 --> 00:07:02.146

Douglas Wood: A little bit of a delay there. Michael, can you advance it? There we go.

30

00:07:03.776 --> 00:07:09.866

Douglas Wood: Okay, so the history of Cost of Quality goes back quite a ways. Next slide, please.

31

00:07:12.536 --> 00:07:18.666

Douglas Wood: Yeah, so... You know, way back, 1951.

32

00:07:19.016 --> 00:07:22.496

Douglas Wood: I was... I wasn't even born yet.

33

00:07:22.675 --> 00:07:27.816

Douglas Wood: the, Dr. Juran's book, Quality Control Handbook.

34

00:07:27.966 --> 00:07:35.375

Douglas Wood: In Chapter 1, he used an analogy called gold in the mine. We are leaving gold in the mine.

35

00:07:35.516 --> 00:07:41.545

Douglas Wood: Realizing that quality issues were costing companies quite a bit.

36

00:07:42.446 --> 00:07:46.946

Douglas Wood: On the next step in our timeline,

37

00:07:51.016 --> 00:07:52.736

Douglas Wood: 1979.

38

00:07:53.916 --> 00:07:56.356

Douglas Wood: Quality is free.

39

00:07:57.346 --> 00:08:02.955

Michael Sullivan: Doug, sorry to interrupt, just go ahead and tell me when to advance the next slide, and I'll just continue to story. Oh, sure, I'll do it. That way it'll make it easier for you.

40

00:08:02.956 --> 00:08:19.705

Douglas Wood: Okay, so, you know, building on several things between 51 and 79, including Armand Feigenbaum's term, total quality control, and Juran's concept began broadening that to departmental quality control.

41

00:08:19.816 --> 00:08:29.016

Douglas Wood: And before 79, it was also defined, the cost of quality was defined as the sum of prevention, appraisal,

42

00:08:29.286 --> 00:08:30.905

Douglas Wood: failure, and failure costs.

43

00:08:31.036 --> 00:08:35.096

Douglas Wood: It created the PAF model we now know today.

44

00:08:35.386 --> 00:08:37.425

Douglas Wood: Now, in 79,

45

00:08:37.896 --> 00:08:57.855

Douglas Wood: Crosby's book, Quality is Free, explained how quality assurance departments were not just cost centers, would actually pay for themselves via reduced waste. And Crosby was not a mathematician, or a lawyer, as some of the others had been. He was a businessman, and he wanted to make a business case for why you should

46

00:08:58.086 --> 00:09:02.816

Douglas Wood: Do a better job with controlling your processes and reducing quality defects.

47

00:09:03.676 --> 00:09:05.316

Douglas Wood: Next slide, please.

48

00:09:08.436 --> 00:09:16.656

Douglas Wood: So in the 1990s, we got Six Sigma, the improvement methodology which concentrated on reduction of the cost of poor quality.

49

00:09:16.766 --> 00:09:23.926

Douglas Wood: And showing the dollar impact of process improvement, which was a pretty significant leap ahead.

50

00:09:25.496 --> 00:09:26.765

Douglas Wood: Next slide, please.

51

00:09:27.446 --> 00:09:29.485

Douglas Wood: Now, in 2009,

52

00:09:29.756 --> 00:09:41.905

Douglas Wood: a survey titled, Management Accounting Tools for Today and Tomorrow by the Chartered Institute of Management Accountants. This is not a quality organization.

53

00:09:42.116 --> 00:09:48.255

Douglas Wood: They asked 439 worldwide respondents, representing manufacturing and service.

54

00:09:48.356 --> 00:09:52.395

Douglas Wood: About 100 different cost control tools.

55

00:09:53.116 --> 00:10:00.075

Douglas Wood: Now, these organizations were fairly evenly distributed in size, between 50 employees, and some of them had more than 10,000.

56

00:10:00.686 --> 00:10:05.196

Douglas Wood: Quality costs were one of 14 costing tools.

57

00:10:05.656 --> 00:10:10.236

Douglas Wood: On the average, an organization was found to use 4 of those 14.

58

00:10:10.726 --> 00:10:16.326

Douglas Wood: Surprisingly, quality costs were used by less than 10%.

59

00:10:16.436 --> 00:10:18.666

Douglas Wood: Of the respondents to the survey.

60

00:10:20.216 --> 00:10:31.645

Douglas Wood: Moving forward to 2025, the, the survey we just... you just saw, the 2025 ASQE IoE survey.

61

00:10:31.856 --> 00:10:36.566

Douglas Wood: In that, we found that one-third By the respondents.

62

00:10:37.476 --> 00:10:41.195

Douglas Wood: Said they fully understood the impact of quality costs.

63

00:10:41.576 --> 00:10:44.476

Douglas Wood: On the financial performance of their organizations.

64

00:10:45.066 --> 00:11:00.926

Douglas Wood: So, partial use is a bit better. Over half of the respondents said that their organizations have aligned quality metrics across multiple departments or divisions, and that providing quality cost results to leadership has resulted in cultural change.

65

00:11:02.296 --> 00:11:06.566

Douglas Wood: Okay, so next slide, we're going to move on, we're going to talk about some definitions.

66

00:11:07.146 --> 00:11:14.246

Douglas Wood: Again, you know, there's a lot of ways to define things, and if you don't define it, you don't know what you're talking about. So let's go on. Next slide.

67

00:11:15.026 --> 00:11:18.146

Douglas Wood: So... We're defining these terms.

68

00:11:19.026 --> 00:11:21.876

Douglas Wood: I mentioned the PAF model.

69

00:11:22.106 --> 00:11:27.745

Douglas Wood: It actually breaks down into 4 pieces: prevention, appraisal, internal failure, and external failure.

70

00:11:28.226 --> 00:11:31.415

Douglas Wood: So as we look at these things,

71

00:11:32.106 --> 00:11:37.156

Douglas Wood: we're gonna, we're gonna break down each of these. Now, please note, the fine print

72

00:11:37.516 --> 00:11:50.066

Douglas Wood: underneath each of these blocks. You're going to hear more about that later. We're anticipating that the language, prevention, appraisal, internal failure, and external failure, is kind of old-fashioned.

73

00:11:50.506 --> 00:11:51.516

Douglas Wood: Sorry.

74

00:11:52.206 --> 00:11:53.485

Douglas Wood: Next slide, please.

75

00:11:56.606 --> 00:11:58.626

Douglas Wood: So, what is prevention?

76

00:11:59.506 --> 00:12:05.375

Douglas Wood: Okay? So prevention costs can be hard to identify.

77

00:12:05.666 --> 00:12:12.935

Douglas Wood: They are the costs of activities designed to prevent poor quality. Oftentimes, it's just a little bit of what a lot of different people do.

78

00:12:13.156 --> 00:12:18.206

Douglas Wood: You know, new product reviews. You know, reviewing contracts or documents.

79

00:12:18.416 --> 00:12:20.935

Douglas Wood: Quality control planning.

80

00:12:21.086 --> 00:12:24.746

Douglas Wood: Doing capability surveys on suppliers.

81

00:12:25.026 --> 00:12:32.266

Douglas Wood: Hopefully before you engage with them. And doing quality education and training. These are all prevention activities.

82

00:12:32.816 --> 00:12:37.615

Douglas Wood: And they are typically the smallest piece of the four. Next slide, please.

83

00:12:38.366 --> 00:12:55.536

Douglas Wood: So, the next word... again, we're gonna update this word, but appraisal costs are associated with assuring conformance. That... that... see the italicized words there? This is about assuring you conform to standards and performance requirements.

84

00:12:56.346 --> 00:12:57.136

Douglas Wood: Oh.

85

00:12:57.256 --> 00:13:13.726

Douglas Wood: These are inspections and audits mostly, and they're relatively easy to quantify. Incoming and source inspection and testing, product service observations by operations personnel to ensure quality performance. It's not always the quality department's job to do this.

86

00:13:13.726 --> 00:13:21.175

Douglas Wood: There's, of course, buying the equipment to do the measures, and then calibrating them all. So that's all under appraisal cost.

87

00:13:22.596 --> 00:13:23.686

Douglas Wood: Next slide.

88

00:13:26.576 --> 00:13:31.416

Douglas Wood: So, internal failure. Many of these costs are so obvious.

89

00:13:31.626 --> 00:13:34.765

Douglas Wood: That they're just accepted as part of normal work.

90

00:13:36.176 --> 00:13:39.876

Douglas Wood: Some organizations will attack them in an ad hoc manner.

91

00:13:40.596 --> 00:13:43.595

Douglas Wood: If you're not measuring the other parts of quality cost.

92

00:13:43.776 --> 00:13:55.886

Douglas Wood: You know, you really don't know whether you're getting a handle on it or not. So this is when services or products don't conform, and you have to do something to fix them.

93

00:13:56.086 --> 00:14:06.875

Douglas Wood: This is all prior to delivery of your product, or completion of your service. You know, scrap and rework and re-inspection. Basically, anything beginning with RE falls into this category.

94

00:14:07.316 --> 00:14:13.705

Douglas Wood: Of course, if you have product that you have to downgrade, then, and sell for less, that's part of it.

95

00:14:14.466 --> 00:14:17.795

Douglas Wood: Some cases, it's inventory scrap.

96

00:14:17.926 --> 00:14:21.616

Douglas Wood: Things you gotta throw away out of inventory because you had a design change.

97

00:14:22.116 --> 00:14:25.195

Douglas Wood: The question is, why wasn't the design right?

98

00:14:25.516 --> 00:14:33.196

Douglas Wood: So... Again, internal failure, that's often the easiest to measure, and one of the larger categories.

99

00:14:33.416 --> 00:14:34.346

Douglas Wood: Next slide.

100

00:14:35.896 --> 00:14:39.426

Douglas Wood: Now... External failure.

101

00:14:41.576 --> 00:14:55.015

Douglas Wood: These costs are partly counted as routine, but many of them are just ignored, okay? They don't... companies don't often connect these to the other part of quality costs, the prevention and appraisal.

102

00:14:55.816 --> 00:15:01.486

Douglas Wood: This has... this is like an internal failure, but it happens after you've delivered to the customer.

103

00:15:02.046 --> 00:15:13.475

Douglas Wood: And of course, once you've done that, the cost really goes up. You have to go out and fix it somehow. You know, returns, warranty claims, recalls, and...

104

00:15:13.656 --> 00:15:18.726

Douglas Wood: In some cases, if you have a significant liability cost,

105

00:15:19.196 --> 00:15:25.366

Douglas Wood: it can really, really balloon on you. So, again, these are the four categories.

106

00:15:27.916 --> 00:15:31.626

Douglas Wood: So, let's move on, and we'll turn this over to Frazier now.

107

00:15:32.106 --> 00:15:33.106

Douglas Wood: Next slide.

108

00:15:40.426 --> 00:15:41.446

Frazier Pruitt: Thank you, Doug.

109

00:15:42.276 --> 00:15:43.296

Frazier Pruitt: Alright.

110

00:15:43.946 --> 00:15:47.626

Frazier Pruitt: So, now, we're gonna talk a little bit about applying this.

111

00:15:47.766 --> 00:15:54.216

Frazier Pruitt: True cost of quality for process management. And, we'll go to the next slide.

112

00:15:55.595 --> 00:16:11.865

Frazier Pruitt: we're ju- you know, we gotta start with what we know, and we gotta start with what almost every single one of you on this webinar already know, is that the greatest quality costs aren't what's measured, they're what's missed. And if you didn't know it for quality costs, you know it for quality in general.

113

00:16:12.065 --> 00:16:23.605

Frazier Pruitt: I said, and just like Doug broke down for us a few minutes ago, Duran reminded us that there is gold in the mind, and we lost value on unseen quality problems.

114

00:16:25.826 --> 00:16:27.666

Frazier Pruitt: 90%, right?

115  
00:16:28.296 --> 00:16:34.126  
Frazier Pruitt: And if that number's a little higher, a little lower, it doesn't matter, that's... That's the opportunity here.

116  
00:16:34.716 --> 00:16:41.336  
Frazier Pruitt: Slide. So... And we also probably know that too often.

117  
00:16:41.586 --> 00:16:44.395  
Frazier Pruitt: Quality metrics explain the past.

118  
00:16:44.516 --> 00:16:49.325  
Frazier Pruitt: and don't sufficiently shape the future. Does anybody else ever feel that way?

119  
00:16:50.786 --> 00:17:05.335  
Frazier Pruitt: Put it in the chat, do you feel significantly proactive, you get into the problems before they occur, or are you too busy, you know, just firefighting and trying to keep caught up on all of those issues that continue to come through?

120  
00:17:06.636 --> 00:17:21.215  
Frazier Pruitt: I know I'm still caught up on being reactive and firefighting, even though I'm talking about how to be proactive. Knowledge is the first part, but doing it is still hard, and still takes effort.

121  
00:17:21.816 --> 00:17:27.436  
Frazier Pruitt: So... If we go to the next slide, there's...

122  
00:17:27.826 --> 00:17:45.375  
Frazier Pruitt: it's about making it happen. So, now we have research now, and this is the exciting part, is that we can start to pull this research in. So, one-third of respondents said they felt that they fully understood the impacts of quality costs on their organizational's financial performance.

123  
00:17:45.546 --> 00:17:51.146  
Frazier Pruitt: Okay, so that's not just understanding quality, that's relating it to the finances.

124  
00:17:51.426 --> 00:18:00.525  
Frazier Pruitt: And there's... and there's a little bit more on that later, that's interesting when we break it down from quality, professionals and executives. But...

125  
00:18:00.876 --> 00:18:11.305  
Frazier Pruitt: Right now, I want to get to a more important question, is how many of their folks in their organizations effectively use data to reduce financial impacts of poor quality?

126  
00:18:12.026 --> 00:18:15.745  
Frazier Pruitt: And that came in right at the same number, at that 30%.

127

00:18:16.066 --> 00:18:20.076

Frazier Pruitt: So, I don't think that 30% understanding it means that 30% get it done.

128

00:18:20.256 --> 00:18:21.875

Frazier Pruitt: I think there's a mix there.

129

00:18:22.156 --> 00:18:30.296

Frazier Pruitt: But I think that either way, it's telling us that there's a ton of opportunity, and your comments tell me that there is a ton of opportunity still out there.

130

00:18:31.296 --> 00:18:33.296

Frazier Pruitt: So, next slide.

131

00:18:36.656 --> 00:18:42.946

Frazier Pruitt: So, we kind of, you know, we can do a PDCA cycle, we can make some sort of cycle out of this, and start to...

132

00:18:43.436 --> 00:18:48.636

Frazier Pruitt: Get a... a virtuous loop going, where we can really start to drive this

133

00:18:48.786 --> 00:18:53.765

Frazier Pruitt: improvement. And it's gonna be about that investment. That's our key...

134

00:18:53.896 --> 00:19:01.585

Frazier Pruitt: That's the key spot right there, investment. And the investment's gonna drive improvement, but we need to drive the investment.

135

00:19:01.806 --> 00:19:08.076

Frazier Pruitt: So, let's start with measurement. There's some data for this. Only 11% of respondents

136

00:19:08.456 --> 00:19:11.916

Frazier Pruitt: Said that quality goals are set at all levels of their organization.

137

00:19:12.756 --> 00:19:13.566

Frazier Pruitt: Alright.

138

00:19:13.806 --> 00:19:24.245

Frazier Pruitt: Now, I'll give you that there was far more that said that they applied them some places, or even in multiple areas, but only 11%.

139

00:19:24.806 --> 00:19:26.545

Frazier Pruitt: Across the entire organization.

140  
00:19:27.426 --> 00:19:29.876  
Frazier Pruitt: So, the measurement's not there.

141  
00:19:30.676 --> 00:19:36.916  
Frazier Pruitt: And then... you can't manage what you don't measure, right? Hold it, hold it. Excellent.

142  
00:19:37.046 --> 00:19:40.616  
Frazier Pruitt: So, far more quality professionals,

143  
00:19:40.756 --> 00:19:48.066  
Frazier Pruitt: 25% admitted to not understanding the impacts of quality costs on their organization as compared to the executives.

144  
00:19:48.976 --> 00:19:49.746  
Frazier Pruitt: Nope.

145  
00:19:49.936 --> 00:19:51.436  
Frazier Pruitt: So... so we have...

146  
00:19:52.036 --> 00:20:04.656  
Frazier Pruitt: The executives are a little bit more confident, maybe, and the executives are also a little bit closer to the financial numbers, their balance sheet, and their profit and loss sheet.

147  
00:20:05.026 --> 00:20:06.536  
Frazier Pruitt: Right? So...

148  
00:20:06.976 --> 00:20:12.455  
Frazier Pruitt: This isn't... this isn't necessarily surprising, but it tells us the two sides of the coin that we can...

149  
00:20:12.666 --> 00:20:14.006  
Frazier Pruitt: work on improving.

150  
00:20:14.646 --> 00:20:20.705  
Frazier Pruitt: We need everybody understanding the effects of

151  
00:20:21.136 --> 00:20:31.035  
Frazier Pruitt: costs and quality costs on the financial performance. We need all of the executives on board, but we need more and more of the quality professionals to speak the language of the executives.

152  
00:20:31.896 --> 00:20:34.315  
Frazier Pruitt: So... That leaves that...

153

00:20:34.426 --> 00:20:52.876

Frazier Pruitt: you know, once you have measurements and you have management reacting to it, then you have your results and your insight. And more than half of respondents felt that they provide... that providing cost-to-quality results to leadership has already, it works, resulted in strategic improvements and cultural change.

154

00:20:53.286 --> 00:20:54.766

Frazier Pruitt: That's exciting.

155

00:20:55.456 --> 00:21:02.506

Frazier Pruitt: That's exciting. And if we can improve the measurement numbers, and the management understanding, and drive even more insight.

156

00:21:04.946 --> 00:21:13.225

Frazier Pruitt: then... we will, just have all the more opportunity. And so then when we get to the investment.

157

00:21:13.386 --> 00:21:22.555

Frazier Pruitt: So that's where we're headed, right? How can we be strategic and unlock the full potential of cost equality and get that whole cycle started again?

158

00:21:22.706 --> 00:21:26.046

Frazier Pruitt: Well... I think that there's a couple of things here.

159

00:21:26.536 --> 00:21:32.556

Frazier Pruitt: When leaders own the cost story, quality stops being a department and starts becoming a strategy.

160

00:21:32.706 --> 00:21:45.596

Frazier Pruitt: We've all had these thoughts, right? Is quality a department? Is quality of function? Is quality an unobservable phenomenon? Is it... is it elemental? Is it just part of its being?

161

00:21:45.976 --> 00:21:52.795

Frazier Pruitt: We can get... we can get a bit too philosophical about quality, so I... I mean, I can.

162

00:21:53.256 --> 00:22:05.175

Frazier Pruitt: But we can all... we also need to stay practical. So, the practical side, breakthrough happens when leadership asks the deeper questions, not how to measure quality, but what are our true quality costs?

163

00:22:05.796 --> 00:22:06.916

Frazier Pruitt: When we get...

164

00:22:07.316 --> 00:22:15.635

Frazier Pruitt: all the way around that loop. The questions connect the subsequent ideas in the presentation about terminology shifts, and

165  
00:22:16.026 --> 00:22:22.075  
Frazier Pruitt: We gotta get underneath that iceberg. We gotta get to the bottom, where the 90% is.

166  
00:22:23.016 --> 00:22:25.385  
Frazier Pruitt: So, next slide, please.

167  
00:22:28.876 --> 00:22:34.035  
Frazier Pruitt: Alright, so... We gotta get that loop going. We're talking about gaining acceptance.

168  
00:22:34.676 --> 00:22:38.325  
Frazier Pruitt: Does anybody have... ever have trouble gaining acceptance on a quality initiative?

169  
00:22:40.896 --> 00:22:46.946  
Frazier Pruitt: Anybody batting 100, because I'll write down your name, and, we will talk.

170  
00:22:49.926 --> 00:22:53.476  
Frazier Pruitt: Right, so 70, that's not bad. That's not bad right there.

171  
00:22:57.966 --> 00:22:58.956  
Frazier Pruitt: Alright.

172  
00:22:59.186 --> 00:23:14.686  
Frazier Pruitt: Okay, so I can't... I'm not going to solve this for you today, but I hope that I have a couple of insights and tools related to cost equality, and a little bit outside of cost equality, that are really... that you'll be able to leverage.

173  
00:23:15.146 --> 00:23:20.345  
Frazier Pruitt: Practical and a little theoretical, so you can build an understanding and take that action.

174  
00:23:20.816 --> 00:23:23.835  
Frazier Pruitt: Alright, so... We'll get a little...

175  
00:23:24.036 --> 00:23:25.396  
Frazier Pruitt: We'll get a little out there.

176  
00:23:26.246 --> 00:23:33.845  
Frazier Pruitt: Humans communicate. We're social creatures, right? And what is the earliest thing we communicated with? Symbols.

177  
00:23:34.306 --> 00:23:36.646  
Frazier Pruitt: We have prehistoric cave drawings.

178

00:23:37.026 --> 00:23:44.116

Frazier Pruitt: in, in Lesko, and then Cave of the Bulls, and these... that's where it started.

179

00:23:45.336 --> 00:23:57.706

Frazier Pruitt: And then we developed language, so we can communicate even more nuance and more completely. We developed writing, so that we can store that information. We developed numbers.

180

00:23:57.706 --> 00:24:16.386

Frazier Pruitt: So we can quantify that. We didn't call it quantifying that, I suppose, but we started accounting things, accounting for things, understanding things, and now mathematics is, is huge, and we understand statistical control, and amazing tools that we have to understand and describe our environment.

181

00:24:17.736 --> 00:24:19.475

Frazier Pruitt: But there's another part to it.

182

00:24:19.796 --> 00:24:21.796

Frazier Pruitt: Those prehistoric cave drawings.

183

00:24:22.366 --> 00:24:25.276

Frazier Pruitt: if you've ever looked at them, I wish I... if I was...

184

00:24:25.396 --> 00:24:27.516

Frazier Pruitt: planning ahead, I would have gave you a picture of it.

185

00:24:28.156 --> 00:24:32.766

Frazier Pruitt: I think that there's something... there's an emotional draw to it.

186

00:24:33.076 --> 00:24:34.486

Frazier Pruitt: You can feel...

187

00:24:34.726 --> 00:24:41.375

Frazier Pruitt: the movement. They're very primitive, they're not realistic. You almost have to be told what they are sometimes.

188

00:24:41.506 --> 00:24:45.176

Frazier Pruitt: But they... they convey something.

189

00:24:46.926 --> 00:24:51.106

Frazier Pruitt: And because the other part to communication is that there is story.

190

00:24:53.176 --> 00:24:58.886

Frazier Pruitt: There's always story. So we have language to communicate, we have numbers to quantify.

191  
00:25:12.686 --> 00:25:16.456  
Michael Sullivan: Oh, looks like he has a technical issue, let's just let him catch up a second.

192  
00:25:21.186 --> 00:25:27.676  
Frazier Pruitt: Sorry, a blazing loud speaker that nobody else wanted to hear. So, we will... we'll continue.

193  
00:25:28.916 --> 00:25:34.446  
Frazier Pruitt: So... there's a story, and we communicate with story, and...

194  
00:25:37.126 --> 00:25:42.325  
Frazier Pruitt: This is what... this is one of the things that can help us connect leadership to the bottom line.

195  
00:25:43.006 --> 00:25:43.896  
Frazier Pruitt: So...

196  
00:25:44.776 --> 00:25:53.545  
Frazier Pruitt: I think the next stop is... there's some words on this screen, you can read those, but the next stop is to talk about the fundamentals and the terminology that we're using.

197  
00:25:54.216 --> 00:26:00.815  
Frazier Pruitt: So... we can convey so much more, I think, with a little different language.

198  
00:26:01.066 --> 00:26:09.515  
Frazier Pruitt: And now the old PFA was fantastic. There... and it means so much, because we've been using it

199  
00:26:10.136 --> 00:26:18.475  
Frazier Pruitt: for decades, and there's a lot of value in that. I don't think Doug nor I advocate losing that value.

200  
00:26:19.016 --> 00:26:35.876  
Frazier Pruitt: But there's some new value that we can find, and especially when we're talking with executives and such, and new folks, that aren't familiar with it, that haven't worked with these terms and these understandings and built processes in the past, we can catch them up a lot faster by changing our language.

201  
00:26:36.516 --> 00:26:37.835  
Frazier Pruitt: So, slide.

202  
00:26:41.546 --> 00:26:43.695  
Frazier Pruitt: First one is prevention.

203  
00:26:44.346 --> 00:26:46.836  
Frazier Pruitt: Prevention. So, prevention, again, we...

204  
00:26:47.406 --> 00:27:02.625  
Frazier Pruitt: PFA comes from the old, manufacturing. We're talking about, you know, Bell Labs-type stuff, Hawthorne-type stuff. We're, we're making telephones, we're making, World War II equipment.

205  
00:27:03.546 --> 00:27:07.896  
Frazier Pruitt: prevention. We want to prevent the defects. Good. That's still true.

206  
00:27:08.356 --> 00:27:14.156  
Frazier Pruitt: But the way that we've developed this is it really has become an investment.

207  
00:27:14.786 --> 00:27:22.226  
Frazier Pruitt: And that's how... The folks that are most effective using Cost of Quality view it.

208  
00:27:22.466 --> 00:27:25.405  
Frazier Pruitt: You don't typically lump,

209  
00:27:25.816 --> 00:27:34.696  
Frazier Pruitt: Oftentimes, it does, but it's out of neglect, not out of best practice. But you don't lump the investment with the others and say, I'm going to reduce them all.

210  
00:27:35.416 --> 00:27:48.675  
Frazier Pruitt: No, there's a cause and effect here. And so you're looking at the bigger categories, your failures, and your external costs, and you say, I want to reduce those, and you do it by adding a little bit on the investment side.

211  
00:27:48.986 --> 00:27:50.385  
Frazier Pruitt: And that pays off.

212  
00:27:51.136 --> 00:27:51.956  
Frazier Pruitt: So...

213  
00:27:53.036 --> 00:28:00.566  
Frazier Pruitt: So that's why... so all of a sudden, when you're... you're not saying, hey, I want to spend more money on prevention.

214  
00:28:00.946 --> 00:28:07.525  
Frazier Pruitt: People can relate to that, they get it, but I think you skip a couple cognitive steps if you say, I want to invest.

215  
00:28:07.916 --> 00:28:10.086  
Frazier Pruitt: And I want to invest this money here.

216  
00:28:12.816 --> 00:28:18.605  
Frazier Pruitt: And we're doing... we're doing good on time. So, Doug, did you have anything to add? I'll give you a shot to add for each of these slides, okay.

217  
00:28:18.966 --> 00:28:22.226  
Frazier Pruitt: Jump in if you do. I didn't tell him I was gonna give them time to do this, so...

218  
00:28:22.846 --> 00:28:23.936  
Frazier Pruitt: There's no pressure.

219  
00:28:24.126 --> 00:28:25.056  
Frazier Pruitt: Alright.

220  
00:28:25.306 --> 00:28:26.616  
Frazier Pruitt: Alright, next slide.

221  
00:28:28.356 --> 00:28:29.486  
Frazier Pruitt: appraisal.

222  
00:28:29.666 --> 00:28:37.766  
Frazier Pruitt: Boy, appraisal is probably... It's probably the one that... That triggered the whole...

223  
00:28:37.966 --> 00:28:40.826  
Frazier Pruitt: The idea that we needed a language update.

224  
00:28:41.006 --> 00:28:46.176  
Frazier Pruitt: Because what is appraisal? You're evaluating things that are already done.

225  
00:28:46.666 --> 00:28:54.146  
Frazier Pruitt: And today... and that's how we did it, in manufacturing, and years ago. And we still do that today.

226  
00:28:54.516 --> 00:29:09.055  
Frazier Pruitt: But, we have connected devices, we have 4.0, we have sensors that can... that can measure, I don't know, like 600 Coke cans a second. Like, this is real-time data now, and it's amazing. And so.

227  
00:29:09.326 --> 00:29:13.386  
Frazier Pruitt: I think a better approach to this is calling it monitoring.

228  
00:29:13.706 --> 00:29:19.956  
Frazier Pruitt: We're monitoring our processes. That's the better thing to do, right? Not just the product. We're gonna monitor the process.

229  
00:29:20.096 --> 00:29:30.205  
Frazier Pruitt: We're gonna control chart not just the outputs, but some of the inputs, and see if we can see some special causes, assignable causes, catch them before they even impact

230  
00:29:30.546 --> 00:29:31.476  
Frazier Pruitt: the product.

231  
00:29:32.006 --> 00:29:34.915  
Frazier Pruitt: So that's our monitoring. It's also, also monitoring

232  
00:29:35.326 --> 00:29:40.226  
Frazier Pruitt: Is a fantastic change when you're not talking about manufacturing.

233  
00:29:41.086 --> 00:29:48.515  
Frazier Pruitt: Because who... who talks about appraisal when you're evaluating an advertising campaign?

234  
00:29:48.676 --> 00:29:50.886  
Frazier Pruitt: When you're writing software.

235  
00:29:51.196 --> 00:29:55.165  
Frazier Pruitt: When you're, working in construction.

236  
00:29:55.296 --> 00:30:00.126  
Frazier Pruitt: Like... They don't... They don't hit the same. Doug?

237  
00:30:00.496 --> 00:30:01.356  
Douglas Wood: Healthcare.

238  
00:30:01.486 --> 00:30:02.666  
Frazier Pruitt: Healthcare.

239  
00:30:03.696 --> 00:30:05.286  
Frazier Pruitt: Fantastic example.

240  
00:30:05.396 --> 00:30:20.085  
Frazier Pruitt: And a fantastic example in a lot of cases, because we have seen them catching up rapidly to what manufacturing has done, and we all visit occasionally, so we can see it on the walls and such.

241  
00:30:20.506 --> 00:30:21.706  
Frazier Pruitt: Alright, next slide.

242  
00:30:24.206 --> 00:30:25.446  
Frazier Pruitt: Waste.

243  
00:30:26.226 --> 00:30:30.396  
Frazier Pruitt: Waste is... this one is my favorite. So we had internal failure.

244  
00:30:31.066 --> 00:30:36.326  
Frazier Pruitt: Internal failure, okay, that's descriptive, we get the idea. They are internal failures.

245  
00:30:36.676 --> 00:30:42.616  
Frazier Pruitt: But we have this... Somebody has done so much work for us that we can take advantage of.

246  
00:30:43.126 --> 00:30:50.706  
Frazier Pruitt: And it's... lean, it's the Toyota way, it's all of those developments

247  
00:30:51.346 --> 00:31:03.155  
Frazier Pruitt: Over the past two, two and a half decades, three decades, depending where you want to start from, of developing lean language and lean training. And lean training has...

248  
00:31:03.546 --> 00:31:20.456  
Frazier Pruitt: you know, at some levels and in some organizations, gotten outside of the quality department, and it's reached executives, and people got excited about it. And then people kind of got decisive... divisive about it. You know, we have arguments on TV about just-in-time manufacturing.

249  
00:31:20.836 --> 00:31:25.026  
Frazier Pruitt: That's amazing! They said, just in time, on the news.

250  
00:31:25.256 --> 00:31:26.546  
Frazier Pruitt: The nightly, you know.

251  
00:31:26.676 --> 00:31:32.545  
Frazier Pruitt: the 6 o'clock news. And they didn't understand it all the way, but that's not their fault.

252  
00:31:33.206 --> 00:31:44.806  
Frazier Pruitt: That happens all the time. But just the fact that it made it there, like, that's... that's amazing. I haven't seen that since... since, you know, I wasn't old enough to see Deming on TV. But, but he did the same thing, so...

253  
00:31:45.146 --> 00:31:50.855  
Frazier Pruitt: Okay, so... Sorry, I'll bring it back down. We... we... we're really excited to...

254  
00:31:51.366 --> 00:31:54.005  
Frazier Pruitt: To advocate the use of the word waste.

255  
00:31:54.256 --> 00:31:56.285  
Frazier Pruitt: Instead of internal failure cost.

256  
00:31:56.476 --> 00:31:59.965  
Frazier Pruitt: Waste puts us so far ahead of the game.

257  
00:32:01.926 --> 00:32:14.635  
Frazier Pruitt: Because people know what it means. And if they don't, there's training available, and we can get people up to speed. And if you were doing waste, if you're doing internal failure, you might just count rework, scrap.

258  
00:32:16.416 --> 00:32:28.196  
Frazier Pruitt: Okay, that's good, but there's so much more, and waste describes that. So, I always like the Tim Woods, right? And there's a couple others that we can use. But, so, what other waste do we have?

259  
00:32:28.266 --> 00:32:47.875  
Frazier Pruitt: oh my gosh, this just opens it up that we can talk about transportation waste, we can talk about inventory, motion, waiting, waiting waste, oh, so good. Overproduction, over-processing, over-process, interesting one, right? And then we still have defects, and we open up this opportunity to talk about skills and gaps there.

260  
00:32:48.046 --> 00:32:55.605  
Frazier Pruitt: So... This... it just... it... the word waste brings so much more to the table.

261  
00:32:55.735 --> 00:33:04.905  
Frazier Pruitt: That, I think everybody should try. Yeah, Downtime works, too. That's the other popular one. I learned Tim Woods first, so it's just kind of what stuck with me. But,

262  
00:33:05.296 --> 00:33:07.976  
Frazier Pruitt: a 601, I suppose.

263  
00:33:09.116 --> 00:33:10.786  
Frazier Pruitt: Alright, next slide.

264  
00:33:12.076 --> 00:33:13.006  
Frazier Pruitt: Okay.

265  
00:33:13.635 --> 00:33:15.026  
Frazier Pruitt: This is the tricky one.

266  
00:33:15.306 --> 00:33:18.376  
Frazier Pruitt: We got, external failure.

267

00:33:18.536 --> 00:33:25.325

Frazier Pruitt: Right? That was always a big... that's a big cat... expensive category. Hopefully it's not big in, you know, quantities. But,

268

00:33:25.476 --> 00:33:28.915

Frazier Pruitt: We're recommending right now downstream consequences.

269

00:33:29.306 --> 00:33:33.185

Frazier Pruitt: And... It's a little awkward of a term.

270

00:33:33.456 --> 00:33:44.155

Frazier Pruitt: We didn't find anything better yet. We'll take suggestions. But it's, it's descriptive, and it's inclusive of a lot more than just that external failure.

271

00:33:44.606 --> 00:33:47.406

Frazier Pruitt: So...

272

00:33:47.916 --> 00:33:58.755

Frazier Pruitt: It lets us talk about, yes, the failures, yes, anything that has to be returned, the cost of shipping it back, the loss of confidence.

273

00:33:59.016 --> 00:34:00.096

Frazier Pruitt: the...

274

00:34:00.226 --> 00:34:08.735

Frazier Pruitt: The... maybe the loss of another sale, the loss of a return customer. Just, yes. Yeah, you guys list them. List them. What else you guys have?

275

00:34:09.906 --> 00:34:12.115

Frazier Pruitt: I'll open this so I can see, too.

276

00:34:16.246 --> 00:34:18.365

Frazier Pruitt: Customer impact, escapes.

277

00:34:18.746 --> 00:34:20.186

Frazier Pruitt: Customer returns.

278

00:34:20.596 --> 00:34:24.185

Frazier Pruitt: Yeah, and then... and there's costs inside... oh, social media...

279

00:34:24.646 --> 00:34:31.335

Frazier Pruitt: Ratings. Recalls is a different way of having a customer return. Actually, a really expensive way to do it.

280

00:34:32.276 --> 00:34:36.746

Frazier Pruitt: Premature failure is a great example, because that's...

281

00:34:36.966 --> 00:34:52.455

Frazier Pruitt: you don't always measure that right away, and maybe it's even outside of the warranty, so you're not taking it back, but it still costs you. It costs you a reputation. Maybe it gets you another sale right away, but as quality folks, we probably know that's not the sustainable, long-term relationship that we want to create.

282

00:34:53.136 --> 00:34:54.786

Frazier Pruitt: Alright, next slide.

283

00:34:59.266 --> 00:35:05.586

Frazier Pruitt: So, we're gonna think strategically. So, we kind of talked about this. We want to get We...

284

00:35:06.026 --> 00:35:16.856

Frazier Pruitt: we wanted to get the leadership on board so we could use the new investment, and we could get some... some, virtuous cycles happening here. And

285

00:35:17.226 --> 00:35:20.366

Frazier Pruitt: So, that language was the base layer.

286

00:35:20.626 --> 00:35:39.415

Frazier Pruitt: It doesn't... it's not gonna fix anything for us. I think it makes things a little more clear, makes them a little bit easier. And going forward, what I have for you is some... some cherry-picked ideas. They're not a cohesive, comprehensive plan. They do fit together, just not explicitly.

287

00:35:40.466 --> 00:35:50.966

Frazier Pruitt: And but I wanted to make sure that in the time we had together today, that we hit some highlights, some highlights for newcomers. You know, Dave... David went through... sorry, Doug.

288

00:35:51.646 --> 00:36:02.855

Frazier Pruitt: what I just did. Doug, we... Doug went through the definitions, so anybody that's really new to this is... just take that and run with that, because that's hugely valuable.

289

00:36:03.066 --> 00:36:10.086

Frazier Pruitt: Then we're gonna... Jump into, some experience... some takeaways for experienced practitioners.

290

00:36:11.516 --> 00:36:17.066

Frazier Pruitt: So... We gotta strategically align that language.

291

00:36:17.226 --> 00:36:21.196

Frazier Pruitt: The main idea here is to get inside the heads of your executives.

292  
00:36:21.586 --> 00:36:26.216  
Frazier Pruitt: You want to talk about cost of quality in terms that they already use.

293  
00:36:26.696 --> 00:36:30.816  
Frazier Pruitt: And some of these aren't foreign to us, but some of them are a little different.

294  
00:36:31.156 --> 00:36:34.595  
Frazier Pruitt: So we've got, we've got process KPIs.

295  
00:36:34.916 --> 00:36:37.455  
Frazier Pruitt: Does anybody use Balanced Scorecard?

296  
00:36:39.006 --> 00:36:41.836  
Frazier Pruitt: Balanced scorecard is a phenomenon on its own.

297  
00:36:42.206 --> 00:36:52.615  
Frazier Pruitt: Yeah, and, I think it's developed wonderfully. It's an interesting business case study of, of going from, kind of research

298  
00:36:52.766 --> 00:36:54.616  
Frazier Pruitt: through,

299  
00:36:55.606 --> 00:37:03.816  
Frazier Pruitt: through the management consultants and getting widespread so quickly. Yeah, and then OKRs are the... are the name now.

300  
00:37:03.946 --> 00:37:06.376  
Frazier Pruitt: From some... from some software companies.

301  
00:37:07.046 --> 00:37:09.676  
Frazier Pruitt: and Net Promoter Scores, I like that, too.

302  
00:37:10.006 --> 00:37:13.476  
Frazier Pruitt: So... Getting in front of those.

303  
00:37:13.946 --> 00:37:16.095  
Frazier Pruitt: How can we relate those?

304  
00:37:16.486 --> 00:37:19.326  
Frazier Pruitt: Terms to our cost of quality.

305  
00:37:20.056 --> 00:37:24.105  
Frazier Pruitt: How can we... risk is a big...

306  
00:37:24.616 --> 00:37:27.775  
Frazier Pruitt: talking point in today's world. So...

307  
00:37:27.896 --> 00:37:30.476  
Frazier Pruitt: Where can we do that? Where can we bring...

308  
00:37:30.806 --> 00:37:36.865  
Frazier Pruitt: In our risk understanding, risk mitigation, risk acceptance, when appropriate.

309  
00:37:37.606 --> 00:37:43.046  
Frazier Pruitt: when quality... when you start to...

310  
00:37:45.306 --> 00:37:49.256  
Frazier Pruitt: use some of these linkages. You can get things on the same

311  
00:37:49.926 --> 00:37:57.206  
Frazier Pruitt: table as other... as other projects and initiatives. So when you start calling things investments.

312  
00:37:57.556 --> 00:38:04.966  
Frazier Pruitt: You're driving towards that investment, you might have a shot at getting evaluated, not as a quality project, but as an investment

313  
00:38:05.186 --> 00:38:11.815  
Frazier Pruitt: equal to all others. And then you calculate your ROI, and you calculate your return, and

314  
00:38:12.146 --> 00:38:16.846  
Frazier Pruitt: We got some really... there's some really good tools on there that didn't make it into this presentation.

315  
00:38:17.606 --> 00:38:18.986  
Frazier Pruitt: And,

316  
00:38:20.206 --> 00:38:26.235  
Frazier Pruitt: We can get all of those, and we can start to really do the same math that our accounting friends are doing.

317  
00:38:26.366 --> 00:38:43.035  
Frazier Pruitt: And then we can integrate, cost of quality into everything. So we managed... we mentioned scorecards again, but this is where we get the training and monitoring as leading indicators, and lagging as margin, loyalty, and maybe that NPS score that somebody mentioned.

318  
00:38:43.166 --> 00:38:44.426  
Frazier Pruitt: Alright, next slide.

319  
00:38:50.366 --> 00:38:53.335  
Frazier Pruitt: Okay, so, use of accounting support.

320  
00:38:53.486 --> 00:39:07.326  
Frazier Pruitt: Before you dive into detailed planning, an accounting representative should be assigned, whether full-time or part-time, to work with the program leader. If a finance co-leader is not previously appointed, you know, this is an essential step. You need...

321  
00:39:07.526 --> 00:39:18.115  
Frazier Pruitt: Can it be done without it? Has it been done without these folks? Absolutely. But this individual can really help bridge the gap between the accounting practices and the needs of the Quality Cost Program.

322  
00:39:18.366 --> 00:39:31.566  
Frazier Pruitt: Later, it's going to play a key role in being able to make sure your program is enterprise-wide, and is gonna give it a sense of reliability when it works within the accounting framework.

323  
00:39:31.676 --> 00:39:33.566  
Frazier Pruitt: And, you know, maybe it's the

324  
00:39:33.726 --> 00:39:48.156  
Frazier Pruitt: kind of the reporting accounting, but probably even better is the management accounting, because you've got two sides to that organization, and big enough organizations, and the management accounting is where we make decisions, and that's where we want to be tied into.

325  
00:39:48.476 --> 00:40:05.995  
Frazier Pruitt: Your ideal candidate for this one is not just financial expertise, but an open-mindedness and a process improvement, and I was hesitant early in my career, but more and more financial folks that I run into, they do have a mind for continuous improvement. They just come at it from 90 different... 90 degrees from where I am.

326  
00:40:05.996 --> 00:40:09.456  
Frazier Pruitt: And, once I recognized that, I just figured, we are going...

327  
00:40:09.566 --> 00:40:13.635  
Frazier Pruitt: We are trying to hit the same... go the same place, just a little different.

328  
00:40:14.006 --> 00:40:16.086  
Frazier Pruitt: Little different angle. So...

329  
00:40:17.506 --> 00:40:26.906  
Frazier Pruitt: Let's see, some other takeaways from here is, again, try not to cherry-pick. There is a piloting process I'm going to talk about, so maybe you're not doing everything all at once.

330  
00:40:27.056 --> 00:40:31.165  
Frazier Pruitt: But... You want to make sure that you have

331  
00:40:31.546 --> 00:40:35.856  
Frazier Pruitt: The widest array of possible things you can include, and...

332  
00:40:36.006 --> 00:40:42.496  
Frazier Pruitt: You know, it's okay to exclude things that are really hard to measure if it's... if the juice isn't worth the squeeze.

333  
00:40:42.836 --> 00:40:44.016  
Frazier Pruitt: That is okay.

334  
00:40:44.656 --> 00:40:51.765  
Frazier Pruitt: Alright, that's enough of accounting. Run a pilot program. Oh my gosh, okay, so this one, this just makes sense, right?

335  
00:40:52.016 --> 00:40:55.896  
Frazier Pruitt: Everybody already knew this. Who already knew this? Put it in the chat.

336  
00:40:57.206 --> 00:40:58.786  
Frazier Pruitt: Just a good idea.

337  
00:40:59.046 --> 00:41:05.556  
Frazier Pruitt: But you know what? I leave it in here, because although it makes sense, although it's pretty obvious.

338  
00:41:06.046 --> 00:41:07.496  
Frazier Pruitt: It's pressure.

339  
00:41:07.706 --> 00:41:24.385  
Frazier Pruitt: gets to us, we can get overwhelmed. Somebody's... they... they want to cost a quality program by... and by the end of the year, so it could start on January 1st. That's a lot of pressure. You're trying to make your quality program, and the initial thoughts are making it organization-wide, and you have

340  
00:41:24.556 --> 00:41:27.535  
Frazier Pruitt: 40 to 400 facilities around the world.

341  
00:41:27.666 --> 00:41:32.755  
Frazier Pruitt: overwhelming, right? Okay, so let's just start with a pilot program.

342  
00:41:33.046 --> 00:41:36.635  
Frazier Pruitt: And and then your pilot program can be two sides to this one.

343  
00:41:37.136 --> 00:41:44.496  
Frazier Pruitt: One, you could use this for anything, but in a quality process, you can use it to convince everybody that it's a good idea.

344  
00:41:45.196 --> 00:41:53.146  
Frazier Pruitt: Or, if they're already convinced, then you're just gonna use your pilot program to figure out the nuances of how you're gonna execute this.

345  
00:41:53.376 --> 00:41:58.676  
Frazier Pruitt: So... Start with where conta- where information is available.

346  
00:41:58.816 --> 00:42:08.605  
Frazier Pruitt: Get your accounting on board, like we just talked about, so we can pull it right out of your ERP systems, do a RACI chart so you'll understand who owns what, and...

347  
00:42:08.786 --> 00:42:15.585  
Frazier Pruitt: Make sure the improvement potential is high. And I think you should be able to prove that, especially if you're coming from little to nothing.

348  
00:42:16.156 --> 00:42:20.645  
Frazier Pruitt: Always use your PDCA cycles, right? Even a pilot program

349  
00:42:20.876 --> 00:42:25.765  
Frazier Pruitt: Can be multiple cycles in itself, and especially because it's going to be easy to fix from that.

350  
00:42:26.126 --> 00:42:32.625  
Frazier Pruitt: And you need very strong sponsorship, so this is a place to prove it, and to get them on board, including your...

351  
00:42:33.026 --> 00:42:41.846  
Frazier Pruitt: your high-level leadership in the conversations and the design, as much as they're, able and interested.

352  
00:42:42.016 --> 00:42:46.496  
Frazier Pruitt: Because they... if they feel a little bit of ownership in it, if you just at least...

353

00:42:47.206 --> 00:42:52.666

Frazier Pruitt: show them what you're working on, and take their points. Hey, I think we should include this.

354

00:42:52.866 --> 00:43:10.305

Frazier Pruitt: Get it in there. That gets everybody on board, and it's probably not a bad metric to have. Communicate broadly. Early evidence builds momentum, secures leadership sponsors, not covered here, but when you go to expand this, huge fan of the Cotter 8 Steps model.

355

00:43:10.416 --> 00:43:17.266

Frazier Pruitt: So you can look that up, or find me, I'll talk about it all day to you.

356

00:43:17.616 --> 00:43:25.106

Frazier Pruitt: And but that, you know, that kind of builds onto the pilot and how you keep moving, these sorts of initiatives.

357

00:43:26.306 --> 00:43:27.786

Frazier Pruitt: Alright, next slide.

358

00:43:29.456 --> 00:43:35.856

Frazier Pruitt: So not just for manufacturing anymore. I gave that away when we were talking about the definition and the word changes.

359

00:43:36.036 --> 00:43:45.176

Frazier Pruitt: But there is... We... we can learn things from these other industries, and that's... and...

360

00:43:45.356 --> 00:43:53.515

Frazier Pruitt: part of what Doug and I were finding, through a lot of the research and reading all of these papers is that

361

00:43:53.866 --> 00:44:03.565

Frazier Pruitt: Others were... were executing cost to quality, but they... they were finding They had different challenges, and...

362

00:44:03.676 --> 00:44:08.816

Frazier Pruitt: The ability to overcome those challenges informs the way

363

00:44:09.056 --> 00:44:12.246

Frazier Pruitt: We can implement them everywhere else.

364

00:44:12.826 --> 00:44:25.146

Frazier Pruitt: So, if construction has a unique challenge, that's gonna help construction fix it out, and that's also gonna give me really interesting clues if I... of this obstacle.

365

00:44:25.476 --> 00:44:28.376

Frazier Pruitt: In my traditional manufacturing space.

366

00:44:28.546 --> 00:44:31.406

Frazier Pruitt: just really interesting. So,

367

00:44:32.076 --> 00:44:36.926

Frazier Pruitt: Again, it would take... it would take hours to... to go through all this deeply, but the... the...

368

00:44:37.946 --> 00:44:41.555

Frazier Pruitt: The part to what your whistle to get you interested is construction.

369

00:44:41.726 --> 00:44:51.965

Frazier Pruitt: The feedback... you know, manufacturing has a long feedback loop. That's why we're bureaucratic organizations, and not in the negative sense, just out of necessity. That's why we have documentation, that's why we have quality systems, right?

370

00:44:52.566 --> 00:45:00.766

Frazier Pruitt: construction is even longer, and they only get one shot at it. It's incredible. It is so much focused on planning.

371

00:45:00.946 --> 00:45:08.955

Frazier Pruitt: And, evaluating that plan, and then being able to adjust, but not the same way that software has to adjust.

372

00:45:09.586 --> 00:45:22.705

Frazier Pruitt: So software, really latched onto this agile project management, and so they're able to break those large projects down into smaller projects and do their sprints, and then they can learn after each one of them and iterate.

373

00:45:22.916 --> 00:45:31.345

Frazier Pruitt: And, both of those affect cost equality, and equality in general, in different ways, and I recommend everybody to at least just

374

00:45:31.596 --> 00:45:37.246

Frazier Pruitt: Thought experiment with this, and say, what would you do differently if

375

00:45:37.386 --> 00:45:40.895

Frazier Pruitt: If you... it took you 2 years to make a product.

376

00:45:41.856 --> 00:45:44.126

Frazier Pruitt: What would you do differently if you...

377

00:45:44.826 --> 00:45:56.735

Frazier Pruitt: could go back and do a minimal viable product, and just do little bits and add on more and more. Again, probably not exactly practical, but you could do a little thought experiment.

378

00:45:57.196 --> 00:46:12.655

Frazier Pruitt: And so, some of the takeaways are, just so you make sure to leave something valuable, is the construction. We find that the cost of the investment relationship to the final failure cost is even greater than in manufacturing.

379

00:46:13.076 --> 00:46:18.606

Frazier Pruitt: They, they, I think they estimated at 100 to 1, and...

380

00:46:18.766 --> 00:46:21.585

Frazier Pruitt: And internal costs are expensive as well.

381

00:46:21.846 --> 00:46:32.786

Frazier Pruitt: Software is fascinating because its output is both a product and a service, depending on how you're looking at it that day, or depending on how you're interacting with it.

382

00:46:32.916 --> 00:46:39.066

Frazier Pruitt: it, it opens up some interesting... interesting conversations.

383

00:46:41.536 --> 00:46:43.026

Frazier Pruitt: Alright, next slide.

384

00:46:45.746 --> 00:46:49.296

Frazier Pruitt: Alright, so this... this is where we're... we're starting to wrap it up.

385

00:46:49.416 --> 00:46:52.716

Frazier Pruitt: And... I, I've hoped that,

386

00:46:53.066 --> 00:47:01.555

Frazier Pruitt: I've conveyed you more than a little bit of enthusiasm. I think the enthusiasm came through, because I got excited talking with all of you today. But,

387

00:47:02.146 --> 00:47:13.195

Frazier Pruitt: The new terminology, strategic alignment, partnership with the financial part of your organizations, piloting, cross-industry reach, all serves one aim.

388

00:47:13.836 --> 00:47:16.206

Frazier Pruitt: Visible action on the invisible costs.

389  
00:47:16.686 --> 00:47:18.535  
Frazier Pruitt: I had to read that one, because it's pretty good.

390  
00:47:18.916 --> 00:47:24.226  
Frazier Pruitt: The next step... Moves cost equality from analysis to accountability.

391  
00:47:24.846 --> 00:47:28.666  
Frazier Pruitt: from the... Understanding it at 30%.

392  
00:47:28.946 --> 00:47:30.075  
Frazier Pruitt: Pushing that up.

393  
00:47:30.596 --> 00:47:32.146  
Frazier Pruitt: to executing.

394  
00:47:32.506 --> 00:47:34.766  
Frazier Pruitt: At greater than 33%.

395  
00:47:35.326 --> 00:47:36.736  
Frazier Pruitt: That's where we're going.

396  
00:47:37.026 --> 00:47:37.836  
Frazier Pruitt: And...

397  
00:47:37.946 --> 00:47:48.946  
Frazier Pruitt: I think that there's a groundswell right now. I think there's an interest in cost equality. I think the number of people that signed up here, and you all took time out of your day to,

398  
00:47:49.476 --> 00:48:02.625  
Frazier Pruitt: listen to Doug and I talk about this. And then even better, you have the opportunity to download the IOE report and get some of this information for yourselves. Super...

399  
00:48:03.016 --> 00:48:04.276  
Frazier Pruitt: Super exciting.

400  
00:48:05.076 --> 00:48:12.515  
Frazier Pruitt: yeah, as we drive quality, not just being a department, but being leadership discipline.

401  
00:48:12.846 --> 00:48:13.876  
Frazier Pruitt: Next slide.

402  
00:48:18.596 --> 00:48:20.535  
Frazier Pruitt: True cost to quality reveals potential.

403  
00:48:20.846 --> 00:48:21.936  
Frazier Pruitt: Not loss.

404  
00:48:22.126 --> 00:48:26.026  
Frazier Pruitt: Right? That's what we fight in quality. We're the problems department.

405  
00:48:26.326 --> 00:48:31.535  
Frazier Pruitt: We were the fix-it department. Everybody said, you know, what did you do today? Well, we...

406  
00:48:31.666 --> 00:48:33.855  
Frazier Pruitt: People brought us problems, we fixed problems.

407  
00:48:34.046 --> 00:48:41.836  
Frazier Pruitt: Every improvement adds to the next, and those improvements can compound over time when we think about excellence and not just quality.

408  
00:48:42.036 --> 00:48:46.366  
Frazier Pruitt: And we reframe it, excuse me. It's still quality.

409  
00:48:47.136 --> 00:48:52.266  
Frazier Pruitt: And excellence practice consistently compound into a lasting habit. So, last, I have one more...

410  
00:48:52.416 --> 00:48:54.196  
Frazier Pruitt: Part of the research for you.

411  
00:48:54.416 --> 00:49:04.586  
Frazier Pruitt: In the 2025 IoE research, more than half the respondents felt that their quality cost results providing...

412  
00:49:04.706 --> 00:49:11.926  
Frazier Pruitt: Excuse me, felt that providing quality cost results to their leadership resulted in strategic improvement and cultural change.

413  
00:49:12.726 --> 00:49:14.736  
Frazier Pruitt: That's... that's important.

414  
00:49:16.376 --> 00:49:21.775  
Frazier Pruitt: And believing it doesn't exactly make it true in the research sense, but I...

415

00:49:22.056 --> 00:49:25.575

Frazier Pruitt: Would challenge anybody to not want to do that.

416

00:49:26.456 --> 00:49:32.836

Frazier Pruitt: Did not want to take the chance on that to... Not take these opportunities.

417

00:49:33.316 --> 00:49:48.706

Frazier Pruitt: Going forward, we're so excited to... to be a part of this research, because this snapshot is incredibly, incredibly valuable, but it pales in comparison to what we are going to be looking at when...

418

00:49:49.206 --> 00:50:08.746

Frazier Pruitt: when we are, and all of you are, looking at this as a longitudinal study over years and decades, understanding geographic changes, leadership changes, and the relationships to cost equality, this is our... this is our opportunity to impact our organizations, and I'm just very ex...

419

00:50:09.956 --> 00:50:13.475

Frazier Pruitt: honored to be a part of this with you.

420

00:50:14.536 --> 00:50:17.395

Frazier Pruitt: And, I, I... that concludes the

421

00:50:17.936 --> 00:50:21.415

Frazier Pruitt: presentation, I think it was the next slide, make sure I didn't miss anything.

422

00:50:21.696 --> 00:50:23.775

Michael Sullivan: No, you're right on target, so... Questions?

423

00:50:23.776 --> 00:50:24.626

Frazier Pruitt: Okay.

424

00:50:24.976 --> 00:50:44.785

Michael Sullivan: Let me get... there's a little bit of a lag with the cookie, so sorry about the slides, kind of lags a little bit. I do actually think there was a high engagement based on all of those... those people that were commenting in and adding in, so thank you for that. That engagement is so great to see, shows us that we're doing the right thing. I have a question here, and...

425

00:50:44.956 --> 00:50:59.065

Michael Sullivan: you know, you both may want to answer it, or one or two of you, or one of you. Some organizations include their quality department budget, including salaries, regular expenses, etc, as part of their organization's Cost of Quality.

426

00:50:59.206 --> 00:51:08.196

Michael Sullivan: Doug or Frazier, do you have... do you think this is a valid component as an organization of the CQT?

427  
00:51:09.336 --> 00:51:10.846  
Michael Sullivan: Doug's like, ding, ding.

428  
00:51:12.236 --> 00:51:19.135  
Douglas Wood: The quality department actually fits three of those categories.

429  
00:51:19.346 --> 00:51:25.076  
Douglas Wood: You know, the training the quality department does. Well, that's all investment for prevention.

430  
00:51:25.276 --> 00:51:29.606  
Douglas Wood: The inspection, or audits, the quality department does.

431  
00:51:29.846 --> 00:51:32.036  
Douglas Wood: Well, that's monitoring.

432  
00:51:32.346 --> 00:51:34.885  
Douglas Wood: Okay? And, and then the,

433  
00:51:35.476 --> 00:51:39.636  
Douglas Wood: A lot of times, quality departments are engaged in repair work.

434  
00:51:39.946 --> 00:51:50.595  
Douglas Wood: You know, handling sub-grade incoming materials, or fixing things that are broken. And that's repair, and that would be waste.

435  
00:51:50.856 --> 00:51:54.986  
Douglas Wood: So... The good part is, It's...

436  
00:51:55.206 --> 00:52:00.815  
Douglas Wood: The quality department running this whole program can easily figure out what those splits are.

437  
00:52:02.696 --> 00:52:04.506  
Frazier Pruitt: Now, let me just add that

438  
00:52:04.826 --> 00:52:13.626  
Frazier Pruitt: I think where the question came from is a little bit of fear, and a little bit of, hey, if I put this in the bucket, they're gonna ask me for a 20% decrease.

439  
00:52:14.056 --> 00:52:22.236  
Frazier Pruitt: And in my experience, that is a very real, concern. And I would... I would be...

440  
00:52:22.506 --> 00:52:31.056  
Frazier Pruitt: cognizant of that. So... when I've worked with organizations, I've let that not be a part.

441  
00:52:31.326 --> 00:52:33.275  
Frazier Pruitt: I've not put salaries in.

442  
00:52:33.456 --> 00:52:40.336  
Frazier Pruitt: Until you're appropriately mature, and you have appropriate understanding throughout the leadership channels, that

443  
00:52:40.846 --> 00:52:43.176  
Frazier Pruitt: A lot of that is investment.

444  
00:52:43.676 --> 00:52:47.765  
Frazier Pruitt: And a lot of that is good cost. That's paying you back.

445  
00:52:47.906 --> 00:52:58.836  
Frazier Pruitt: And, so if you, if you have that relationship and that understanding developed, it is 100% textbook correct to be adding those. And, but if you're a little bit, leery of it.

446  
00:52:59.236 --> 00:53:05.155  
Frazier Pruitt: That's, that's an acceptable and reasonable response to the... to the way things can work.

447  
00:53:05.756 --> 00:53:06.406  
Douglas Wood: What

448  
00:53:06.636 --> 00:53:11.346  
Douglas Wood: one suggestion I would have is to practice proactive budgeting.

449  
00:53:12.016 --> 00:53:22.675  
Douglas Wood: You know, you want to reduce your inspection, you want to reduce your repair work. Well, what do you need to invest in to make that happen?

450  
00:53:22.966 --> 00:53:29.276  
Douglas Wood: And make sure that that part of your budget is protected against cuts.

451  
00:53:29.676 --> 00:53:40.625  
Douglas Wood: Okay, so your budget isn't just a whole big budget. You've got these three categories. I think most leaders would understand. Oh, you want us to cut this back? What are we going to spend to do that?

452  
00:53:43.486 --> 00:53:54.546  
Michael Sullivan: Thank you for that. Kind of keeping in time, looks like I have time for one more question. What advice would you give a quality professional trying to gain leadership buy-in for the cost of quality pilot?

453  
00:53:59.946 --> 00:54:00.686  
Douglas Wood: Fraser?

454  
00:54:00.966 --> 00:54:01.606  
Frazier Pruitt: Yeah.

455  
00:54:02.286 --> 00:54:06.955  
Frazier Pruitt: So when it comes to the pilot, yeah, hopefully this is a little bit easier pull.

456  
00:54:07.226 --> 00:54:12.875  
Frazier Pruitt: but you... you do appropriate planning beforehand.

457  
00:54:13.216 --> 00:54:19.956  
Frazier Pruitt: You have it framed out, you have your timeline, maybe you'll use your old-fashioned waterfall project plan.

458  
00:54:20.006 --> 00:54:33.915  
Frazier Pruitt: Show them what it's going to do. Show them how you're not going to... it's not going to be extraordinary cost, and you're ready to take the lift, the majority of the lift, and who else you do need on board, and make sure they're on board. That's a good...

459  
00:54:34.246 --> 00:54:40.976  
Frazier Pruitt: That should alleviate, fear in... for executives in all but the smallest of organizations.

460  
00:54:41.376 --> 00:54:46.156  
Frazier Pruitt: The other part I can add that wasn't really covered, was...

461  
00:54:46.406 --> 00:54:49.905  
Frazier Pruitt: Don't be afraid to start small in your scope.

462  
00:54:50.326 --> 00:54:55.095  
Frazier Pruitt: You can start with one department, you don't have to start with a whole plant, and...

463  
00:54:55.596 --> 00:54:58.095  
Frazier Pruitt: We talk about this elsewhere,

464  
00:54:58.266 --> 00:55:06.875  
Frazier Pruitt: And, you know, we pushed on that you're missing a whole bunch if you don't do more than scrap, rework, and returns.

465  
00:55:07.426 --> 00:55:09.695  
Frazier Pruitt: But you know what? If you don't do anything today.

466  
00:55:10.246 --> 00:55:14.735  
Frazier Pruitt: You're gonna be so much better off if you do scrap, rework, and returns.

467  
00:55:14.936 --> 00:55:32.656  
Frazier Pruitt: So, maybe that's where you're starting, and you can still go through some of these best practices of having accounting on board, and starting to develop that program, and then you don't have to get into all sticky questions about your quality personnel salary, and all of that. So, those are my two recommendations.

468  
00:55:33.006 --> 00:55:34.106  
Frazier Pruitt: And.

469  
00:55:35.146 --> 00:55:37.015  
Michael Sullivan: And Doug, do you have anything to add to that?

470  
00:55:37.016 --> 00:55:38.456  
Douglas Wood: Yeah, I,

471  
00:55:39.296 --> 00:55:51.136  
Douglas Wood: I would suggest the phrase, "the squeaky wheel gets the grease." You might have a problem area in your facility that everybody's upset with.

472  
00:55:51.496 --> 00:55:53.265  
Douglas Wood: Well, you can start there!

473  
00:55:53.476 --> 00:56:08.105  
Douglas Wood: And, you know, you look at what the costs are, and you look at what the investment for prevention is, and you might even have to add some more monitoring, because you might not know what's happening in that area.

474  
00:56:08.196 --> 00:56:17.065  
Douglas Wood: So, that's a good idea, to go where the problems are obvious, but again, You need a receptive...

475  
00:56:17.586 --> 00:56:22.756  
Douglas Wood: group of managers, so that's another factor. You need to make sure that they're receptive.

476  
00:56:23.186 --> 00:56:26.535  
Frazier Pruitt: Great comment in here about calculating the cost of doing nothing.

477  
00:56:26.806 --> 00:56:29.745  
Frazier Pruitt: That could be very powerful. So, awesome comment, thank you.

478

00:56:29.746 --> 00:56:30.646

Douglas Wood: Yeah.

479

00:56:32.526 --> 00:56:50.235

Michael Sullivan: So, gentlemen, thank you so much, and thank you everyone for attending today. I want to thank everyone. I know that everybody has a lot of... not a lot of time that they can always spare, so I appreciate, everyone attending today, as well as the high engagement as well. I think seeing the high engagement and all of those chats coming in was pretty great to see. Tells us what we're doing

480

00:56:50.236 --> 00:56:52.635

Michael Sullivan: the right thing. So, speaking of doing the right thing.

481

00:56:52.636 --> 00:56:53.066

Frazier Pruitt: One group.

482

00:56:53.066 --> 00:56:58.975

Michael Sullivan: right after this, there'll be a short survey. Give us anything that you're looking for us to kind of, like,

483

00:56:59.036 --> 00:57:17.925

Michael Sullivan: kind of highlight a little bit, or maybe something you want us to focus in on. That's really how we get better at our jobs. And first of all, I want to thank Doug and Frazier for sharing all of your expertise, all of your knowledge, and it was great. And I want to just do a little, thank you again to ETQ for sponsoring today's event.

484

00:57:17.926 --> 00:57:23.646

Michael Sullivan: Again, their information is... her contact information is in there. Again, thank you for attending today.

485

00:57:23.646 --> 00:57:41.756

Michael Sullivan: Again, a lot of housekeeping things, I gotta wrap it all up. The recording will be on ASQTV. You will receive a follow-up communication letting you know that that is available with these slides. Please share them with your teams, please share them with your coworkers, and thank you everyone for attending today.

486

00:57:41.756 --> 00:57:47.295

Michael Sullivan: And I know Thanksgiving is coming up, we have lots to be thankful for, so happy Thanksgiving, and have a great day. Thanks a lot.

487

00:57:47.296 --> 00:57:49.835

Frazier Pruitt: Yeah. Reach out if you need anything, everybody. Cheers.

488

00:57:49.836 --> 00:57:51.096

Michael Sullivan: Thank you so much.