

QS-9000 Rules

The 500-lb. Gorilla Speaks, and Suppliers Will Have to Listen

Nancy Bartels

Ready or not, QS-9000 is here. If you are a first-tier supplier to one of the Big Three automotive companies, you've already heard that compliance with this new quality standard is now an entry-level requirement for doing business with Ford, General Motors and Chrysler. If you're a second- or third-tier supplier, you can expect the ripple effect of this new standard to hit your company one way or another.

Exactly how big those ripples will be is still open to dispute, but, make no mistake, for the foreseeable future, QS-9000 is the standard to meet for doing business in the automotive industry.

Heavy truck manufacturers Freightliner, Mack, Navistar, Paccar and Volvo have also adopted the standard, and other major automotive players are expected to fall into line.

What is QS-9000?

QS-9000 is the industry-specific adaptation of the ISO 9000 standards for the North American auto industry. It will apply to all first-tier suppliers; that is, companies selling components to be used or installed directly in the products of the Big Three automakers. It has as its nucleus the 20 points covered in the basic ISO 9000 standard. In addition to this framework are

industry-specific and customer-specific requirements that suppliers must meet.

One of the most significant differences between QS-9000 and earlier Big Three quality plans is that QS-9000 is geared toward an external, third-party audit of quality procedures. Both Chrysler and GM are demanding a third-party audit. While Ford does not at the moment, it is expected to fall into line within the year. This means that now suppliers will have to pay for outside certification instead of relying on audits provided by the customer.

An important difference between ISO 9000 and QS-9000 is the requirement of the automotive standard for "continuous improvement." Under ISO 9000, all you have to do is document your present procedures, good or bad. On the other hand, QS-9000 requires a regular, documented procedure for addressing the question, is there a better way to do this process?

Another difference is that QS-9000 is "documentation-driven," says Mark Jagger, vice president-quality for Eagle Picher's Hillsdale Automotive Division. Under the new standard, "if you can't provide documentation for a process, it never happened," he says.

QS-9000 also pays more attention to procedures. According to Michael Kerwin, director of quality and productivity for The Gleason Works, ISO 9000 sets certain quality standards, but QS-9000 also mandates the processes you must use to achieve them.

Why QS-9000?

The rationale behind the standard, from the point of view of the automakers, is twofold. First, it is an attempt to address supplier concerns about the difficulty of meeting different criteria for each automaker. Designed to replace the previous company standards like Q1 and Pentastar, QS-9000 is a plan to bring significant commonality to automotive quality requirements for suppliers.

The reason the Big Three did not simply adopt ISO 9000 as their standard was the concern that certain issues important to the industry were not covered. Curtis Davis of Perry Johnson, Inc., providers of quality systems management, consulting and training services, says, "The Big Three felt that in some respects, to merely adopt ISO 9000 would be taking a step backward in terms of their quality requirements."

Outside observers suggest other motives as well. Under



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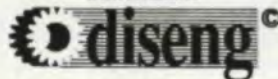
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the new system, the cost of the audits will be borne by the suppliers rather than the Big Three. Charles Brannen, vice president of Overton Gear & Tool, points out that QS-9000 is a mechanism to cut internal costs for the Big Three. Under this system, they can be assured of getting the parts they want without having to go through the internal costs to get them.

Davis also suggests that a certain level of "politics" went into the new standard. "The Big Three view themselves in a world of their own, and they wanted their own standard," he says.

The Good, The Bad & The In-Between

Regardless of the motives driving QS-9000, it has a great many fans. For many who are implementing the standard, the key advantage is the discipline it instills. Says ISO 9000 consultant Ralph Teetor, "QS-9000 documents what works. It's a way of keeping track of what you should be doing anyway—documenting processes, auditing reality against the document and taking corrective action where needed."

Charles Brannen takes a dual position. As current president and spokesman for AGMA, he takes no position

Coming Attractions: TE-9000

Not being a first-tier Big Three supplier does not let you off the quality standard compliance hook. In the works is a Son-of-QS-9000 standard for suppliers of tooling and equipment, tentatively called TE-9000.

Few specific details are known about TE-9000, although bootleg copies of draft versions are in circulation. The official version may be released as early as the end of 1995.

Those who have seen draft copies say that the structure of TE-9000 will be similar to QS-9000; that is, it will be in three sections, with ISO 9000 as its core and industry- and customer-specific requirements in addition. One difference from QS-9000 is that TE-9000 seems to place more emphasis on self-certification. There is also a sense that requirements may be a bit looser, with the question of how critical this component is to the end product being an important criterion for deciding the details of certification. These views, of course, are all preliminary and may change when the actual standards are released.

According to Chrysler spokesman Russ Jacobs, companies affected by TE-9000 will be notified by mail and sent a packet containing a copy of the standard, deadlines for compliance and details about training and implementation programs and seminars.

Many major players in the gear machine and tooling sectors, including Gleason, Pfauter-Maag and Star Cutter, are already making plans to qualify for TE-9000.

at all. AGMA's view is that seeking certification must be an individual company decision. On the other hand, as vice president of Overton Gear and Tool, which is seeking QS-9000 certification, he sees real benefit in the required documentation.

"It's very helpful in terms of knowledge transfer," he says. "When a new employee comes on, we can show him the documentation and say, 'Here's your job. This is how it's done.' It makes sure a lot of things don't fall through the cracks. It also gives that employee the chance to question why things are done the way they are. That in itself leads to a kind of continuous improvement."

The Gleason Works' Mike Kerwin says that in spite of the cost of outside auditors, the QS-9000 system is easier than dealing with separate standards for each customer. "There's more consistency. You only have to deal with one assessor. Even if you have to pay one outside auditor, it's still cheaper than having to provide help for all the individual company auditors."

John R. S. Wendland of Eagle Picher's Gasket Division is "very enthusiastic" about QS-9000. "It's a wonderful opportunity to grow . . . to step back and look at the business, to see how we're really doing things."

Still, there is a downside. In spite of promised savings, costs remain an issue. Registrars are charging between \$800 and \$1200 a day for audits, which can last anywhere from four to 21 days, depending on a company's size, according to Robert Armstrong, QS-9000 operations manager for Lloyd's Register Quality

Assurance. And these numbers do not include internal costs incurred in getting ready for the outside auditors or yearly reassessments.

Some observers think that QS-9000 is hard on smaller suppliers. It was written with high-volume parts manufacturers in mind. Jeff White of Reef Gear, another company seeking QS-9000 certification, says documentation requirements are especially hard on smaller firms. John Wendland suggests that keeping track of QS-9000 documentation could be a full-time job for one person, not a task that can be shuffled off on secretaries to do "when there's time." That alone could be a hardship for a smaller firm. Dan Phebus, director of quality for Fairfield Manufacturing, speculates that the effect of QS-9000 may be to limit the number of small suppliers in the market.

Other, more immediate problems also require attention. Many see a danger in the customer-specific portion of the standard. While people like John Shea, corporate QS-9000 spokesman for GM, insist that the company-specific portions of the standards are not too divergent, others are concerned that Big Three insistence on these procedural differences puts suppliers back where they were before the standard was imposed—trying to meet three separate sets of customer standards.

An ancillary concern is what QS-9000 means for the whole ISO 9000 movement. On the one hand, QS-9000 certification includes an automatic ISO 9000 award as well. But Charles Brannen questions what will happen if other industries follow suit

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with individual standards. What then happens to the idea of one, universally accepted criterion for assessing quality? "That could put the supplier back in the position of having to meet all kinds of different standards," he says.

On the other hand, Dan Phebus predicts that over time, the differences may level out. He points out that the Big Three also need to reduce costs, and demanding all kinds of special documents and procedures is expensive for them as well as for their suppliers.

Amy Zuckerman, author and ISO 9000 expert, is also concerned that the growth of industry-specific standards will complicate developing an international registrar agreement and will also lead to lots of duplicated efforts.

Suppliers should also be aware that many automotive customers don't require QS-9000, but have their own sets of requirements. The Japanese automakers, for example, have not signed on. Dan Phebus asks, How do you justify one quality system that includes PFMEAS, control plans, etc., when all customers do not demand this level of documentation.

QS-9000 also puts pressure on first-tier suppliers to demand the same level of quality from their suppliers that the Big Three is now demanding of them. John Wendland asks, "How do we cascade this system down the supply chain? How do we handle small shops, people who are good, trusted suppliers, who are not geared up for this kind of elaborate q.c. system?"

Another concern is whether or not QS-9000 is just another "flavor-of-the-month" system that will be obsolete in five years. Although some in the

industry express this concern, and, in truth, there is nothing to prevent the Big Three from changing their minds, most people we spoke with feel reasonably confident that Ford, Chrysler and GM are in for the long haul on QS-9000. They have invested a great deal of time and money in developing this standard. Furthermore, because ISO 9000, which is internationally recognized, is at the core of QS-9000, there is additional motivation to go with this framework.

Finally, QS-9000 is by no means cast in bronze. It is already into a first set of revisions, with more to come. Some of these revisions are welcome. Fred Teetor of FQS points out that the original standards contained a number of demands that were, "nuts, self-serving and stupid." As time goes on, many of these will fall by the board. On the other hand, the changing nature of the standard is just one more concern for suppliers.

To Jump or Not

And where does this leave the supplier wanting to deal with the Big Three? How serious are they? Is there a way to do business with them and not have to go through the elaborate, expensive set of QS-9000 hoops? Yes and no—mostly no.

As little as six months ago, many suppliers were hoping the whole thing would go away; that when push came to shove, there would be a way to avoid certification. That view is changing. Everyone we spoke to concurs that the Big Three are very serious indeed about requiring certification. As Jeff White puts it, "If you're going to play, you're going to have to be part of the team."

However, there may be some exceptions to this rule. Price is still going to be an important factor in determining who gets Big Three business. As Dan Phebus points out, "Quality is only one-third of the procurement triangle. Delivery and price are still factors, and it's possible the Big Three will still count them as much as certification." Furthermore, if you're in the fortunate position of providing a unique product that is not easily obtainable elsewhere, you may have some wiggle room.

On the other hand, no one recommends betting the Big Three will change their minds about QS-9000. Even vocal critics like Ralph Teetor recommend getting your company ready internally for a QS-9000 audit now, even if you wait until it's absolutely necessary to get certification.

Time Crunch

But don't wait too long. GM and Chrysler are requiring certification by the end of 1997 at the latest. Ford wanted its suppliers ready for a self-assessment upon receipt of QS-9000 documents in June of 1995. In the meantime, according to Rick Clements of the National ISO 9000 Support Group, presently only 24 companies are authorized registrars, although this number will increase. That's 24 companies to audit 21,000 auto industry suppliers.

Under those circumstances, a bottleneck in the certification process is almost inevitable. In order to avoid being at the end of a long waiting list, your company should be involved in talks with potential registrars now.

Not being a first-tier supplier doesn't entirely let you

off the hook either. If you're a supplier to a company going through a QS-9000 audit, it's wise to be in conversations with it to find out what the trickle-down effect, if any, of this new system is going to be on your procedures.

Don't Panic

On the other hand, it's important to keep QS-9000 in perspective. You may not need QS-9000 certification at all. If your particular customers don't require certification, the entire issue is irrelevant. Furthermore, if you've already qualified for ISO 9000 or one of the earlier Big Three quality standards, you're already well on the way to QS-9000 certification. Even if you've done neither, but have a good, documentable quality system in place, qualifying should not be an intolerable burden.

Good planning will go a long way toward easing implementation. Conversations with your customers now and a self-assessment of your current quality system will give you an idea of what you need to do.

Finally, remember that whether it's ISO 9000, QS-9000 or some other quality standard, these kinds of documentable and procedurally driven programs are the direction in which the industry is going. If your customers aren't demanding one now, they probably will be in the future. Whether you seek certification or not, now may be the time to pull up your socks and begin preparing your company to meet these kinds of customer demands. ⚙️

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