

By Matthew Budman • Photography by Fabrizio Costantini

RESTORING QUALITY

Subir Chowdhury implores
America to change its mindset.

“Americans can do anything,” insists quality guru Subir Chowdhury. Born in Bangladesh, Chowdhury is an unabashed booster of his adopted country—and an inveterate optimist despite the grim headlines that confront his corporate clients along with the rest of the world economy. While remaining clear-eyed about the problems facing the United States, and about its citizens’ stubborn sense of entitlement, he sees many companies maintaining focus and staying on track.

Chowdhury is chairman and CEO of ASI Consulting Group and author or editor of a dozen books, ranging from organizational-design tomes to the slender parable *The Ice Cream Maker*, and he is an excitable, enthusiastic evangelist for quality—and not only for improving processes and methodologies but for taking quality to heart. “If you ask me who my quality hero is,” he says, “I would not say Dr. Deming—I would say Mother Teresa. I learned quality from Mother Teresa. She was as close to perfection as a human being can get. She took 100 percent responsibility.” Chowdhury cares deeply about “taking responsibility,” and the failure of executives and political figures to do so pains him.

Speaking from his ASI Consulting office outside Detroit, Chowdhury, 42, offered thoughts on what he calls “people quality,” on the responsibility of CEOs—especially those under fire—and on what he sees ahead for U.S. industry. “The financial crisis has really tarnished America’s leadership position around the world,” he says. “The price for this will be huge, and we are paying it right now. I give a lot of speeches outside the United States—I recently gave one in Malaysia, which is an anti-American country—and I find it difficult now to talk about the greatness of America. The questions I receive from the audience are all so negative: Am I looking in my own mirror?”

TWO YEARS AGO, IN AN INTERVIEW, YOU SAID THAT AMERICANS DON’T OPTIMIZE THEIR EFFORTS, THAT THEY’RE “SO FOCUSED ON JUST GETTING IT DONE” THAT THEY “MAY NOT TAKE THE TIME NEEDED TO DO QUALITY WORK.” IN THIS TIME OF CRISIS, WITH COMPANIES SLASHING WORKERS BY THE THOUSANDS, IS THAT TENDENCY GETTING WORSE?

Some are compromising—no question about it. Some companies have a budget for a quality department that they feel they have to cut in tough times, particularly medium-sized and large companies where the senior leadership is not that committed to quality and is thinking only about the short term. There are

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companies that want to do quality only because Toyota and GE did it or because Six Sigma was popular. It's not in their DNA. Those are the companies where quality really suffers during tough economic times. They cut the budget of their quality program, and product quality goes downhill.

Their senior leaders have not taken the time to understand what quality is all about. For example, I ask a very simple question to a lot of automotive executives: "When was the last time you purchased a car?" Most of them answer: They haven't bought a car in ten or twenty years, because they drive a company car. So they haven't experienced what it's like to go to a dealership. They don't know what other dealers are selling. How can you expect them to produce the highest-quality car?

When Alfred Sloan was chairman of General Motors, he used to go personally to different dealerships and act as a salesman and try to sell a car. And whatever experience he got from the customer, he brought that in, and would challenge other executives: *Why are you not doing this?*

See, quality is defined by the customer. So we must listen to our customers.

DOES "QUALITY" MEAN SOMETHING DIFFERENT TODAY THAN IT DID WHEN YOU WROTE *THE POWER OF SIX SIGMA*?

No, no—I think quality means the same thing as it did back when the Taj Mahal was built. Quality means having a continuous-improvement mindset. How many of us brush our teeth in the morning, really looking at our face in the mirror, and ask ourselves: *Whatever I did yesterday, how can I do it a little bit better today? I want to do one thing better today.* It can start at home: You go to the breakfast table with your children or your spouse or your loved one, and you surprise them somehow. Quality is all about enriching customers' experience, both internal and external. Internal customers are family members, colleagues, employees; we must enrich internal customers to win external customers.

I really want to teach common Americans what quality is. Most quality gurus never wrote a book that teaches quality at a level for the common person, so in *The Ice Cream Maker*, I attempted to do that. I talked about a three-step process called LEO—listen, enrich, optimize—that anyone can understand and practice in their job or their personal life.

YOUR WORK HAS FOCUSED ON PROCESS QUALITY, BUT THIS SOUNDS MORE LIKE AN HR ISSUE—OR A PSYCHOLOGICAL ONE.

There's process quality and *people* quality. A lot of people quality has to do with mindset, and the trend I see now in America makes me very nervous. That's why I felt it was imperative to focus on it as my next project. We still have some of the most talented and innovative people in America, and we still attract world-class talent from other countries, but our mindset has changed. We used to insist on making things better; we were not satisfied even if we were the best at something.

Over the last five or ten years, there's been a culture of, *It's not enough—we need more, we need more.* If we can afford a \$100,000 home, we extend ourselves and live in a \$300,000 home. We show off. And that's the reason we are paying the price. People quality has a direct impact on the nation's economy.

DOES THE SOLUTION START WITH THE GOVERNMENT? WITH CEOs?

With all of us. Every American needs to think, "What can I do?" We can't just blame our government or the people on Wall Street. Each of us must take responsibility, as each of us contributes to building a better government and better nation.

People quality is based on integrity, passion, and hard work. These are the three things that so many Americans are missing. How much time do our schools, our undergraduate institutions, spend talking about these three elements? How many times do we see our political leaders demonstrate these things?

It is a combination of process quality and people quality that makes an organization successful and a nation successful. If a company is concentrating only on process quality and not taking care of the people side, then it will not get the best results.

ARE YOU SEEING SOME COMPANIES MAINTAINING QUALITY EVEN IN THIS ECONOMY?

There are companies that simply will not compromise on quality. Apple Computer and Ritz-Carlton have quality in their DNA. Jack Welch did a brilliant job building a quality culture at GE. Toyota is currently in trouble, but I don't think you'll see a drop in the quality of its products. At Caterpillar, quality is pretty much built in, so they don't have to think about it; they invested a tremendous amount of time and energy and leadership to build quality into the DNA of the organization. So irrespective of where the economy goes, these companies' products will be good. Their leadership took the time to understand what quality is all about.

WHAT ABOUT ONE OF YOUR KEY CLIENTS—CHRYSLER?

Chrysler's products are exciting, but in consumers' minds, based on third-party surveys, their quality is not top-three. It is a company with a tremendous amount of focus, and if it survives, you'll see lots of improvements in the products coming out in 2012, 2013, and 2014. Once Bob Nardelli came on board, his whole focus has been product, product, product; quality, quality, quality; customer, customer, customer. And there's a gentleman named Frank Klegon, who's Chrysler's top guy in product development, who has pushed the engineers to go to different parts of the country to talk to customers and observe how customers use their vehicles, to visit different dealerships—even competitors' dealerships—to understand what the customer wants. They then use this information to design future vehicles.

So I'm optimistic about GM and Chrysler, even in these tough times; I'm seeing some very positive trends there. If they can survive this whole financial crisis, I firmly believe that they

have a good chance. Again, a lot of it depends on leadership. Chrysler lost 25 percent of its white-collar workers in the last six or nine months, but if the senior leadership pushes quality, it can create an environment in which people are happy to work more hours to get the job done.

HOW DO WORKPLACE ATTITUDES IN THIS COUNTRY COMPARE TO THOSE AT COMPANIES OVERSEAS?

I go to countries in Asia—I consult there to both companies and the political leadership—and the young people there are so much hungrier to be the best; they are so hungry to beat America. They have a tremendous amount of pride for the companies they work for—like how American workers at GM and Ford felt in the 1970s and '80s. In 2009, you find that kind of pride in Korean companies and Indian companies, and among the worker bees as well as the leaders. From the top to the bottom, everybody feels that, "I am my company, so I have a responsibility to make my company successful." Over here,

presidents will work the same way, and so will the managers. And it's not just people sitting in their offices—they are really working. They understand that these are tough times.

I consult with Hyundai in Korea, and my firm worked behind the scenes to help make the company go from the absolute worst quality to one of the best. How did that happen? It happened because the people are so hungry to move into a position of global leadership. When we visit there, we have to work twelve to fifteen hours a day!

OF COURSE, SOMETIMES THE PEOPLE AT THE TOP, IN KOREA OR THE UNITED STATES, ARE A LITTLE *TOO* HUNGRY. WHAT ABOUT WORKERS WHO RECOGNIZE THAT THEIR BOSSES AREN'T ALWAYS MOTIVATED BY HIGHER GOALS—THAT GREED PLAYS A ROLE?

Greed is a human characteristic like love or hate. And obviously, greed is nothing new—think about 1919, when the Ponzi scheme happened, and ninety years later, when it happened again. But obviously, there have been too many organizations

QUALITY IS ALL ABOUT ENRICHING CUSTOMERS' EXPERIENCE, BOTH INTERNAL AND EXTERNAL.

in most companies, the mentality is the opposite: "My job is to satisfy my boss. If my boss is happy, I am happy too. Who cares if my colleagues do their jobs?"

People everywhere right now are worried about losing their jobs. But in Asian companies, if the policy is to work from 8 to 5, sometimes people will work until 10 or 11 at night. In fact, they're too extreme, to my mind. It's not that the company encourages them to work that late—they just feel committed. They know it's a tough time and that the company will be better off if they work more hours: "If my company is safe, then I'm safe."

Now, I am not suggesting that all Asian companies are great or their work culture is great. The point is: I see a hunger-to-succeed mentality among employees at all levels in companies in India and China and Korea. We Americans used to have that mentality, but it has significantly deteriorated over the past two decades. It is time for each of us to rise and give 110 percent on everything we do. Only then can we maintain our global leadership.

IS IT A QUESTION OF ORGANIZATIONAL CULTURE?

Yes. The number-one challenge that any leader faces in any organization is positive motivation. A leader can come in and motivate, and not necessarily by talk. If the president of the company works sixteen or seventeen hours a day, the vice

in which the leaders have been driven by personal greed, and the employees see that. I don't think employees could care less about CEOs who get \$50 million in stock options, as long as the company is making a profit and sharing some of it with them. I don't have any problem with CEOs taking stock options as long as it's based on performance. But if the company is continuously going down, employees will have a problem if the CEO makes \$2 million, or even \$1 million. If someone is running a company that's losing tremendous amounts of money this year, and last year when he delivered profits he made \$10 million, that doesn't mean he should get \$5 million this year. That is not acceptable.

SO THE ISSUE ISN'T THE OVERALL AMOUNT OF COMPENSATION BUT, RATHER, THE COMPENSATION RELATIVE TO PERFORMANCE?

If the company is profitable, I have no problem with the CEO making money. Jack Welch made tons of money at GE, but nobody talked about him being greedy because he delivered profits every single quarter, the stock went up and up and up. Everyone was happy, so nobody complained about how much money he made.

But if the company is struggling, the top people should be the ones who take the hit and set an example. At top financial giants, the CEOs made tons of money over the last five or six



years—as much as \$80 or \$90 million in one year! Those companies made their senior executives rich. Now that the companies are completely going south, borrowing taxpayers' money, these leaders should take one dollar a year. That's what true leadership is all about. When Steve Jobs took a one-dollar salary, he didn't do it because a consultant told him or his wife told him. He just did it. He said that this was a tough time for Apple and that he had made tons of money as the top guy for years.

Now, I'm not suggesting that every CEO who comes in should do that—you can't have that—but the people who the company took care of in the past should. Absolutely. Because leadership is all by example.

HOW ARE EMPLOYEES FEELING IN COMPANIES WHOSE CEOs HAVEN'T MISBEHAVED?

Workers realize that a CEO may be doing everything in his power, but he has to make hard choices. Think about Welch—he started out by firing 100,000 people; he was known as “Neutron Jack.” When he retired, he was a hero, because his tough decisions had made GE a better company.

Rick Wagoner recently left GM, at the White House's request, but he was still popular with the employees—he is a very ethical person.

DO MOST PEOPLE GIVE THEIR LEADERS THE BENEFIT OF THE DOUBT?

There are a lot of CEOs who are very, very respected. But today, because of the Internet and everything else, we are bombarded with negative information. How many CEOs recently got caught doing something unethical? So employees are doubtful—they wonder whether their CEO is doing bad stuff too.

I THINK IT IS OUR JOB, COLLECTIVELY, TO TALK ABOUT SOCIAL RESPONSIBILITY; IT'S UP TO AMERICA TO LEAD.

Let me ask you a simple question: Whatever money you have in the bank, do you feel it's safe?

UM . . . YES?

I honestly thought that way too! I even asked my financial adviser: Can you promise me my cash is 100 percent safe? He said, “There's nothing I can tell you.” There's a mentality of fear right now. People are very cautious. They don't know if they can trust their own company or senior leaders. So CEOs need to go to the front line and talk about it: “These are the things I'm doing that are in my power.” Listening and communication are the only ways they can create trust and positive energy within the company.

DO YOU SEE MORE OF THAT TRUST AND POSITIVE ENERGY IN OTHER COUNTRIES?

There has been corruption in India, in Japan, in Korea—I could give you example after example. Even at successful companies like Daewoo in Korea or Satyam Computers in India, senior leaders went to jail for embezzlement. But in those cultures, even if people go to jail, they come out after two years. There's no big punishment.

But what I've seen in Asian countries is that culturally, workers are very fearful; they won't say anything negative about their bosses. In America, we may not say something in front of the boss, but we'll go somewhere else and sit together and talk about it. So if something bad comes out here, everyone knows about it; maybe people even leak to the media about it. In other countries, workers won't say anything; they'll just give you a smile even if they know there's something wrong going on.

SO WE HAVE OPENNESS AND CANDOR—BUT DO YOU FEEL THAT THE UNITED STATES IS FALLING BEHIND WHEN IT COMES TO ACTUALLY MAKING THINGS?

People look around at the challenges we're facing from India and China and say we're finished. No! We aren't! We are still the best at innovation. Even today, the most innovation in automobiles is coming out of GM, Ford, and Chrysler. But Asians are eating our lunch—they steal American innovation and make it at a better quality, and that's where we need to improve. The real threat is that even Asians are rapidly learning about innovation. In a recent study, America was ranked as the eighth most innovative country, with Singapore and Korea at the top.

And what the Big Three are facing today, we will face similar challenges in the defense industry within ten or twenty years. Why is that? The product! Look at the next generation of weapons we're developing—everything is over budget. How many of our defense-budget dollars are wasted? If I went to the secretary of defense and asked him, "Sir, this is the next generation of warhead your team is developing—can you guarantee it is an optimized product?," I believe, he would have to say, "No, I cannot guarantee that it is 100 percent optimized." Ask our soldiers if they are really happy with the product they are using in the Iraq war. Ask them! They're unhappy with the products they use with respect to quality. Are we taking the time to listen to our soldiers? How many of our leaders are taking the time to understand the significance of designing products right the first time? That is a big part of quality too. American leaders must learn that quality starts at the design phase and that design must be optimized. We must reward fire preventers rather than firefighters.

At the end of the day, quality makes you money. Just look at Toyota. In these tough times, those second-category companies I talked about—the ones that think about quality as just costing money—will suffer.

SO BOTH PROCESS QUALITY AND PEOPLE QUALITY ARE PRIORITIES. DO YOU FEEL WE'RE PAYING CLOSE ENOUGH ATTENTION TO THE PEOPLE SIDE, ESPECIALLY WHEN IT COMES TO LEADERSHIP?

That is the part that Americans need to think more about: What kind of business leaders are we producing? At least things have changed somewhat since Enron—before that, none of the business schools even had ethics programs. But in general, America needs to learn some big lessons from these tough times.

ARE YOU SEEING MORE CEOS TAKE ON A SOCIAL-RESPONSIBILITY MINDSET?

Some of them. Not enough. I think it is our job, collectively, to talk about social responsibility; it's up to America to lead. And this is the time to raise this issue: that I have a responsibility to my society, to my community.

A lot of our CEOs are generous; they donate a huge amount of money. And when 9/11 happened, General Motors, Ford, and Chrysler were the first ones to come in on the front lines, along with Caterpillar and some other companies, to give money and discounts and boost the economy. They were the ones to come forward. Toyota was not; Honda was not.

Social responsibility should be in each of our DNA.

YOU'VE LIVED IN THIS COUNTRY ALMOST TWO DECADES, BUT YOU STILL SEEM EXCITED BY ITS POSSIBILITIES AND PROMISE.

In America, we take things for granted. When I came to Michigan in 1991, a student picked me up from the airport, and the first question I asked him was, "Were you born in this state?" He said yes. I asked, "How far is Niagara Falls?" He said it was not that far—maybe two or three hours' drive from Detroit. I said, "How many times have you visited?" He said he had never been there. It's one of the wonders of the world! He just took Niagara Falls for granted.

Another example: America has hundreds of top universities; if you add everything on the whole Asian continent, you will not find even one-tenth the number of top universities compared to America. And people here don't even think about it! Where I grew up, you *had* to think about top universities, because they didn't have very many of them. They were a big deal. And anywhere else, top academics like Nobel laureates would be national heroes; here, at just the University of Chicago, there are half a dozen Nobel laureates in the economics department alone. What percentage of American graduates even knows what a Nobel laureate is? We don't appreciate it very much.

My daughter will appreciate America ten times less than I do, because I've seen the worst. You know how I'm going to teach her to appreciate America? Once she grows up, I'm going to push her to go to India and work in Mother Teresa's organization. Then she'll see what real poverty is. ■