

Carl O. Hilgarth's Commentary on "Owning up to a Failure"

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Owning up to a Failure

I

XYZ returned a failed piece of equipment to R&M Machinery, the manufacturer. At a meeting with Archie Hunter, the XYZ representative following the return of the failed piece of equipment, Norm Nash represented R&M's "official position": the piece of equipment is all right. It was during this meeting that Walt Winters, an R&M engineer who was intimately acquainted with the kind of equipment XYZ returned, suspected that it was not properly tested out by R&M and that it failed because of an internal problem.

Without data to substantiate his suspicions and since he is not R&M's "official" representative at the meeting, Walt could not conjecture in the presence of the customer. But, he can suggest to both Norm and Archie that since there are two positions regarding the returned equipment, that Norm arrange for engineering to examine it and schedule a follow-up meeting to present and discuss the findings. Archie will probably agree to this. Hopefully Norm's "official position" has enough leeway for him agree, too. After the meeting Walt should discuss his suspicions with Norm and arrange to examine the equipment.

II

After the meeting, Walt talks to Norm about his diagnosis suggesting R&M tell XYZ that the problem is R&M's and that they will replace the equipment. Norm replies that he doesn't think it wise to acknowledge the failure is R&M's fault, hang out our wash (that our failure to properly test out the equipment resulted in an internal failure), and lessen XYZ's confidence in the quality of our work when "a 'good will'

gesture to replace the equipment at our own expense should suffice." This is strange logic as it implies there was something wrong with the equipment R&M originally supplied.

Subsequently, R&M management decides to adjust the problem by replacing the equipment because XYZ "have been such a good customer all these years" but not tell them the real nature of the problem. Again, the implication is that there was something wrong with the equipment R&M originally supplied.

Is R&M's fear of losing its reputation for quality and reliability the root cause of Norm's "official position" in representing management regardless of any fact-finding - to protect our reputation at all costs? Or is it the converse. In either case, why didn't management ask for engineering's analysis? Don't they want to know what, if anything, is wrong with the equipment? Don't they realize that engineering can analyze equipment failures and improve quality and reliability? Don't they recognize the value of longstanding business relationships and the years invested in establishing them? Aren't they aware of or concerned about what Norm Nash is saying or doing on their behalf? And by whose authority does he represent the company's "official position"? Are they aware this failure could be repeated in the replacement equipment provided to XYZ? What will Norm Nash's "official position" be then? What will XYZ think about R&M? And, what will R&M's equipment replacement policy be when a company who hasn't been such a good customer all these years encounters a problem with equipment of its manufacture?

Since R&M's business and reputation is based on supplying sophisticated equipment and reliable repair service, its management should be concerned enough about any product failure. This concern should be demonstrated by the returned goods area representative who should use engineering to examine any returned equipment and report on its condition. Since R&M's policy seems to be to replace defective equipment in any event, there is nothing to lose and everything to gain by being "straight up" with XYZ and other customers in telling them the nature of an equipment problem. R&M also benefits by being able to improve their equipment designs.

This episode should concern Walt because if the resolution of this problem is not handled as a cover-up, it comes very close. If you have a good supplier relationship as R&M does with XYZ, why jeopardize it. You can acknowledge the failure, and that the failure resulted from not testing the machine properly. Engineers learn from

failures. Maybe the failure occurred because R&M did not fully understand a some aspect of the equipment's use at XYZ.

Also in deciding to replace the equipment because XYZ has been a such a good customer all these years borders on hypocrisy. To XYZ, R&M is a supplier. And, XYZ can go elsewhere with its business. In representing R&M's "official position", Norm creates a problem that makes an honest resolution difficult.



What was really an engineering problem at R&M became a management problem because of the "official position" taken by Norm and management's decision to see it Norm's way. They have placed the firm's reputation with XYZ at risk. The lessons for Walt as he moves into management are:

- The integrity of business and customer relationships must be preserved through honest communications.
- Prepare a position description that includes the typical duties, responsibilities, and qualifications of the returned goods area representative.
- Institute a policy of having all equipment returned because of a failure, unsatisfactory performance, or any other reason examined by a team comprising the returned goods area representative and the engineer most knowledgeable about the equipment.
- After examining returned equipment, meet with the customer to review the findings and present the proposed remedy based on the findings. Thus a failure that is an engineering problem should be handled and acknowledged as such.

If XYZ has been such a good customer, then R&M must be a good and honest supplier. In this case, by agreeing to replace the equipment, R&M did not use good judgement or honestly solve the problem.