



The Quality Journey of Ford

Justin Gilliam
Ford Motor Company
Phoenix Region Zone Manager

Updated:
Aug 24, 2010



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OBJECTIVES

- ✓ Definition of Quality
- ✓ How we apply Quality to the value stream
- ✓ Standardization is key to continuous improvement
- ✓ Ford Leadership Structure and Involvement in Quality
- ✓ How we apply standardization and continuous improvement to the enterprise
- ✓ Our plan to deliver Operational Excellence
- ✓ Our results
- ✓ Our process



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QUALITY AT FORD

Quality is defined by our customers and goes hand-in-hand with safety. Our customers are why we exist; their *satisfaction* is essential to our success. Therefore, the quality of our products and services must be our number 1 priority today and tomorrow.

Reference: Code of Conduct Handbook

Bill Ford and Alan Mulally Nov 2007



HOW DO CUSTOMERS DEFINE QUALITY?

Our Customers define quality as delivery of a well-performing and exciting product that they feel good about. Basic Quality is assumed.

Performance

- ✓ Power & Pickup
- ✓ Cup Holders
- ✓ Ride/Handling
- ✓ Seat Comfort
- ✓ Fuel Economy
- ✓ Smoothness
- ✓ Quietness

Excitement

- ✓ Safety Features/Crash Ratings
- ✓ Styling
- ✓ Luxury Cues...Material

Sales & Service

- ✓ Dealership Experience

Reputation

- ✓ Brand Reputation
- ✓ Solid Feel
- ✓ Sound of Door Closing
- ✓ Body Gaps

Basic Quality

- ✓ Reliability
- ✓ Durability

Source: RDA 2006 Focus Group research



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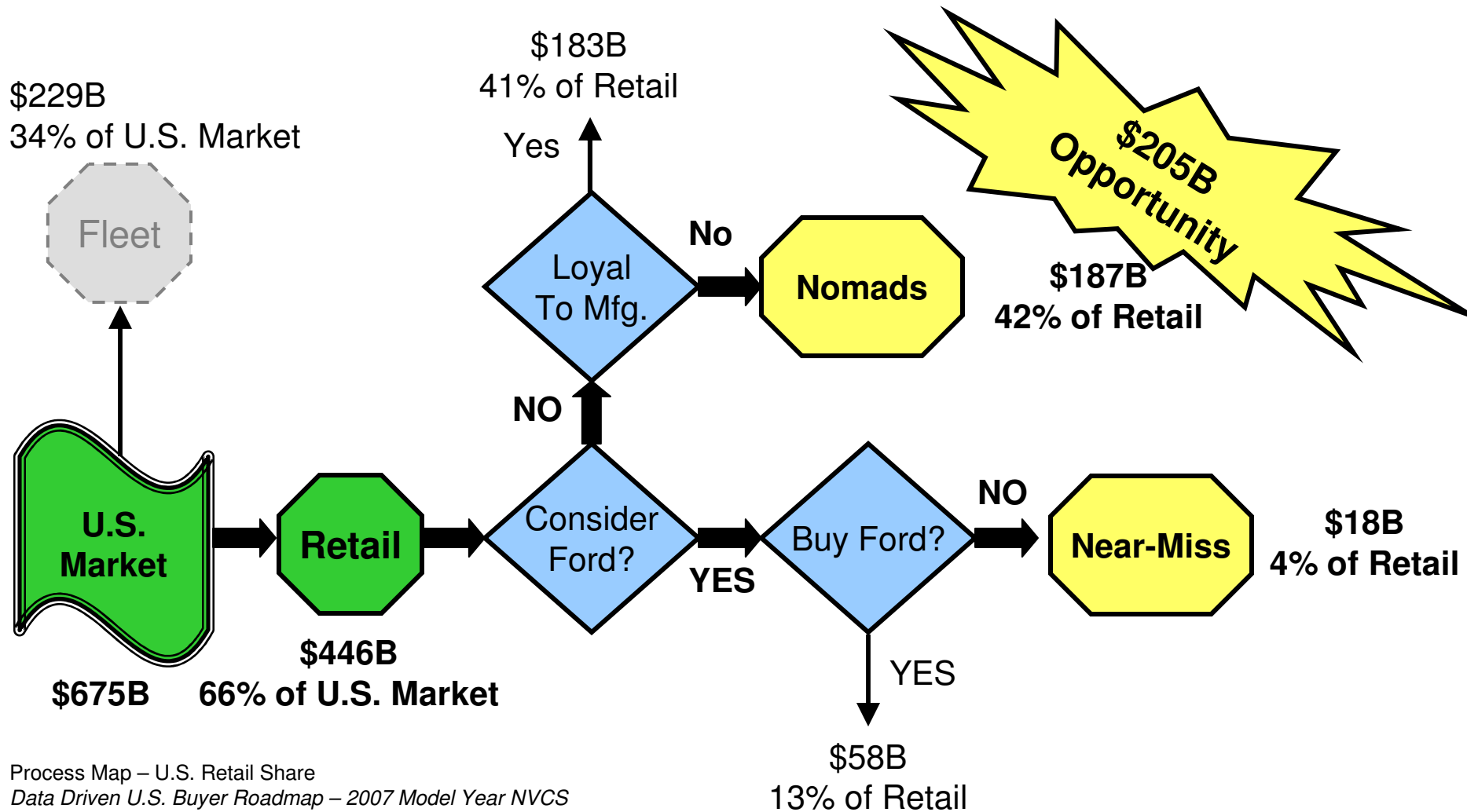
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WHAT DOES THAT MEAN FOR OUR BUSINESS?



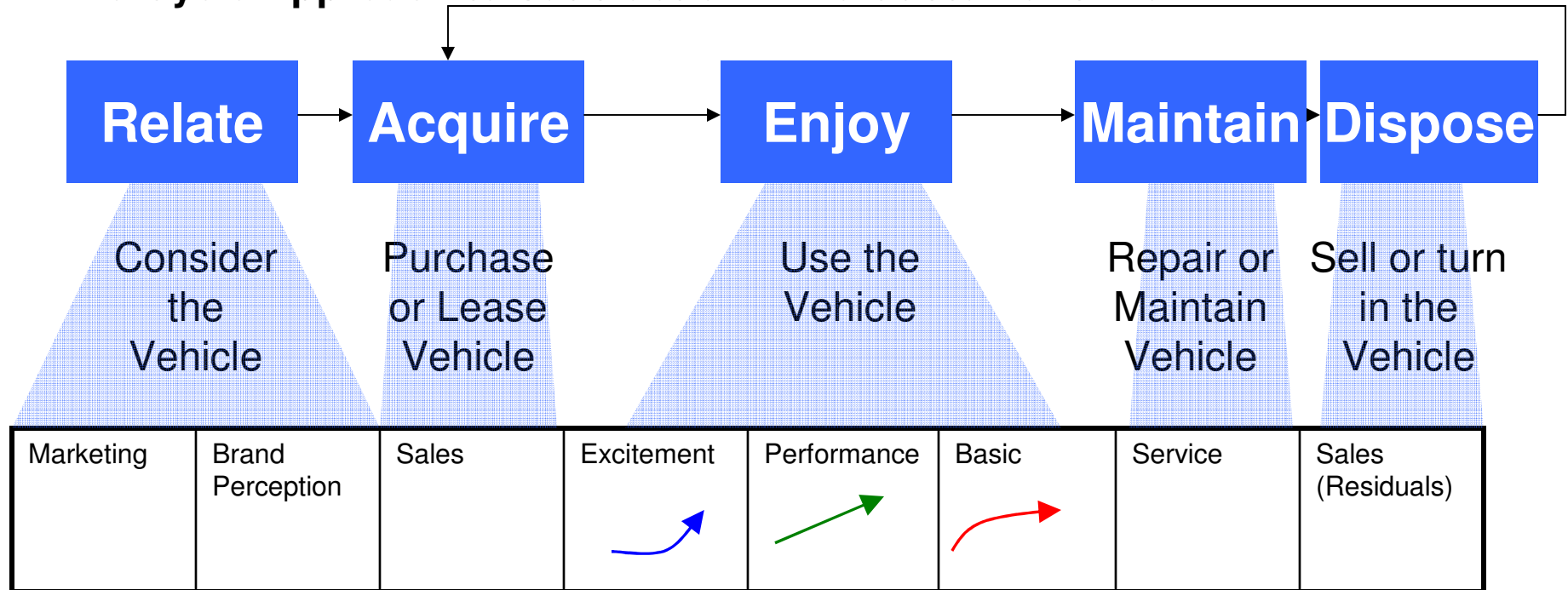
Process Map – U.S. Retail Share
Data Driven U.S. Buyer Roadmap – 2007 Model Year NVCS



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Life-Cycle Approach to Satisfaction - The Customer's View



A customer-centered approach on the total ownership cycle is delivered by the Extended Kano Model for Quality

We go beyond the Excitement, Performance, and Basic Quality on Kano's model



Launch & Build
(FPS)

Design
(GPDS)

Product Excellence
(Blue Oval - DNA)

Sales & Service
(OTD)

Operational Excellence
(QOS)



ONE FORD

ONE TEAM • ONE PLAN • ONE GOAL



Continuous Quality Improvement

Best In Class Within The Business Planning Period





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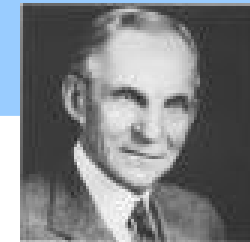
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STANDARDIZATION: THE KEY TO CONTINUOUS IMPROVEMENT

“Today’s standardization...is the necessary foundation on which tomorrow’s improvement will be based. If you think of “standardization” as the best you know today, but which is to be improved tomorrow-you get somewhere. But if you think of standards as confining, then progress stops.” – Today and Tomorrow 1926



Henry Ford



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ONE PLAN



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ONE TEAM

People working together as a lean, global enterprise for automotive leadership, as measured by:

Customer, Employee, Dealer, Investor, Supplier, Union/Council, and Community Satisfaction

ONE PLAN

- Aggressively restructure to operate profitably at the current demand and changing model mix
- Accelerate development of new products our customers want and value
- Finance our plan and improve our balance sheet
- Work together effectively as one team

ONE GOAL

An exciting viable Ford delivering profitable growth for all

Expected Behaviors

Foster Functional and Technical Excellence

- Know and have a passion for our business and our customers
- Demonstrate and build functional and technical excellence
- Ensure process discipline
- Have a continuous improvement philosophy and practice

Own Working Together

- Believe in skilled and motivated people working together
- Include everyone; respect, listen to, help and appreciate others
- Build strong relationships; be a team player; develop ourselves and others
- Communicate clearly, concisely and candidly

Role Model Ford Values

- Show initiative, courage, integrity and good corporate citizenship
- Improve quality, safety and sustainability
- Have a can do, find a way attitude and emotional resilience
- Enjoy the journey and each other; have fun - never at others' expense

Deliver Results

- Deal positively with our business realities; develop compelling and comprehensive plans, while keeping an enterprise view
- Set high expectations and inspire others
- Make sound decisions using facts and data
- Hold ourselves and others responsible and accountable for delivering results and satisfying our customers



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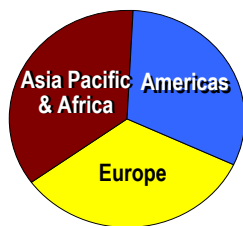
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CONTINUOUS IMPROVEMENT AT FORD

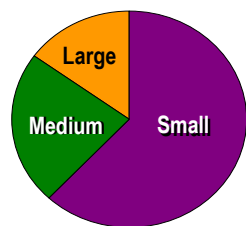
EVERY FUNCTION HAS A QUALITY & PRODUCTIVITY IMPROVEMENT PLAN

- **Functional Senior Leaders** commit to establishing measurable standards and model a continuous improvement mindset in their organizations in order to achieve operational excellence
- **Quality Functional Leads** are skilled technical leaders partnering with functions to Reduce Lead Time, Improve Quality, Reduce Cost while driving culture change towards simplicity and lean thinking
- **CEO and Quality Group Vice President** co-chair monthly quality meeting where continuous improvement projects and results are reviewed

www.one.ford.com



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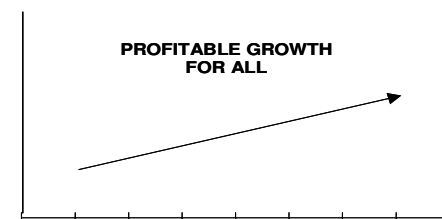


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Profits & Cash





PRODUCT QUALITY

Design In Quality

- Global Product Development System - standard process to develop vehicles
- Upfront systems to capture “Voice of Customer” and turn into design standards and templates - continuously improve these standards
- Using transfer functions to drive greater levels of APEAL and customer satisfaction
- Quality Panel Process – ensuring all products meet all quality, reliability and cost targets as well as ensuring that current product field failures are not designed into new products
- Digital Pre-Assembly
 - 40,000 design elements representing customer input
 - Verified digitally using state-of-art virtual technology

Listening to the voice of the customer. Accelerating the development of new products our customers want and value



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PROCESS QUALITY

Launch With Quality

- Launch Quality Operating System
- Prototype, pre-production testing
- From “OK to Ship” to “OK to Buy”
- Series of Customer Standards to drive successful launches

Common global approach to all product launches



PROCESS QUALITY *(continued)*

Build In Quality

- ❑ Information Flow
 - Single agenda for Quality (VOC)
 - Early Claims Binning – reading every claim, every day while containment mapping in the plant processes
- ❑ Infrastructure
 - Standard team structure to ensure the right resources are addressing the right issues both proactively and reactively
- ❑ Time and Data Management
 - Standard meeting cadence and problem solving report-out; drives timely resolution; good discussions and good problem dissections
- ❑ Process and Tools
 - Customer Acceptance lines (CAL)
 - Standardized 6-Sigma methodology

Main principles of the 21 step Global Quality Improvement Process



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PEOPLE QUALITY

- ❑ Develop a World Class Quality Organization
 - standard global structure

- ❑ Provide the right knowledge and tools
 - Developing a critical mass of problem solvers
 - Ford has trained over 90,000 Green Belts, over 9,000 Black Belts and over 500 Master Black Belts worldwide
 - Ford has over 900 technical specialists
 - 6 Sigma Black Belt training for UAW partners
 - Continue Quality College training globally
 - Partner with our training development group to ensure the right Quality and Productivity courses are available

Continuously build the skills and technical competencies of personnel



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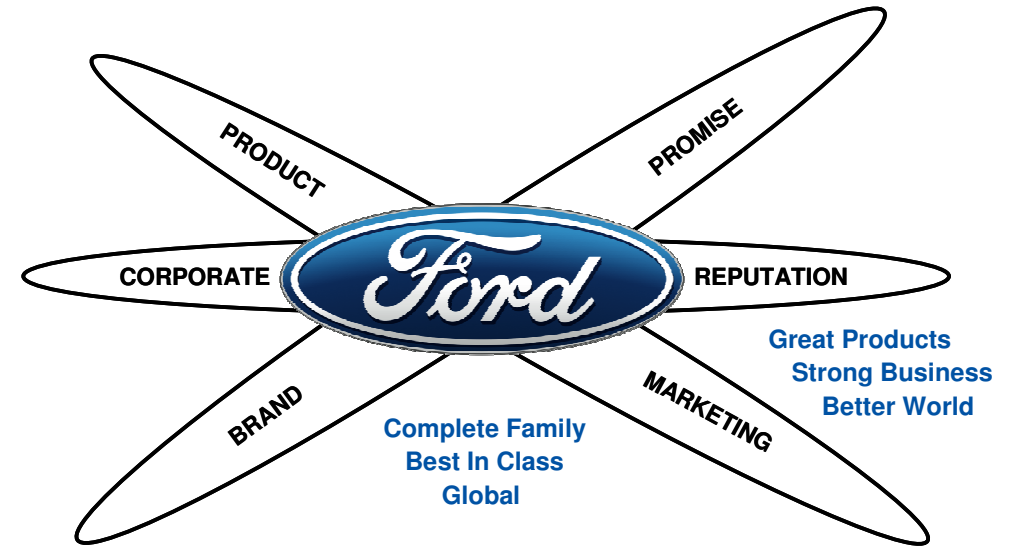
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PERCEPTION QUALITY

Polishing the Ford Blue Oval

- ❑ Goal to improve corporate reputation and build purchase consideration
- ❑ Execute the plan to deliver the Proof Points then, aggressively communicate the plan and progress Proof Points to all stakeholders
- ❑ Began in 2007 to deliver aligned messaging to global audiences: employees, retirees, media, influentials, dealers, suppliers
- ❑ Implemented external quality communication website ford.digitalsnippets.com



Closing the gap between Ford's actual quality performance and it's perceived performance – worldwide



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WARRANTY COST

- Improving quality around the world has translated to lower warranty costs
- Global warranty cost per unit has been reduced by more than 40% since 2005
- This has translated into absolute warranty cost reductions of about \$1 billion from 2006-2009

CONSUMER REPORTS

- 90% of FLM vehicles have average or better reliability, and CR states that Ford has world-class reliability according to the 2009 Annual Reliability survey
- Recommends 75% of tested Ford-Lincoln-Mercury vehicles for 2010 MY, up from 70% in the 2009 MY

JD POWER & ASSOCIATES

- **JD Power IQS:** Ford brand is ranked 5th overall and 1st among full-line manufacturers in the 2010 Initial Quality Study, with only 93 problems per 100 vehicles (PP100) (Jun 2010)
- **JD Power APEAL:** Ford brand leads the industry with five segment winners (Taurus, Fusion, Flex, Explorer Sport Trac, Expedition) (Jul 2010)
- Lincoln improves by 30 PP100 and moves up six rank positions to place second overall behind Porsche in the latest Vehicle Dependability Study; Ford and Mercury both improve and finish within the top 8 manufacturers (Mar 2010)

Internal warranty and external market research results confirm Ford's continuous improvement



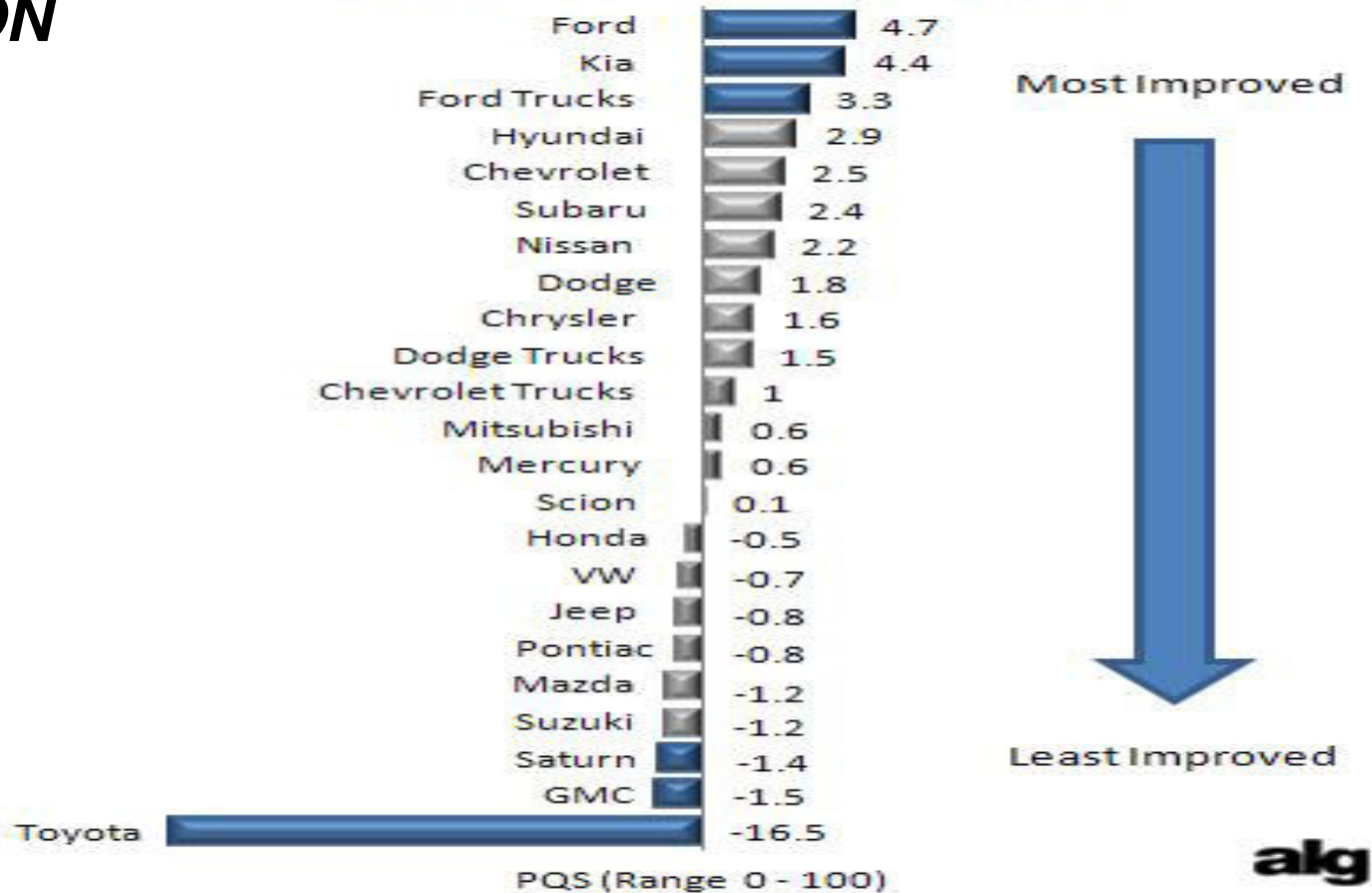
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QUALITY PERCEPTION

ALG Perceived Quality Score (PQS)

Change in PQS between Fall '09 and Spring '10



Ford among the most improved brands in the recent Automotive Lease Guide (ALG) Perceived Quality Survey



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FORD'S QUALITY PERCEPTION IS CHANGING



- 60th Anniversary of the Motor Trend Award Goes to the Ford Fusion Nov 2009



- Ford sweeps Car and Truck of the Year honors at the 2010 NAIAS Jan 2010



- 75% of tested FLM vehicles are recommended for the 2010 MY, up from 70% in 2009 Mar 2010



- Ford brand is ranked 5th overall and 1st among full-line manufacturers in the 2010 Initial Quality Study, with only 93 problems per 100 vehicles Jun 2010
- Ford brand leads the industry In J.D. Power APEAL with five segment winners (Taurus, Fusion, Flex, Explorer Sport Trac, Expedition) Jul 2010



- Ford sales are no surprise to Strategic Vision with Ford leading in Total Quality with the Fusion, Taurus, Flex and F-150 Aug 2010



- Won seven vehicle categories in AutoPacific's 2010 Vehicle Satisfaction Awards May 2010

Consistent recognition of Ford products drives positive quality perception



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FORD'S QUALITY STRATEGY

- ✓ Improve our **Product** by identifying customer satisfaction opportunities with leading designs
- ✓ Standardize and adhere to key quality **Processes** in Manufacturing, New Model Programs, and Product Development
- ✓ Develop our **People** by building a world class quality organization with advanced problem-solving knowledge for improving quality and productivity
- ✓ Improve our **Perception** by delivering and communicating proof points to stakeholders

Commitment to innovation and quality excellence: continuous improvement for life



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GLOBAL QUALITY IMPROVEMENT PROCESS

To sustain and accelerate quality improvement, we must effectively transform knowledge into sustainable business results achieving continuous improvement for life!

Knowledge

- ✓ **Learn**
- ✓ **Teach**
- ✓ **Apply**
- ✓ Reward and Recognition
- ✓ Replication

**Sustainable
Business
Results**

- The Global Quality Improvement Process provides the knowledge foundation necessary for achieving our quality improvement objectives
- Successful implementation will required that every employee learn, apply and replicate these quality tools
- Anything short of full commitment will result in failure

BEST LINE UP IN FORD HISTORY



SECRET



Fiesta



Focus



Fusion



Mustang



Taurus



NORTH AMERICA



Escape



Edge



Flex



Expedition



Transit Connect



E-Series



F-150



Super Duty