An Ounce of Prevention Is Worth A Pound of Recalls

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Regarding Melanie Trotman's lucidly written news article, "Behind the rise in recalls" (Economy & Politics, July 16), on the dramatic rise in the number of recalls in the U.S. over the last nine months:

Sadly, the recall strategy is only useful after the fact, when the damage has been done for customers. In contrast, my research suggests that firms could be more innovative and intelligent in determining the optimal time to make recall decisions to reduce the potential losses. It turns out that recalls are very costly not only because of the replacements, but more for the goodwill and intangible losses occurring once the news is out in the media.

Firms can and should be more vigilant in reading and understanding the early signs of quality problems before crises arise. This can be done successfully only if there is a formal early detection system in place, which examines the critical leading indicators of quality problems both internally (with suppliers, partners and complementors) and externally (customers and the markets relevant to the products). But this is easier said than done.

On the demand side, the firm has to have an effective communication framework with salespeople in the field, dealers, regional distributors and global partners if the products are marketed globally. Early warning signals have to be correctly detected and acted upon to minimize potential value losses.

On the procurement side, which has caused many of the recent recalls, suppliers (and their own suppliers) have to provide almost instantaneous updates on the quality levels of the products. These firms are full of interesting bits of information if one can understand them. That is why we see a mushrooming of independent external audit teams that can objectively and deliberately examine suppliers' production and quality systems.

"Learning from failures is more effective than learning from successes" is a widely quoted statement. But this may not work in recall timing failures, as the potential costs could tarnish the firm's brand image forever.

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