

*Restructuring of quality assurance in the Russian automotive industry:  
the role of OEMs*

**Extended Abstract**

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The automotive sector in Russia is viewed as “a pilot project” on the way to the diversification of the economy and to the reduction of dependency on the raw material extraction and processing. At present the Russian automobile market ranks eight globally and fifth in Europe and it is the largest market in CEE with the tendency to grow further (Ernst & Young, 2007). Nevertheless the growth is taking place mainly through the inflow of FDI which divided the automotive market in Russia into two segments: foreign and traditional. Whereas the former is enjoying sales growth, the position of the latter is rapidly declining. Modernisation of the local suppliers’ production systems and quality assurance systems in particular is an important determinant of competitiveness of the traditional Original Equipment Manufacturers (OEMs) and a condition for suppliers’ integration into the international division of labour in the automotive industry, as well as for keeping the production of high-technology components in Russia. The whole supplier base unites ca. 2000 companies; at present only ca. 5% of them comply with the global quality requirements (Reus, 2006). Grounding on expert interviews with managers at both foreign and traditional OEMs in Russia, and with German quality management consultants, I attempt to answer the question, *how do the traditional OEMs in Russia support the restructuring of quality assurance at the suppliers’ plants?* The restructuring of quality assurance in the Russian automotive industry is compared with the development in the Western automotive industry.

Restructuring of quality management systems and introduction of the internationally required methods is one of the key problems for the Russian automotive firms. The western automotive industry was facing similar restructuring pressure in the 1980s, when the taylorist production system was in crisis due to the increased competition with the Japanese manufacturers (Womack et al. 1990). In the course of the reorganization of quality control in the Western automotive industry, the responsibility for product quality was integrated into the tasks of direct workers and elements of self-inspection and self-regulation based on group-work were introduced (Juergens et al., 1993). The subsequent development of quality assurance at the western automotive companies has been taking place within the trend of company-specific standardized production systems using Toyota Production System as an exemplary model (Clarke, 2005). In standardized production systems quality management is tightly integrated with employee qualification, work organization, and pay systems, assuring continuous learning from the shop-floor aimed at reducing costs and improving production processes. Thus in present the Russian automotive industry has to both improve the application of the taylorist principles and to catch up with the more recent developments in quality management,

i.e. to reconsider the division of responsibility for the quality of production processes between the production and quality assurance department.

Starting from the 2000s OEMs in Russia have been pushing for the certification of quality management systems for compliance with ISO 9000 and, since recently, for TS 16949 at the suppliers' plants. The OEMs' internal systems of suppliers' evaluation were designed. At present only about 10 suppliers out of ca. 300 first tier suppliers in Russia are certified by the Western auditors for compliance with TS 16949 standards (the Head of the Association of Russian Automakers, Personal Interview, 30.08.07). Although the market regulations in Russia still leave suppliers less product quality responsibility than in the developed market economies, the liability law for the suppliers is already being introduced in the contractual obligations.

Suppliers trying to upgrade their quality systems attract expertise from the Western consultants and get hardly any support from the Russian OEMs, who lack knowledge and experiences in the modern quality methods (German Quality Management Consultants, Personal Interviews, 15.12.06, 24.09.07). Despite ongoing reorganisation, the structures and functions of quality assurance departments at the major Russian OEMs duplicate those of production departments and the degree of integration of quality assurance tasks into the functions of the direct workers is lower than at western OEMs (Quality Manager at OEM B, Personal Interview, 05.09.07; Personnel Qualification Manager at OEM A, Telephone Interview, 21.09.07). The shop-floor knowledge of production processes at OEMs plants remains underestimated and the role of the shop-floor workers is coming to "the operations that are impossible to perform on production equipment" (Quality Manager, OEM B).

Unlike Russian OEMs which set hopes upon increased automation of quality assurance, the western vehicle manufacturers in Russia aim at higher degree of manual operations introducing problem solving methodology on the shop-floor. Foreign OEMs in Russia require their local suppliers to comply with their global quality requirements as a rule including TS 16949 certification (Purchasing Manager at a Western OEM, Personal Interview, 19.04.07). They are also working with suppliers trying to improve their quality systems and are deploying their resources for this purpose (ibid.). Thus the foreign OEMs in Russia are pursuing a different policy than the Russian OEMs with respect to suppliers' development: they both conduct audits at suppliers' factories and carry out training for them.

Whereas the Western automotive industry has come through the major restructuring of quality assurance at the end of the 20<sup>th</sup> century, the traditional Russian automotive firms are only now entering the global competition. The Russian OEMs are increasing demands with regard to the suppliers' quality management systems and product quality without supporting them with the expertise necessary for such modernization. Their role in the supplier relations is not changing from that of a controller to that of a partner in development of suppliers' quality systems. An important determinant of this lack of support is the traditional organization of quality assurance at OEMs plants. The Western OEMs in Russia on the contrary are pursuing the same strategy as globally, i.e. they invest resources into the upgrading the suppliers' competence in quality assurance. A probable scenario in this situation is further widening of the gap between the traditional and new automotive segments in Russia. The suppliers who are already working with the foreign OEMs will stay in the foreign segment, supplying to several foreign OEMs and aiming at customers abroad. As the major part of traditional suppliers will be deteriorating, Russian OEMs will also have to explore the opportunities for purchasing parts abroad.