As described in Chapter 14, CWQC is possible only if quality control activities and quality-related functions are carried out in all departments and at all levels of management. Furthermore, the activities of each department must be planned so they are reinforced by other departments. Additionally, they will benefit from quality-related functions throughout the company. The responsibility for establishing communication links between the various departments at Toyota and ensuring cooperation in implementing QC programs is given to an organizational entity known as a functional meeting. Functional meetings do not serve as project teams or task forces. Rather, they are formally constituted, decision-making units whose power cuts across department lines and controls broad corporate functions. Consisting typically of department directors from all parts of the company, each functional meeting will consider such corporate-wide problems as cost management, production management, and quality assurance, respectively. The meeting participants then communicate their policy decision and plans for implementation to each department for action. Such management through functional meetings is called functional management ("Kinohbetsu Kanri") at Toyota.

In this chapter, we will examine the structural relationships between the functional meetings and the more formally developed organizations at Toyota, how business policy is made and administered through functional management, and some of the advantages to be gained from the functional management concept. Although the Toyota production system in a narrow sense does not include the product planning and design steps, the author includes functional management in the broad overview of the system. The reader should realize that the most important aspects for increasing productivity or decreasing costs and improving quality are the QC and cost reduction activities in the product development and design steps.

Historically, functional management is the outgrowth of a long process of trial and error. The QC Promoting Office at Toyota took the first steps toward CWQC in 1961 by defining various important functions to be performed by the company. Each department, in turn, collaborated to determine and arrange the contents of the functions. By the addition, integration, and abolition of these
inputs, the defined functions were classified and selected into the two most necessary rules for the entire company: quality assurance and cost management. Rules were then established to define what kinds of activities each department must undertake to properly perform these two functions.

**QUALITY ASSURANCE**

Quality assurance, as defined in this rule at Toyota, is to assure that the quality of the product promotes satisfaction, reliability, and economy for the consumer. This rule outlines the activities of each department for quality assurance at all phases from product planning to sales and service. Further, the rule specifies when and what should be assured by whom at where.

The rule defines when as eight applicable steps in a series of business activities from planning through sales. The eight steps are:

- product planning,
- product design,
- manufacturing preparation,
- purchasing,
- manufacturing for sales,
- inspection,
- sales and service, and
- quality audit.

The term by whom at where means the specific department manager and the name of his department. What consists of items to be assured and the operations for assurance. Table 15.1 defines the quality assurance rule as it pertains to the steps in the business activities defined here and the primary operations of each department.

**COST MANAGEMENT**

Toyota utilizes cost management to develop and perform various activities to attain a specific profit goal, evaluate results, and take appropriate action as necessary. In other words, cost management is not simply confined to cost reduction. It also covers company-wide activities to acquire profit. This rule specifically outlines the activities of each department level to maintain cost management. The framework of this cost management evolves from the following four categories: target costing, capital investment planning, cost maintenance, and cost improvement (or Kaizen costing).

Target costing has been regarded as especially important because most of the cost is determined during the development stages of the product. A cost planning manual assigns primary responsibilities and tasks at each phase of product