

# Making Quality Pay

*Looking beyond TQM, re-engineering and other buzzwords to improve the bottom line*

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**O**ver the last decade, there has been a rather unusual shift in corporate America's embrace of the quality movement.

Back in the 1980s, American industry turned in force to total quality management (TQM). Most of this change was driven by what we would call "feel-good" business. Quality experts told us that we should like ourselves and our fellow employees. They counseled companies to become good homes for their employees and to not expect any financial results in the near future. After all, the experts said, "quality is a journey."

For most companies, the journey to TQM left them with hefty consulting fees and little change in their earnings reports. Disillusioned, many corporations turned in the early 1990s to the concept of re-engineering. This new approach told corporate executives to start over by obliterating, not improving, key processes.

And while Michael Hammer and James Champy's best-seller, "Reengineering the Corporation," offered an exciting and even revolutionary concept, it provided little in methodology and implementation guidance. Consequently, a majority of re-engineering efforts failed to improve sales, profits, customer satisfaction or competitive position.

While corporate America continues to search for the "silver bullet," a small number of resourceful companies have shunned these business fads and have focused their energies on actually making things work better. Process improvement may not be the most electrifying buzzword, but companies like Southwestern Bell Telephone, GTE, BellSouth and others have used it to make their quality efforts pay off at the bottom line.

Their successes can be easily duplicated by other telecommunications entities that are willing to learn these nine basic lessons.

## **Lesson 1:**

**Recognize that the conventional approach has not worked.**

**M**ost companies begin quality programs with fanfare. Large numbers of self-directed teams are formed to address a broad range of concerns.

Vast, companywide training programs are also launched, but employees quickly see that attending quality meeting after quality meeting produces no tangible change. Employee enthusiasm soon dies, taking with it any hope of meaningful improvement.

While most quality teams have been exposed to some good, simple tools such as Pareto charts and cause/effect diagrams, these tools are inadequate for making breakthroughs into the mysteries of telecommunications processes, which often encompass conflicting key measures that extend across many areas.

A better focus uses proven statistical tools to sort through the scores of variables in telecommunications processes, as well as in rapidly changing markets. It is an approach that is data-oriented, not people-oriented. It focuses on customers, not internal company needs. Most importantly, it must be driven at high speed to produce significant results quickly.

## **Lesson 2:**

**Restart your quality program by improving a small number of problem processes.**

**S**uccessful quality improvement begins with senior management selecting two or three chronic problems that are "eating the company's lunch." The projects should focus on service performance that is important to customers. And they must be of significant magnitude to hold both management and employee attention, ideally something in the range of \$1 million or more per year in improvement. Also, management should know

how each percentage of improvement will affect the bottom line.

A small team of the company's best employees should be assigned and given the proper statistical training and resources to aggressively attack the problem. The objective is to demonstrate that quality improvement can produce dramatic results quickly.

The experience of a Southwestern Bell Telephone business-to-business sales unit in western Ok-

lahoma is a good example. Among the company's 12 sales divisions, the unit was last in monthly sales. To make matters worse, a 40% increase in sales was mandated without additional funding.

Using statistically based process improvement techniques, the unit set out to determine the "right recipe" for a successful sales call with four different small business switching products. Internally, the experiment became known as "The Aladdin Project," since the team virtually needed to pull a "genie out of a lamp."

Within one year, sales for the unit increased by more than 300% (without adding staff), which represented a revenue increase of \$1.5 million. The changes have recently been implemented in the company's regions in Austin, Texas; Houston; Kansas City, Mo.; and St. Louis with equally dramatic results.

Within any company, initial successes of this magnitude can become legends and help spread process improvement throughout the rest of the organization.

"We've estimated that our process improvement work has resulted in well over \$100 million in potential new revenue or in savings to our company," says Edward A. Mueller, president and chief executive officer of Southwestern Bell. "Without question, it's been a part of making Southwestern Bell Telephone one of the best performing Bell companies the last three years running."

Simply put, nothing breeds success like success.

### **Lesson 3:**

#### **Adopt a single road map for change and get a capable guide.**

**T**o borrow from quality guru Dr. W. Edwards Deming, management needs to prepare a road map for change that clearly spells out the time and responsibility assignments for taking all service and production areas through the process improvement strategy. The plan should be executed and monitored, not merely revised every year with the universal goal of "in control and capable by the end of next year."

After choosing a team, make sure it has competent guidance. Just as it would be ridiculous to ask someone to read an aircraft pilot's handbook and fly a plane, it is equally absurd to ask employees to change their approach without giving them proper guidance.

## **Lesson 4: Challenge existing measurement systems.**

**Q**ualPro has closely studied measurement processes at many companies.

In the telecommunications industry, for example, there are measurement systems that provide data on installation and repair performance, order entry errors and the accuracy of interexchange carrier data. Often, though, the measurement systems are producing incorrect data.

The key measures to be tracked usually involve providing service correctly and on time. In addition, customer satisfaction is almost always tracked. When there are measurement system problems, they usually involve operational definitions of the key measure, training of the personnel providing the data to the system and continuity between mechanized systems.

When IXCs, for example, measure the performance of local exchange companies on mean time to restore service, there are often

discrepancies. If a telephone company receives a trouble ticket for a high-capacity line at 4:30 p.m. on Friday, its clock might run from 4:30 p.m. to 5 p.m., and then again from 8 a.m. on Monday until the problem is fixed at 10 a.m. Restoration time from the local carrier's perspective would be 2.5 hours. The IXC's time measurement, however, might include the weekend hours.

Repair technicians also might not enter problem codes in the same way. In a large urban district, there might be 40 crews with 10 people for each crew, which means that 400 people would have to be trained to properly enter "non-access time" for their repair tickets. How do they account for the time from 4:30 p.m. until 8 a.m.?

The key to all of these problems, which will enhance the chances of producing successful process improvement, is to do your measurement system homework.

### **Lesson 5:**

#### **Attack the problem of overadjustment.**

**C**onsider this a lesson in "tweaking your way to failure." It is a familiar approach to problem-solving—the constant adjustment of dials and knobs to try and control a process.

In many companies, there is an unwritten procedure for each new crew coming on shift to set the process where they like to run it, regardless of how the process was running prior to their shift. Not coincidentally, the frequency of errors increases dramatically in the one- to two-hour period between shifts. Essentially, this approach ends up creating an out-of-control process.

There are many examples where proper strategy has led frequent process adjustment to drop dramatically, from several adjustments per day to adjustments of less than once a month. Add to this success the tremendous reduction on total product variation and the result can be dramatic, often exceeding bottom-line savings of hundreds of thousands of dollars per year from a single process.

### **Lesson 6: Listen to customers, but make sure you are on the right frequency.**

**A** good case in point is a Bell regional holding company that was prepared to invest millions of dollars to improve its customer serving time at its residential customer service center because of a public utility commission order. A survey of the company's cus-

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