

SERVICE INDUSTRY QUALITY SPEECH

Good morning ladies and gentlemen.

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To set the scene, let me quote one of the numerous definitions of the word 'quality' which can be found in the Oxford English Dictionary: it means 'peculiar excellence or superiority'.

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This, I feel, sums up perfectly the manner in which British industry – whether manufacturing or service orientated – must approach its business affairs if it is to succeed and prosper in the future against increasing competition from other countries both inside and outside the European Community.

As most of us know, the British government recognised this potential problem over two decades ago. The subsequent establishment of a DTI register, backed by extensive and expensive promotion of the department's QA initiative, was motivated by the carefully-defined need to improve both the efficiency and profitability of British industry.

Today, Britain's manufacturing industry is far more quality conscious than it was in the 1970s and 80s. But somehow the service sector has lagged behind.

Custodians of clients' quality

In our particular area of operation, that of logistics and distribution, the contractor is often the one vital link between the manufacturer of a product and the customer or end-user. This places us in an extremely responsible position. The quality of our actions – that is their efficiency or superiority – will either add value to the products we handle, or subtract value from them.

Late deliveries, wrongly picked packs, damaged items... in the eyes of the customer these reflect badly on the manufacturer first, then the distributor second. It only needs one or two complete consignments of a specific product to be rejected by goods-inward inspection at a major supermarket or retail chain – usually because the distributor has made a minor mistake somewhere along the line – for the overall 'quality' of that brand to be queried.

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Also the resulting non-appearance of a product on the shelves for a day or two invites the public to switch buying habits to competitive brands, something that no manufacturer can afford in today's marketplace with its ever-tightening profit margins.

It is therefore easy to see that the distribution contractor is the client's custodian of quality *in loco parentis*. It is little use the manufacturer supplying the correct

product, at the right price, if it does not reach the supermarket shelves – or end-user by direct delivery – on time and in excellent condition.

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This, in fact, equates to one of the many business school definitions of quality which has appeared since the Oxford Dictionary was last updated. That is, quality is the *'ability to provide a customer with the right product or service, at the right time and place, and at the right price'*.

Three out of four of these objectives of quality, as far as a manufacturer is concerned, are the responsibility of the distributor. This proves how our efficiency can make or mar a client's brand name, and effectively boost or reduce its image, turnover, profits and hence its actual financial viability.

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However, to the list of regularly quoted objectives of 'quality' I would like to add one more: 'the ability to do our job right – *the first time!*' Anything but perfection in our distribution service to clients is letting them down. We would be neglecting our duty as custodians of their quality.

Why do we need quality systems?

When the Industrial Products division of Acme Logistics Group first started to work towards ISO 9001 Quality Systems, our QA manager and consultant put together a scenario for our quality initiative document which showed how easily minor lapses of

efficiency can accumulate until the result is an absolute disaster. It is worth repeating here because it demonstrates clearly the cost of failing to get it right first time. Names have been omitted to protect the guilty.

Consider the following course of events:

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1. An order arrives at a distribution centre in Lancashire for delivery to a major supermarket in West Wales. The order comprises 20 products, making 12 full pallets, eight LDUs¹ and seven packs.

2. The loose packs are there because no-one told the supermarket that pallet layout had changed. The clerk did not check the pallet requirements, and therefore the order was not rounded down.

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3. The supermarket does not want loose packs; the distributor does not want to pick and dispatch them; the client does not want to sell them. But it's too late, the order is being processed.

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4. When the distributor comes to assemble the load there are no bulk pallets available. They are lost in the store. So the load is split.

¹ Local delivery units.

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5. A new picker misreads a pack code and picks a layer of a wrong but almost identically-coded product. As this is only a single layer, the checker also misses the error.

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6. Now there is a mix up with despatch time – the trailer and tractor arrive late. Marshalling areas are full and despite working flat-out the load is late leaving.

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7. Road works on the motorway means the load arrives an hour late at the supermarket. The driver has to wait three hours for another slot.

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8. There are two new products on the order and these have been placed at the bottom of a large pallet. The new stock is not too strong and *en route* a layer has moved and the pallet has collapsed.

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9. When the back door is opened there is stock all over the floor. Of the 20 product codes ordered, four are rejected because of damage, one is refused because it is the wrong code, and one was split off anyway. Only 14 of 20 are delivered.

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10. The driver is now late for his next job so he drops the refusals at a local depot. Unfortunately, the refusal notes and pallet notes become separated from the stock – and are lost.

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11. A week later the supermarket is invoiced for 19 of the 20 codes. It wants credit for the refused stock. The client checks with the distributor but there is no record of the stock coming back.

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12. Eventually, stock that approximately matches the missing packs is discovered in a load of returns from a depot. It arrived without paperwork and its source could not be identified.

13. Having proved that the order was short, the client attempts to rectify the situation by raising a UOD.² This load misses the trunk vehicle for the day and a special delivery is arranged for the next afternoon. But no-one tells the warehouse.

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14. Next morning there is a panic to pick the UOD. The picker reaches his fork-lift only to discover it was not put on charge the night before. He wastes half-an-hour finding another truck. Despite all this the stock is picked correctly and double checked to make sure there are no problems.

² Unit of delivery.

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15. The load leaves late but arrives at the supermarket with five minutes to spare.

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16. The back door is opened and the load is in good condition. But the order is refused – in the panic to leave the depot, the driver was given the wrong paperwork.

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Game, set and match to the gremlins of inefficiency!

Quality is people and commitment

We all know that these mistakes can occur – but thankfully never all together as in this extremely exaggerated example.

The question is: who is to blame? The simple answer is that errors are caused by people – whether they be clerks, pickers, checkers, loaders, drivers, maintenance staff, managers or directors. But 99 times out of 100 it is the company's operating systems (or lack of them) which are at fault, not an actual person. The other one per cent is probably due to a row with a spouse over the breakfast table, and very little can be done to prevent those.

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This is where quality systems and efficient operating procedures become vitally important. In every instance outlined above, from the most basic initial mistake to the

rapidly escalating consequences, the chain of disastrous events could have been halted by adherence to procedures which had been laid down with quality of service as the prime objective.

But it is useless to instigate a system unless the whole company is totally committed to the ideal of quality. This is where ISO 9001 acts as an extremely valuable catalyst, as well as a stepping stone to future improvements in efficiency – or even to total quality management (TQM).

Quality – an attitude of mind

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In this respect, quality of service must be viewed by the contractor and its employees as a general attitude of mind which everyone accepts for their mutual and individual benefits. What it must NOT be seen to be is the means of achieving a piece of paper – a ISO 9001 certificate – purely for the sake of retaining the contracts of clients who need to secure the integrity of their own quality chains.

Much has been said recently, and written in trade journals and the national press, regarding the self-generation of the quality systems standard. Stories abound of the way in which it is being 'forced' upon both manufacturing and service companies by their customers under threat of losing work or being refused the opportunity to tender.

If this is the case – and therefore the only reason a company can find to work towards ISO 9001 assessment – then it should not bother. The company is approaching the subject of QA for totally wrong reasons: it will never convince staff of the need for quality, it will never achieve true commitment, and it will never discover the real benefits.

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The truth is that quality brings its own rewards. It is an investment that yields a long-term return in both tangible and intangible forms. It is not a short-term or immediate profit panacea – although in some cases the installation of quality systems to ISO 9001 can bring quite startling cost savings or improvements in efficiency. Such immediate benefits are most likely to present themselves when the company's previous level of efficiency was particularly low. In our field of operations, and with inherent market-driven competitive forces, very few contractors could survive if their quality of service was so poor.

The real beauty of the quality systems standard is that it makes us take a long critical look at our operations – every aspect which influences the service we give to our clients – and then to perfect them so that it is almost impossible for mistakes or wastage to occur.

This means that the ethic of quality is brought into every stage of our business process: from the first submission in response to an invitation to tender, through to the daily presentation of product to the recipient at the end of the supply chain. Only by

everyone in the company carrying out their duties with an equal commitment to quality can this process work.

The soul-searching route to ISO 9001

At Acme Logistics we considered total commitment to be so important that we made staff involvement the key element of our quality initiative.

We initially investigated ISO 9001 over a decade-and-a-half ago by sending most of our senior management to a DTI quality seminar. Then we asked these managers if they could see any valid reasons why we should take the formalised QA route.

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They replied that our quality of service was already good, and efficiency was high – BUT, like every other firm, we could be better. And the best way to prove to ourselves and our clients that we really were serious about quality was to achieve official certification and wear an internationally recognised QA logo.

Our next major step was get our employees fully involved and to obtain their total commitment. This took a great deal of preparation and planning as we did not want to force the idea, we wanted it to be a natural step in the development of the company which would benefit everyone at all levels.

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We achieved this by running our own weekend quality conference at the Cresta Hotel in Leeds. We needed a big hotel because we had a big task to perform – and we invited every senior manager, line manager, chargehand, shop steward and all other employee representatives. One hundred and seventy people attended that conference, about one-third of the workforce at our Winstanley site. The event was organised by our personnel and training department assisted by F&O Quality Management Consultants and an outside specialist on QA training.

A 60-page conference manual was produced and issued to everyone. This clearly stated the five objectives of the event:

1. To introduce the general principle of quality and how these related to the site.
2. To identify the need for our quality initiative and the benefits to be gained by all employees.
3. To introduce our quality policy, timetable and process, and the part we all had to play.
4. To ensure that the quality initiative was communicated to everyone involved.
5. To gain support and commitment for the task ahead.

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We had speeches, presentations and a QA video. But most important of all we had syndicate groups, lively and informative discussions, and feedback from the syndicates. In other words we had involvement.

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We also introduced a quality statement which relates to everyone at our site. It says: 'In everything we do at Winstanley, we should understand exactly what is required of us, we should have the training and resources to carry out the task properly, and we should do it right – FIRST TIME.'

As a result we gained total commitment for our quality initiative – and the whole workforce then wanted to see immediate action. This was in fact a stumbling block as, although we were all fired with enthusiasm, we still had many steps to take before we reaped any benefits.

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We formed a quality council to specify the processes and procedures that needed to be covered. The managers in our various implementation groups identified 37 separate processes and 67 management procedures which eventually formed our quality system.

We then built quality teams comprising staff at all levels in a department to define the work instructions needed for every process to satisfy the requirements of ISO 9001. But before we could attempt this we had to train staff to run the quality teams and be effective participants. The reason for this is that we needed across-the-board involvement to ensure that work instructions were developed and defined by the actual people who performed the tasks. They are the experts and they know what needs to be done to achieve the best results.

We elected to write our manuals in-house, rather than employ outside help. This was done mainly by line managers and supervisors in their implementation groups, with a QA consultant in attendance to advise on the finer points of the standard.

These exercises proved extremely valuable, as previously we lacked cohesive procedural documentation – the managers, chargehands, supervisors and staff all knew what should be done, but it had never been formalised. So every document had to be created completely from scratch.

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By identifying each and every process or procedure, then writing down clearly and concisely how it should be carried out and what to do when certain factors arise, we found that everyone learned a great deal about other department's problems and how these influenced their own operations. The links between departments became stronger as the realisation grew that a minor error by one section could cause great confusion and time-wasting elsewhere.

Such was the success of this lengthy self-examination exercise that, well before any department manuals had been finalised, we had instigated subtle changes in traditional procedures which noticeably improved our overall working efficiency. And communications around the site had also been enhanced with everyone anxious to work towards the quality goal.

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We generated two levels of documentation. The top level is a single quality manual which enshrines our overall quality system. This describes the system, which rarely alters, but not the processes we undertake. The processes are itemised in step-by-step detail within the departmental procedures manuals – our second level documentation. These manuals are designed to be updated regularly.

Such flexibility is essential to cope with modified work methods to satisfy changes in customer requirements, and also to embrace new equipment and ideas. Quality management must be dynamic if it is to survive.

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It took us six months – instead of three – to draft all the procedures and QA manual following our conference, which meant that we fell behind our preplanned schedule for assessment within nine months. But, as our own quality statement says: we wanted to get it **RIGHT FIRST TIME**.

Apparently, it is not unusual for companies to take twice as long to install QA systems as they originally estimate – what with the training, drafting, testing, redrafting, implementation, assessment, and then the official audit.

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It proved a long and soul-searching journey for everyone concerned – and that means the entire Winstanley site – and involved much hard work and commitment. But has

it been worth it, to ourselves and more importantly to our clients? The answer must be a resounding 'yes'.

Benefits to clients

As we have already ascertained, the *raison d'être* of any distribution contractor is primarily to serve the needs of its clients to the best of its ability. So let us consider how Acme Logistics' quality initiative at Winstanley has helped achieve this objective by making our best efforts even better.

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1. **EFFICIENCY:** In the past we always considered that we ran a highly efficient operation. That was basically true, but we did not realise where many of the weak points were until our quality teams started to query and revise some of our traditional working procedures. By cutting out paperwork here, combining forms, inserting extra checks there, and performing tasks a slightly different way, we created a simpler and more efficient operating system generally.

This means we can now work to considerably tighter schedules than before. We also have more control over our operations. And this enables us to meet JIT delivery requirements with even greater accuracy – an extremely valuable asset in our business. As a result clients and customers are able to plan in the certainty that we will deliver on time, and our drivers rarely waste time queuing for spare bays.

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2. FLEXIBILITY: Surprisingly, this is really a spin-off from the simplification of our control systems. Working to ISO 9001 means you have to perform efficiently all the time. Thus the amount of day-to-day problems which have to be solved by managers, supervisors and chargehands is considerably reduced. The operation runs more smoothly, just like a Swiss watch.

This gives everyone at the site the ability – or flexibility – to respond to urgent changes or panic requests from clients. Having far fewer operational obstacles of our own to overcome enables us to cope rapidly, effectively and enthusiastically with other people's problems, as and when they arise.

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3. PRODUCTIVITY: Greater efficiency and a smoother operation obviously lead to higher productivity, measured in terms of higher picking rates and faster turnarounds. Since developing quality systems for ISO 9001, our output has risen from 61 million to about 80 million cases a year.

We handle this 30 per cent increase in work load with virtually the same staffing level. You may consider this to be an in-house benefit: it is. But it also cuts our operating costs in relation to turnover, thus enabling us to pass on some of the financial benefits to our clients. In fact, we now do some jobs at a lower price than we did two years ago.

This is especially true on long-term contracts. The reason is simple: quality is a long-term investment. On short-term contracts the efficiency of service a client receives is

by rote: it is quality by system or discipline, it is not natural or spontaneous. That only develops over a period of time, when extensive experience has been gained from working on a contract.

When such a stage is reached, our departmental procedures and QA system can be modified to match exactly the quality requirements of that particular project. But when we undertake this – to quote again our quality statement – we must 'do it right, FIRST TIME'. Hence the need for substantial experience of the contract first.

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4. BETTER CLIENT SERVICE: The combined result of the previous three quality benefits is a noticeably better service to clients. At Acme Logistics we have already proved there is less damage to products, fewer losses, and a reduced error-rate. These all equate to a considerable drop in 'fire-fighting' exercises to correct any mistakes. Fire-fighting is a waste of productive time and energy: fire-prevention is always cheaper and more effective.

We cannot claim that errors no longer occur – no-one ever can – but now we have a very strict QA procedure for dealing with mistakes and complaints. This ensures that corrective action is always taken, logged and the incident is fully investigated. The aim is to ensure that we learn by any mistakes, so that the same error cannot be repeated. This is one of the most important aspects of a quality management system.

Benefits to company and employees

In tandem with our clients, we as a 'people' organisation have also gained significantly from the development, installation and operation of our QA system.

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1. **COMPETITIVENESS:** The increases in efficiency and productivity outlined above have obviously had a positive impact on our competitiveness. This makes it easier to win new clients and renegotiate contracts at renewal. Even the quoting of ISO 9001 at pre-tender stage gives us an immediate marketing advantage when dealing with most potential clients.

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2. **PROFITS:** As our margins have improved, profitability has risen accordingly – giving us the ability to invest more in our own business and present improved trading figures to Acme Logistics Group plc. Hence happier shareholders and smiling bank managers.

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3. **JOB SECURITY:** More work and higher profits add up to greater job security for all our employees. We have no need and no intention to cut staff or prune overheads – we have a fully trained and quality committed workforce who are good at their jobs. And I far as I foresee, we have a steadily growing operation.

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4. **STAFF MORALE:** Job security has also boosted staff morale, with the result that staff turnover has now dropped to below one per cent a year. Cynics may suggest that

worldwide recession has also influenced this figure. I would counter this with the view that total staff involvement in our quality initiative from its very outset has instilled a great pride throughout the Winstanley site.

As each person is now responsible for the quality of their own work, they gain personal satisfaction from a job well done and from the knowledge that they are performing a clearly defined role which directly influences the effectiveness of our overall operation.

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5. TRAINING: The development of departmental procedures has improved training throughout the site. Although at the moment we rarely need to induct newcomers into our organisation, we do have employees shifting between departments. Previously we utilised on-the-job training techniques, with a line manager or chargehand responsible for showing a 'new' person the ropes.

Now we rely on our written step-by-step procedures, which means that employees do not actually start performing their tasks until they are completely certain what needs to be done, how it must be done and – equally important – why it should be done that way. In fact the training period is now longer and more thorough than before, but the results are more satisfying to the employee and the company.

Conclusion

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To sum up, my advice to all distribution contractors can be covered in two seemingly contradictory statements. Firstly, **quality brings its own rewards** in terms of added efficiency, reduced wastage, improved staff morale and, of course, profit – all of which bring manifold benefits which can be shared by clients, employees, management and shareholders.

The message is therefore clear. Do not have ISO 9001 thrust upon you by outsiders: be they competitors bidding for your contracts or buyers of distribution services who want proof of your quality. Instead, achieve certification for its own sake and the benefits your organisation and clients can accrue from expertly devised and implemented quality systems.

Secondly, in an industry such as contract distribution, **quality of service is a duty which we owe our clients**, it not a just a virtue, although this virtue does bring its own rewards.

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Finally, my advice to buyers and users of distribution services. If your contractor proudly wears an official QA logo, you can be certain that the company and all its employees are fully committed to giving you the best possible level of service – a quality service. Or as the OED states, one of 'peculiar excellence or superiority'.

ENDS