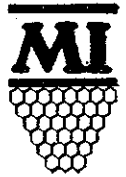


Management Ideas



FOR STILL BETTER

RESULTS

RELATIONS

REPUTATION

a monthly newsletter to key executive-leaders
on practices, possibilities and ideas generally
for stepped up performance
edited by
N. H. ATTHREYA MA PhD
author, educator & consultant
on problem-solving and creative ideas

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3375 CABBIE FINDS VALUE OF CUSTOMER SERVICE EXCELLENCE: Warren Bennis, the U.S. business academic and author, tells the story of a friend who once hired a cab at New York's Kennedy Airport. But it wasn't the usual New York cab -- it was clean and lacked the bullet-proof partition dividing driver and passenger.

Also absent was the trademark rudeness of the city's cabbies. "Hi, I'm Wally," the driver said, handing over his "mission statement" printed on a small card: "I want to get you to the airport -- courteously, safely and on time."

As he pulled away from the curb, he offered the day's newspapers. Soon, he mentioned the basket of fresh fruit in the back seat. Then he presented a cellular phone -- local calls for a dollar a minute.

The curious customer finally asked where the driver learned this service approach. "On a talk show." How long had he been doing it? "Two, three years. "How much extra money does he earn because of it?" "I figure about \$14,000 a year."

A clear sense of purpose pays, whether in corporations or cabs, Mr. Bennis concludes.

My dream is that either the taxi-driver/autorikshaw association or a manufacturer of automobiles/autorikshaws or a concerned citizen traces this talk show, makes a film, and arranges that all our friends see it twice - second time for a refresher - This can mean so much for the quality of living of all concerned, besides the economic benefits. The experience of this Editor and his associates in the past ten years shows the people at 'lower' levels respond well to such education and training.

3376 NATIONAL QUALITY AWARDS: The Nation's (USA) prestigious quality award, namely, Malcolm Baldrige National Quality Award for 1992 was won by Ritz-Carlton Hotels, Granite Rocks, Texas Instruments' Defense-electronics Arm and AT&T's Credit Card Division and Network Systems Group.

The quality movement in U.S.A has made a visible impact. Proof?

< Among U.S. automakers, average defects per vehicle have declined from 7.3 in 1981 models to 1.5 in 1992 models. That's almost as good as Japanese cars, on average.

< Just 1% of U.S. steel products contain defects, vs. 8% in 1981.

< U.S. made semiconductors are better. In 1980, almost 3,000 chips failed for every 1 billion hours of active computer time. Today, fewer than 100 fail under the same usage.

3377 RITZ-CARLTON: The Ritz-Carlton goes to such lengths to make people happy that it will repaint a room if a frequent guest wants it. It allows a guest's personal chef to use hotel kitchens to cook.

All are part of the luxury-hotel chain's quality push. But Ritz-Carlton managers say the most important thing they do is give employees the power to deliver quality at every turn.

If a housekeeper feels the hotel needs a new washing machine, she orders it. If a front-desk clerk sees a problem with a bill, she takes the charge off. No one has to check with a supervisor first.

"I don't say to our employees, 'Come work for this organization.' I say, 'Become part of us,'" says President Horst Schulze, 51. Such efforts led Ritz-Carlton Hotel to become the first hotel company to win the Malcolm Baldrige National Quality Award.

Last year, Ritz-Carlton was a finalist in the Baldrige competition. This year, the Ritz won, after judges visited seven hotels and interviewed employees and managers.

The program, developed over eight years, is led by Schulze. He heads up a 13-member quality management team. It meets weekly to address problems raised by employees on quality. Each year, executives devote about one-fourth of their time to monitoring, training and planning how to provide quality.

Every employee receives more than 100 hours a year in quality training -- more than twice that offered by most U.S. companies.

Schulze says the company's success at quality begins with the right selection of employees and the level of training they receive after they're hired. Fully 50% to 60% of all training at the Ritz is done on quality, says Schulze.

Applicants for a job with Ritz must survive four interviews before being hired. Their answers to questions like "What makes a good worker?" are compared with answers from current workers. Once hired, employees carry cards detailing Ritz policies. Those include such details as how to talk to customers. At the Ritz, employees don't say "Hi." They say, "Good afternoon."

On their 21st day on the job, they are reviewed. On the 30th day, they're reviewed again. While Ritz spends time and money to train employees, it saves on turnover. Industrywide, hotel staffs (excluding management) change completely about once a year. At the Ritz, turnover is held in check at 30% per year.

Employees, too, have made the Ritz's guest-services program one of the best in the nation, analysts say. The hotel tracks the special tastes of repeat customers. That information is put into a central computer so that when guests check into any Ritz, their preferences are known.

3378 GRANITE ROCK: At Northern California's Granite Rock, loading rock in a dump truck is as easy as withdrawing money from an automated teller machine.

In fact, it works the same way. "We thought if they can dispense \$20 bills accurately, then we can do that with rock," says Bruce Woolpert, 41, co-president and CEO of Granite Rock.

Innovations like GraniteXpress helped earn the 92-year-old family-owned firm the Baldrige Award for small businesses.

GraniteXpress is a 24-hour automated system for dispensing rock at its quarry in Aromas, Calif. Trucks drive up to a four-story, concrete-loading building. The driver inserts a magnetic card to place an order and charge it to his account. In less than 10 minutes, rocks slide down a chute into the truck. The process has cut 70% off loading time there. That's saved Granite's customers, who spend about \$1 a minute to operate a truck, a lot of money.

Woolpert, who shares the jobs of co-president and chief executive with his brother, Stephen, says the company has achieved an efficiency standard of just 3.4 defects per million loads for both ready-mix concrete and quality of crushed rock. So, fewer than four loads per million vary in consistency from the industry standard for ready-mix concrete.

Such quality standards are especially important in earthquake country, where a typical office building may require 5,000 loads of concrete. In another quality benchmark, Granite Rock has improved its on-time delivery record at other facilities to 93.5% from 70% since 1988.

About 100 quality teams have been formed by Granite Rock's 397 employees. "Nearly everybody in the company is on one quality team or another," Woolpert says.

"The pursuit of quality is like a stairway: You move up one step at a time and set a new platform so you won't go backward," says Woolpert. "It's a journey without an end."

3379 TEXAS INSTRUMENTS: The award tops a 10-year quality push at the group known as DSEG. The program has helped DSEG keep revenue steady -- around \$2 billion a year -- while the Pentagon has severely cut spending, says President William "Hank" Hayes.

At the same time, DSEG's productivity is up. Revenue per worker soared from \$80,000 in 1987 to \$125,000 last year.

DSEG became interested in the Baldrige in 1988. "We started looking to see if it would be a good road map for us to follow. We thought it was an excellent road map."

The group applied in 1990 and 1991 and learned a great deal from each attempt. "We kept on deploying what we were already deploying but in a more aggressive fashion," Hayes says. But the group wasn't chasing the Baldrige just for the award. "We always asked if what we were doing was making us more competitive. If not, we wouldn't do it. But in every case, it made us more competitive."

An important part of the process was pushing decisions down to employee teams. DSEG now has five management layers, down from eight in 1990. A pilot program of four teams in 1983 has grown to more than 1,900 teams today. The group is on target to have half its 15,000 employees working in unsupervised teams by 1995.

The internal changes have made customers happy, too. A Navy study designated 106 processes and techniques used by DSEG as "best manufacturing practices." No other Navy supplier got that many high ratings. Another Navy study of 17 missiles found the HARM and Shrike missiles to be the most reliable. Both missiles are made by DSEG.

Hayes figures that the quality program has helped DSEG win big, coming-technology defense programs amid furious competition. The TI group is now developing a radar system for the F-22 Advanced Tactical Fighter and it is the prime contractor for the Navy's next-generation air-to-ground weapon system -- even smarter smart bombs.

Hayes, a prime motivator in DSEG's quality push, credits "the team." He says: "This is a team activity, so we'll try to have some sort of celebration for everybody."

3380 AT&T NETWORK: The Network Systems division makes and sells the gear that sends calls across the country or between neighborhoods.

Indeed, AT&T's reputation for reliability is almost taken for granted. It handles an average 140 million calls each day and completes 99.999% of them. On June 1, at the height of the airfare price wars, it handled a record 177 million calls, and all but 2,000 went through.

The credit goes to the networks AT&T has built. Since 1989, the division has saved \$300 million by simply paying attention to the customer. At least once a year, customers issue report cards to the company, grading equipment's performance and saying what they value most.

Some results of the quality program:

- * Bringing new switching systems to market in 19 months instead of 39 months.
- * A 77% cut in products sent back for defects, from 150 defects per 10,000 to 34. By 1995, AT&T hopes to improve that to one defect per 10,000.

3381 AT&T UNIVERSAL CARD SERVICES: What really bothers AT&T's competitors is the way Universal sucks in new accounts. AT&T's Universal MasterCard and Visa have pulled in 10 million customers in about two years, or 300,000 every month.

From the start, AT&T's Universal Card Services decided it didn't want to satisfy customers; it wanted to delight them.

But customer service is the key to Universal's approach. And at Universal Card Services, the dedication to quality borders on the fanatic.

It starts with the motto in foot-high letters at the entrance to AT&T's campuslike headquarters. "The customer is the center of our universe." Banners emblazoned with Universal's quality credos hang from every hallway. Televisions throughout the complex highlight the 110 quality measurements AT&T takes daily.

Computers measure how long customers wait before talking to a service representative. Supervisors measure representatives' phone manners by randomly listening to conversations. Quality-control people even regularly check the quality of the paper for letters sent to customers. Results of the 110 measurements are tallied daily and posted throughout the building.

All that attention to detail pays. Universal Card Services handles 40,000 telephone calls a day. Its representatives resolve customer concerns in one call 95% of the time. And the unit logs more than 2,000 commendations from customers each month, either from calls or letters to the company. The division has won AT&T's internal quality award twice.

Universal's service representatives go to legendary lengths to make customers happy. Joy Van Elderen, a writer in Denver, bought a pair of handcarved soapstone candlesticks with her Universal Card in Kenya. But the candlesticks were broken when they arrived in Denver and had no warranty from AT&T on the purchase. A Universal customer-service representative contacted the store owner in Nairobi. Van Elderen got new candlesticks, and Universal got a loyal customer. "It's a great card," says Van Elderen, a charter member. "They're always very helpful - and the card is free."

Kahn and Peter Gallagher, who oversee the company's quality program, wanted employees to feel their work was important. That's not easy in the financial services profession, where telephone representatives are the equivalent of oarsmen on a Roman galley.

AT&T's solution: Empowerment. Universal Card representatives can fix most problems without having to bring in superiors. They can raise credit limits, investigate complaints or issue additional cards on their own. If it takes all day to solve one customer's problem, that's fine.

Employees can get together to change company policies and procedures, too. If employees notice something consistently wrong - multiple card solicitations sent to one person - they meet to talk about fixing it. In most cases, the employees find a solution by themselves, even if it means changing duties.

Rather than punishing employees who do something wrong, AT&T rewards people for doing things right. Quarterly bonuses and regular raises are pegged to how well an employee meets goals.

Universal Card Services goes to great lengths to take care of employees' needs, too. Need day care? AT&T certifies local day-care providers. Child has a bad cold or strep throat? AT&T helps employees find a qualified care provider for mildly ill children. Need a car loan? AT&T credit union's rate is 6.75% for a three-year loan, vs. 9.16% for the average car loan.

Employee turnover among service representatives is 8% a year in a field where 40% to 50% is common.

3382 EVALUATING PUBLIC SEMINARS: *As growth industries go, probably next to courier service industry comes the public seminar industry. Unless there is a postal strike, there are a dozen glassy brochures coming to your table everyday, announcing a high-priced seminar of Indian or foreign origin! This multicore industry is benefiting many. The question is: Is it benefiting the participating organization or is it money in the drain?*

This question has not been squarely asked in India yet. It has been asked elsewhere. The answers have relevance for India. Here are extracts from one such examination:

The path of least resistance through the maze of public seminars is to close your eyes, shut your ears and find something else to think about. It's tempting to discount the importance of these mini-training episodes. After all, they are being delivered by reputable companies, right? Employees usually come back happy, right? It doesn't cost much, right?

Fuzzy thinking, says Piontkowski of SSI. people are often motivated to go to a seminar in hopes of obtaining a quick and simple solution to some pressing problem. If the problem really does need to be attacked, and soon, the very worst thing to do may be to send the person to an "instant miracle" seminar--the type that promises so much, but delivers so little.

"A lot of times people will go in expecting to get all their questions answered. Then they are surprised," says Piontkowski. "They should be forewarned: Many one-day seminars are very motivational, instructor-driven, totally noninteractive. Also, a pretty good part of the day is a sales pitch for the books and tapes at the back of the room." She suggests you think of many of these seminars as employee benefits rather than training because all they do is get people out of the office for some light entertainment.

SSI has evaluations on about 25 percent of the 5,500 programs listed in its data base. These are based on evaluation sheets, follow-up phone calls and feedback from subscribers to the company's newsletter. Sure enough, all the horror stories you've ever heard about unprepared instructors and poor accommodations are true--and some can be found right in her files, Piontkowski says. "Some of these people have been giving the same courses since 1981 and haven't changed them," she said. "One guy is actually out there saying, 'I've got this new idea called video.'"

Here are a few suggestions to help you get the most out of your seminar dollar:

- * **Start with an informal needs assessment or development plan.** This can be a simple discussion between the supervisor and the attendee prior to departure. The supervisor wants to know the answers to three questions: Is this a practical time for the attendee to be absent? Why is this learning event a priority? What new skills or knowledge does the attendee expect to acquire?

- * **Read the brochure carefully.** Look for specific details about the course. The brochure provides important clues to the type of seminar. If it features glitz, gloss and puffery, you can often anticipate more of the same in class. Are the testimonials credible, including name, title and company affiliation? Does the speaker seem qualified to teach this course?

Does the brochure include a specific course outline? "Some of the descriptors are hot-button words, but they are unrealistic. They can't do what they say they will do, and the expectations for the attendees may be too high," says Johnson at 3M.

* **Select training programs, not education programs.** Unless, of course, an education program is what you need. New skills, however, will only come from practice. If the instructor does not allow for practice time, and instead tells you to practice on your own, you're in an education program. "Practicing is what training is!" says Georges. "It's usually done in the presence of a coach, because the coach can cut down on the trial and error time."

* **Start a central evaluation file.** Whenever an employee returns from a public seminar, have her complete a simple form about her impressions of the seminar. Be careful designing the form, though; it has to measure something besides whether the trainee had a good time. "This is hard," says Schrello, "because unless the course was a complete dud, the people were very happy when they left."

* **Debrief after the attendee returns.** Before the employee has a chance to forget what he learned at the seminar, have him talk to his supervisor about the two or three most important things he learned. "This will require the supervisor to have a clear idea of developmental needs and (desired) learning outcomes before the attendee goes to the seminar," says Schrello. "It will also require persistence and intestinal fortitude to say to the person when they get back: 'Hey, before you forget everything you've learned, sit down and tell me three things you can do now that you couldn't do before.'"

3383 FOR YOUR REFERENCE LIBRARY: HOW YOU CAN BUY A BUSINESS WITHOUT OVERPAYING by Eugene Merfeld & Gary L. Schine (The Consultant Press, New York). Any book can be useful to us only in parts - more so when it is published in another country, for another audience. This book is no exception.

Since we buy or sell business only once in a way, we cannot afford to learn the hard way. We better have all the ideas and guidance beforehand. This book guides the reader, in plain English, through the process. Topics covered include: Understanding the motives of sellers, How to deal with business brokers, Seven methods of determining what a business is worth, What to look for beyond the financial statements, and Negotiating and Financing the deal. It will be a good addition to your reference library.

3384 LAUGHING MATTER?

"Ever been to the horse races?," one farmer asked another.

"Once," came the reply.

"Did you bet on any horses?"

"Just one, but he died of curiosity."

"What do you mean, died of curiosity?"

"The only reason he was racing was to see if the other horses had tails!"

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