Calling for quality
Consistent, reliable and predictable results should be transportation industry’s goal.

BY THEODORE PRINCE

Urban legends are frequently fiction. Occasionally, though a true story is handed down.

In November 2001, two weary Web consultants from Seattle, tried to check into a Houston hotel late at night. Despite their “guaranteed for late arrival” reservations, there were no rooms — and no apology from the night clerk. Later, they created a PowerPoint presentation entitled “Yours is a Very Bad Hotel,” and sent it only to the hotel and three friends. With the power of the Internet, the document soon drew national press coverage — and uncomfortable attention from the entire hospitality industry. Once again, the resonating effects of poor service were poignantly driven home.

Manufacturing industries have been focused on “six sigma” (6s) quality for some time. Many companies have tried to extend it to service industries. Six-sigma is a statistical measurement that seeks to establish six standard deviations between the process standard and the upper and lower limits. If it is achieved, it translates into 3.4 defects per 1,000,000 customer opportunities (products or services depending on the business.) Six-sigma is one of the legacies of Jack Welch, former General Electric chairman and chief executive officer.

Quality Pursuit. The quality process has a long — and not so illustrious — history in the transportation industry. In the early 1990s, most carriers established some sort of formal quality process. While some initiatives may have been driven by good intentions, most were the result of either customer requirements or pursuit of the Malcolm Baldridge National Quality Award. Some shippers answered to stringent safety demands. Chemical companies such as Dupont, Dow and Union Carbide often made formal quality programs a prerequisite to contract bids. Japanese auto manufacturers, such as Toyota (which had embraced quality as a way of business) also demanded carrier compliance. When Federal Express won the Baldridge Award in 1990, other transportation companies sought to follow suit.

Although the transportation industry traditionally resists management fads, they generally bought into quality in the early 1990s. Personnel were often transferred full-time into quality-related positions, and unlimited budget money flowed. Unfortunately, management follow through and commitment to change was often absent. Many employees assigned to work on quality-related issues were swept away during the next corporate fad — reengineering (i.e., downsizing.)

The implosion of accounting industry icon Arthur Andersen sends a clear message about quality to those of us in service industries. Despite all their procedures, training and publicity, Andersen’s quality control was not applied uniformly. Andersen had a Professional Standards Group (PSG) to review and pass judgment on difficult issues. But
Unlike other major accounting firms, Andersen allowed its local offices, which were focused on quantitative — not qualitative — goals, to override PSG decisions. The consequences were obviously disastrous.

**Measuring Up.** Sometimes, it seems the transportation industry is measuring the wrong metrics. Airlines and railroads often measure train and plane performance when the customer measures door-to-door transit. It doesn’t matter if you are on an on-time plane or train when you expected to depart on an earlier one. When transit has more than one segment, connection measurement, critical for accurate measurement, is often lacking. When segments are provided by more than one carrier, lack of in-transit visibility makes measurement almost impossible.

Regardless of the quality program, errors still occur. In such cases, the recovery skills of the provider are key. GE is a self-proclaimed leader in quality, but my personal experience makes it hard for me to believe in their 6s process. When my GE home appliance failed, our scheduled home repair service representative failed to show up twice. For those of you keeping score at home, that should happen 3.93 times out of 1,000,000,000,000,000,000, or their six-sigma isn’t working.

Customer service support is a function of great debate in most industries, and transportation is no exception. A generation ago, customer service was a local function performed by people who were personally known to shippers. Organizationally, it was often viewed as an adjunct to sales. But this function often came to be considered a cost center. Consolidation began as a means to reduce expenses. Local offices were combined into regional offices, and national centers followed.

**Union/Non-union Debate.** Consolidation set in motion a sea change in quality. In union operations, employees could follow their work. But in non-union offices, many carriers sought to reduce personnel expense by moving to low cost geographical areas — thereby sacrificing accumulated, or institutional knowledge. (Non-union operations often moved to “right-to-work” states, making union organizing even more difficult.) Customer disruption and/or loss were factored as a cost of doing business.

The union/non-union debate may obscure the more relevant issues. In many cases, transportation workers were legacies. Other relatives, and often previous generations, worked in the same industry. The employees grew up learning the business. They had industry expertise and awareness, which is not easily acquired.

But, as centralized call centers became more common, employees increasingly were hired off the street. Some carriers considered new employees a hidden bonus, because they could be taught appropriate procedures without having to “unlearn” obsolete or unacceptable past practices. Quality often suffered due to significant employee turnover. Without a union or loyalty to any particular industry, employees treated all call center jobs alike — and they opted for better paying jobs with better conditions.

To remedy the worker problem, many companies are hoping that voice-recognition programs will assume more of the workload. These systems are becoming increasingly sophisticated. For example, a customer can no longer press 0 to talk to an individual. But instead must know a secret code. Other companies are keeping the human model, but relocating the call centers overseas, where well-educated, industry-aware employees will not leave — and will work for a fraction of the cost of U.S. workers.

Regardless of the process or the employees, customers will experience each transaction with differing results. Businesses that measure averages will miss the fact that customers very rarely assess satisfaction “on average.” Most research indicates that customers feel the variance with each transaction. Consistent, reliable and predictable results are the goal, and those carriers who reach it will prosper. Those who do not will be continuously be

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compensating with perpetual rate cuts.

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