

Quality Improvement Program for Monitoring and Evaluating your Agency's Performance

Karl Harris

Municipal Government Sector Manager

Qual-Tec, Inc.

Six years ago, the Governor of Florida called our CEO, and said he had seen what we were doing in our utility, The Florida Power and Light. He said that the Florida Department of Transportation needed some new tools. They needed an opportunity to hone their skills. He wanted us to help the DOT implement the quality system — What we at Florida Power and Light (FP&L) called the quality improvement process. We did go up and work with them in Tallahassee, and its been an ongoing six year relationship.

Evaluating and monitoring how your organization is performing is very, important. But, you need a structure, a system, to do that within. It's only fair that I give you some background as to who and what the utility is, what Qual Tec is and how we fit into that, and what the whole structure looks like.

So, let me tell you a little about the utility and the process. We call this the quality improvement program but it's a process now. We, at FP&L, have a pretty good customer base. Of course, the first question anyone asks when they see this is, "Why would a utility — a monopoly — regulated by the public service commission get into a quality improvement process? What is the problem?"

I like to quote our Chairman of Board a lot, and he accused us of being dinosaurs. He said that moving the utility management, leadership, mind set is like trying to turn a battleship in the desert. We were not inclined to be pro-active because we were very comfortable in the fact that we had set rate of return. The standard question that the Chairman would get from his senior executives whenever he talked about quality was, "So what?" So, he started showing them so what. In 1984 the utility diversified and formed a holding company, the FP&L Group, which holds all of the stock. So, we're not only employees and citizens of the state of Florida we are also stock holders, so we have a vested interest three ways in improving what happens in the state. That is part of the reason that we agreed to help the Florida DOT.

One of the measurements we have used evaluate how we are doing based on what the customer expects us to do and what the value requirements are is the Demming prize. It's not actually much of a prize, because you don't win the Demming, you earn it. We have some scars to prove that.

All of our people came from the utility. We all had a place in the building, implementing and training of the quality process. Qual Tec was formed to do this on the outside of the utility. We had to do that because the Public Service Commission said the utility could not go out and market this as a product. So, we

were formed to do that as an extension of the utility. All of our people come out of the utility, and we're all practitioners.

Our role is to conduct initial training. We do not go into an organization and train all of their people. We didn't with the Florida Department of Transportation. What works best as far as ownership goes, is to train a cadre of people, using customized material that says *Department of Transportation Examples*, and so forth. Then, it is your instructors, with your material, in your place, doing the training. We support the department in doing that.

Again, the first thing you have to do is monitor the measurements. Measurements are terribly important, whether you are talking about the district office, the staff agency or the whole organization. You need to know where you are compared to where the customer says you need to be. That gap is the opportunity for improvement. You have to try to close that gap.

So, what does quality mean? It is a misused and overused word. People get tired of seeing it used, for things like **Quality Plumbing** or **Quality Dry Cleaners**. What does it mean? What is our approach to total quality? It is not just something that you do occasionally, and it is not something separate. The quality process that we have is the way we manage our organization. We hire our people; we recruit our people; we evaluate our people; we pay our people based on this management process. It is a new management process. I say new, but it's not really. It is a back to basics management process. It is not rocket science.

Organizational transformation through a quality system is really what quality is all about. Transforming the organization. Get back to basics. Empower your people to use the knowledge, resources and talents they have. Turn your turning managers into leaders. The corporate or organizational objectives come from the customer. The first rule of success in any organization, whether it's public or private sector, is **The customer comes first**. The second rule is **See the first rule**. That's not just the external customer (in our case, the rate payer). It is also the internal customer — your people. We didn't recognize that at first.

One reason why a lot of quality systems fail is that quality is over on one side of the chart and the organization is on the other side. Quality transformation means you overlay whatever quality system you are adapting into the organizational structure. It cannot be something separate. Total institutionalization or integration is absolutely essential. Total quality doesn't mean a little statistical quality control or a just-in-time inventory. These are important but they are merely pieces. If you don't put all the pieces together to fill the matrix of needs you have, then you only have pieces. Just remember one thing, people make things happen, processes and programs don't.

There are three pieces to the total quality process. The first piece is the quality improvement teams. This is the foundation, the bedrock of the rest of the process. The second piece is policy deployment. That means you need to have quality planning. The third piece is quality in daily work. This is the insurance of quality operations on a day-to-day basis.

There are several other key factors for success in any type of a quality process. Some of these are points made by Dr. Demming. You need an open and fearless environment. Trust is an important element in this type of environment. You need to be able to tell the boss you have made a mistake, but here is how you are going to fix it. Plus, tell him that you we are not going to make the same mistake

twice. This is called turning the Demming wheel, where you follow through on these principles: Plan — Do — Check — Act. The outcome be better each time you do it.

MANAGEMENT RESPONSIBILITY FOR SYSTEM PROBLEM

As Dr. Demming says, management is responsible for 80 percent of everything that happens in any organization. That doesn't mean they caused it. Some of our managers used to think that's what we were saying to them. It simply means they have the responsibility for that 80 percent. The employees have the responsibility for about 15 percent to 20 percent. But we don't tap, challenge or give the structure in most organizations to either side of that coin to help make it possible to fix the 80 percent and 20 percent.

You have to integrate quality and productivity strategy. In other words, you have to tie all of your planning together. At Florida Power and Light, no planning — whether it's budget, strategic or anything — is done separately. All planning is tied together. Does this happen overnight? No. Does it take a long time? Yes. It takes at least a year to get teams up and running. When I tell people this, I often hear the following exchange:

Management says, "I don't have time to do that. I'm too busy."

I say, "Then that must mean that everything is working fine for you."

"Well ... no, I have all kinds of problems. Besides, we fixed that problem fifteen times."

"Excuse me? You fixed it how many times?" I ask.

Management replies, "Well, things aren't working right, but we don't have time to fix them."

It's a mind set that we are trying to change; that bottom line, return on investment, mentality. Our focus is not on the dollar. The dollar is there. The cost analysis does have to be figured but, you need to focus on a customer's need. Focus on what you can do based on what your system is capable of doing and what the process is capable of doing. Try to close that gap. The dollar will come with it in the long term.

Of course, that's not the way we're taught in the business world. We're taught to focus on the dollar or the quarterly report. We're taught to emphasize inspections. You need to build the quality in. You don't inspect it out.

SLOGANS AND HYPE

How many times in your organization have you seen the **Program of the Month**? This is where the boss says to you, "Hey, this is the new and greatest thing going. No kidding. Everyone go out, make this work, and I will see you next month." Our engineers at Florida Power and Light became very tired of the various programs of the month. In fact, when this program, (this process) was initiated, they were more than skeptical. Strangely enough, our engineering department is one of the staunchest advocates and best leaders of our process now.

ACCOUNTABILITY

Accountability was a new word for us. Whenever something went wrong at FP&L, no one wanted to take the blame. Everyone would say, "It's not my fault. It was them." As Pogo said, "We've met the enemy, and he is us." Accountability is the responsibility to meet the customer's needs. Everyone in the organization,

from the CEO down to the newest employee, needs to learn what those needs are. What does that mean to me.

At FP&L, we also had to do something that had never been done in the utility. We had to tell the workers what was in it for them. The standard answer was always the paycheck, but there is more to it than that. We need to ask, "What's in it for me? What's going to make me leave my comfort zone and make me want to get into this process." I'm going to speak a little heresy here. You cannot motivate anybody to do anything. No matter what you have been told, or what you have read, you can't motivate anyone, unless they are willing to take the first step. That is why you have to show them what is in it for them.

Workers need to know what their accountability and responsibilities are. This is what makes it happen. You can have the best engineer and the best written and documented program in the world, but if your people are not into the program — if they don't support it and don't have ownership in it — the program won't work. For a long time our management style was management by objective. We were chasing too many rabbits and accomplishing little. Management by objective isn't wrong, it's just not complete. It doesn't go far enough. The following are moving principles of quality management, which is how we manage our company now. This is the way we evaluate all of our people. These are not slogans. They are not just words. Specifics are incorporated into each one of these principles.

CUSTOMER SATISFACTION

What does customer satisfaction mean to my organization? What does it mean to me? Who is my customer? We all need to stop and think about these questions. The person who receives my product is my customer. For instance, right now, you are my customer. I need to know that. I also need some way to measure your satisfaction. There is a formula for this that is about fourteen items long, but what it breaks down to is you go ask them. Find out who your customer is, and go ask them, "What are your needs?"

Of course, the first thing our customers told us was they wanted free electricity. We're not that good yet. However, we need to find out what they really need, not necessarily what they want. We have to determine what they need and how we can best meet those needs.

RESPECT FOR PEOPLE

Respect for people is part of our business charter. When you attack an idea, using facts and data, that's one thing. When you attack a person for that idea, it is a whole different matter. We had a nine-one management style at Florida Power and Light before started this process. That means my way or the highway. If you didn't like the way I supervised or managed, you could leave. Who needs you if you are not one of us. We were a pretty tough bunch.

Now we use management by fact. This says you need to have the facts. Not that experience and gut feel are gone, but when you present the information it needs to be understandable. Information needs to be factual so that people can accept it, whether they agree with it or not. You can't have people saying "I don't like that idea," when all they have to back up their opinion is, "Well, because I don't like it." You need to have some stronger data that shows it should be the other way.

THE DEMMING WHEEL

The Demming wheel, as I've said is a circular path consisting of: Plan — Do — Check — Act. Like many organization, we did a lot of planning and doing. Sometimes we spent so long planning that the opportunity was missed. Sometimes we didn't plan at all. We just went out there and did it. Of course, if you don't have a plan, how are you going to check the results? If you don't have a good plan, the doing should never happen. Does that mean you spend forever on planning? No. Is it okay to make mistakes? Yes. That's probably heresy to many of you. The point of the wheel is that you check the do against the plan, try to find out what mistake was made, and act on fixing it the next time. We call that turning the wheel.

Meeting the customers needs involves the employees in problem solving, use of data and process improvements. Everything we do, including the quality system process itself, needs to be improved continuously because time moves on. I said that to a construction company once, and I thought they were going to lynch me. Yet, nothing is in concrete. Continuous improvement belies that. You have to be flexible. You have to influence your future, not be a victim of it. That was a heavy lesson for us, but with proper measurements and indicators you can do it. Our major goal is to increase or enhance what we are doing in the organization.

COMMUNICATION AND TEAM WORK

Our CEO said to the public service commission that even if we hadn't saved a dime (and we've saved billions of dollars over the last ten years using the process), the increase in our internal and external communication has been worth every dollar we have spent. That is a pretty strong statement to make to a regulatory agency, but it's the truth. Before the process began, Our staff and field engineers could not, would not, and did not talk to each other. One side said, "We designed this, we'll tell you how to build it." While the other side, said, "We built this, we'll tell you how to design it." They could not communicate properly. We even brought in consultants to help us learn how to talk. The process, with its common language, did that for us. It can make a big difference.

Next, I would like to discuss a little bit about how the process works. Basically, we have a single problem-solving device called the Q-I story. This is a process that Dr. Demming and Dr. Duran developed here, in the United States, around thirty years ago. They were then asked to go to Japan and help the Japanese people out. The Japanese bought into the system. We have now brought it home. The story board mentioned above was invented by Walt Disney invented in 1937 when he was doing Snow White. This is all American ingenuity brought home, in spite of what some of our people used to think.

So, we have a common problem-solving device. We have a common communication device. We manage under the four principles I mentioned earlier: Customer Satisfaction, Respect for People, Communication and Team Work. We measure in a win-win atmosphere. We used to measure people against points in the utility. A District Manager, for instance, was measured against thirty-six points. Each month there were thirty-six points that he was evaluated against. It was the numbers game, the survival game. Fred would figure out better ways to do these things, but he wouldn't tell George. If that blew George out of the tub and made Fred look good, so what? That's George's problem.

We were actually rewarding people for misusing and abusing our customers. For example, let me tell you about our customer service representatives. These are the people that answer the phone when you call and say, "Yeah, what's your problem." The reps were being rated and evaluated on how many calls they handled in a set period of time — how fast they picked up that phone. We found that when they saw the clock moving on them, and another call coming in, they were hanging up on the customers. Now if you were on the other end of that phone, you would not be happy about this procedure. Yet, we had engineered that right into the system.

Now we have model districts. So I, as a manager, can encourage my people to come up with innovative ideas to solve the problems that our customers say we have — that we know we have — in meeting the customers needs. We can show the rest of the organization what we have done in a particular area, such as reliability. We will take that one as one of the corporate objectives, and then we can show that to the rest of the organization. It says, "Here is what we did. Here is how we did it. We want to share it with you."

That is how we measure our people and monitor our performance now. It's a win-win situation. If you want to become the model agency, and show how you and your people are doing things better, then you look at that model and decide what you can or want to use. It is an entirely different way of looking at things.

We thought we had all the answers, because we make the stuff. We used to tell our customers how it's done, and how it should be taken care of. We went out and told the public. As a matter of fact, we had a whole department that would send someone to your house to tell you better ways to reduce your heating bill. We weren't listening to the customer, though.

Once, a customer that owned a heated swimming pool called up this department asking for help. He said, "look, I need you to come out here. My wife's complaining that the utility bill is too high, and she has made me turn the heat off in the pool." So our answer man went out with his checklist with all the answers. We make the stuff, we know what the answers are. So, our man was telling the customer to do this, and cover that, change this and cycle that, until the customer said "Time out!" He told the utility man that the reason he was there was to go into the house and tell his wife he was turning the heat back on in his pool so he could swim in it. Well, our representative ran back to the office, because that answer wasn't on his sheet. He said, "How do I do that? How do I do that? I don't know how to do that." We weren't listening to the customer.

That's an oversimplified situation, but it is true. We weren't listening to what our customers were telling us. As a matter of fact, when we began our process, we wanted to set up the five measurements of corporate indicators, so we could measure ourselves internally against what the customers told us. To do this, we had to go to that formula again, and ask them. We were sure that the top item they would mention was going to be rates. We knew they were going to talk about the money, so we had this mind set when we went out there to ask them. To our surprise, rates was number four. The item that topped the list was reliability.

When our customers turn the lights on, they want them to come on and stay on. Of course, microwave ovens have contributed to our dilemma. A few years ago, the microwave ovens came out that have a clock in them. The lights can flicker just once, and that clock will flash all day. Then, when our customers come home,

they say, "I see Florida Power & Light lost power again today. Well, we'll just call them up and complain." So, we have a spy in the kitchen now. The point is, it's a perception, but the perception becomes the truth when they see that they lost power. It might have been just for a second, but they lost power. So, they say reliability is important to them.

So, we ask them questions. What do you think reliability should be? What is the rate of loss you expect? They say zero. We were in the top 10 percent of all utility companies in the United States in average loss of power per year. For our three million plus residential customers, we averaged a loss of 100 minutes per year. That might be all at once or over a period of time. We were in the top 10 percent, but who cares? The customer did. So we needed a baseline measurement to determine what the gap was between zero and what was technically unobtainable. What was the best we could hope to achieve? We looked for a model.

Our model is Kensai Electric. They have won the Demming prize twice now. Their measurement — their baseline — is seven minutes. That didn't make us feel much better. Now it was the difference between 100 and 7 instead of 100 and zero. Yet, it gave us a value to shoot for. We went to work. We told our management — at all levels — this is one of the five major objectives we are working on. We only pick three to five objectives to work on per year. It takes about five to seven years to whittle those down.

So we asked middle management what they could do in their department, district office or agency to help us whittle down this time. They said, "Wait a minute, senior management is asking us?" Yes. And we wanted an answer based on fact. So using the process — playing catch ball, as we call it — ideas and projects began to appear. A foundation was laid, and money was budgeted for these projects. We had all these projects working on these three to five specifics, and we began working on reliability. In a six year period, we whittled that time down to thirty-seven minutes per year.

We have been at this for about ten years now. It can be done. We keep checking with the customer. We ask them how we're doing? Each year, in a formal survey, we ask them "How are we doing?" They say "Not bad, but the light in the kitchen is still flashing." So, you keep working on that because, the fact is, quality improvement is done one way and one way only — project by project. That is the only way it can happen. That's not FP&L saying that, that's logic. It cannot happen any other way. All the words, banners, singing and dancing and programs of the month won't make it happen. It has to happen project-by-project.

It is people doing. You set objectives and give your people action plans. People don't do objectives, they do action plans. Tell them what their accountabilities and responsibilities are. We call it tough fun. It has been a real transition for us, but it works. We put the structure in place to get our people to do things a little bit different, to go in the direction the customer wants us to go. So, we know where we are now and, additionally, we know where we need to be going. There is no end to that road. It is continuous journey — continuous improvement.