

Case Study 1 ■■■

■ TQM in BT Retail

■ Company background

BT was created in 1981 when the telecommunications arm of the British Post Office was reformed as a separate entity in preparation for privatization in 1984. Since then BT has operated in one of the most open telecommunications markets in the world. BT faces competition within the UK for local services from cable TV companies, while other network operators vie for its long haul national and international traffic. BT's day-to-day operations are subject to regulation by OFTEL, a government appointed regulatory body which has major impact on key aspects of BT's business. For example, in a number of key markets BT is required to keep price increases significantly below the level of retail price inflation. BT's very survival has depended on successful performance in this highly competitive yet tightly regulated environment. Following privatization BT faced the imperative of transforming itself from bureaucratic monopoly to customer-centric service provider, while growing income, reducing costs and minimizing loss of market share. Increasing competition in its UK home market encouraged BT to embark on a major international expansion program in the 1990s by developing a family of overseas joint ventures and alliances.

In 2000 after a decade of international expansion, BT decided to refocus on the UK and Europe and carried out a major corporate reorganization which resulted in the formation of BT Group and the demerger of mobile (MO2) and the directory publishing (Yell) businesses. The BT Group consists of BT Wholesale, responsible for BT's telecommunications network, BT Retail, providing communications solutions services to 21 million UK residential and business customers, BT Ignite, delivering sophisticated IT solutions for large businesses across Europe, and BT Openworld, specializing in the internet mass market.

■ **BT and quality – a brief history**

As BT emerged from the public sector it was realized that to be successful, a significant cultural change would have to be stimulated and managed within the organization. Accordingly in 1986 BT embraced enthusiastically the philosophy of total quality management (TQM) to drive continuous improvement through a focus on customer requirements, team working and problem solving. Led personally by the chairman, TQM was implemented through a series of workshops involving all managers and their teams.

At the same time BT launched the BT Values to define the desired culture of the organization. Despite many organizational changes the five BT Values remain unaltered and continue to guide behaviors within the company. The BT Values are:

- We put our customers first.
- We are professional.
- We respect each other.
- We work as one team.
- We are committed to continuous improvement.

BT is imbued with a strong management by objectives climate and this was refined in 1995 with the adoption of a balanced corporate scorecard approach to translate BT's strategy into action through a set of key objectives, measures and targets. Underpinning all of BT's operations is BT's management system. First registered to ISO 9001 in 1994, this is one of the largest single corporate-wide registrations in the world. The management system was later refined and improved to take account of environmental and people management standards and BT is also registered to ISO 14001 and accredited as an Investor in People (IiP).

Achievement of ISO 9001 registration was not seen as an end in itself and after considering the Malcolm Baldrige National Quality Award framework, BT adopted the EFQM Business Excellence Model as a driver of organizational improvement. Since 1995 many BT business units have used the Business Excellence Model to identify strengths and areas for improvement as input to their business planning process. The extensive use of self-assessment against the Business Excellence Model has ensured that BT has a rigorous and structured approach to organizational improvement. That this approach was effective is demonstrated by the success of BT business units in national and international quality awards in the late 1990s. BT's Yellow Pages, National Business Communications and Northern Ireland units all won the British Quality Award. BT Northern Ireland won European quality prizes in 1998 and 1999 with Yellow Pages winning the European Quality Award in 1999. Following Yellow Pages' success BT ceased entering external quality awards; however, business excellence principles remain in everyday use, particularly for the periodic comprehensive reviews of business unit performance known in BT as health checks.

■ **The relaunch of quality in BT Retail**

Formed in October 2000, BT Retail is the largest unit in BT Group with almost 60 000 employees. Its role is to provide communications solutions to 21 million customers in the UK

– from consumers to the largest businesses and its vision is ‘Connecting your World, Completely’. BT Retail’s first CEO, Pierre Danon, possessed a strong personal commitment to quality improvement that stemmed from his experiences at a previous European Quality Award winner, Xerox Europe. Pierre and a new leadership team were building a ‘new’ customer centric distribution business with a remit to *‘deliver a superb experience to a huge customer base’*. They recognized the benefits and necessity of taking a quality approach to support achievement of some very challenging goals. It was also acknowledged that the major business and organizational changes that took place in 1999 and the early part of 2000 had inevitably meant that many people in BT Retail had not been focusing on quality quite as much as in previous years. Within a few months of BT Retail’s inception the Revitalizing Quality program was launched to drive an unremitting focus on improvement. The ongoing drive and commitment of the CEO and the leadership team has been pivotal in driving the success of this quality program.

The approach to ‘Revitalizing Quality’ is based on seven steps to ‘real’ quality:

- put customers at the heart of what we do;
- reduce the cost of failure;
- develop and deploy strategy;
- get the basics right – quality for everyone;
- quality approach to major change;
- get the workforce involved;
- innovation.

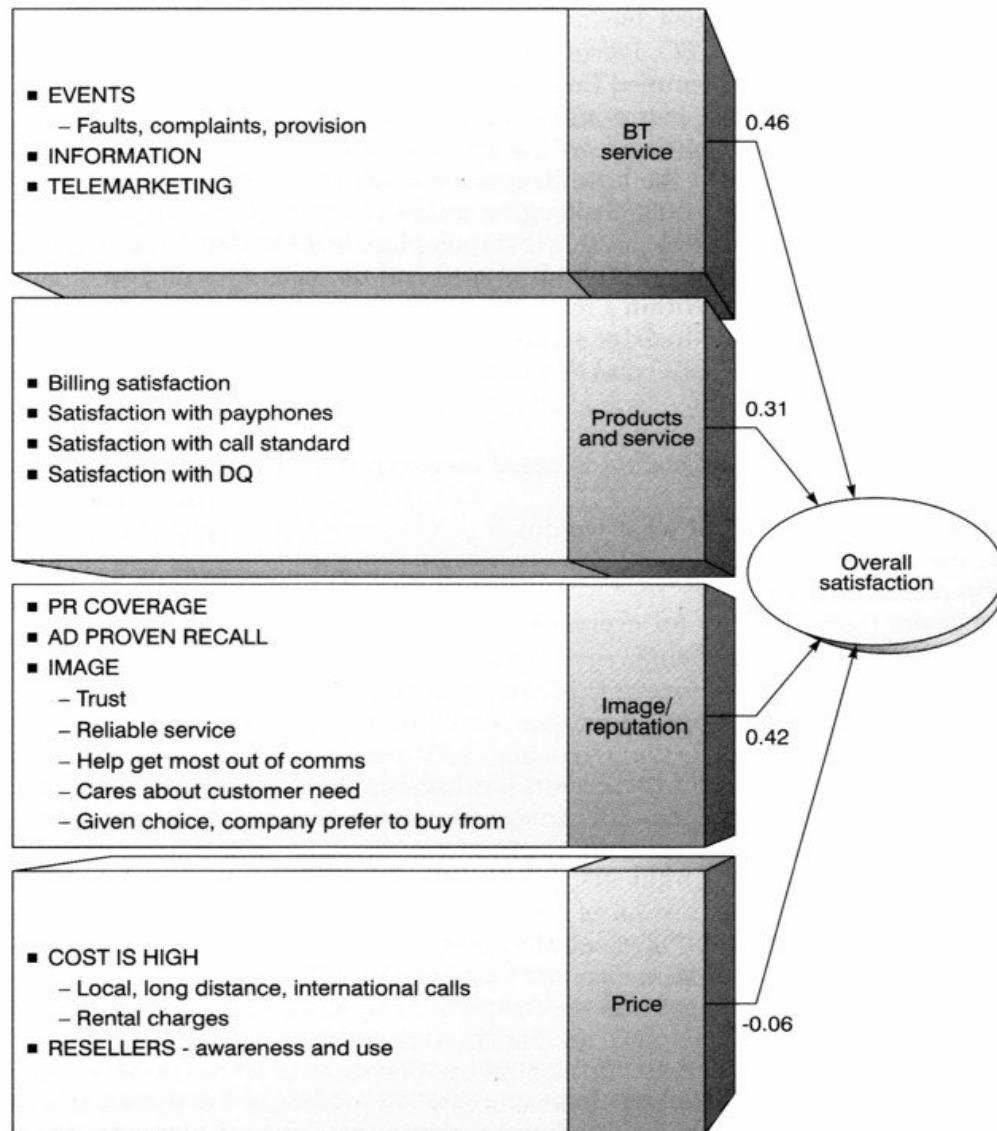
A brief summary of how each of these steps has been approached is described below.

Put customers at the heart of what we do _____

All quality programs have to have, at their center, a very clear focus on customers. Delivering customer satisfaction is the primary goal for BT Retail and the approach is inherently simple – listen to customers and respond to what they say. BT Retail has a wide range of methods for listening to their customers, ranging from market research to asking thousands of customers detailed questions about how they felt about a specific transaction with BT. From this data BT Retail has built quantitative models of the drivers of customer satisfaction (Figure C1.1) which enable them to ensure that internal measures are aligned with what customers really want.

One major shift in approach made early in the life of BT Retail was to change which senior managers were targeted (and bonused) against a customer satisfaction measure. Traditionally customer satisfaction had been the responsibility of the customer service manager with revenue being the responsibility of the channel managers. Now, everyone who deals with customers has a customer satisfaction target, normally with the same importance as financial targets. BT Retail also changed their primary customer satisfaction measure from ‘overall satisfaction’ to ‘satisfaction compared with competitors’ so that benchmarking is built in to this key measure.

As well as this fundamental shift in measurement methodology a number of strategic change programs were introduced to enable process and system improvement. In addition there was



■ **Figure C1.1** The drivers of customer satisfaction

a massive increase in focus on the behaviors that support customers having a great experience with BT. BT Retail have introduced '10 Golden Rules for Customer Satisfaction' and developed new approaches to recruiting, training and coaching people to ensure that everything that delivers customer satisfaction is aligned and focused

Reduce the cost of failure _____

One of BT Retail's strategic objectives has been to reduce the cost of failure in their operations. This delivers three benefits, it is good for customers as they experience fewer

things going wrong, it is good for BT's people as they do not have to deal with the hassle of fixing problems, and it saves BT money. In 2001/02 BT Retail saved £47 m (c. \$70 m) from specific cost of failure reduction programs.

The approach to the reduction of cost of failure is based on clear analysis of where BT spends money on doing things wrong or fixing things that have gone wrong. However, this often simply highlights those operations and processes that are managing failure. Having identified where failure occurred, effort was then put into properly establishing the root cause of the failure. For example, BT engineers sometimes find that they cannot easily get access to customers' premises to carry out work, this can be caused by call centers not taking all the right details when taking the initial customer order.

Develop and deploy strategy _____

Quality improvement is embedded in BT Retail's strategy. BT Retail's strategic goals are to 'Delight our customers, motivate our people and increase shareholder value'. This is being achieved by setting seven very clear strategic objectives for: improving the customer experience; optimizing transaction economics; achieving operational excellence; reducing the cost of failure; defending core revenues; creating new revenue streams; and creating the place to work for our employees. The leadership team has placed considerable emphasis on communication of the strategy and objectives to both employees and the City.

The strategy is deployed through two key mechanisms. All senior managers have a balanced scorecard, which reflects their key objectives, and all managers have objectives aligned to these scorecards. BT Retail has also established a clear set of key change programs which drives the major change required to deliver BT's longer-term strategic objectives. Delivery of key programs is also included in senior manager's scorecards and the benefits from the programs form an integral part of the budget process.

Get the basics right – quality for everyone _____

The emphasis on quality is now on how BT Retail people work, not on unthinking compliance to standards. People are encouraged to participate in the Revitalizing Quality program and there is no company-wide 'sheep dip' training. Quality is integrated with other established approaches, e.g. key strategic programs, recognition, management training, and is deliberately not seen as a separate initiative. 'Management by fact' is in evidence at all levels and decisions are based on the relevant data rather than on instinct or 'gut feel'.

The BT Retail Quality Charter, explaining key aspects of quality, has been issued to the entire workforce and supported by ongoing communication. The basic quality improvement tools and techniques used by BT since the original TQM campaign launch have been reviewed and updated to provide an increased focus on root cause analysis. Computer-based training for these basic tools plus statistical process control and an advanced quality tool set are available to all employees via BT's intranet.

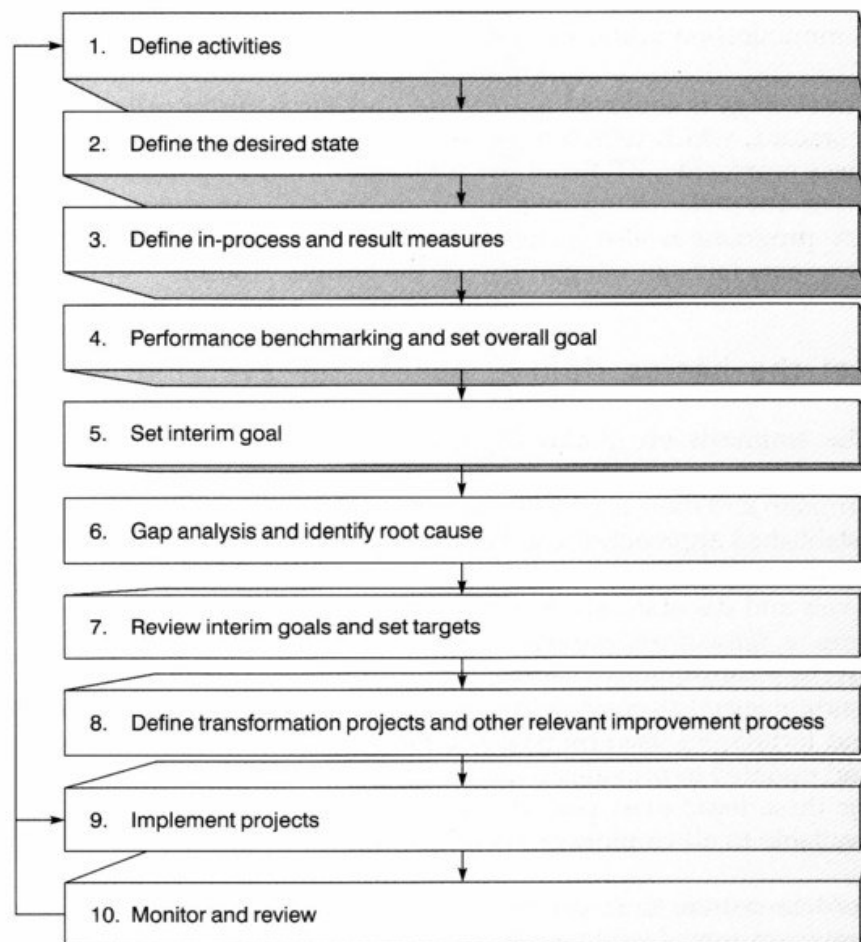
To demonstrate their continued commitment to TQM, the BT Retail leadership team has drawn up a set of guiding principles to place the BT Values in context for BT Retail employees.

Known as the 'BT Retail Way' these six simple principles are intended to capture the spirit of BT Retail and help guide the company in the twenty-first century. The BT Retail Way:

- Customers are at our heart – we must listen to the customer.
- We aim high – we want to be the best, not simply 'good enough'.
- Our goals are clear – based on facts not anecdotes.
- We deliver – accountability not excuses.
- We are one team – engage not tell.
- We tackle issues – honestly but sensitively.

Quality approach to major change _____

A highlight of the quality program in BT Retail has been the development of the 'Performance Accelerator' 'a clear systematic ten step framework for complex change management (Figure C1.2). Developed specifically for BT Retail, Performance Accelerator is a unique methodology drawing on BT's deep understanding of business excellence and supports this by integrating elements of other proven effective change methodologies such as six sigma. A suite of quality tools underpins each of the ten steps.



■ **Figure C1.2**
BT's 'Performance
Accelerator'

The ten steps require a high degree of rigor with a clear, fact-based approach that ensures the program thoroughly takes account of customer, business and employee views (together with benchmarks) in defining its goals. A comprehensive analysis of root cause is also required. The approach is used on all of BT Retail's key programs.

Involving the workforce _____

At local operational level employees are encouraged to be innovative in their approach to day-to-day problem solving and put forward reasoned ideas based on their own insight of the business, to improve elements of BT Retail's operations. One simple example of how this can work comes from the conferencing team in BT Retail. A group of front-line employees are brought together monthly in a forum called the 'customer listening post'. Ideas and issues that are stimulated by day-to-day contact with customers are discussed and then actions agreed. In the last year, this team initiated 72 improvements ranging from product enhancements to training in recently launched products.

In addition a number of approaches have been introduced to ensure that employees are fully involved in the design and development of major change. For example, a program which is transforming call-center operations successfully involved about 1500 people in the design stage. This input was combined with data from customers and internal performance measures to produce a design that reflected the views of all key stakeholders.

BT Retail places a high value on involvement and experience suggests that it has to be deployed in a way that meets local requirements. An organization of 50 000 people can benefit massively from involvement of its people, but that number of people also represents a major challenge in continually maintaining their involvement.

Innovation _____

BT Retail places a high value on product and process innovation. To support this, in a business regarded by many as traditional and conservative, required specific action, and a detailed innovation strategy was developed in 2001. At a strategic level a number of approaches have been introduced to focus on delivering an innovative strategy. These include a much broader involvement of people in strategy development workshops specifically focused on coming up with innovative business and process proposals together with the senior management team investing more time on strategy with increased external stimulus.

A Corporate Venturing unit has also been formed to generate, select and exploit radical business concepts throughout BT Retail. The Venturing unit delivers significant value by rapidly developing innovations that provide new revenue opportunities but which would be difficult and diverting for mainstream units to evolve. In its first year the venturing approach established over six new businesses each of which has the potential to generate significant revenue (at least £10 m – c. \$15 m).