

## **MALCOLM BALDRIGE NATIONAL QUALITY AWARD 1994 WINNER AT&T CONSUMER COMMUNICATIONS SERVICES**

Headquartered in Basking Ridge, N.J., AT&T Consumer Communications Services provides long-distance communications services to primarily residential customers, numbering more than 80 million. The largest of 20 AT&T units, CCS vies in an intensely competitive, technology-driven industry that has grown from a handful of firms since the 1984 divestiture of the Bell System to more than 500 long-distance companies today.



With a domestic market share of about 60 percent, the unit employs 44,000 associates at more than 900 sites throughout the United States.

In 1991 the Competitive Technologies, Inc. (CTi) consulting team, led by Bob Seemer, conducted a Malcolm Baldrige based assessment and developed an action plan to significantly improve corporate performance as measured by the Key Performance Indicators of the Leadership Scorecard. Elements of the CTi Success Plan included:

1. A Strategic Plan to position AT&T CSS to be a leader in its market. The CTi Golden Thread process was used to connect every employee to strategic goals.
2. Process management to define and systematically improve all key processes.
3. Six sigma training to include the use of statistical tools and CTi's Quality Improvement and Control (QIC) Storyboard methodology.
4. Human Resource Planning to integrate the needs of the business with workforce capacity.
5. Quality Function Deployment (QFD) to solidify the linkage between external customers and internal processes.
6. Systematic management reviews, based on CTi's "One-Page QIC Story" to evaluate progress and recognize success.

Following is a summary of the CCS management system.

### **Understanding Customers First**

In its 75 million daily interactions with customers, CCS measures its progress against the company's chief goal of achieving a perfect connection and contact for each customer, every time. While CCS cannot claim perfection, it is moving consistently in the right direction, with DPMO (Defects per Million Opportunities) constantly improving and levels of customer satisfaction trending steadily upward. Better than 90 percent of customers rate the overall quality of the company's service as good or excellent.

Through CTi's Quality Function Deployment (QFD) process, CCS has made knowing customer requirements its business. On the basis of customer surveys, extensive marketing research and competitive benchmarking, it has defined five key determinants

of customer satisfaction: call quality, customer service, billing, price, and company reputation.

Using the CTi Golden Thread methodology, company goals are directly aligned with these requirements, which are further refined for each customer segment and then distilled to set targets for process improvements and new services. Overall direction comes from the top. CCS President Joseph P. Nacchio and senior executives - whose annual compensation is partially based on "customer value added," a composite measure of customer satisfaction - lead a planning process that integrates business and quality goals. By participating on improvement teams, meeting regularly with associates, and communicating through a variety of electronic and written media, executives actively spread and reinforce company goals and values throughout the widely dispersed organization.

Responsibility for achieving performance improvement goals rests squarely with CTi and manager-led process management teams (PMTs), composed of associates from all levels of the company and, as appropriate, representatives of CCS's more than 2,000 suppliers. Until improvement projects are completed, PMTs "own" the targeted processes, making operational decisions and monitoring progress by evaluating comprehensive performance data captured by the company's continually refined information systems. To ensure a shared focus across units - from beginning to end of a process - internal contracts are used to assign responsibilities and to set clear improvement goals for each sub-process. Besides daily monitoring of processes, monthly reviews of internal-customer satisfaction are among additional means of tracking progress toward achieving goals.

Substantial reductions in the time it takes to develop new products and services are but one example of the organizational returns on CCS's approach to process improvement. Development time has been more than halved, from an average of about two years in 1990 to less than one year in 1993.

### **Associate Value Added**

CCS considers its highly educated management and occupational workforce, averaging four years of college training, to be the pivotal element in its continuous improvement efforts. CTi's Human Resource Planning process (HRP) is part and parcel of business and quality planning. As it does for its customers, CCS identifies a key set of associate requirements, as ascertained through an annual questionnaire, site-specific surveys, career-plan and performance reviews with managers, and other mechanisms. These requirements are linked to other important determinants of performance, such as company core competencies, anticipated technology developments, and customer expectations. The results are well-defined goals for associate education and training; recruitment; process and work reorganization; and reward, recognition, compensation, and benefits programs.

On average, occupational associates receive 5.5 days of training each year, somewhat better than the average for Fortune 500 companies. Members of PMTs, for example, are schooled in the use of CTi and AT&T-developed tools for planning, executing, and evaluating process improvement efforts. To support the company's penchant for fact-

based decision making, many associates also are trained in CTi's root-cause evaluation, statistical process control, and other quality tools.

Annual surveys indicate high levels of job satisfaction. For example, 90 percent of associates consider their jobs to be worthwhile. Responses to the detailed questionnaire are used to determine "people value added," an aggregate measure of the degree to which associate perceptions of management, job satisfaction, empowerment, and other factors influencing motivation and performance meet or exceed stated goals. Scores are reflected in compensation levels for executives and managers.

As is true throughout the telecommunications industry, CCS is in the midst of corporate restructuring and reducing the size of its workforce. To help affected associates make the transition, the company, in cooperation with associate-union representatives, has initiated services (such as new skills and foreign language training, preparing resumes, and developing job leads) that are available to associates until they find new employment inside or outside the company. In addition, CCS has established a Transition Center to respond to associates' questions on workforce management and to prepare informational materials that address concerns voiced by associates.

### **Using Technology to Improve**

With the aim of enhancing existing services, developing new ones, and distinguishing itself from competitors, CCS invests heavily in new technology. That investment has enabled it to expand the capabilities - and increase the reliability - of its Worldwide Intelligent Network. The company has developed a highly automated system (FASTAR) that restores calling capacity within 10 minutes of a major facility outage, a situation that previously took several hours. Moreover, real-time network monitoring and other applications of advanced technology have strengthened CCS's ability to anticipate and prevent service disruptions and to endow its global network with "self-healing" capabilities.

The consumer remains the ultimate authority on the quality of the company's services. To deepen its understanding of customers' wants and perceptions, CCS recently revamped its QFD-based customer-focused measurement system - another example of how the company continually refines its approaches to quality improvement. Now, levels and determinants of satisfaction are evaluated in even greater detail, yielding even clearer targets and more effective strategies for improvement.