

Quality – A Cornerstone for Success

**By: Cheryl Keck
President and COO
Datrose, Rochester NY**

Success for outsourcing providers depends on winning and keeping customers. The end goal is to not only meet but exceed customer expectations creating what we term “Customer Delight.” Quality is the cornerstone in building this lasting partnership with clients.

Outsourcing and quality are inextricably linked. Surveys show that improvement in the quality of outsourced processes is a key driver in most executive decisions. There are many examples where companies have taken back outsourced work because the quality of services performed was not up to company standards. Cost savings alone is not sufficient reason to continue outsourcing. Process improvement generated by utilizing quality tools enables greater savings over the life of the agreement and, most importantly, generates customer satisfaction. We at DATROSE have proven this.

There is a direct link between quality and customer satisfaction. Customers will quickly forget the benefit of lower costs if they are dissatisfied with the service. For us, Customer Delight means meeting or exceeding expectations each and every time. A process orientation, coupled with the use of quality tools, is the only way to assure customer satisfaction-our “moment of truth”.

William Rose, DATROSE founder and CEO, built the company on the belief that the benefits of quality managed processes that deliver consistent superior performance would be a key differentiator for our clients and would ensure our success. We were founded on this principle in 1976 when accuracy of keypunch data was important to our client’s needs, and it is still true today, 30 years later, in our business practices working with our customers on their Human Resources, Financial Process and Document Process outsourcing needs.



Concepts of Quality

“Quality is free. It’s not a gift, but it’s free. The ‘unquality’ things are what cost money.” Philip B. Crosby

When Philip B. Crosby's landmark book, **Quality Is Free**, was published in 1979 it validated the direct relationship between quality and operating efficiency. Crosby's book argued that the costs resulting from poor quality far exceeded the costs required to produce a high quality product or service. At the time, many businesses in the United States manufacturing sector were reeling from increased competition from the Japanese. American companies, faced with global competition, had to change in order to survive. To avoid the higher cost of service defects, companies

had to be willing to invest in quality management tools. This need for change spawned the Total Quality Movement (TQM) embraced by many American companies. Today this movement has spread beyond the manufacturing sector into all other sectors such as service, healthcare, and government. New techniques and tools like Six Sigma have evolved and matured. However, quality is still the key to success which we define as meeting or exceeding customer expectations.

The total cost of quality (TCQ) is defined by two elements: the Cost of Conformance (COC) and the Cost of Nonconformance (CONC). The cost of conformance refers to the money spent to ensure things are done correctly; such as quality initiatives, training, and inspection. *This can be a significant investment initially but in the long run saves money by increased efficiencies.* The cost of nonconformance refers to money wasted by an organization that fails to do things correctly the first time. This includes costs for reworking products and the resulting loss of business due to customer dissatisfaction with inferior products or services. This creates a vicious cycle—customers who are unhappy leave, driving up costs which in turn creates more customer dissatisfaction. It is the old adage—“penny wise, but pound foolish.”



One of the factors that influenced DATROSE' quality journey is having customers that pioneered quality practices. Rochester based, Xerox Corporation and Eastman Kodak Company have, for decades, championed the quality movement and embraced the concept of meeting or exceeding customer expectations as the means of regaining market share lost to Japanese competitors. All service providers who work with Xerox and Kodak must embrace quality principles and provision of service with “zero defect”.

Tools of Quality

Concepts of quality have evolved, and various tools have been introduced. All of these tools had a similar foundation; they dealt with understanding the process, process variability and defect measurement and resulting actions. Quality Gurus such as Deming and Crosby promoted their ideas on tools and measurements and attracted a strong following.

One of the key quality tools today is *Six Sigma*. *Six Sigma* is a management philosophy rooted in measurements which dramatically increases productivity by

Eastman Kodak Company had outsourced their multi-national Accounts Payable process to DATROSE with specific objectives of improving the process and reducing the cost.

To achieve cost savings and raise the quality level, DATROSE Six Sigma™ Process Engineers identified the need to eliminate the handling of paper invoices as well as the need to expedite the review and approval of invoices, while assuring appropriate currency conversion and full capture of prompt payment discounts. This had to be done for over 35,000 invoices/month.

By developing a customized solution for Kodak DATROSE was able to eliminate duplicate freight charges which achieved a \$1 million savings and reduced the Accounts Payable staff from 28 to 10 employees. By performing a 100% audit on foreign invoices DATROSE enabled Kodak to consistently benefit from prompt pay discounts and currency conversion. In addition to the monetary benefits achieved Kodak improved their overall customer satisfaction by DATROSE' quality approach.

improving the effectiveness and efficiency of a business. It requires a business to manage with facts and data; its goal is to improve customer satisfaction to near perfection which provides customers a clear, measurable advantage.

Six Sigma was invented by Motorola, Inc. in 1986 and is defined by them as a metric for measuring defects and improving quality. Since then, it has evolved to a robust business improvement methodology that focuses an organization on customer requirements, process alignment, analytical rigor and timely execution by:

- Understanding and managing customer requirements
- Aligning key business processes to achieve those requirements
- Utilizing rigorous data analysis to minimize variation in those processes
- Driving rapid and sustainable improvement to business processes

Source: Motorola website

The first step in understanding a client's requirements is to conduct a collaborative review of current processes, identifying non-value added steps, delays and errors. This assessment allows *Six Sigma* Process Engineers to build in explicit measures, controls and quality reviews into each and every process to be followed for a customized business solution or product.

Once the appropriate processes have been established it is necessary to determine the expected Service Levels to be obtained. Like all other steps this is done as a collaboration to ensure customer expectations are met or exceeded. As a result, clients can expect virtually defect-free processes that yield consistent, predictable results at a cost savings. We believe that defect-free results lead to Customer Delight.

Of course, all the best quality tools can not guarantee customer satisfaction alone. It also requires consistency of delivery. Our own experience has shown that staff tenure is a key to delivering consistent services from client to client and across business units. To achieve this level of retention it is important to provide an ethical environment where employees can grow and tackle new challenges. This means offering extensive training for all employees, as well as exciting growth opportunities, and thorough documentation of work processes. With these tools in place your company will not be just a service provider but a long term partner.

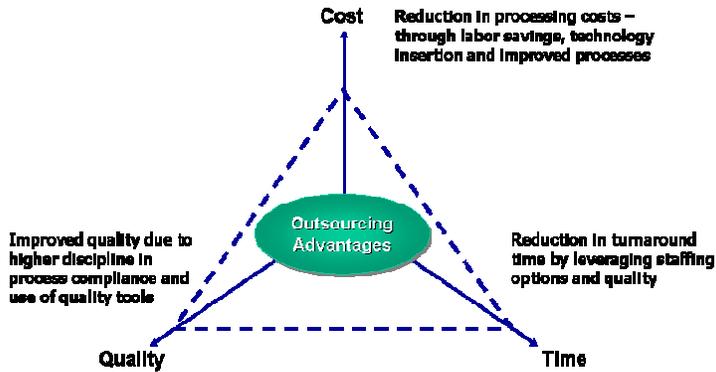


Quality and Outsourcing

Ensuring performance and quality are essential in a successful outsourcing arrangement. It takes a significant amount of faith to entrust an internal business process to an external third party. It is critical that the outsourcing vendor's interactions be efficient and that the company's customers, receiving goods or services, be treated well. The change, from company to vendor, should be seamless for the customer.

Jagdish R. Dalal, Principal, JDalal Associates, LLC, a Connecticut firm that advises

on outsourcing, says, "Quality is one of the three key components in the value proposition for outsourcing. The other two are cost and time. Cost savings is a one time benefit while the quality and time benefits are accrued year after year."



Insertion of quality in the delivery of service requires 5 key components:

1. Management commitment

Management's commitment is to not only launch the quality process but to provide incentives and encouragement throughout the journey. Since embracing quality is not a short but a long term commitment, consistency of management's message and behavior are important to the organization and to the customer. Commitment manifests in multiple forms; ranging from providing funding for the program to showing a bias towards quality decisions. Organizational clarity and established communication methodology are keys to successful implementation of any quality program.

2. Understanding and expertise in process management

Quality can only be inserted in the output when the output is managed through a consistent process. A process that is well defined, stable and documented creates repeatability and predictability – two of the cornerstones of quality. Organizations participating in the quality journey focus on process rather than organization (function) or output. This is important for any service provider in the outsourcing business. The expertise, often referred to as "domain expertise", is achieved over a period of time and generally, is limited to 2 or 3 processes. For DATROSE, it is Human Resources, Financial Transactions and Document Imaging.



3. Unwavering discipline in the organization to apply quality principles

The quality journey is often referred to as a "marathon" and not a "sprint", and like the long distance runner, it requires discipline in the quality concepts, tools and methodology. This discipline has to be applied

throughout the organization – from top management down and must utilize the process expertise and tools at all times. This is the culture of an organization strongly committed to quality.

4. Use of quality tools and methodology (such as Six Sigma)

It is not enough to use slogans and posters to promote commitment to the quality journey. Quality requires understanding various tools (such as problem solving, root cause analysis, preventive/corrective action, lessons learned) and implementation of methodology, so that results become more predictable and not a surprise. Management commitment is required to introduce these tools and methodology in the organization – through investment as well as personal participation – and sustain their use throughout the organization. At DATROSE, we are committed to using Six Sigma as our methodology for quality management.

5. Creating a quality culture

Quality has to be a part of the service provider's DNA. All successful outsourcing service providers begin their journey with a clear commitment to the quality journey – meaning management commitment, investment in developing and maintaining process expertise, learning and using quality tools and methodologies and assuring that the entire organization is committed to it at all times.

At DATROSE, we have lived these principles for three decades and are just as committed as we were on day one. The result is evident when you look at our error rates (significantly below industry norms) as well as our customer satisfaction. The quality journey has enabled us to differentiate ourselves in the marketplace and generate Customer Delight.

Summary

The story of any successful company begins and ends with quality. DATROSE is committed to being one of the world's premier outsourcing companies. Our long-term relationship with clients and permanence of employees is testament to a business model that is focused on customer delight and employee loyalty. Use of quality tools and processes in everything we do will assure that our clients see unmatched results. The quality practices used in our work have made us successful and continue to be our "North Star."





Cheryl Keck was appointed President and Chief Operating Officer for DATROSE in 2005. She is also a member of the Board of Directors for DATROSE. She has been with DATROSE since 1998 and has led operations as well as sales and business development functions. Prior to joining DATROSE in 1998, Cheryl Keck was an Operations Executive for an international sporting goods company based in Orlando, FL. Cheryl holds an MBA in Management and International Business from Rochester Institute of Technology. Her undergraduate work was also done at RIT where she earned a Bachelor of Science degree in Human Resource Management. She has received certification for attending Lean Six Sigma™ Champions Training, and serves as a sponsor for Green Belt projects. Cheryl is an active member of SHRM (Society for Human Resource Management) and IAOP (International Association of Outsourcing Professionals).

About DATROSE

DATROSE is a provider of Human Resources, Document and Finance/Administrative process outsourcing services to Fortune 500 customers. Its offerings include: contract staffing, direct placement, payrolling, and vendor managed services; scanning, indexing, storage & retrieval; accounts payable processing and mail management services. DATROSE was recognized as a “Rising Star” by International Association of Outsourcing Professionals and Fortune magazine as well as one of the leaders of Human Resource Outsourcing. Also, in 2006, DATROSE was named one of the top 100 African American owned businesses by Diversitybusiness.com. DATROSE has been recognized by its clients for total dedication to process improvement, quality of service delivery and people management. As a result, it has consistently won recognition from Kodak (“Certified Supplier”) and Lockheed Martin (“Star Supplier”); including for 2006. Founded in 1976 by William Rose, DATROSE is a minority and US veteran owned SDB. “At DATROSE, we consider ourselves an extension of our client’s business.” For more information, please visit www.DATROSE.com.

