

Everybody's Job One

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To stand out from the competition, small businesses are investing time and money to improve their products, processes and services

By Ian Hanington

Could quality be the true Alberta Advantage? The people behind a growing number of small businesses think so.

Since the mid-1970s, when U.S. companies began losing their share of the North American market to Japanese manufacturers, quality has become an important competitive advantage for manufacturing companies, but also for the service sector. "The question has been asked, 'How do we provide an advantage to businesses and organizations in Alberta operating in the tourism industry, in the biotech industry, in the forest industry and so on?'" says Christos Tsaros, chair of the Quality Council of Alberta. The answer, says Tsaros, is to focus on quality and excellence.



Using quality as a competitive advantage is nothing new, but it is a nascent concept for small businesses. Thirty years ago, only larger companies had the human and capital resources to dedicate to quality initiatives. The more these large companies focused on quality control, the more their costs went down and profits went up. Only in the past 10 years have small companies realized the advantage of putting quality systems in place and how it can build credibility and win the trust of customers. Small companies have also witnessed that it's a lot easier to integrate new procedures because management is more accessible and committed to change.

So what is quality? The definition varies from person to person, and from company to company. To some, it's about manufacturing products or delivering services without defects and errors. If a car, for example, rolls off the assembly line defect-free, meeting specifications for product design, then quality has been achieved. Other value-based definitions focus on the ideal combination of price and features. A product-based interpretation looks at what features make the product or service different from similar products.

Regardless of which definition is used, customer satisfaction and expectations form the basis of quality. When people purchase a BMW, they demand exceptional finishes and materials, but they also expect the entire purchasing experience, from sales to delivery, to meet these same high standards. Any lapse in the quality-control system ends up hurting the customer. Therefore, it's important to diffuse quality throughout the entire product or service development cycle: pricing, performance, delivery and other related processes. For the best-managed companies, it's a no-brainer.

"Quality really happens as a result of the convergence of many things in a company," says Tsaros. "You can have all the good systems in the world as part of your management system, but if people aren't happy, if you don't

have a healthy workplace environment, personnel aspects could be problematic. That could lead to all kinds of quality issues with your product. On the other hand, you could have a good, healthy workplace environment but if you don't have a good system that tells you whether you are performing according to your plan, again, you are going to have problems," adds Tsaros.

The Quality Council of Alberta is working to address quality issues with the launch of its accreditation program that will train people in the various quality management principles and practices, such as the Canadian Management Excellence Framework and the Healthy Workplace Framework, as well as helping business people choose the right quality management system from options including Six Sigma, ISO (International Standards Organization) and Lean Technologies.

There is no single management style that is effective in all situations. Depending on a company's needs and size, one system may work better than another, but all stress the importance of integrated quality management. Whichever one you choose to follow, it's important to consider, says Tsaros, six areas of the organization: leadership, planning, customer service, people, process management and supplier factors.

One of the largest standards organizations is ISO (International Organization for Standardization). An ISO-certified company has agreed to consistently manufacture and supply products, test and analyze goods, and provide services to ISO specifications and criteria, which comes in different levels.

BioVision Seed Labs, an Edmonton-based seed and grain testing company with about 20 employees, implemented a quality management system according to ISO 9001:2000 standards in 1999, three years after the company was founded. Despite already being audited for storage, import and export of seeds by the federal government and by the Canadian Seed Institute, the company, says president Trevor Nysetvold, needed a program that addressed administrative tasks, especially those related to customer service. "Procedures around obtaining the customer, handling client agreements, those types of things, were all left out. I wanted a system that covered everything," says Nysetvold.

BioVision hired a consultant to get help, and Nysetvold himself took training to become a certified lead auditor. "We had to completely build out our systems, so we had to document our operating procedures, our policies, everything around that line," says Nysetvold. It's an ongoing process. After an initial audit to see that the company complies with ISO standards, a registrar audits it every six months. Every three years the company has to register again.

The main change in the way the company operates is in the area of monitoring, tracking and reporting practices or procedures that don't conform to ISO standards, which can include anything from human error to equipment failure. This requires more vigilance on the part of staff. "If there is a non-conformance, they're responsible for reporting it," says Nysetvold. "And then they're also responsible for initiating a corrective action."

Nysetvold says the ISO looks at three levels of non-conformance: observation, minor and major. "An observation really is just an area of improvement, an idea for improvement. It's not a huge issue. It's just an observation they're making. A minor non-conformance is an error type of an occurrence. A major non-conformance is a system breakdown. It's where we are doing something wrong according to our system or our accreditation, and it's happening repeatedly."

Depending on the severity of the non-conformance, ISO sets a timeline to report back on corrective action. On the next audit, the auditor verifies that the corrective action has been implemented. Although the temptation may be to not report non-conformance, Nysetvold says companies that don't report are just fooling themselves, and besides, "you're not going to fool the auditor." Furthermore, "the end part of the ISO system is customer satisfaction, and you're definitely not going to fool the customer." As for the company itself, Nysetvold says, "We're way more proactive. These things are being caught internally as opposed to going out and affecting the customer."

For Nysetvold, ISO registration was worth the expense and extra work. The business gained the benefits of being monitored by a third party and won credibility with customers and potential clients.

Having a system documented helped the company with new-employee training and non-conformance monitoring without really burdening current staff or hiring new employees. Prior to its ISO registration, the company ran the risk of intellectual capital going out the door with departing employees. If the company lost someone, it lost the ability to do something.

Although Calgary-based Print Audit, which develops and sells tracking software to help organizations charge back and/or reduce printing costs, took a different approach to ensuring quality, company president John MacInnes also found knowledge documentation to be important. "Every company out there should look at, if John or Rob or Christy got hit by a bus, what kind of trouble would the company be in?" he says. "I know that sounds kind of morbid, but that is one of the questions that we sit down and ask at least two or three times a year."

The company, which MacInnes formed in 1999, made quality a priority right from the beginning, which meant developing their own systems. "When we started off, we really looked at what larger businesses were doing and how they were doing it and tried to emulate that," MacInnes says, noting that a management book called *Mastering the Rockefeller Habits*, by Verne Harnish, has provided much of the inspiration for his approach.

"We're growing at approximately 60% to 70% per year, so we had to build systems that work faster, essentially, than the Six Sigma and the ISO," he says. The company's growth is one sign that the system is paying off, but so too is the recognition it has received. Print Audit was awarded the National Quality Institute's 2005 gold award for customer service in the small business category and it won the bronze award the previous year.

"I think the thing that the National Quality Institute really appreciated was our process around our surveying," MacInnes says. "Once the customer has purchased, we get in touch with them 15 days later to see how things are going. We do a full survey 45 days after the first purchase, and on that full survey we ask about the product, the service, if they didn't buy directly from us how they liked the people they bought from, and we ask them for testimonials on top of all that."

MacInnes says that while quality is important regardless of a company's size, it can be easier and less expensive for a smaller company. "As far as I'm concerned it's very difficult for a larger company to start to implement these systems. It takes heroics in the executive suite to bring them in and to determine that that's the way they want to go, and it can take years and years," he says.

"The difference is the time, the money, and the effort, and also the fact that

probably a few people in a larger corporation are going to be almost martyrs to the processes.” MacInnes hopes his company will eventually grow to be a large company. Having the quality systems in place right from the beginning will make the process much easier.

Regardless of the size of the company, or even the costs involved, quality is an investment that always pays off.