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Malcolm Baldrige National Quality Award 1989 Recipient

Xerox Corporation

Business Products & Systems

For its first 15 years, Xerox was without equal, best in an industry whose products were synonymous with its name. But challenges did come in the mid-1970s from foreign and U.S. competitors that surpassed Xerox reprographic products in both cost and quality.

Not even second best in some product categories, Xerox launched an ambitious quality improvement program in 1984 to arrest its decline in the world market it created. Today, the company can once again claim the title as the industry's best in nearly all copier-product markets. As a result, Xerox has not only halted loss of world market share, but also reversed it.

Xerox Business Products and Systems (BP&S), headquartered in Stamford, Connecticut, attributes the turnaround to its strategy of "Leadership Through Quality." The company defines quality through the eyes of the customer. Xerox BP&S knows what customers want in products and services.

Analyses of a wide variety of data, gathered with exhaustive collection efforts that include monthly surveys of 55,000 Xerox equipment owners, enable the company to identify customer requirements. The company uses this information to develop concrete business plans with measurable targets for achieving quality improvements necessary to meet customers' needs.

XEROX: A SNAPSHOT

One of two Xerox Corporation businesses, Business Products and Systems employs 50,200 people at 83 U.S. locations. BP&S makes more than 250 types of document-processing equipment, generating \$6 billion in 1988 U.S. sales, or 54 percent of the company's domestic revenues. Copiers and other duplicating equipment account for nearly 70 percent of BP&S revenues. The remainder is divided among sales of electronic printers and typing equipment, networks, workstations, and software products.

LEADERSHIP THROUGH QUALITY

Directed by CEO David T. Kearns and his senior management team, the "Leadership Through Quality" thrust has made quality improvement and, ultimately, customer satisfaction the job of every employee. All have received at least 28 hours of training in problem-solving and quality improvement techniques. The company has invested more than four million man-hours and \$125 million in educating employees about quality principles.

Workers are vested with authority over day-to-day work decisions. And they are expected to take the initiative in identifying and correcting problems that affect the quality of products or services. Both salaried and hourly personnel have embraced these added responsibilities.

For example, the company's 1989 labor contract with the Amalgamated Clothing and Textile Workers' Union pledges employee support to "continuous quality improvement while reducing quality costs through teamwork and the tools and processes of Leadership Through Quality." This partnership with the union is considered a model by other corporations. The phrase "Team Xerox" is not an empty slogan. It accurately reflects the firm's approach to tackling quality issues. Xerox BP&S estimates that 75 percent of its workers are members of at least one of more than 7,000 quality improvement teams. In 1988, teams in manufacturing and development were credited with saving \$116 million by reducing scrap, tightening production schedules, and devising other efficiency- and quality-enhancing measures.

Teamwork also characterizes the company's relationship with many of its 480 suppliers. Suppliers are "process qualified" through a step-by-step procedure to analyze and quantify suppliers' production and control processes. Suppliers receive training and follow-up in such areas as statistical process control and total quality techniques; firms credit Xerox with improving their products and operations. For BP&S, increasing reliance on qualified suppliers over the last five years has reduced the number of defective parts reaching the production line by 73 percent.

Planning new products and services is based on detailed analyses of data organized in 375 information management systems, including 175 specific to planning, managing, and evaluating quality improvement. Much of this wealth of data has been amassed through an extensive network of market surveillance and customer feedback, all designed to support systematic evaluation of customer requirements. Over one-half of the company's marketing-research budget is allocated for this purpose, and each year its Customer Service Measurement System tracks the behavior and preferences of about 200,000 owners of Xerox equipment.

BENCHMARKING SYSTEM

In its quest to elevate its products and services to world-class status, Xerox BP&S devised a benchmarking system that has, in itself, become a model. The company measures its performance in about 240 key areas of product, service, and business performance. Derived from international studies, the ultimate target for each attribute is the level of performance achieved by the world leader, regardless of industry.

Returns from the company's strategy for continuous quality improvement have materialized quickly. Gains in quality over the last five years include a 78 percent decrease in the number of defects per 100 machines; greatly increased product reliability, as measured by a 40 percent decrease in

unscheduled maintenance; increasing copy quality, which strengthened the company's position as world leader; a 27 percent drop (nearly two hours) in service response time; and significant reductions in labor and material overhead. These improvements have enabled Xerox BP&S to take additional steps to distinguish itself from the competition; for instance, it was the first in the industry to offer a three-year product warranty.

The thrust of "Leadership Through Quality" is ongoing with Xerox BP&S. The process of continuous quality improvement, directed toward greater customer satisfaction and enhanced business performance, is currently targeting by 1993 a 50 percent reduction in unit manufacturing cost and four-fold improvement in reliability. Such goals illustrate the commitment contained in the Xerox Quality Policy, which states that "quality is the basic business principle at Xerox."

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