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Malcolm Baldrige National Quality Award 1997 Recipient

Xerox Business Services

Xerox Business Services, a 14,000-person division of Xerox Corporation, relies on a business philosophy that focuses on customers and continuous learning for all of its employees.

On the strength of this approach, XBS – headquartered in Rochester, N.Y. – has grown into a \$2 billion business in less than five years. Revenues and profits have increased by more than 30 percent annually, and XBS's share of the U.S. document-outsourcing market has grown to 40 percent, nearly three times the share of its nearest competitor. The company has 4,300 customers and is adding several hundred new accounts each year.

XBS management believes that every employee has the potential to affect the bottom line. Through compensation and recognition systems aligned with division objectives, all XBS employees have a direct stake in the success of the business. Employee satisfaction has increased as the business has grown – from a 63 percent favorable rating in 1993 to about 80 percent at the end of 1996 – significantly higher than the average for a peer group of companies.

The Business

With 80 percent of its employees located at customer facilities, XBS provides document outsourcing and consulting services to businesses worldwide. Document outsourcing services, such as on-site management of mailrooms and print shops, account for 80 percent of revenues. The remainder is derived from "document solutions" – customized services designed to meet customers' specialized requirements for creating, producing, distributing, and storing paper and digital documents. In 1996, XBS provided services at about 2,300 customer locations in the United States. It also serviced 2,000 accounts in 35 foreign countries.

XBS has five regional offices located in Des Plaines, Ill.; Rochester and New York, N.Y.; Irving, Texas; and Denver, Colo. The U.S. operation also includes 14 Document Technology Centers and 38 field operations offices. Tom Dolan is the president of XBS, the second Xerox unit to win a Baldrige Award. In 1989, Xerox Business Products and Systems won an award in the manufacturing category.

Although paper-centered document services now account for the bulk of its revenues, XBS anticipates that advanced services focused on digital documents and advanced networking capabilities represent its greatest opportunities for growth.

Managing for Results

For virtually every business goal, customer requirement, and improvement target, there is an XBS process, measure, and expected result. The division's Senior Leadership Team achieves this clarity of organizational focus through "managing for results" – an integrated planning and management process that cascades action plans into measurable objectives for each manager, supervisor, and front-line associate. The entire process, the company says, is designed to "align goals from the customer's line of sight to the empowered employee and throughout the entire organization."

Yielding five-year and three-year strategic plans and a one-year operating plan, the process attends to the past, present, and future. To encourage organizational learning, for example, the Senior Leadership Team diagnoses the past year's business results and reassesses business practices. The reviews generate the "vital few" – priorities for process and operational improvements.

XBS also develops strategic initiatives based on its understanding of the division's strengths and weaknesses as well as its reading of opportunities and threats. This analysis draws on the division's extensive competitive intelligence, "voice of the customer," and "voice of the market" information systems. Other inputs include benchmarking data and storyboarding scenarios, which help the division to home in on future customer requirements, anticipate potential risks and challenges, and quantify the resources and action plans necessary to accomplish strategic goals.

Strategic planning generates a "strategy contract," priorities for investment, and business partnership plans. These are distilled into a human resources plan, an investment plan, and operational plans for each organizational unit, customer account, and employee.

Customers First

Customer satisfaction is the division's number-one priority, and XBS has made knowing the current and future requirements of existing and prospective customers its business. It uses a three-pronged customer satisfaction measurement system to systematically track XBS and competitors' performance in this critical area and to furnish regular feedback to organizational units and account teams. An open, networked architecture provides XBS employees with rapid access to customer data.

Four categories of customer requirements – service quality, sales support, performance of on-site XBS personnel, and billing and administrative support – are subdivided into detailed performance attributes that are measured in semiannual surveys and monthly reviews with customers.

Through XBS's 10-Step Selling Process, on-site services are customized to meet the unique needs of each account. Dedicated account teams develop "standards of performance" according to customer service priorities. These standards, which XBS pledges to meet through its "total satisfaction guarantee," are formalized in operations handbooks developed specifically for each customer.

Empowered Employees

Empowered employees are at the heart of XBS's customer-focused culture. Jobs, work processes, and work environments are designed by individuals and work groups to help ensure that they can satisfy the unique requirements of their customers. In monthly and quarterly reviews, the effectiveness of work processes is assessed against performance measures.

The division invests more than \$10 million annually for training, and it is continually searching for innovative learning approaches. Examples are mini-camps – designed to help employees contemplate and prepare for future changes in the way they work and in how XBS addresses evolving customer requirements – and each employee's personal learning plan that is regularly reviewed by assigned "coaches."

Within Xerox, XBS has been recognized for its efforts to create a culturally diverse workforce, a commitment shared by the parent corporation. In addition, XBS offers several innovative assistance options to employees and their families. For example, Life-Cycle Assistance gives employees a \$10,000 account, which can be used to fund special needs, including adoption, elder care, and first home purchase.

Results

XBS's commitment to total quality – by the entire organization and by its individual employees -- is generating multiple dividends. The company saw \$1.5 billion in revenue in 1996. In addition to leading its competitors in overall customer satisfaction, the division tops the industry in seven of the 10 high motivators of customer satisfaction. Performance in all four key categories of customer requirements continues to improve; average scores in 1996 ranged from 8 to 9 on a 10-point grading scale.

In all five areas identified by employees as having the greatest impact on their motivation and satisfaction – trust, responsible freedom, teamwork, valuing people, and learning -- XBS also is improving from year to year. In 1996, the division earned favorable ratings of 70 percent or better in each category.

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