

ISO 9002 Certification Case Study

One Company's Story

By Lisa H. Harrington



In September 1998, Michigan-based USF Holland, a regional less-than-truckload (LTL) carrier unit of USFreightways Corp., decided to pursue obtaining company-wide ISO 9002 certification. This undertaking formed the cornerstone of a multi-year continuous improvement effort at USF Holland. Not just a nice credential, ISO 9002 certification/registration offers empirical proof that a company has the processes in place to deliver consistent quality service company-wide to its customers. This case study describes in detail – step-by-step – just how USF Holland went about obtaining ISO 9002 certification/registration.

On July 3, 2001, European Quality Assurance (EQA), an ISO 9002 auditing firm, granted system-wide ISO 9002 registration to USF Holland. After spending months touring 13 USF Holland freight

terminals and the company's headquarters location, EQA granted certification across all freight terminal and equipment maintenance locations, in addition to its main office functions.

"Registration to the globally recognized ISO 9002 quality standard validates that USF Holland has the capability to provide its customers with the service it promises," says Pete Neydon, president of USF Holland. "It offers unbiased proof that our company can maintain transit times that meet the most rigorous internal standards, can provide safe, claim-free freight handling, and back up this service with responsive communications.

"USF Holland will use the ISO 9002 framework to continually identify and seize opportunities to improve its service delivery processes," Neydon observes. "The ISO 9002 registration effort has helped us better manage our processes, and enrich teamwork by clarifying roles and responsibilities within the organization."

Certification Defined

Before launching into a description of USF Holland's experience with ISO registration, let us first explain exactly what it is. The International Organization for Standardization (ISO) is a worldwide federation of national standards bodies from some 140 countries, one from each country. A non-governmental organization, ISO was established in 1947. Its mission is "to promote the development of standardization and related activities in the world with a view to facilitating the international exchange of goods and services, and to developing cooperation in the spheres of intellectual, scientific, technological and economic activity." ISO's work results in international agreements, which are published as International Standards.

The ISO 9000 family of standards – ISO 9001, ISO 9002 and ISO 9003 – represents an international consensus on good management practices. The goal of this series is to ensure that an organization can

repeatedly and consistently deliver the products or services that meet the client's quality requirements. In short, these three standards represent a framework for quality assurance. The ISO 9002 standard applies to organizations that deliver a service, and do not carry out design and development.



USF Holland's recent growth record

Coping with Growth

USF Holland's decision to pursue ISO registration stemmed, in part, from its efforts to manage its growth more effectively. "USF Holland has enjoyed strong growth since the motor carrier industry was deregulated in the early 1980's," explains Neydon. "We have grown from a relatively small central states carrier, to a large carrier serving the central and southeast United States.

"In the mid-1990s, we realized that nearly half of our employees had been with the company for less than five years," he continues. "Growth can be a curse if resources and capacity do not keep pace with the increase in business. We found that we needed to focus on our processes – on developing the 'Holland Way' – and assure that our people, particularly those who had joined us recently, understand and appreciate how our service is to be accomplished. We also needed to develop uniform processes across our 59-terminal network."

In September 1998, after lengthy discussion among the company's officers and directors, USF Holland decided to pursue ISO 9002 registration as the most appropriate means to that end. The company appointed Steve Blubaugh to head up that effort, as director of process improvement.

The Challenge of Decentralization

Historically, USF Holland organized along a decentralized business model. "Our whole history has been one of operating as a very decentralized company, with local managers having a lot of control over their local operations," explains Blubaugh, "So from hiring decisions to equipment utilization, our processes were different throughout the company.

"We had always relied on the knowledge our people kept in their heads," the process improvement director continues. "Although we do not have much employee turnover, whenever someone did leave, he or she took his or her knowledge with them. We needed a way to capture our people's knowledge and commit it to paper so it's available for use by the next person."

As an LTL carrier, USF Holland's terminals are dispersed across its multi-state service region. This physical structure meant that new employees are trained at the local level. USF Holland lacked formal corporate training documents, so training was mostly "done through folklore – through verbal instruction passed on from generation to generation," Blubaugh explains. "Essentially, new people learned the ropes through on-the-job training, with some guidance from a seasoned veteran."

As USF Holland grew, inconsistencies among the different terminals in areas such as new-hire orientation and training, as well as in work processes throughout the company, became increasingly problematic.

Documenting Procedures

Armed with the commitment of senior management, Blubaugh and his team launched the corporate certification effort. One of the first steps in this effort was to thoroughly describe work processes. "The point here," the director says, "is to document our work processes – our dock operation, for example – such that someone from outside of the industry could clearly understand how the work gets done." This documentation includes not only the physical activities, but also encompasses the information/paper flows that accompany every freight movement.

To begin the documentation process, Blubaugh solicited volunteers from the ranks of operations supervisors to write down how things were done at their locations. "We ended up with a great response – 150 volunteers stepped forward," he remembers.

These volunteers submitted responses varying in length from a few paragraphs to several pages. “We took all that information and tried to meld it into groups of procedures that align with different aspects of our operations – inbound dock, outbound dock, city pick-up and delivery, hiring practices, back office and so on.

“Producing these written descriptions caused people to really think through procedures and processes to assess whether they are the best they could be,” the project director observes. The process reviews, in fact, generated a number of improvements. For example, in analyzing fleet maintenance procedures, the review team noted that USF Holland tracks over-the-road breakdowns.

“But we had never thought of correlating breakdown histories with preventive maintenance schedules to see whether or not a given power unit had been serviced recently,” Blubaugh says. “We analyzed the data, and found that there is a correlation between certain of our maintenance vendors and breakdowns. That helped us to better scrutinize the work of those vendors.”

Blubaugh’s team reviewed the process descriptions and edited them into a consistent format. The descriptions were then sent back to the terminal managers with a request that they do three things:

- Review the documents for logic and ease of understanding
- Observe the actual work, and compare the written description to the actual work
- Consult the employees who do the work to verify that the written account accurately describes their activities. Identify and describe any gaps or missing elements in the documentation.



The continuous improvement cycle

When the revisions came back from the terminal managers, the ISO team edited them a final time, and then released procedures to the field in bundles. “We ended up with about 24 basic procedures that we released in groups of two or three – one bundle a month until we had completed them all,” Blubaugh remembers. “Releasing a bundle meant that we sent the written procedural documents out to the terminal managers saying, ‘Here is our process. This is a description of how your people in the field should complete their work.’ The terminal managers were then responsible for instructing the employees that do the work in what our written procedures are. It was their job to make sure that every employee understood their performance requirements and expectations.”

Training is a substantial part of the whole ISO registration process. Once procedures are mapped, documented and agreed upon, employees must be trained to observe them. “This is a substantial effort,” Blubaugh, “and affects every single person at USF Holland.”

Although the written procedures required some fine-tuning after being released to the field, the general reaction among the work force was “it’s about time we had something like this!” The documentation would serve as a valuable resource for training new people in understanding their role and performance expectations.

That phase of implementation took from September ‘98 until May 2000.

Conducting Internal Reviews

The next step in the certification process was to verify that the work being accomplished follows proper procedures. This verification would be conducted by internal auditors – i.e., USF Holland employees trained in both understanding the ISO 9002 standard and in conducting an audit. “It is the auditor’s job to verify that the procedures are in place and are effective,” Blubaugh reports.

The internal audit process is no small undertaking. USF Holland enlisted and trained approximately 300 employee auditors. The training consisted of two-day sessions that explained the ISO standard, and showed volunteers how to conduct an audit.

“Our in-house auditors were volunteers from throughout our entire organization – everyone from drivers,



USF Holland dock operations

dock workers and office support staff, to account executives," notes Blubaugh. "The only people who could not be internal auditors were managers who had direct responsibility over areas being audited. That's an ISO rule, and it's aimed at ensuring that the audits are unbiased."

For the audit, USF Holland created checklists to ensure that all documentation, including procedures and the quality manual, which ties the whole thing together, was completed. "Every company has to go through a cycle of internal audits, corrective action and management review prior to the third party audit," Blubaugh notes.

During the reviews, if an auditor found that employees were not following the documented procedure, he issued a corrective action request to the manager of that area. The manager then identified the problem's causes and implemented a solution to prevent similar problems from recurring. Follow-up audits verify that the solution was effective.

"The corrective action system is another aspect of the ISO audit process, designed to pinpoint inconsistencies and help resolve them," Blubaugh explains. "It helps people identify what they need to change in order to perform the way we said we should to carry out that process." The internal audits provide for ongoing quality assurance.

"Generally," the director continues, "people supported the concept of ISO certification, and they knew the corrective action system was an integral part of the registration process. But we do come from a decentralized culture, with a lot of entrepreneurial latitude, so we had some differences of opinion. To resolve these differences, the manager submits the corrective action description to the process improvement team, we review it and where there is some disagreement, we discuss and reach consensus on the outcome. Later we conduct a follow-up audit to see whether the change has been adopted. From the start, our people had a voice in writing the procedures, so there weren't a lot of areas of disagreement."

Along with the auditor training comes a management assessment process in which senior leaders in the organization regularly review summary results of the audits, and any prescribed corrective action. In addition, the management review team discusses customer feedback and complaints, looking for opportunities to improve service and prevent common problems.

"Management review is the pivotal piece of the audit puzzle," Blubaugh notes. Senior leaders of the company met periodically to review summaries of audit results, corrective action, customer complaints, and supplier performance. These reviews help identify trends and clarify potential preventive measures that may help to avoid problems down the road. The reviews also highlight processes that may need greater scrutiny.

"For example," Blubaugh explains, "we have been a quality service carrier for over 70 years. We know that from our customer feedback. But we never had a formal way of looking at what it is that we do that results in customer complaints. For the most part, each terminal resolved customer complaints in its own way. A handful of complaints were of sufficient magnitude to be pushed up to the main office and addressed there. But generally, complaints were resolved locally and there was no company-wide consistency.

"Now," he continues, "we have a formal system in place to document any aspects of our service that result in complaints. We get a much better picture of the nature of complaints over time, and as a result, can take specific action to address any nagging issues."

The Third-Party Audit

Finally, in January 2001, USF Holland felt it was ready for the formal, third party ISO 9002 audit. Each organization that pursues ISO certification selects its own registrar. "We interviewed about 10 different registrars,"



John Jubber presents ISO certificate to Steve Blubaugh

Additional On-Time Shipments (using 1997 as base)

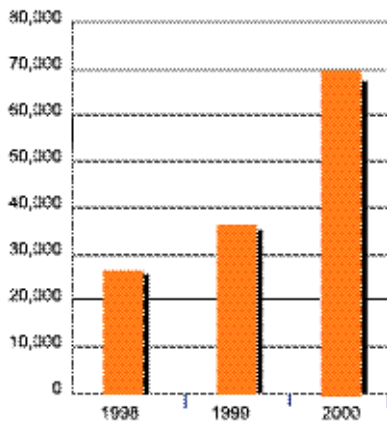


Figure A: Improved on-time deliveries

employees involved in those areas.”

Like USF Holland’s own auditors, Jubber wrote a report on every location inspected. That report included notations about any areas of non-conformance. In addition, he included observations about practices that did not qualify as non-conformance items, but over time could result in a service failure.

At the end of each location’s audit, USF Holland had the opportunity to respond to the non-conformance items, to describe the action it intended to take and the timeframe in which the company would make the change. Based on the corrective action response, Jubber either recommends USF Holland for certification or not. His findings go to a review committee within EQA, and ultimately they decide whether to issue certification or not based on his report and our response.

Under a sampling audit plan, whereby Jubber audited the main office and 13 out of the 59 USF Holland terminals, the company was granted system-wide certification. “To qualify for the sampling plan,” Blubaugh explains, “you have to meet certain criteria – i.e., centralized control of quality management systems and similar activities performed at all sites.”

Blubaugh recalls. “Most have a lot of experience in manufacturing, but very little in service industries, and even fewer in trucking. We tried to find someone acquainted with the transportation industry, and were fortunate enough to find such an organization through a customer reference.”

That auditing company was European Quality Assurance (EQA), based in the United Kingdom. John Jubber, who works for the British equivalent of the American Trucking Associations, designed EQA’s program and would serve as the auditor.

“The external audits are an intense experience,” Blubaugh acknowledges. “Mostly, people react to a fear of the unknown. Just the word ‘audit’ conjures up scary pictures for most, so a lot of our people were edgy. John was very good at putting people at ease, and just asking them to describe what they do. Once people start talking about what they know – their jobs – they get more comfortable. Jubber assesses whether the system they’re describing supports the service business we sell.”

The auditor spent one day at each terminal. “He set forth a plan for the day, and told us what areas he’d look at,” Blubaugh remembers. “Then he talked to

Shipments Delivered Claim-Free

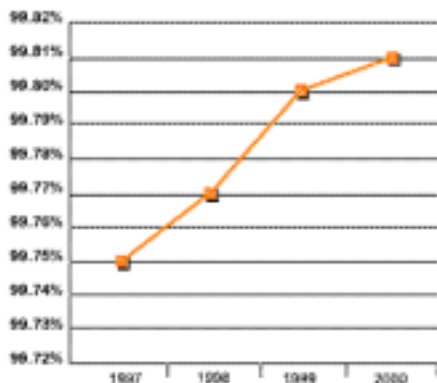


Figure B: Improved claim-free performance

supervisors through a five-day course to teach interpersonal skills around communicating expectations,

Better Service, Better Business

USF Holland has realized some very concrete results from its multi-year ISO registration effort. The carrier has improved on-time delivery service (Figure A), reduced loss and damage rates (Figure B), formalized an ongoing corrective action program (Figure C), and improved the company’s overall operating efficiency. Additionally, registration has helped USF Holland better manage its processes and foster teamwork by clarifying roles and responsibilities within the organization.

As for the future, “we now have a framework to help us identify areas that need to be addressed in a systematic way,” says Neydon. “We can see where we need more training. In fact, because of the ISO certification process, we realized that training – in both operational skills and leadership – was one of our greatest areas of need.

“To address this need,” the president continues, “we hired a director of training and organizational development, and are aggressively pursuing training programs in those areas of greatest need. At the moment, we’re putting our

providing constructive performance feedback, conducting meetings, handling performance problems, and the like. We're also putting those terminal staff members who interact with customers over the telephone through special customer service training."

"What all of this means is greater consistency for our customers from location to location," Neydon explains. "We have many customers that are national in scope and deal with a number of our terminals. They will now see the same consistency in service and procedures from one terminal to the next."

The ISO registration process also produced some unexpected bonuses. "We ended up with a lot of cross-functional groups working together on various ISO-related activities," Blubaugh says. "These teams might include a supervisor, drivers, account executives and office personnel – people who might never have worked together before. We had a lot of interaction between the different groups, and the people within those groups. In many cases, the teamwork gave people a better understanding of why USF Holland has certain procedures."

The registration process also gave people a better understanding as to how their job impacts others. For example, drivers now understand why USF Holland requires them to complete certain forms and provide

information that, prior to their training, they may have viewed as 'make work.' In this regard, the internal positive response has been "overwhelming," says Neydon.

"The thing we all realize," the president concludes, "is that this is just the beginning of a never-ending journey of continuous improvement. There's a lot of satisfaction in becoming better. This business is about people and processes. We're making an investment in our people and in their training. Through the combination of better trained people and better ways of running our business, we will become a better company."

Obtaining the ISO certification took USF Holland longer than the 18 to 24

months management had expected. "We did not fully appreciate how much work was involved," Neydon says. "Steve, with his leadership, was very persistent and showed a lot of tenacity in not giving up. He never got discouraged. Our people really bought into the whole idea of continuous improvement, and we are a better company as a result."

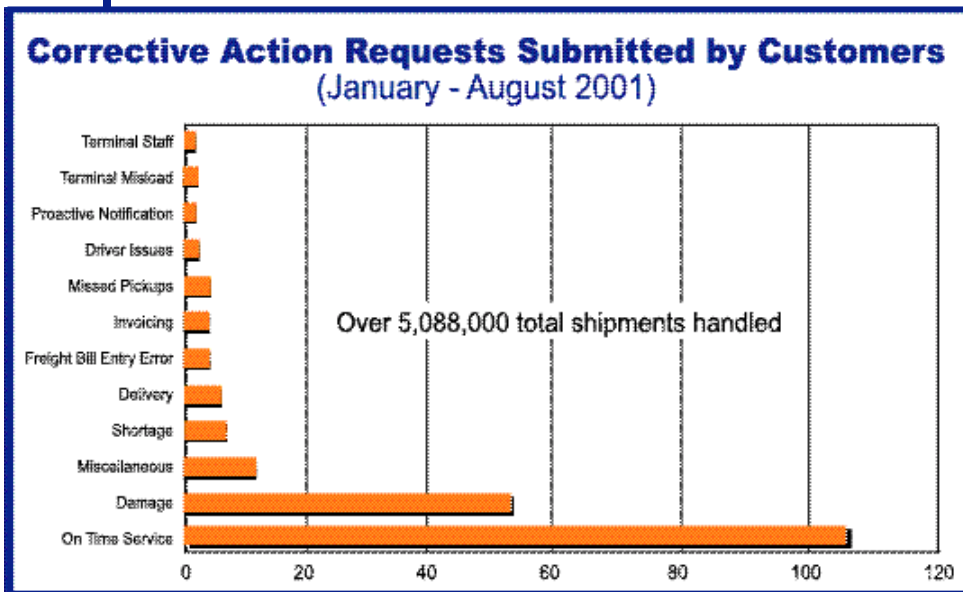


Figure C: The formalized corrective action program gains momentum



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