

Background

Over the years Quality Surveillance Ltd principal, Ross Ridings has been in a position to watch how civil construction contractors manage their contract packages for their customers. These observations have occurred while being in contact with contractors providing services within a range sectors - roading, vegetation control and roadmarking.

The observations made, have been the result of providing documented system development, auditing or providing training services.

During our experiences we have developed a theory that there is a simple list of items that must be complied with, or all stakeholders including the road-users will be on a “highway to a hiding”.

This paper will attempt to provide our (Quality Surveillance Ltd’s) interpretation of the framework necessary for successful contract outcomes.

Good Relationships

To be successful in business – either as an individual or business- it is important to be able to build and maintain quality relationships with others.

If we have quality relationships with our suppliers, we are likely to be looked after at times of crisis. If we have quality relationships with our customers, they are likely to keep coming back and will also become our best salespeople, referring us to their friends and business contacts.

Without the ability to build quality relationships, we are likely to struggle unnecessarily both in business and in life.

Some people are considered ‘naturals’ at building relationships due to their outgoing personality that draws others, yet it takes more than that to develop a quality relationship. If someone only has an outgoing personality, without the substance to back it up, people will quickly see through the façade and tire of the relationship.

An outgoing personality can help, but it’s the substance of a person, that will ensure that the relationship continues and strengthens.

A person’s substance has a number of levels:

- Can the person be trusted?
- Is work that is done up to an adequate standard?
- Are they reliable?
- Do they stick to their word?
- Do they offer value for money for the services they provide?
- Are they professional in their approach to their work?
- Can they work through problems with integrity?

It takes time to develop a quality relationship because it takes time for a person (or organisation) to demonstrate their substance.

When things go wrong, a quality relationship is critical, as the other party will have developed a sense of loyalty to us, and they are more likely to give us the opportunity to put things right.

In life, the Law of the Farm governs in all arena of life:

“Nature is evenly balanced. We cannot disturb he equilibrium, for we know that the Law of Cause and Effect is the unerring and inexorable law of nature, but we do fail to find our own equilibrium as nations [organisations] and as individuals, because we have not yet learned that the same law works as inexorably in human life and in society as in nature – that what we sow, we must inevitably reap” Dr Sidney Bremer.

Risk of Complacency

The major risk to maintaining a quality relationship is complacency – the feeling that we can deliver “any-old” product or service and the relationship will carry us through.

The relationship could carry us for a while, but it may not take long before the other party feels taken advantage of, and looks elsewhere.

Twenty years ago the name “Sony” stood for innovation, quality and style. Buy a Sony product and you’d know it was good. It didn’t matter if it was a clock radio, a TV or a portable music player – remember the “Walkman?”

How did Sony allow Apple to walk away with the music-player market? Simple. We decided we didn’t like “Copy Protection”, “iLink”, etc. Sony became complacent!

Sony has become a company which now has to buy in the core components for products such as their Bravia panels, from its competition.

Focus on the Customer

The ultimate tool to guide against complacency is a true and strong focus on the customer.

In every action, each of us has a customer. For example, in presenting this paper, you are my customer, and you have a customer in the people that you communicate the findings of this conference to.

There is a mistaken concept that the customer is the only person qualified to specify what “Quality” means.

This can lead to detailed analyses of:

- Who are our customers?
- What are their needs?
- What features are required of our products/services
- How do customers rate our products/services versus our competitors and why?
- How can we keep our customers satisfied?

However useful this process is, it is more important that both customer and supplier must gain from interaction, for the relationship to mature and strengthen.

This has become incorporated in the requirements of ISO 9001:2000:

Section 5: 'Management Responsibility'.

Top management shall ensure that customer requirements are determined and are met with the aim of enhancing customer satisfaction.

Section 6: 'Resource Management'.

The organization shall determine and provide the resources needed.....(b) To enhance customer satisfaction by meeting customer requirements.

Section 7: 'Product Realization'.

7.2.1 The organization shall determine (a) Requirements specified by the customer.

Section 8: 'Measurement, Analysis & Improvement'

8.2.1 Customer Satisfaction. As one of the measurements of the performance of the quality management system, the organization shall monitor information relating to customer perception as to whether the organization has met the customer requirements.

Section 8.4: 'Analysis of data'.

The organization shall determine, collect and analyze appropriate data to demonstrate the suitability and effectiveness of the quality management system..... The analysis of data shall provide information relating to (a) Customer Satisfaction (see 8.2.1) (b) Conformity to product requirements (see 7.2.1).

A critical component in any effective and responsive process focusing on the customers needs, is to remember that the process is owned by the supplier's employees! We will all have experienced a truly excellent meal, spoiled by a poor serving person.

Good Understanding of Customer's Real Needs and Perceptions

In marketing theory there are three basic selling strategies:

1. Producing at low cost
2. Offering a differentiated product or service
3. Occupying a niche position.

Traditionally, civil infrastructure contracting has generally been seen to be positioned in the first category, where low costs are achieved by producing large volumes of a standardised output with dedicated equipment and/or low-cost labour.

The first approach is encouraged by the contracting environment created through "Lowest-Price Conforming Tender", where contractors are required to cut overheads and margins to a minimum to enter into a relationship with the customer.

A thought for the customers out there:

*“It may seem unwise to pay too much, but it is unwise to pay too little,
When you pay too much, you lose a little money, that is all
When you pay too little, you lose everything because the thing you bought was incapable
of doing the things you bought it to do
The common law of business prohibits paying a little and getting a lot. It can’t be done!
If you deal with the lowest bidder, it is well to add something for the risk you run
And if you do that, you will have enough to pay for something better” – John Ruskin 1819-
1890*

The second category is reflected by tender evaluation methods such as “Quality-Price Trade-off”. The difficulty is that the tender evaluation team has to be able to subjectively arrive at a differential in dollar terms of what is essentially an objective issue.

Contractors need to take every opportunity to build mature and strong relationships, such that when dollars values are required to be attributed, the evaluator is the contractor’s best salesperson, convinced of the value of selecting the contractor in preference to the “bottom feeders” in the industry.

The opportunity for civil contractors to operate in the third category of occupying a niche market is typically difficult to maintain long-term.

Clear Description of Requirements

A clear description of requirements is required to enable the supplier to set-up and maintain processes for supply. Without clear descriptions, the supply at best will be inefficient, at worst will fail.

When we say we have something under control, we mean that we know what we intend to happen, and are confident that we can see that it does.

Any control system has the following critical features :

1. There is a plan
2. We prepare to carry out this plan
3. We carry it out and all the time compare what is being achieved against the plan
4. If we deviate from the plan, we feed-back instructions so that we return to plan.

In quality control language, we are setting the quality standard, or the quality of design.

The development process is as follows:

1. Set the quality standard, or quality of design, required by the customer
2. Plan to achieve the required quality.
This will involve:
 - a. Planning methods
 - b. Planning equipment
 - c. Obtaining satisfactory materials / subcontractors
 - d. Selecting and training operators
 - e. Planning inspection and quality control
3. Manufacture / produce first time
4. Correct quality deficiencies
5. Provide long-term quality control and planning

For Roadmarking customers, the NZ Roadmarkers Federation Tender Preparation and Contract Review Checklists provide an effective means of developing and assessing the provision of that single 100mm line that separates us all from death and injury on our nation's roads.

In conclusion:

The framework for successful contract outcomes can be described by:

The brain – used to develop an understanding of the real needs

The eyes – to focus on our customers

The heart – to build mature and strong relationships

The backbone – to support strong and effective business systems

For a customer the positive outcome is in the wallet or billfold, where you are either maintaining your wealth, or holding onto the money you will eventually have to spend because you purchased something cheap!

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