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**TOTAL QUALITY MANAGEMENT AND THE
MALCOLM BALDRIGE NATIONAL QUALITY AWARD**

by

Mary Beth DeFazio

A project submitted to the
Faculty of the School of Food, Hotel and Travel Management
at
Rochester Institute of Technology
in partial fulfillment of the requirements
for the degree
of
Master of Science

April 1993

ROCHESTER INSTITUTE OF TECHNOLOGY
School of Food, Hotel and Travel Management
Department of Graduate Studies

M.S. Hospitality-Tourism Management
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ABSTRACT

This study addresses three main issues and provides the hospitality industry with information about improving the quality of service delivered to its customers. The main issue was to identify the implementation process of Total Quality Management. Secondary issues introduced the Malcolm Baldrige National Quality Award and how the application of TQM enabled The Ritz-Carlton Hotel Company to achieve the Malcolm Baldrige National Quality Award in 1992.

To address these topics, three approaches were undertaken. Extensive library research, interviews of knowledgeable experts and representatives of each area, review of secondary data, and participation in The Ritz-Carlton New Employee Orientation and 21 Day Review, at The Ritz-Carlton Hotel in Washington, D.C.

Results indicate that an increasing number of U.S. firms are experiencing the benefits from adopting a total quality management program. Results also indicate that American industries are beginning to realize the impact and influence that the Malcolm Baldrige has had upon American businesses.

ACKNOWLEDGEMENTS

This project is dedicated to my mother Mary Jane, and my sisters Patricia Anne and Anne Louise. Your confidence, love and support have provided me with the tools essential to my success. In addition, I would like to express my appreciation to my close friends and colleagues who inspired me during my college career and throughout the completion of this project.

In appreciation to those people who helped me complete this project, I would also like to acknowledge the following people who have helped in the development, preparation and review of this paper. Dr. Richard Marecki, who has provided me with encouragement through my entire graduate studies, who has helped me set goals that I felt were out of reach, and assisted me in attaining those goals. I would also like to thank Dr. Fran DeMoy, Diane Sommers, and Maria Aglietti for all of their help and assistance throughout my studies at RIT, and I would like to thank Warren Sackler of RIT and Cindy Kiser Murphey of the MGM Grand Hotel, Casino and Theme Park in Las Vegas, Nevada. If it had not been for these two individuals, this project would have never gotten off the ground, let alone completed.

Finally, I wish to extend sincere thanks to the Ritz-Carlton Hotel Company for allowing me to participate in their New Employee Orientation. The experience and knowledge gained during my visit provided me with insight into their strong commitment to the service organization and provided the foundation for this project.

CHAPTER ONE

Introduction

The decline of quality service is one of the key issues facing U.S. businesses today. Declining quality in the United States means two things. First, it means many of our products don't work as well as those produced by our foreign competitors. Second, it means that not only do United States products not work well, but the service provided to their customers is not of high quality either. In order to obtain needed goods and services, a customer usually is subjected to delays, errors, abuses, and insults.

American Industries of all shapes and sizes are recognizing the improvement of quality service as one of the most critical challenges facing U.S. businesses today, and companies are becoming obsessed with finding ways to improve the quality of service that they provide. Service excellence is used to differentiate competitors and customers; increase productivity; to earn customer loyalty; and to build repeat business.

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The early 80's brought about the development of the "Quality Circle" and the philosophy that those people who were actually doing the jobs should make determinations regarding the improvement of the organization (Perisco, 1992). This set companies off to an excellent start on the way to improving quality; however these "Quality Circle" teams were limited because they were not permitted to make decisions outside their own departments. In addition, top management did not participate in the quality circles, but merely acknowledged their existence and let them function on their own. The early 80's also brought about the recession and increased foreign competition. It was extremely apparent that changes had to be made in order for our economy to recover and for America to once again gain recognition as an economic powerhouse. In today's market, quality must be viewed as an important basis for competition. Quality must be seen as a direct link to profitability and market share.

The mid 80's brought about the re-birth of Statistical Process Control (SPC). This statistical theory originated by Sir Ron Fisher over 70 years ago. It was later introduced to the Japanese in the 1950's by Dr. W.

Edwards Demings and Dr. Joseph Juran at the request of General MacArthur at the end of World War II when the Japanese were suffering with a poor economy (Jablonski, 1992). The Japanese applied this theory, modified it and emerged as the economic world leader. This problem solving method entailed the use of control charts and diagrams that our corporate leaders were unfamiliar with. The method was clear, but management could not effectively convey the underlying theory to employees. Instead of providing industry with a means for problem solving, it was merely used to monitor employees. Managers were using statistics to control processes, and were relying on them exclusively to assure quality. These concepts are important but they form a bare minimum quality level on which to build a quality improvement program.

In the late 1980's, all the tools, concepts, and philosophies of managing for quality merged under the name of **Total Quality Management (TQM)**. TQM is a participative management style which focuses on satisfying customer expectations by continually improving the way business is conducted (Perisic, 1992).

Many companies have been successfully applying the philosophy of Total Quality Management for several years without even realizing what the principles of TQM were or how they could assist their organization in improving quality. Now that many businesses have begun to recognize the concepts that are involved, they are now learning to apply the tools necessary to measure their efforts.

One measure of high quality and increased customer satisfaction is the Malcolm Baldrige Award. In order to become eligible, a candidate must be a U.S. company and a for-profit business. The award originated from the Malcolm Baldrige National Quality Improvement Act, signed by President Ronald Reagan on August 20, 1987. That act, named after a former Secretary of Commerce, called for the creation of a national quality award and the development of guidelines and criteria that organizations could use to evaluate their quality improvement efforts. The Baldrige Award recognizes U.S. companies that have a world-class system for managing their operations and people, and satisfying their customers.

Importance of this study:

This research will prove useful to professionals in the service industry interested in improving the quality of service that their organization provides to its customers. This paper addresses the importance of quality service in our country and how correct implementation of a quality management program will determine the success of an organization. It addresses the topic of the Malcolm Baldrige Award, and the influence that it has had on American industries and whether or not it has provided a mechanism for improving quality service.

The following chapter (Chapter 2) identifies the principles behind Total Quality Management (TQM) and how it can successfully be implemented into an organization. The Malcolm Baldrige National Quality Award is also discussed and analyzed. The criteria for the award are compared to the principles of Total Quality Management, and the advantages and merits for the award are presented.

Chapter 3 introduces The Ritz-Carlton Hotel Company. The service program of the Ritz Carlton Hotel Company is discussed in addition to the manner in which they applied the principles of Total Quality Management. Chapter 4 addresses the outcome of a successfully implemented Total Quality Management Program and whether or not TQM has provided The Ritz-Carlton with a mechanism to continuously improve the quality of their service, thus enabling them to achieve the Malcolm Baldrige Award.

Definition of Terms

Benchmarking: The practice of setting operating targets for a particular function by selecting the top performance levels, either within or outside a company's own industry. (Hart & Bogan, 1992).

Deming, W. Edwards: A prominent consultant, teacher, and author on the subject of quality. (Jablonski, 1992).

Process: A set of causes and conditions that repeatedly come together to transform inputs into outputs. A series of related tasks. (Persico, 1992).

Quality: The attributes of a product or service that the customer values. (Jablonski, 1992).

Statistical Quality Control: A relatively early development in the evolution of the quality discipline, SQC relies on statistical concepts and tools (e.g. sampling techniques) to control production quality. (Hart & Bogan, 1992).

Total Quality Management: A cooperative form of doing business that relies on the talents and capabilities of both labor and management to continually improve quality and productivity using teams.

CHAPTER 2

Total Quality Management

As our nation's economy changes, so do the perceptions and expectations of customers. Today's consumer is willing to pay top dollar for a service and they expect to receive an exceptional value for that dollar. Leaders of American business and industry are learning that in order to orchestrate change, there needs to be some change in the organizational culture.

The ability to change and to accept change determines whether or not an organization develops and succeeds. Managers have to alter their thinking and stop trying to manage people. In its place managers have to stop being bosses, become leaders, and learn how to efficiently manage efforts. Employees have to understand that they are no longer expected to merely perform their jobs without any question. Instead, they are encouraged to become team players and their contributions become a vital part of the company's success.

Total Quality Management is defined by Joseph Jablonski in his book Implementing TQM as:

A cooperative form of doing business that relies on the talents and capabilities of both labor and management to continually improve quality and productivity using teams (Jablonski, 1992).

In order for TQM to work effectively, it must have the full dedication and commitment of top management in addition to total employee involvement. The transformation of an organization begins with the transformation of its leadership. Employees and managers must shift their focus and instead of placing concentration on the product or service they deliver, they must divert their attention to the actual "process" that is behind the delivery of that product or service.

Many top level managers are aware of the high level of commitment associated with change; but few actually take the steps necessary to confront it. Commitment is the foundation; however

leadership is the key to promoting commitment. An effective leader must be able to motivate and encourage employees to accepting and promoting a quality change process. Many leaders become so overwhelmed with the resistance they receive to change that the challenge of implementing a TQM process never makes it out of the office of the high level managers.

The teachings of quality philosophers such as Dr. W. Edwards Deming, Dr. Joseph M. Juran, Tom Peters, and Philip Crosby should be studied before implementing a quality program. Deming's methods are contained in a list of objectives he calls "the 14 points." These managerial imperatives are more philosophical than mechanical. (Figure 1). Deming teaches that the more quality you build into anything, the less it costs. (Dobyns, 1990).

Some questions that a company should ask before they decide to implement a Total Quality Management program are: (Jablonski, 1992).

1. What does this company have to do to remain competitive in the future?
2. What do you see as the reason and benefit for TQM?

3. If successful, what would TQM look like in your company? How would you measure it?
4. What are the obstacles to implementing TQM?
5. Who are your customers?
6. How do you determine customer satisfaction?

After these questions have been answered, and the decision is made to proceed, initial planning must immediately begin. Figure 2 illustrates a form used by Technical Management Consortium, Inc. to assist new clients with their management planning.

The process is difficult, time-consuming, and very costly. It takes several years, and if the CEO's commitment wavers, the program risks becoming just another one of those management programs that never made it off the ground. However, correctly implemented, it will pay for itself many times over. The budget line items affecting the cost of TQM implementation are outlined in Figure 3.

Figure 1: Deming's Fourteen Points

1. Create constancy of purpose toward the improvement of product and service, with the aim to become competitive, stay in business, and provide jobs.
2. Adopt the new philosophy. We are in a new economic age. Western management must awaken to the challenge, learn its responsibilities, and take on leadership for change.
3. Cease dependence on inspection to achieve quality. Eliminate the need for mass inspection by building quality into the product in the first place.
4. End the practice of awarding business on the basis of price tag alone. Instead, minimize total cost. Move toward a single supplier for any one item, on a long-term relationship of loyalty and trust.
5. Improve constantly and forever the system of production and service, to improve quality and productivity, and thus constantly decrease costs.
6. Institute training on the job.
7. Institute leadership. The aim of leadership should be to help people and machines and gadgets do a better job. Leadership of management is in need of overhaul, as well as leadership of production workers.
8. Drive out fear, so that everyone may work effectively for the organization.
9. Break down barriers between departments. People in research, design, sales, and production must work as a team, to foresee problems in producing and using the product or service.
10. Eliminate slogans, exhortations, and targets for the workforce asking for zero defects and new levels of productivity.

Figure 1 (continued)

11. Eliminate work standards (quotas) on the factory floor. Substitute leadership. Eliminate management by objective. Eliminate management by numbers, numerical goals.
12. Remove barriers that rob hourly workers of their right to pride of workmanship. The responsibility of supervisors must be changed from sheer numbers to quality. Remove barriers that rob people in management and engineering of their right to pride of workmanship. This means, among other things, abolishment of the annual or merit rating and of management by objective, management by the numbers.
13. Institute a vigorous program of education and self-improvement.
14. Put everybody in the company to work to accomplish the transformation. The transformation is everybody's job.

Source: Deming: Out of the Crisis, 1986.

Figure 2: Total Quality Management Planning Inventory

Phase / Inventory Item		Status Items		
		In Done	To Be Progress	Not Done Applicable
0.0	Phase 0: Preparation			
0.1	Decision to Consider TQM	()	()	()
0.2	Key Executive Training	()	()	()
0.3	Assess Need for Consultant	()	()	()
0.4	Select Consultant	()	()	()
0.5	Strategic Planning	()	()	()
0.5.1	Vision Statement	()	()	()
0.5.2	Corporate Goals	()	()	()
0.6	Corporate Quality Policy	()	()	()
0.7	Corporate Communication	()	()	()
0.8	Decision to Proceed	()	()	()
1.0	Phase 1: Planning			
1.1	Form Team	()	()	()
1.2	Council Training	()	()	()
1.3	Identify Expectations for Results	()	()	()
1.4	Identify Obstacles	()	()	()
1.5	Select TQM Coordinator	()	()	()
1.6	Train TQM Coordinator	()	()	()
1.7	Strategic Planning (Continued)	()	()	()
1.7.1	Corporate Objectives	()	()	()
1.7.2	Corporate Tasks	()	()	()
1.7.3	Corporate Performance Measurements	()	()	()
1.8	Select Approach to Prioritize Processes	()	()	()
1.9	Select Processes for Improvement	()	()	()
1.10	Bring Support Services on Board	()	()	()
1.11	Develop Implementation Schedule	()	()	()
1.12	Develop Implementation Budget	()	()	()
1.13	Decide to Proceed	()	()	()

For your FREE, full-sized copy of the TQM Planning Inventory, please call
TMC, Inc. at (505) 299-3983.

Figure 3: TQM Budget Time Lines

- (1) Off-Site Training
- (2) Travel and Per Diem
- (3) Time Away From The Job
- (4) TQM Coordinator and Support Personnel
- (5) Training Aids
- (6) Facilities
- (7) Library Materials
- (8) Consulting Support
- (9) Course Development

Upper management must be trained in accordance with the TQM philosophy. Management must support the philosophy consistently if it is to spread throughout the company. TQM is easy to implement when its philosophy agrees with the corporate philosophy. For example, refer to a copy of the Ritz-Carlton Credo in Figure 4. The Credo is the road map that everyone in the company uses to become the best; it is the Ritz Carlton's secret to their success. The Credo bonds all employees together no matter what hotel property they are working for, and will motivate all employees to work for the hotel mission. Horst Schulze is the man behind the Credo and is continually stressing the importance of quality service. Employees must have a base of knowledge in which to operate from. They must learn how to solve problems, how to conduct meetings, what the company wants, and what resources can be devoted to their ideas.

Many companies seek the aid of a process consultant to provide assistance with statistics and human resource development. While there may be someone within the organization fully qualified to fulfill this task, it is a good idea to enlist the services of someone who is not tied to the company and its specific problems in order to keep the company focused on getting the job done.

Figure 4: Ritz Carlton Credo

The Ritz-Carlton Hotel Company

CREDO

A Ritz-Carlton Hotel
is a place where the genuine care
and comfort of our guests
is our highest mission.

We pledge to provide the finest personal
service and facilities for our guests
who will always enjoy a warm, relaxed
yet refined ambience.

The Ritz-Carlton experience enlivens the
senses, instills well being, and fulfills
even the unexpressed wishes and needs
of our guests.



THE RITZ-CARLTON

The use of teams is an essential ingredient in implementing TQM. Teams should begin to form as soon as the company is committed and understands the investment. In their initial phases, they will spend quite a bit of time getting the training required to carry out their jobs. It would be understandable if teams take more than a year to produce results, but some results are needed in a more timely fashion. Thus, training should begin early, even if not everybody knows about TQM and SPC. Select members who will provide a strong knowledge base on the subject matter, keep the groups to a practical size, train leaders in effective operation of meetings, and so on. For many people, this will be the first cooperative, consensus-building effort in which they have been involved.

Figure 5 illustrates a model developed by Process Management Incorporated, which is a privately owned consulting business dedicated to promoting the concept of Total Quality Management and the philosophy of Dr. W. Edwards Demings (Perisco, 1992).

The model provides an outline that can be adapted to each individual service organization. Managers must possess a thorough

understanding of how the transformation is applied before it can be effectively implemented. This process is not black and white. It understands that each organization is different and different principles will work in different situations. This model looks upon the organization as one system with a number of processes in which the human element is only one of a number of factors affecting the outcome.

The transformation model provides a structure for the roles and responsibilities in a TQM effort. These roles include all levels of management and employees. (Perisco, 1992). Refer to Figure 6 for an illustration of how the following items interact in an organization.

- The Executive Steering Committee, including the CEO, leads and supports the transformation for the entire organization.
- The Local Steering Committees lead the transformation and improvement efforts in their individual business units.
- The TQM Coordinator is the focal point for all TQM activities in the organization.
- Quality Leadership Teams study organizational barriers to TQM and identify areas that need to be addressed.
- Process Improvement (PI) Advisors teach statistical process control (SPC) and other process improvement methods, and help teams use these tools.

- Process Improvement (PI) Teams are groups that are chartered by Steering committees to study and improve processes within defined areas.
- The external consultant provides expertise in organizational development and process improvement, helping the organization develop the resources to continue the transformation on its own.

The interrelationships among these players and the results of their efforts can be seen in Figure 7, which illustrates the four basic stages in the model: (Perisco, 1992).

1. Planning (1 to 3 months).
2. Education (3 to 36 months).
3. Implementation (starts with planning and begins to increase rapidly after about the 15th month).
4. Continuous improvement (begins about month 36, although the organization is not likely to be fully in this mode until after the fifth year of the effort).

Implementing TQM takes time. For those organizations willing to invest the time and allocate the resources, a TQM program can foster dramatic improvements. Although the model begins with planning, the element continues throughout the entire effort. Similarly, there is an element of education at each stage. The actual time that it takes to go through these stages depends on a number of factors, such as the size of the organization, the resources allocated to the effort, the commitment by

top management, and the perceived need for change. Once employees are trained, the application of skills to produce results becomes automatic and results come quickly. Most theorists estimate three to five years for an organization to adapt to a TQM culture. (Peresco, 1992). Figure 8 illustrates a realistic schedule for TQM implementation.

Figure 5: Process View of Organizations

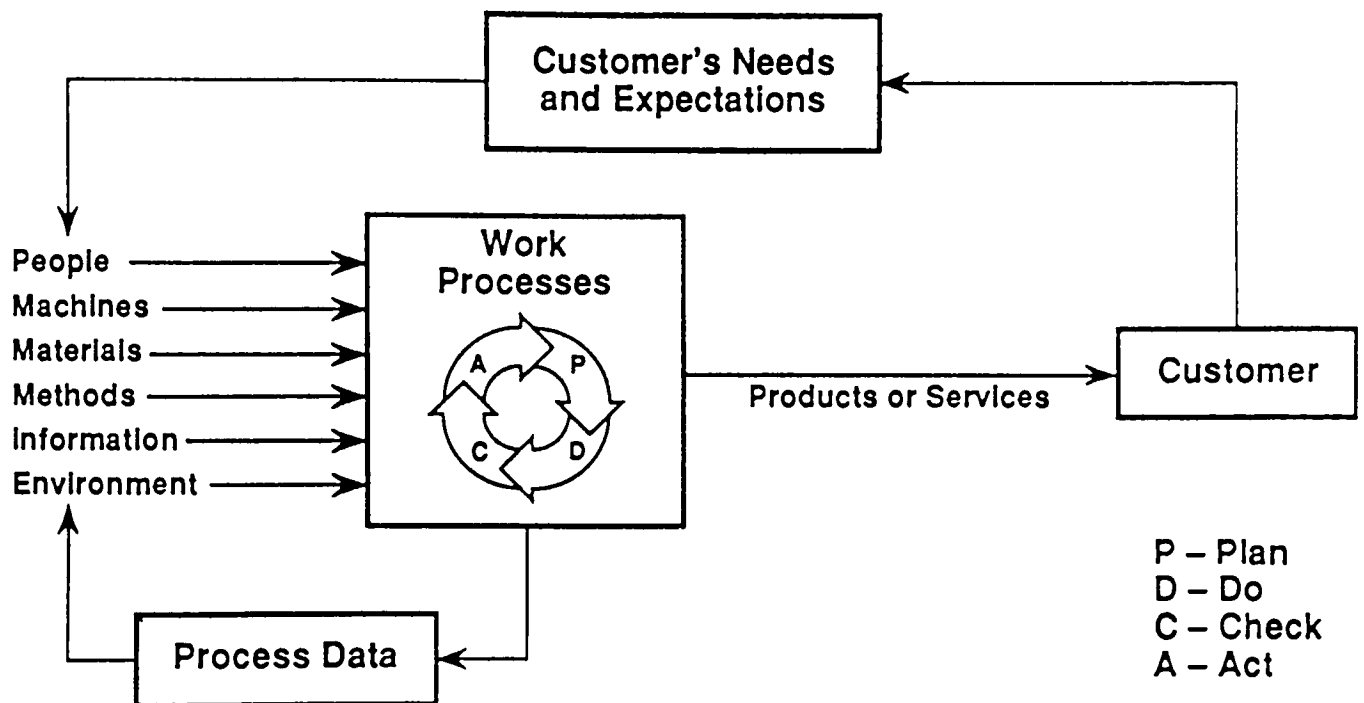


Figure 6: TQM Organizational Chart

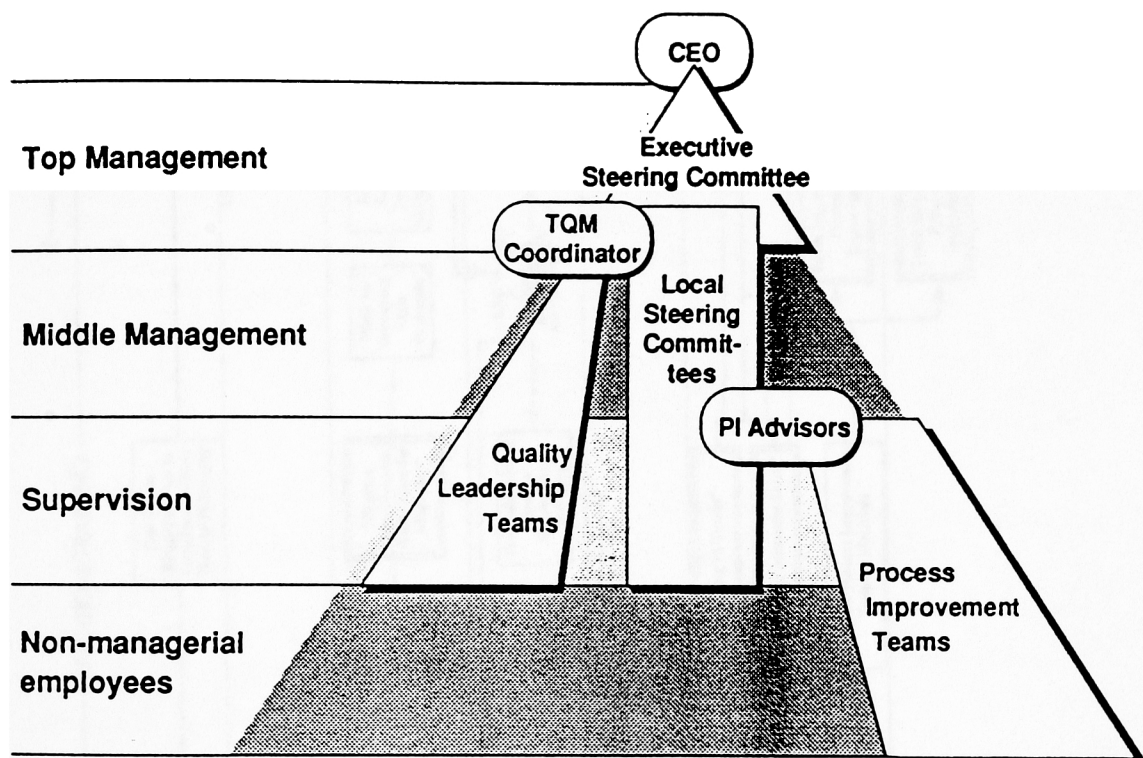


Figure 7: TQM Transformation Model

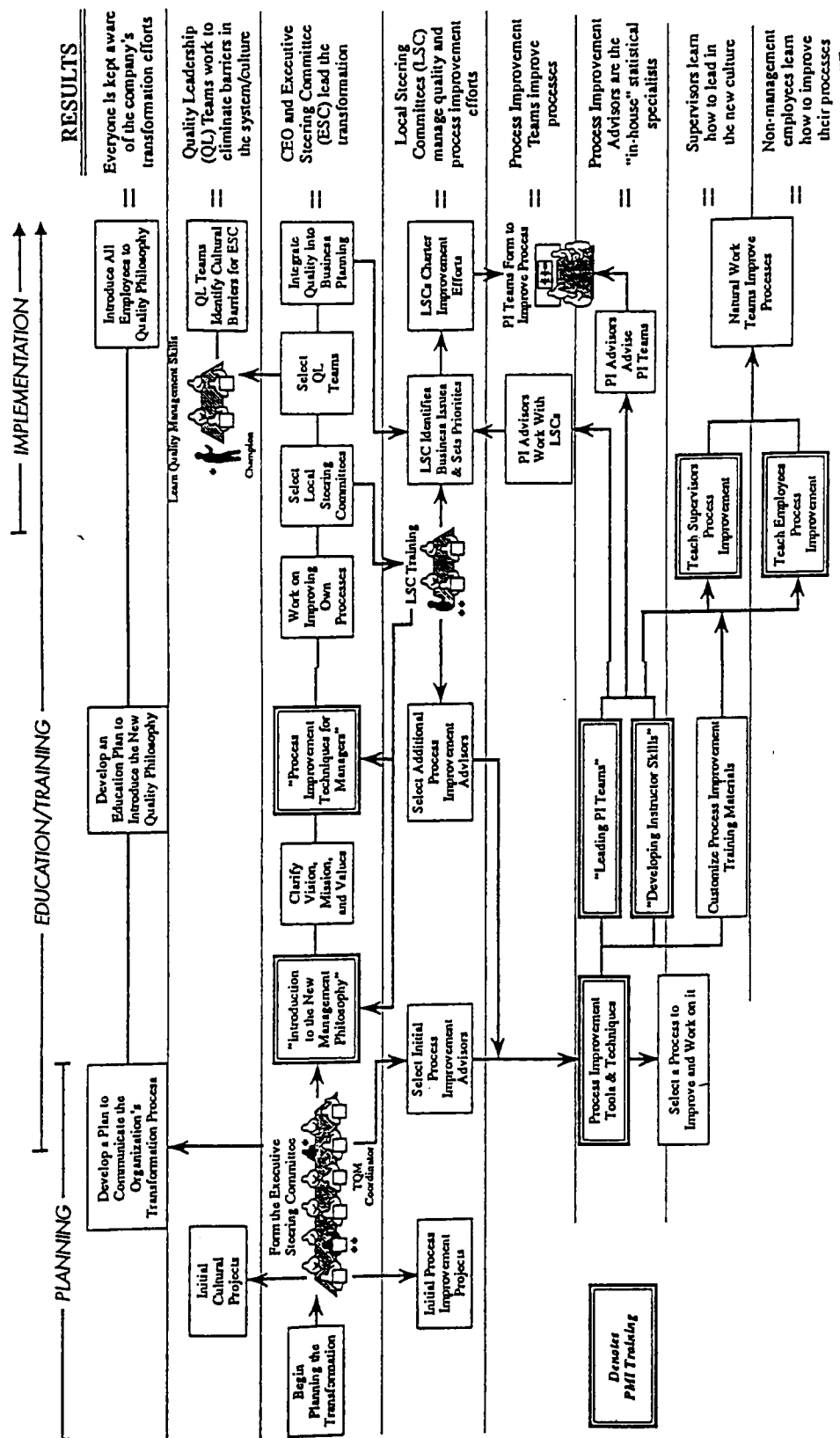
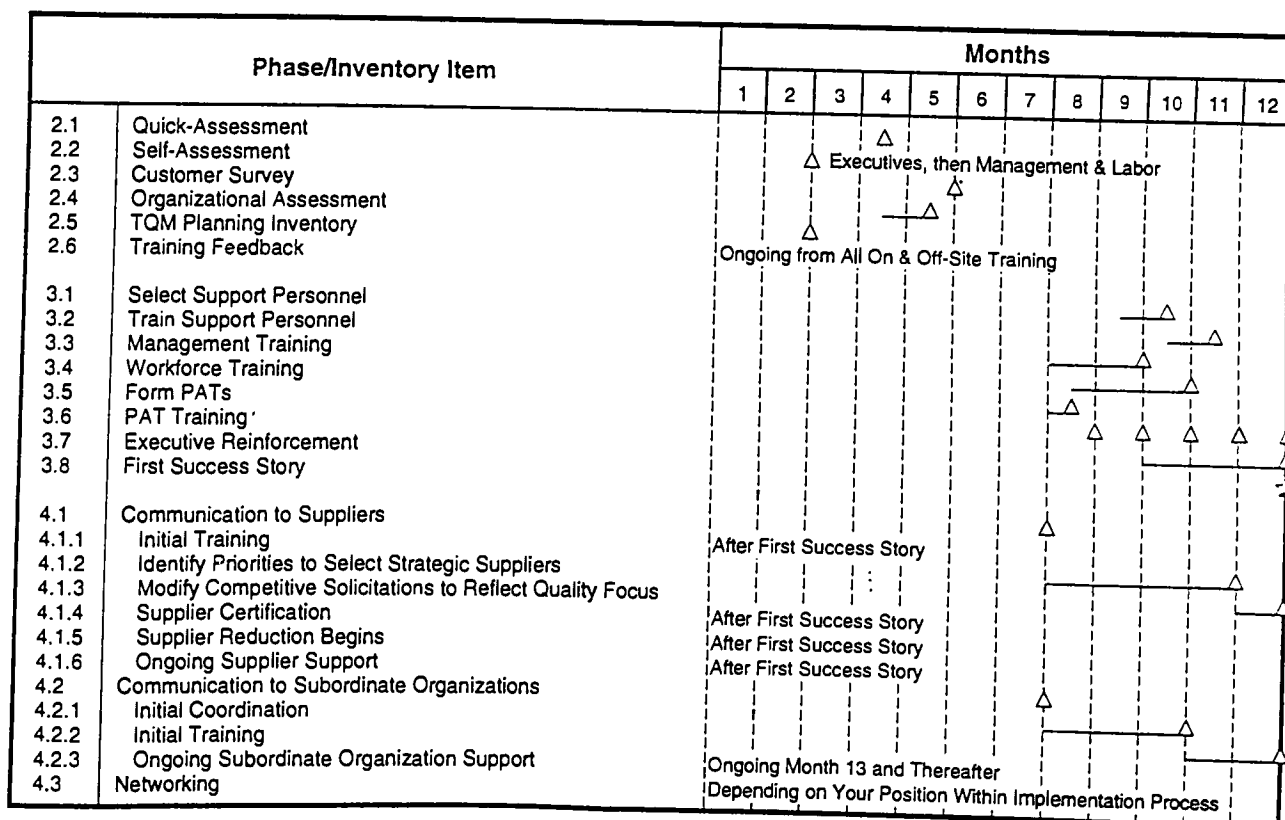
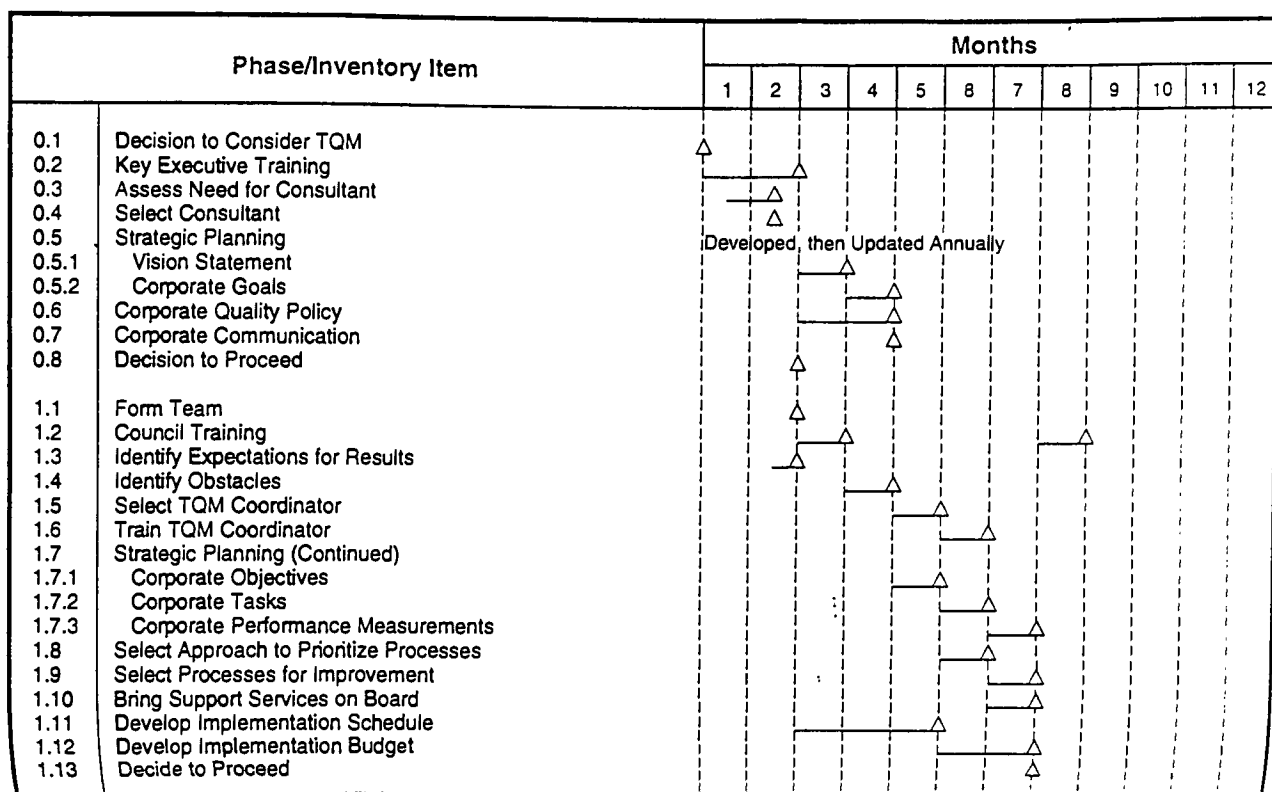


Figure 8: TQM Example Implementation Schedule



The Malcolm Baldrige Award

"We have to encourage American executives to get out of their boardrooms and onto the factory floor to learn how their products are made and how they can be made better.

Malcolm Baldrige, Secretary of Commerce, 1981-1987

The Malcolm Baldrige Award is regarded as the ultimate prize among American companies that pride themselves on the quality of their products and services. The purpose of the National Quality Award program is to help the United States improve quality and productivity by: stimulating companies to attain excellence for the pride of achievement; recognizing outstanding companies to provide examples to others; establishing guidelines that business, governmental, and other organizations can use to evaluate and improve their own quality efforts; provide information from winning companies on how to manage for superior quality.

Since Congress established the Baldrige in 1987, it has become the business equivalent of the Grand Slam, the Academy Award, and the Pulitzer. No other business prize has ever attained comparable status - or produced comparable results. The award has established a national standard for quality and motivated organizations to levels that managers did not think was possible. The award is managed by the National Institute of Standards and Technology, an agency of the Commerce Department's Technology Administration, with active involvement of the private sector. Awards are given in three categories; manufacturing, service, and small business - with no more than two awards per category per year. The award recognizes achievements of U.S. Companies, promotes quality awareness, and publicizes successful quality strategies of companies that have attained a high degree of quality leadership. A key to qualifying for the award is the dedication and commitment of top management to quality systems throughout the entire industry.

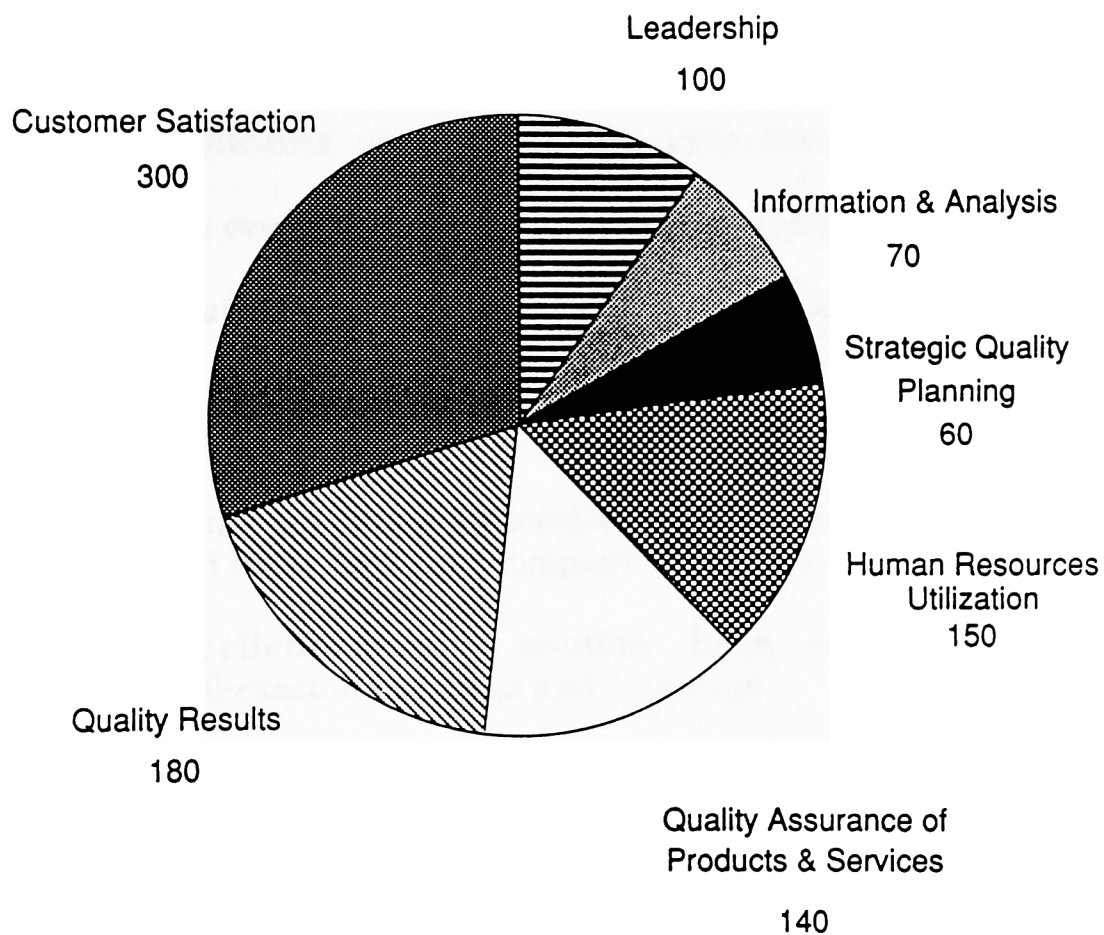
When trying to measure quality, an excellent place to start is the examination criteria for the Malcolm Baldrige National Quality Award. The following is an illustration of the management tools and principles that are favorably looked upon for evaluation. (Steeple 1992).

1. Leadership: is described as the senior management's success in creating quality values and in building those values into the way the company operates. (Steeple 1992). This role requires that a business culture be in place that will promote and reward improvement at all levels.
2. Information and Analysis: This process entails a thorough examination of the information systems, the validity of data gathered, and the end results of data analysis in supporting a total quality business.
3. Strategic Quality Planning: This category considers a company's approach to planning in improving its quality leadership position. Processes such as benchmarking are encouraged as an indication of the company's desire for continuous improvement.
4. Human Resources Utilization: This category includes all functions pertaining to human resources management, employee involvement, quality education and training, recognition programs and over-all employee morale. Programs must be put in place that nurture these human resource functions.
5. Quality Assurance of Products and Services: Attention is focused on the process of designing and introducing new products or services, controls of quality and processes, continuous improvement of those processes, and the discipline used to assess the system on a periodic basis.
6. Quality Results: Comparisons are made between companies that compete in either products or services.
7. Customer Satisfaction: This section contains a higher point value than any other. The customer is the center of any quality program, and the Baldrige award takes that into account in determining the recipients. This section covers the entire spectrum of customer interface, involvement and satisfaction, from knowledge of customer requirements to an evaluation and comparison of customer satisfaction indicators.

Collaborating closely with industry experts, the National Institute of Standards Technology (NIST), produced the seven-category, 1000 point scoring system. The National Quality Awards category point allocation is shown in Figure 9 (Hart, Bogan, 1992).

Preparing to submit a Baldrige application is no simple task. It requires a large investment of money and time, including the efforts of senior management. The Ritz-Carlton Hotel Company submitted nearly a 75 page application describing quality practices and performance. Any company that fills out this application will quickly learn where its quality program falls short and where it needs improvement. The largest and most significant use of the Baldrige Award process involves self-assessment. Many of the Baldrige users are organizations that do not apply for the Award. Rather, they use the Baldrige criteria as a mechanism to conduct analyses of overall efforts and the efforts of individual functions. (Steeple 1992). The number of requests for applications has rapidly increased and in 1992 there were over 150,000 requests for Malcolm Baldrige applications.

Figure 9: Malcolm Baldrige Point Allocation



chose a small set of high-scoring applicants for site visits. A team of senior examiners then visited each company for at least several days, conducting interviews and checking documents. The judges then met a final time to review the top applicants and to select winners. The main theme is the Baldrige Award is the idea of continuous improvement.

The applicants must apply the principles of Total Quality Management to every aspect of their business. The following are quality excellence requirements of the Malcolm Baldrige Award: (Hart, Bogan, 1992).

1. Customers define quality.
2. Senior corporate leadership must create clear quality values and build them into company operations.
3. Excellent quality evolves from well-designed and well-executed systems and processes.
4. Continuous improvement must be integrated into the management of all systems and processes.
5. Companies must develop goals and strategic and operational plans to achieve quality leadership.
6. Shortened response time for all operations and processes must be part of quality improvement efforts.
7. Operations and decisions of the company must be based on facts.

8. All employees must be appropriately trained, developed, and involved in quality improvement activities.
9. Design quality and error prevention must be key elements of quality systems.
10. Companies must communicate quality requirements to suppliers and work to evaluate their performance.

The real goal of the Malcolm Baldrige National Quality Award is not winning, but achieving national harmony in the pursuit of excellence. Even if a company does not enter the competition, the criteria may be the key to survival in today's increasingly competitive global markets. (Reimann, 1992). No other award that taken off with the same amount of speed as the Malcolm Baldrige Award, nor has any award done more than any award to date to instill pride and competitiveness into American industry.

CHAPTER 3

The Ritz Carlton Tradition

Over the years there has been a large change in the concept of service. Service in the hospitality industry can no longer be defined simply as providing food and shelter to satisfy basic needs. "Hospitality is a harmonious mixture of tangible environment, and behavior of staff" (Casseo, p. xiv, 1983). Currently, there are many hotel companies that have diversified and expanded their accommodations and services. In order to truly succeed, company's must consistently meet or exceed customer's service needs and expectations (Heskett, 1990). This is the goal of The Ritz-Carlton Hotel Company, the first hotel company ever to win the Malcolm Baldrige National Quality Award.

On May 18, 1927, the Ritz-Carlton Boston opened its doors. Its original owner, Edward N. Wyner, was committed to providing the hotel's guests with gracious accommodations, the best in food and wine, and unparalleled service. He succeeded in incorporating the richness of

design and the genteel qualities of the finest European hotels into the Ritz-Carlton, Boston.

Wyner expected perfect service from the staff and appropriate dress and behavior from the guests. He wished the hotel to be a home-away-from-home. The furnishings, the decor, the personal touches, the quite attentiveness of the staff reflect that. Perhaps the capstone of success is the unequalled service. The staff makes a point of anticipating the guests' needs and responds quickly, quietly, and appropriately.

Throughout its history, The Ritz-Carlton has proven its loyalty to Wyner's commitment to the many details necessary to provide a setting of refinement, complete in every way, for its guests. After Wyner's death, the hotel was bought by Cabot, Cabot & Forbes Co., of which Gerald W. Blakeley Jr., was president and principal owner. Before selling Cabot, Cabot & Forbes Co. in 1979, Blakeley transferred The Ritz-Carlton to investment companies he and his partner, John W. King, owned.

In August 1983, Blakeley sold The Ritz-Carlton, Boston and the exclusive right to The Ritz-Carlton name in the United States to the

Ritz-Carlton Hotel Company, a wholly owned subsidiary of W.B. Johnson Properties, an Atlanta-based real estate development and hotel management company. In 1985 W.B. Johnson acquired exclusive U.S. rights to the Ritz-Carlton trademark. The company is committed to upholding the standards implied by The Ritz-Carlton name. W. B. Johnson owns two of the properties: Tyson and Buckhead. All of the rest are managed by W.B. Johnson Management.

Pursuit of excellence has become a mark of distinction for The Ritz-Carlton hotels. Understated elegance is true to The Ritz-Carlton standards. Quality is never compromised.

The Ritz-Carlton Hotel Company operates 23 business and resort hotels in the United States and two hotels in Australia. It also has nine international sales offices and employs 11,500 people. Two subsidiary products, restaurants and banquets, are marketed heavily to local residents. The company claims distinctive facilities and environments, highly personalized services, and exceptional food and beverages. All of the hotels use the same designer to create a feeling of similar elegance among all of the hotels.

Each of the Ritz-Carlton employees receive an average of 126 hours per year of training. The management staff receives even more. The Ritz-Carlton offers continuous training; provides rewards and incentives for their employees; promotes from within, thus resulting in low turnover. Before an employee is permanently hired they complete at least three interviews. They first meet with the Human Resource Coordinator, then the department head of their intended department. If there is an intent to hire the individual, the prospective hire is administered a test consisting of approximately 55 questions. This questionnaire was developed by the Ritz-Carlton Hotel Company with the assistance of "Talent & Company" consulting company. The questionnaire is based around talents and themes. It helps to properly place an individual and find out if they will fit in with the Ritz-Carlton philosophy.

Once a new employee is hired, they are required to complete a two day orientation before beginning their position. During this orientation they are thoroughly introduced to the Ritz-Carlton philosophy. Every department head, including the General Manager takes part in the orientation. The last two hours of orientation takes place with the new

employee's department head. This is where the individual departmental training begins.

The Ritz-Carlton Hotel Company quality program is designed to give an employee the power to make the right decision, and asks how to check to see that quality is being achieved. The Ritz-Carlton Quality Management program also checks to see that the guest is getting the best possible quality before the guest receives the service. The Ritz-Carlton also strives to produce courteous; efficient well-trained people. They claim that they can only be as good as their weakest employee.

The following information relates to The Ritz Carlton Hotel Company and how they apply the ingredients and principles of Total Quality Management within their organization.

The Ritz-Carlton Hotel Company aims to succeed in one of the most complex service businesses. Striving to capture the top 5% of the marketshare, The Ritz-Carlton primarily targets industry executives, meeting and corporate travel planners, and affluent travelers, the Atlanta-based company manages luxury hotels that pursue the

distinction of being the very best in each market. It does so on the strength of a comprehensive service quality program that it integrated into marketing and business objectives. It is important to make sure that each guest that comes to the hotel is happy and that they want to return.

Characteristics of their quality program include participatory executive leadership, thorough information gathering, coordinated planning and execution, and a trained workforce that is empowered "to move heaven and earth" to satisfy customers. Of these, committed employees rank as the most essential element. All are schooled in the company's "Gold Standards", which set out Ritz-Carlton's service credo and basics of premium service.

Quality planning begins with President and Chief Operating Officer Horst Schulze and the other 13 senior executives who make up the corporate steering committee. This group, which doubles as the senior quality management team, meets weekly to review the quality of products and services, guest satisfaction, market growth and development, organizational indicators, profits, and competitive status. Each year, executives devote about one-fourth of their time to

quality-related matters. The company's business plan demonstrates the value it places on goals for quality products and services. Quality goals draw heavily on consumer requirements derived from extensive research by the travel industry and the company's customer reaction data, focus groups, and surveys. The plan relies upon a management system designed to avoid the variability of service delivery traditionally associated with hotels. Uniform processes are well defined and documented at all levels of the company.

Key product and service requirements of the travel consumer have been translated into Ritz-Carlton Gold Standards, which include a credo, motto, three steps of service, and 20 " Ritz-Carlton Basics." Each employee is expected to understand and adhere to these standards, which describe processes for solving problems guests may have as well as detailed grooming, housekeeping, and safety and efficiency standards. Company studies prove that this emphasis is on the mark, paying dividends to customers and, ultimately, to Ritz-Carlton. See Figure 10 for a copy of the Credo Card. Employees are tested on the contents of the Credo and are required to carry the Credo Card with them at all times. The company develops their own training programs with the aid of the

American Hotel/Motel Association and manual from the Education Institute, and Supervisory Skill Builders.

The corporate motto is "ladies and gentlemen serving ladies and gentlemen." However, it is stressed throughout the organization that while employees are in the service industry, they are not servants. Every job in the entire hotel is equally important and each position is treated with equal importance. In addition to the Gold Standards, all employees must know, understand and live the Mission Statement. This includes not only the Corporate Mission Statement, but also the Hotel Mission Statement and the individual Departmental Mission Statements which are written by the individual employees of the departments. Refer to Figure 11 for the Ritz-Carlton Corporate Mission Statement, and Figure 12 for the Departmental Division Basics.

Figure 10: Ritz-Carlton Credo Card

THREE STEPS OF SERVICE

1

A warm and sincere greeting.
Use the guest name, if and
when possible.

2

Anticipation and compliance
with guest needs.

3

Fond farewell. Give them
a warm good-bye and use
their names, if and
when possible.

*"We Are
Ladies and
Gentlemen
Serving
Ladies and
Gentlemen"*



THE RITZ-CARLTON

CREDO

The Ritz-Carlton Hotel is a place
where the genuine care and comfort
of our guests is our highest mission.

We pledge to provide the finest
personal service and facilities for our
guests who will always enjoy a warm,
relaxed yet refined ambience.

The Ritz-Carlton experience
enlivens the senses, instills well-
being, and fulfills even the
unexpressed wishes and needs
of our guests.

THE RITZ-CARLTON BASICS

- 1 The Credo will be known, owned and energized by all employees.
- 2 We are "Ladies and Gentlemen serving Ladies and Gentlemen".
- 3 The three steps of service shall be practiced by all employees.
- 4 "Smile" - "We are on stage". Always maintain positive eye contact.
- 5 Use the proper vocabulary with our guests. (Eliminate - Hello - Hi - OK - folks).
- 6 Uncompromising levels of cleanliness are the responsibility of every employee.
- 7 Create a positive work environment. Practice teamwork and "lateral service".
- 8 Be an ambassador of your hotel in and outside of the work place. Always talk positively - No negative comments.

- 9 Any employee who receives a guest complaint "owns" the complaint.
- 10 Instant guest pacification will be ensured by all. Respond to guest wishes within ten minutes of the request. Follow up with a telephone call within twenty minutes to ensure their satisfaction.
- 11 Use guest incident action forms to communicate guest problems to fellow employees and managers. This will help ensure that our guests are never forgotten.
- 12 Escort guests, rather than pointing out directions to another area of the hotel.
- 13 Be knowledgeable of hotel information (hours of operation, etc.) to answer guest inquiries.
- 14 Use proper telephone etiquette. Answer within three rings and, with a "smile", ask permission to put a caller on hold. Do not

screen calls. Eliminate call transfers when possible.

- 15 Always recommend the hotel's food and beverage outlets prior to outside facilities.
- 16 Uniforms are to be immaculate; Wear proper footwear (clean and polished) and your correct nametag.
- 17 Ensure all employees know their roles during emergency situations and are aware of procedures. (Practice fire and safety procedures monthly.)
- 18 Notify your supervisor immediately of hazards, injuries, equipment or assistance needs you have.
- 19 Practice energy conservation and proper maintenance and repair of hotel property and equipment.
- 20 Protecting the assets of a Ritz-Carlton Hotel is the responsibility of every employee.

Figure 11: Ritz-Carlton Corporate Mission Statement



THE RITZ-CARLTON
HOTEL COMPANY

MISSION STATEMENT

The Ritz-Carlton Hotel Company will be recognized by frequent traveling executives and meeting planners, as well as the travel and hotel industry, as a dynamic, fast growing and highly professional company operating the finest and most successful hotels in each of their locations.

The Ritz-Carlton will be known for consistency in providing the very highest quality in facilities and product; and for friendly, personal and efficient comfortable service.

Guests will enjoy the natural warm welcome and relaxed, comfortable ambience of The Ritz-Carlton Hotels. Creative, entrepreneurial food and beverage operations will be a hallmark of The Ritz-Carlton, providing a strong personality for each hotel and attracting significant local patronage.

Considered the social center in each community, The Ritz-Carlton will be the first choice for important events. Through careful attention to detail and creativity, banquets and conferences will be remembered as special occasions.

All those factors will contribute to an unusually high level of customer loyalty and repeat business.

The Ritz-Carlton will be regarded as an industry leader for its innovation in each discipline of the business, blending effectively the finest traditions of our profession with progressive management philosophy.

The Ritz-Carlton will be known as the easiest company in the industry to do business with.

The Ritz-Carlton's Marketing and Sales team will be seen by their peers as highly aggressive and competitive and regarded by their clients as reliable, helpful and resourceful.

The Ritz-Carlton will have earned a reputation for achieving a positive share of each market it serves.

The Ritz-Carlton will be known as the best company in the industry to work for.

Because the team approach to management and philosophy of promotion from within, employees will have a strong sense of proprietorship and pride. This will result in high morale, low turnover and exceptional company loyalty.

Through open, two-way communication, employees will share the company's objectives and strive toward achievement of the highest industry awards such as the Mobil 5-Star and AAA 5-Diamond recognition. Throughout The Ritz-Carlton there will be a thoughtful awareness that the guest is always right.

The company's partners and owners will view The Ritz-Carlton as successful because of its unparalleled reputation for quality, and because of its achievement of operating results and profits in excess of industry norms.

Figure 12: Ritz-Carlton Departmental Division Basics

Rooms Divison Basics

1. All public areas, including washrooms, will be kept free of litter at all times and be manned during special functions.
2. No guest will wait longer than three rings before either an external or internal telephone is answered.
 - a. All phones not accessible by guests have to be answered within five rings.
3. Notification of a message received for a guest will be available to him within two minutes at the Concierge Desk and within two hours in his room.
4. Laundry and valet items will be returned on the same day provided they are collected before 9:00 am. Items for pressing will be returned within two hours.
5. The hotel will provide a continuous telex service (24 hours) and a photocopying/typing service between 9:00 am and 5:30 pm five days a week.
6. Valet parking will be provided 24 hours per day. The maximum wait to retrieve a car will be four minutes.
7. A limousine service will be provided if booked in advance.
8. No guest will wait longer than ten minutes for an Engineer or Manager on Duty to respond to a request for immediate repair to room equipment.
9. Check cashing facilities will be provided for guests 24 hours a day.
10. Sufficient security boxes will be available to store securely guest valuables on request. These boxes will be easily accessible 24 hours a day.
11. Any requests, i.e. iron, hair dryer, etc., from Housekeeping will be delivered within ten minutes.
12. All room change requests will be completed within five minutes.
13. All room accommodations confirmed by Reservations, if requested, will guarantee room type without exception.
14. All repeat guests' arrival packets will be ready and arrival and departure facilitated.
15. Upon turndown, a fresh flower will be placed in the bathroom for all guests.
16. Concierge or Reception Desk will never be left unattended (24 hours).
17. Post bellman will always be visible in lobby (7:00 am through midnight).
18. Management will always be present in lobby (7:00 am through midnight).
19. Housekeeping will schedule vacuuming when traffic is light rather than during peak hours.
20. No one will be placed on "hold" without first acknowledging this to the guest and without having received permission.
21. Punctuality of airport transportation buses will be monitored by doormen and Concierge.
22. Guests will be asked if they would like assistance with their luggage before the Reception Desk automatically calls for a bellman. The same situation applies when a guest walks into the hotel carrying his own bags. The bellman should simply offer assistance, "Please allow me to help you", instead of asking, "Do you need help?".
23. Every Ritz-Carlton Club guest will be escorted to their room accommodation by Club Concierge and arrival and departure facilitated.
24. At all times guest contact staff will be clean and neat, and wear uniforms which are well tailored and attractive.
25. All staff in contact with guests will be friendly, helpful, courteous, confident, discreet, competent and fluent in English.
26. Members of staff will be available who can speak French, German, Spanish and Japanese.
27. A full concierge service will be provided from 7:00 am through midnight.
28. A member of staff with sufficient authority to deal with any guest problem or complaint will be available at all times (24 hours).
29. Guests will be addressed by name whenever a means of identification exists.
30. A list of doctors to be referred to our guest will be available at our Concierge Desk.
31. Guests will be greeted by staff in the hotel.
32. All hotel staff will offer assistance to guests in public areas as necessary.
33. The hotel will respond to all telephone inquiries within the working day. All mail inquiries will be followed up within two working days.
34. All VIP's will be asked for their preference on time for daily Housekeeping Service.
35. There will not be any signage in hotel lobby area, guest direction will be provided by the staff.
36. A trace system will be established for guest history.
37. The Department Head will inspect uniforms daily.
38. Lost nametags will be replaced within two hours.
39. All taxi cab requests will be met within one minute (taxi stand), within four minutes if not on property.
40. Utilize guest history at point of all reservations, builds guest loyalty and repeat business.
41. Guests who check in under a package plan receive a welcome letter indicating how features of the plan can be obtained.



To provide superior service, Ritz-Carlton trains employees with a thorough orientation, followed by on-the-job training, then job certification for every position on the property. The Ritz-Carlton aims to bring in the right people with the right mentality, orient them to the company and the philosophy and teach them what the company is all about. Frequent recognition for extraordinary achievement, and a performance appraisal based on expectations explained during the orientation, training, and certification processes. The company recognizes and rewards employees for contributions to continuous improvement.

Each working day begins with a morning "Warm Up" where the Executive Committee meets at 8:30 for approximately an hour to discuss daily events. The work day closes with each individual department having what is called an "Afternoon Huddle" - a discussion of what took place during the course of the day and the following day's agenda.

Each day there is a different quality theme. These themes are developed by the Education Committee (Figure 13). These themes are developed by the Education Committee, which is comprised of one executive from each property.

Figure 13: Ritz-Carlton Weekly Quality Themes

COMMITMENT TO QUALITY			
WEEK OF NOVEMBER 9, 1992.			
QUALITY LINE UP	SUBJECT OF THE WEEK: TELEPHONE ETIQUETTE AND NAME RECOGNITION	BASIC OF THE DAY	ADDRESSED BY/ COMMENTS
MONDAY	ANSWER THE PHONE PROMPTLY. ANSWER ON THE FIRST RING IF POSSIBLE, AND ALWAYS BY THE THIRD RING. BE PLEASANT AND CHEERFUL WHEN YOU TALK ON THE PHONE. USE CORRECT VERBIAGE. BE A GOOD LISTENER.	#7	
TUESDAY	USE EVERY OPPORTUNITY TO USE THE CALLER'S NAME. PERSONALIZE YOUR CONVERSATION.	#8	
WEDNESDAY	DO NOT SCREEN CALLS. TRANSFER CALLS ONLY WHEN NECESSARY. HANDLE THE CALL YOURSELF IF YOU CAN.	#9	
THURSDAY	ALWAYS ASK TO PLACE A CALLER ON HOLD. GIVE THE CALLER PROGRESS REPORTS TO SHOW YOU ARE WORKING ON THE REQUEST. THANK THE CALLER FOR WAITING.	#10	
FRIDAY	BE PREPARED TO TAKE A THOROUGH MESSAGE. TAKE TIME FOR A GOOD ENDING. LET THE CALLER HANG UP FIRST. ENSURE THE CALL IS RETURNED BY THE APPROPRIATE PERSON.	#11	
SATURDAY	REVIEW TELEPHONE ETIQUETTE STANDARDS	#12	
SUNDAY	REVIEW TELEPHONE ETIQUETTE STANDARDS	#13	
DEPARTMENT _____ SHIFT _____ DEPARTMENT LEADER SIGNATURE _____ RETURN FORM TO QUALITY LEADER WHEN COMPLETE			

To ensure problems are resolved quickly, workers are required to act at first notice-regardless of the type of problem or customer complaint. All employees are empowered to do whatever it takes to provide "instant pacification." No matter what their normal duties are, other employees must assist if aid is requested by a fellow worker who is responding to a guest's complaint or wish and provide that guest with "Instant Pacification"; they ask the guest to forgive them for their effort, ask what can be done to correct the opportunity and are given 10 minutes to respond to a request or complaint, and 20 minutes to follow upon it.


REPEAT GUEST PROGRAM

Much of the responsibility for ensuring high-quality guest services and accommodations rests with employees. Surveyed annually to ascertain their levels of satisfaction and understanding of quality standards, workers are keenly aware that excellence in guest services is a top hotel and personal priority. A full 96 percent of all employees surveyed in 1992 singled out this priority - even though the company had added 3,000 new employees in the previous 3 years.

From automated building and safety systems to computerized reservation systems, Ritz-Carlton uses advanced technology to full advantage. Comment cards are not placed in the room of the guest at the Ritz-Carlton. For example, each employee is trained to note guest likes and dislikes. Guest preferences are recorded on Guest Preference Pads. (Refer to Figure 14). Each time a new guest checks into a Ritz-Carlton property, an individual guest history file is started. Employees are motivated to note the guest likes as well as dislikes. This data is entered in a computerized guest history profile by a Guest Recognition Coordinator. This database provides information on the preferences of 240,000 repeat Ritz-Carlton guests, resulting in more personalized service. It is this person's responsibility to maintain accurate files of all guests. Each property has their own Guest Recognition Coordinator, and all of the computer systems are networked.

Reservations prints daily guest history files of all repeat guests coming back to the hotel and amenities are filled appropriately. If it is noted that a guest likes a certain type of soda, then that soda is place in the guest's room the next time they return.

Figure 14: Ritz-Carlton Guest Preference Pads



THE RITZ CARLTON

Return Guest Preference

Room # _____

Name: _____

Date _____

Preferences/Dislikes _____

Employee's Name _____

Department _____

Amenity values increase with the number of visits. For instance, a first time guest may receive a key chain. However, if it is noted that they like tennis, then Ritz-Carlton tennis balls may be their next level amenity. As with the Credo Card, the Guest Preference Pads are part of an employee's uniform.

The aim of these and other customer-focused measures is not simply to meet the expectations of guests, but to provide them with a "memorable visit." According to surveys conducted for Ritz-Carlton by an independent research firm, 92 to 97 percent of the company's guests leave with that impression. Evidence of the effectiveness of the company's efforts also includes the 121 quality-related awards received in 1991 and industry-best rankings by all three major hotel-rating organizations.

At each level of the company from corporate leaders to managers and employees in individual work areas teams are charged with setting objectives and devising actions plans, which are reviewed by the corporate steering committee. In addition, each hotel has a "quality leader," who serves as a resource and advocate as teams and workers

develop and implement their quality plans.

Teams and other mechanisms cultivate employee commitment. For example, each work area is covered by three teams responsible for setting quality-certification standards for each position, problem solving, and strategic planning.

APPROPRIATE HOTEL VERBAGE

As soon as an employee enters the property they are on stage. The "3 steps of service" are practiced in the "heart" of the house as well as in the back of the house. Employees are encouraged to speak to each other as they would guests. This helps to instill the Ritz-Carlton philosophy into everyday life. The TQM philosophy is easy to implement if it coincides with the corporate philosophy.

The following are Ritz-Carlton standards for developing consistent verbal etiquette in dealings with guests and fellow employees:

DO

"Good Morning"

"Certainly"

"Certainly, I will personally see to it"

"Excellent Choice"

"Welcome"

"How may I assist you"

"I beg your pardon"
say?"

"Please allow me"
it"

"Ladies and Gentlemen"

DO NOT

"Hi/Hello"

"O.K.". "Sure Thing"

"I'll take care of it"

"Good Idea"

"Hi"

"Can I help you"

"Excuse me? What did you

"I'll do it; I'll get right on

"Folks"

Figure 15: Ritz-Carlton Telephone Etiquette

1. Answer promptly, within three rings.
2. Be alert: A cheerful, wide awake greeting sets the tone for any conversation and shows you are ready to help.
3. Be expressive: Speak at a moderate rate and volume, but vary the tone of your voice to add vitality and emphasis to what you say. Avoid a monotone delivery. No one wants to talk to a computer!
4. Be natural: Use simple language, avoid slang and technical terms.
5. Be pleasant. Show that you are interested in being helpful.
6. Be courteous: Good telephone habits are nothing more than good manners. Building confidence in you and The Ritz-Carlton begins with personal consideration for the caller. Do not treat every call as routine.
7. Do not ask a caller to repeat information already offered.
8. Always ask permission to place a caller on hold: "May I place you on hold?" Always wait for a response.
9. Never leave a caller waiting and wondering! If the caller chooses to stay on the line, be certain that you give progress reports every 30 seconds to assure the caller that you have not forgotten about him/her. Thank the caller for waiting, show your appreciation for the caller's patience. A phrase such as "Thank you for waiting, Mr. Grey", is appropriate.
10. Be discreet. Be careful not to create the wrong impression with statements such as "He's on this coffee break", or, "I don't think he's come in yet." When a person is not available to answer a call, an appropriate response would be "I'm sorry, but he is away from his desk right now. "May I help you, or take a message?"

11. Be prepared to take a message. Always include the following information in your messages:
 - the caller's name
 - the caller's number
 - if offered, the caller's firm or department
 - the date and time of the time of the message
 - the message itself
 - your name
- ~~12.~~ 12. PLEASE DO NOT SCREEN CALLS!! All calls are equally important.
13. Use the caller's name whenever possible.
14. Take the time for a pleasant ending. Let the caller hang up first...then gently replace the handset.

WARM WELCOMES

1. Outside call: "Thank you for calling ~~The Ritz-Carlton~~,
~~Washington, DC~~, Good Morning/Afternoon/Evening."
2. Internal call: "Good Morning/Afternoon/Evening, this is
(Name), how may I assist you?"

HOTEL DEPARTMENTS:

3. "Thank you for calling (Department Name), this is (Name), how
may I assist you?"

ROOM SERVICE:

4. "Thank you for calling Room Service. This is (Name), how may
I serve you?"

INDIVIDUAL OFFICE:

5. "Good Morning/Afternoon/Evening, Mr. Bekhit's office, this is
(Name), how may I assist you?"

FOND FAREWELLS

COMMUNICATIONS DEPARTMENT:

1. "My pleasure, one moment please."
 - When caller asks for a guest or department -- "Certainly,
my pleasure."
 - When caller asks for a guest or guest/dept. request --
"Thank you, it's been a pleasure speaking with you."

HOTEL DEPARTMENTS:

2. "Certainly, my pleasure"
"Thank you, it's been a pleasure speaking with you."

Missing Page

The benefits of detailed planning and the hands-on involvement of executives are evident during the 7 days leading up to the opening of a new hotel. Rather than opening a hotel in phases, as is the practice in the industry, Ritz-Carlton aims to have everything right when the door opens to the first customer. A "7-day countdown control plan" synchronizes all steps leading to the opening. The company president and other senior leaders personally instruct new employees on the "Gold Standards" and quality management during a 2-day orientation, and a specially selected start-up team composed of staff from other hotels around the country ensures all work areas, processes, and equipment are ready.

INTERNAL DEFECT REPORTS

Defect reduction is a major goal of total quality programs, and that means counting defects. Internal Defect Sheets are the Ritz-Carlton's Quality Vision Leader's way of listening to the needs of the external customer. The information from the Internal Defect Sheets are put into Daily Quality Production Reports. See Figure 16 for a copy of the INTERNAL DEFECT REPORT. This report is one of the tools by which the Ritz-Carlton improves the quality of their product and eliminates inefficiencies. There are many different kinds of defects that can affect how a customer is served.

Figure 16: Ritz-Carlton Internal Defect Report



INTERNAL DEFECT REPORT

Your Name: _____ (optional)

Your Department: _____

Date: _____

What problems or conditions are interfering w
your job or with guest satisfaction?

Problem: (Be specific as to the date, time, and exact location)

Possible Cause:

Recommended Solution:

How often does this problem occur? _____ times a day
week
month

For QV office use only

Received: _____	Responded: _____	Assignment: _____
Supposedly solved: _____	Verified: _____	Standardized: _____

Refer to Figure 17 for a copy of the Quality Engineer Certification Card

Quality Engineer - MR. BIV

M - mistakes
R. - rework
B - breakdown
I - inefficiency
V - variations

The more internal defect sheets you receive the higher your guest satisfaction will be. Any employee may complete an Internal Defect Report. Each department should have one set of Internal Defect Reports visible to and within employee access somewhere in their work area at all times.

- Step One: Employee identifies MR BIV (a mistake, a form of re-work, a breakdown, an inefficient system, or some type of variation) in the hotel.
- Step Two: Employee fills out an INTERNAL DEFECT REPORT
- Step Three: Employee submits the INTERNAL DEFECT REPORT to Total Quality Management
- STEP Four: The INTERNAL DEFECT REPORT is then incorporated into the DAILY QUALITY PRODUCTION REPORT.
- Step Five: The INTERNAL DEFECT REPORT is then submitted to the appropriate Executive Committee member and the 24-48-30 Rule is in effect.

Figure 17: Ritz-Carlton Quality Engineer Certification Card

24/48/30 RULE
INTERNAL DEFECT
REPORT

The Internal Defect Report is a tool to improve our quality by eliminating inconsistencies. The Executive Committee will:

1. Respond to the originator of the report within 24 hours to confirm receipt of the report.
2. Develop an Action Plan with the employee to solve or study the problem within 48 hours of receipt.
3. Verify the Action Plan was effective in solving the problem after 30 days.

GOLD STANDARDS

CREDO

THREE STEPS OF SERVICE

MOTTO

20 BASICS

OUR PHILOSOPHY AND VALUES

*

CUSTOMERS

EXTERNAL

Our guests

INTERNAL

Any employee to whom you provide a service or product



THE RITZ-CARLTON

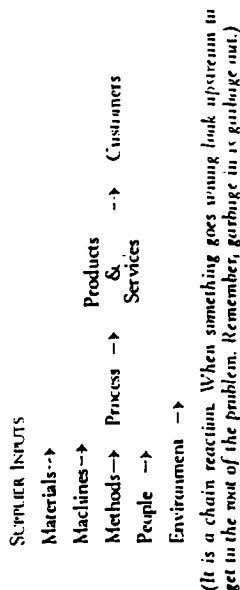
TOTAL QUALITY
MANAGEMENT

Quality Engineer Certification Card

QUALITY

An efficient system to satisfy customer's requirements

How Work Gets Done At The Ritz-Carlton



MR. BIV SAYS . . .

CAUSES OF PROBLEMS IN THE WAY
WORK GETS DONE (COMPLEXITY)

- Mistakes:** compensation for mistakes or defects with added steps rather than preventing them.
- Rework:** do it over; it wasn't done right the first time. Some people call this "scraping burnt toast".
- Breakdowns:** when the supplies, production system, or machines breakdown.
- Inefficiencies:** when more time, movement, and/or materials are used than absolutely necessary.
- Variation:** inconsistency; when our production and services are inconsistent, everyone in the organization is forced to deal with the problem through rework.

HOW TO SOLVE PROBLEMS AT
THE RITZ-CARLTON

1. **IDENTIFY** the problem you need to solve and determine why it is important to solve.
2. **SPLIT** the problem by pinpointing where it does and does not occur. **WHERE, WHEN, WHAT KIND & HOW MUCH, WHO.**
3. **VERIFY** the causes of the problem. Don't fix anything until you know what to fix. (Don't chase ghosts.)
4. **DEVISE** changes that will eliminate the causes of the problem (or reduce the impact) permanently. This is called an **ACTION PLAN**.
5. **IMPLEMENT** the changes (action plan).
6. **EVALUATE** the implementation of the action plan.
7. **EVALUATE** the effectiveness of the action plan. The problem or the causes must be eliminated or reduced.
8. **STANDARDIZE** the effective changes. Include the standard procedure, method, material, person type, or environment in our policies.

GOOD IDEA BOARDS

In many organizations when an employee has a good idea, they may tell a superior about it, but never actually receive credit for their idea. Each department has their own chalk board for "Good Ideas". Employees write down their idea, today's date, and the date that they will report back as to whether or not the idea has merit after investigation of the idea.

In addition, throughout the back of the house there are colorful framed pictures of MR BIV, QUALITY PHRASES, MOTIVATIONAL THEMES, and IDEAS. In every department you will find a framed copy of their Credo, Corporate Mission, as well as Strategic Goals, and individual Departmental Mission Statements.

GUEST INCIDENT ACTION REPORTS

These reports are filled out by employees when a guest has an "opportunity". The Ritz-Carlton does not refer to instances as "problems". Instead they are called opportunities - an opportunity to learn or to

correct. These are given to the General Manager's assistant who photocopies to each department head. The Quality Vision Manager researches to find out why the problem happened. The General Manager calls the guest. The GIAR forms are also incorporated into the daily production reports as well as the preference pads. Refer to Figure 18 for a copy of the Guest Incident Action Report.

An example of what a GIAR may cost the company:

\$150	what a customer may pay/night
<u>x 2</u>	two night stay
\$300	
<u>+ 50</u>	Approximate Food and Beverage
\$350	
x 10	Average of times stays per year
\$3,500	yearly guest
<u>\$7,000</u>	Unhappy guest tells 2 friends of compliant
10,500	Possible lost business over one guest complaint

DAILY QUALITY PRODUCTION REPORTS

Daily quality production reports, derived from data submitted from each of the 720 work areas in the hotel system, serve as an early warning system for identifying problems that can impede progress

toward meeting quality and customer satisfaction goals. Coupled with quarterly summaries of guest and meeting planner reactions, the combined data are compared with predetermined customer expectations to improve services.

Among the data gathered and tracked over time are guest room preventive maintenance cycles per year, percentage of check-ins with no queuing time spent to achieve industry best clear room appearance, and time to service an occupied guest room. See Figure 19 for a copy of the Daily Quality Production Report.

Figure 18: Ritz Carlton Guest Incident Action Report



GUEST INCIDENT ACTION FORM

Date of Incident _____ Time of Incident _____ Guest Name _____ Room # _____ Address _____ Telephone Number _____ Check-In _____ Check-Out _____		Guest Temperature _____ Livid _____ Very Upset _____ Upset _____ O.K. _____ Calm _____
ACTION STEPS <input type="checkbox"/> Letter to Home Typed <input type="checkbox"/> Note to Room <input type="checkbox"/> Note with Amenity to Room <input type="checkbox"/> Follow Up Call	Other _____ _____ _____ _____	
DESCRIPTION OF INCIDENT _____ _____ _____ _____ _____		
BRIEF OUTLINE OF LETTER/NOTE _____ _____ _____ _____ _____ _____	RC EMPLOYEES INVOLVED _____ _____ _____ _____ _____	
ADDITIONAL COMMENTS _____ _____ _____ _____ _____ _____ _____ _____ _____ _____	RECOMMENDED AMENOS/OFFERINGS _____ _____ _____ _____ _____ _____ _____ _____ _____	
Weekend MOD Acknowledgement _____ Executive Office Received Date _____		Form completed by _____ Date _____ Time _____ Department Head Initial _____

Figure 19: Ritz Carlton Daily Quality Production Report

DAILY QUALITY PRODUCTION REPORT

DATE: 15-Nov-92

		TODAY														YTD										
OCCUPIED ROOMS:																		412	46192							
PLUS COVERS:																		2187	157272							
MINUS GUEST COMPLAINTS:																		2589	201154							
GUEST COMPLAINT CATEGORY		HK		FM		RESV		COM		CIS		COS		F&B		GSVC		SEC		MISC		TOTAL				
		T	YTD	T	YTD	T	YTD	T	YTD	T	YTD	T	YTD	T	YTD	T	YTD	T	YTD	T	YTD	T	YTD			
FACILITIES RELIABILITY																										
INADEQUATE		0	2	0	2	0	0	0	1	0	1	0	4	0	3	0	1	0	0	0	12	0	26			
MISSING		0	1	0	2	0	0	0	1	0	8	0	2	0	4	0	4	0	0	0	9	0	31			
WORN		0	14	0	14	0	0	0	0	0	1	0	2	0	5	0	2	0	0	0	5	0	43			
INOPERABLE		0	1	0	13	0	6	0	4	0	1	0	13	0	0	0	0	0	1	0	737	0	776			
INCORRECT		1	22	1	32	0	0	0	9	0	4	0	2	0	6	0	1	0	2	1	11	3	89			
SUPPLIES/F&B RELIABILITY																										
INADEQUATE		0	0	0	0	0	0	0	0	0	1	0	0	0	11	0	0	0	0	0	0	0	15			
MISSING		0	18	0	0	0	0	0	0	0	2	0	0	0	22	0	6	0	1	0	1	0	57			
UNSATISFACTORY		0	11	0	0	0	1	0	0	0	1	0	0	0	26	0	1	0	0	0	1	0	44			
INCORRECT		0	9	0	1	0	1	0	0	0	4	0	0	0	26	0	2	0	0	0	3	0	32			
LADY/GENTLEMAN RELIABILITY																										
ATTITUDE		0	0	0	0	0	0	0	2	0	2	0	0	0	5	0	3	0	0	0	0	0	22			
ERROR - TIMELY		1	11	0	6	0	1	0	9	0	14	0	0	1	25	0	9	0	1	0	3	2	101			
ERROR - OTHER		0	25	0	3	0	17	0	171	0	202	0	2	2	259	0	113	0	0	2	85	4	888			
SERVICE MISSING		0	16	0	12	0	7	0	16	0	19	0	2	0	20	0	21	0	0	0	22	0	143			
GUEST SECURITY (i.e. Loss		0	7	0	3	0	10	0	0	0	0	1	0	3	1	13	0	4	0	8	1	43				
TOTAL SYSTEMS RELIABILITY & TIMELINESS DEFECTS																		10		2310						
MINUS INTERNAL CUSTOMER COMPLAINTS:																										
EMPLOYEE: FACILITY		Inadequate, Inoperable or Incorrect																1		209						
EMPLOYEE: SUPPLIES		Wasteful Use, Inadequate, Missing, Unsatisfactory or Incorrect																0		138						
EMPLOYEE: SERVICES		Work Done Over or Done Poorly																8		402						
EMPLOYEE: SECURITY		Mysterious Disappearance, Accident, Injury, Loss or safety Hazard																0		91						
HOTEL PURCHASING		Order, Shipment or Storage Defects																0		0						
TOTAL INTERNAL DEFECTS																		9		840						
TOTAL QUALITY PRODUCTION:																		2580		200314						
QUALITY PERCENTAGE																		99.3%		98.5%						

CHAPTER IV

Summary and Conclusion

Winners of the Baldrige award have embraced the philosophy of total quality management and have started the process of cultural change necessary to effect success. The TQM concept promotes continuous process improvement and utilizes tools such as statistical process control, and design of experiments. Total Quality Management taps into a resource that is already available to every business: its people. In considering applicants for the Baldrige award, a company's method of improvement is evaluated, and one of the strongest methodologies is centered around bottom-up improvement.

Winning the Malcolm Baldrige Award does not guarantee profits, market share or growth. And the prize has been the subject of much criticism. Many professionals believe that the Baldrige judges the process, not the product. However, the award has prompted U.S. business to improve quality at a higher level than anything else. Most companies seem to understand that the value of the Baldrige lies in the

discipline it inspires and not the prize itself (Desatnick, 1992).

One of the main theses around the Malcolm-Baldrige Award and TQM is the philosophy of *Continuous Improvement*. Improvement is easy to define - it means taking steps to reach a goal. Continuous improvement means that once you reach the goal, you repeat and refine the improvement process. Quality goals are always changing, and improvement processes are the same. In 1987, the Ritz-Carlton was recognized as one of the best luxury hotel chains in the industry, but CEO Horst Schulze wanted more. "We asked ourselves how we could become even better than we were," says Schulze. The company closely examined several early Baldrige winners to learn how they instituted quality improvement programs in their operations. From there, Ritz-Carlton plunged head-first into TQM with astonishing results. In 1992, Ritz-Carlton received 121 quality-related awards and earned industry-best ranking from all three major hotel-rating organizations (Fortune, 1991).

It is one thing to put up signs and draft pieces of paper that tout quality; it is quite another to foster the environment that makes is a

commonplace, everyday way of doing business. At the Ritz-Carlton the customer focus prevails, everyone minimizes waste and re-work, measurement is a way of life, new ideas are encouraged, and accomplishments are rewarded. The Ritz-Carlton Hotel Company put its total quality process to the ultimate test when it applied for the Malcolm Baldrige National Quality Award. Not only were they the first hotel to ever get selected for a site visit, they were the first hotel to ever win the award. The Ritz-Carlton Hotel Company has found that a total quality process can stimulate invention, innovation, and creativity, and make them a world-class competitor.

The following some basic principles that the Ritz-Carlton has applied which has made them a leader in their industry.

- The chain selects and trains all of its 11,500 employees to be "quality engineers" who can spot defects, correct them immediately and then report them to management.
- The company's top executives, led by Schulze, take active, dynamic roles in leading the quality initiative.
- The company meticulously gathers data on every aspect of the guest's stay to determine if the hotels are meeting customer expectations.
- The company recognizes and rewards employees for

contributions to continuous improvement.

- Ritz-Carlton asks its suppliers to join the chain in adopting the principles of TQM.
- Ritz-Carlton "empowers its employees to "move heaven and earth" to satisfy customer needs (Lodging Hospitality, 1992).

It is not necessary for American companies to take a back seat to competition. It is not necessary for companies to deliver a level of unacceptable quality. Any organization can use the principles and philosophy of TQM to become highly effective through never-ending improvement. The Ritz-Carlton has applied these philosophies and emerged as the first hotel chain ever to receive the award. They will not stop there. They have already established new goals and are currently applying principles to reach their goals.

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