



Quality improvement toolkit

Quality Driven Management (QDM) for small businesses

Use this guide to explore the possibilities of adopting a quality approach:

- Delight your customers.
- Streamline costs, time and effort.
- Get everyone involved in quality.
- Find and launch big new ideas.

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Introduction

How QDM can help your small business improve and thrive.



What is quality — and why is it the secret to small-business success?

Experts tell us that even the most original, ingenious business concept isn't enough to keep a small business thriving for the long term.

The key to growth and prosperity is a focus on operational excellence and continuous improvement. Translation: quality management.

Quality is the magic ingredient that can help you work smarter and keep getting better.



Win with quality

“A proven way to boost profits is through continued, relentless pursuit of quality improvement, which has always been a key premise at FedEx. QDM has helped FedEx team members work smarter and deliver improved customer experience over many years.”

Fred Smith

FedEx Chairman and CEO

FedEx is a champion of small businesses. Through our annual FedEx Small Business Grant Contest, for example, we’ve awarded over \$600,000 since 2013.

Did you know we’ve long been a champion of quality, too? In 1990, we were the first service company to win the Malcolm Baldrige National Quality Award.

And in 2008, we developed our own groundbreaking quality program: Quality Driven Management, or QDM. We’ve used it to generate significant cost savings, boost revenue, engage team members worldwide and continuously improve processes.

And now, we want to offer you the same chance to win with quality, the FedEx way.

Optimize to thrive

You may be familiar with quality philosophies like Six Sigma, Lean Six Sigma, Total Quality Management, Design Thinking or Agile. QDM takes the best of these methodologies and makes them practical and flexible enough to use in almost any business, by everyone from owners to employees in any role.

This quick-start toolkit will walk you through using QDM so you have the tools and mindset you need to work smarter and achieve more through quality improvement.

If you ever have trouble understanding any part or visualizing how it's used, flip to the scenarios section in the back for hypothetical illustrations of QDM in action.

As a small business, you can use QDM to help you and your team:



Keep improving your customer experience.



Focus on what really matters.



Improve the way you work.



Empower everyone to do their best work.



Drive innovation.



The basics

What is QDM?

What is Quality Driven Management (QDM)?

QDM is a philosophy:

The **QDM principles** set the tone for thinking and working effectively. Learning the principles will help everyone on your team get in the mindset for quality improvements.

QDM is a methodology:

The **ABLE process** and **QDM tools** turn the principles into action. They provide a common language and a simple, flexible approach to help your business work quickly and get results.

“QDM is a very fast cycle of continuous improvement anyone can do.”

Rebecca Yeung

FedEx Vice President,
Service Experience Leadership

The foundation

The QDM principles can guide you and your employees to work smarter and achieve more.



QDM principles

- 1 Customers define quality
- 2 Be scientific
- 3 Measure, measure, measure
- 4 Optimize business performance
- 5 Quality involves teamwork
- 6 View failures as opportunities

1 Customers define quality

We don't decide what quality is. Our customers do. It's our job to listen to them regularly so we understand what they want and expect, and then go out and deliver it for them.

Why it's important: Customer expectations for a personalized experience have increased dramatically over the past decade, according to a Walker study.*

This principle pairs well with:

ABLE phases:

Assess
Evaluate

Tools:

VOC translation



THINK

What do our customers want? How are their expectations changing? Is technology (or the competition) setting new or different standards that we need to think about?



DO

Listen carefully to the voice of the customer. Are they satisfied? What areas do they want us to improve? Identify the things that matter most to them and make those your main priority.



SAY

"If we pay attention to what customers say, they'll give us clues to survive and thrive."

*Customers 2020: A Progress Report. Walker Information, Inc., 2017.

2 Be scientific

Avoid guesswork. Rely on facts and data, rather than gut feelings, to make decisions. When you see a quality problem, think of it as a symptom, and dig for the root cause.

Why it's important: Gathering facts before you act, and making sure your assumptions are backed by proof, will help you make smart decisions.

This principle pairs well with:

ABLE phases:

Build
Evaluate

Tools:

Five whys
Waste walk
Cost-benefit analysis



THINK

We need to dig deep to find lasting solutions that go beyond Band-Aid fixes.



DO

When you identify something you want to improve for customers, make sure you answer these questions:

- Do we have enough information or data?
- Do we know the root cause of the problem?
- Will our solution really address the root cause?



SAY

“Why is this issue occurring? What’s really causing it?”

3 Measure, measure, measure

Focus your efforts on identifying, tracking and analyzing the data that will show whether customer experiences and loyalty are improving.

Why it's important: It's difficult — if not impossible — to improve without measuring progress and results.

This principle pairs well with:

Principles:
Be scientific

ABLE phases:
Evaluate

Tools:
VOC translation
Cost-benefit analysis



THINK

We need to ensure we're improving where it matters most to our customers.



DO

Ask three key questions:

- What should we measure? (e.g., failures, variations, and successes)
- Do we measure regularly?
- Do our measurements give us the data that tells us whether our quality efforts are succeeding? (Types of data to track could include customer survey results, website visits, social media ratings, referrals, repeat purchases.)



SAY

“What's the data telling us?”

Optimize business

4 performance

Eliminate wasted time, effort and resources — and focus on delivering value for customers. Be on the lookout for mistakes that happen again and again, and streamline and simplify wherever you can.

Why it's important: Many times, the key to improving quality and delivering more value for customers is to target waste and find ways to minimize effort, time and cost.

This principle pairs well with:

Principles:

View failures as opportunities

ABLE phases:

Build

Tools:

Waste walk



THINK

What is waste in our business (e.g., waiting, overprocessing, inventory, correction, transportation, motion, overproduction, disengagement)? How can we reduce or get rid of it?



DO

Seek input from your team on ways to eliminate any action or item that doesn't add value or satisfy a requirement.



SAY

“Let's stop and think how we can do this better. How can we make it easier to make customers happy?”

5 Quality involves teamwork

We depend on each other for success. Every job connects to others — each person’s work impacts people in other roles in the business.

Why it’s important: The best ideas often come from the people who do the work every day. And bringing them into the planning and evaluation will make employees feel like they have skin in the game.

This principle pairs well with:

ABLE phases:

Build
Launch

Tools:

Opportunity statement
Checklist



THINK

To improve, we have to gather the best ideas from everyone and work together to make it happen.



DO

Engage everyone’s skills and talents. Develop better ideas and solutions. Make sure everyone has a role to play.



SAY

“What are your ideas for improvement? What’s getting in your way? How can we work together to fix that?”

6 View failures as opportunities

Learn to see failure differently — as a chance to change your business for the better. You'll zero in on problems and feel free to try new ideas without being afraid to make mistakes.

Why it's important: The only way to make real improvement is to acknowledge when things aren't going as well as they could be.

This principle pairs well with:

Principles:

Optimize business performance
Quality involves teamwork

Tools:

Affinity diagram
Waste walk

ABLE phases:

Assess



THINK

Instead of dwelling on failures, use them as opportunities to grow.



DO

Make sure employees aren't afraid to raise their hand when they see a problem — in fact, celebrate it. An employee who cares enough to give honest input is one who cares about the business. Be open when things aren't going right, share lessons learned and forgive mistakes.



SAY

“Thank you for bringing that up. I know this is something we can fix if we work together.”

Using QDM principles in day-to-day work

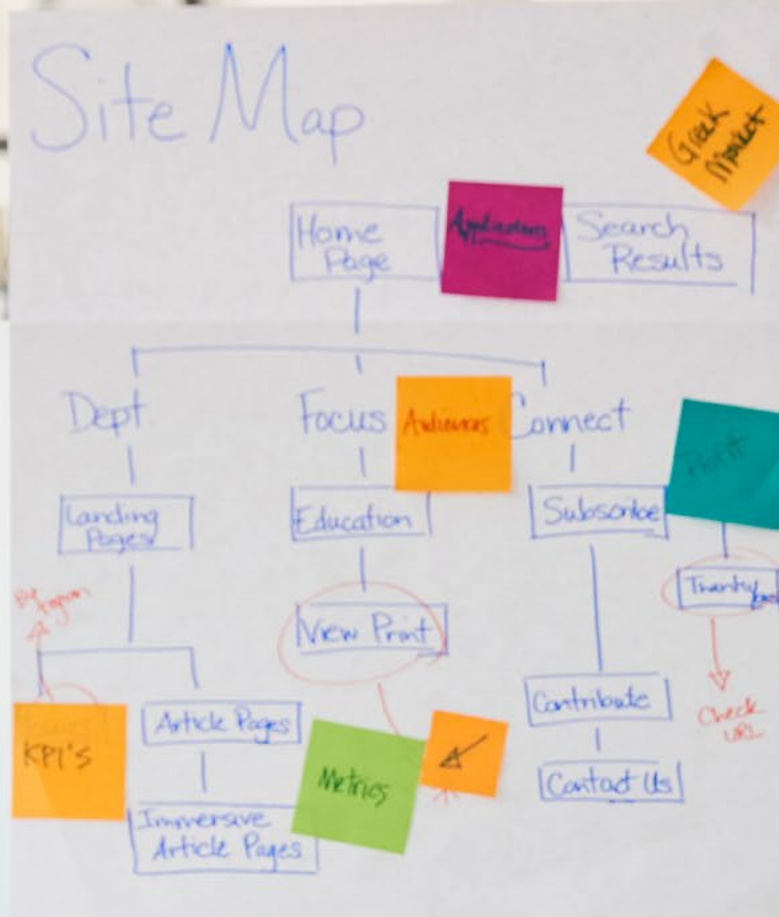
The principles will aid you as you go through the ABLE process, which you'll see in the next section. But they can also guide small improvements and individual actions — no formal process required.

Say you notice a display is impeding foot traffic in your store, or that you continually run to other rooms for supplies when you're at your workspace. That's OK — **failures are opportunities**. To fix it, **be scientific**: Where else could that display go? Can you rearrange your workspace? Check these ideas against the Principles to make sure they're good decisions: Will it improve **quality for the customer**? Is it something your **team** can get behind? Will it **optimize processes**? Can you **measure** success to prove that?

When you have a quality mindset, you're more attuned to issues — and more equipped to solve them.

The process

ABLE is a four-step approach to tackle challenges, big or small.

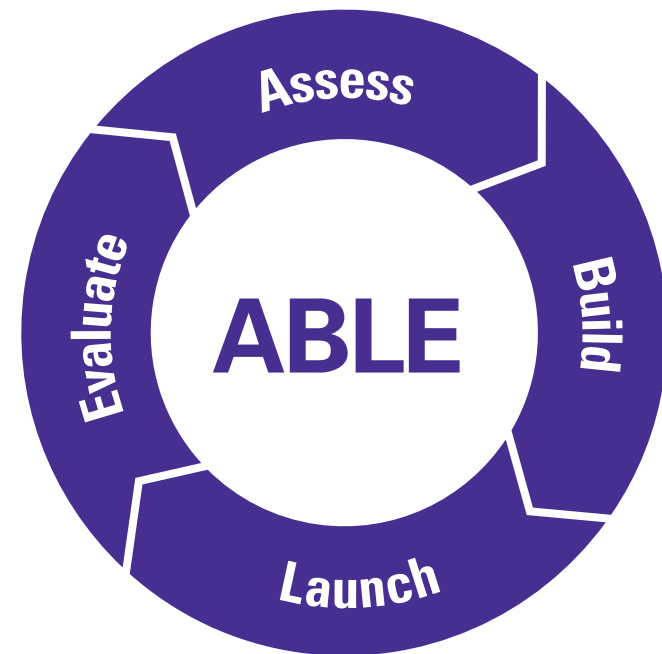


The ABLE process

Now that you've learned the principles, you're ready to put QDM into practice. The ABLE process makes it easy.

ABLE (Assess, Build, Launch, Evaluate) is a very flexible process. It can be used by individuals and teams, for projects of all sizes, to tackle any kind of quality improvement challenge. You can go through it once or repeat the process until you've gotten to where you want to be.

The next few slides will guide you through the four phases of ABLE.



ABLE: The Assess phase

The Assess phase is where you explore the possibilities and decide what path you're going to take. There are three basic steps:

- 1 Identify opportunities.** How could you enhance customer experience or business performance? Need ideas? Have a brainstorm with your team, or ask customers for feedback. Areas for improvement — customer service challenges, an inefficient process or an unmet need — are sure to surface.
- 2 Focus.** Which idea has the most potential to improve quality in the eyes of your customers? Pick one to tackle first.
- 3 Commit.** What are some ways you can commit to pursuing this opportunity? Can you schedule meetings with your team or business partners, or set aside time for yourself, to work on it? Allocate funds to tackle it? Set target dates for hitting milestones?



This phase pairs well with:

Principles:

Customers define quality
View failures as opportunities

Tools:

Opportunity statement
Waste walk
Affinity diagram

ABLE: The Build phase

This is usually the most involved phase. It's made up of three important steps.

- 1 **Build understanding.** Analyze the improvement you want to make. What issue do you want to fix and how will it help you and your customers? What's the root cause of the problem?
- 2 **Build a solution.** Work from the negative ("here's the root cause") to the positive ("what are we going to do about it?"). Once you've agreed on the best path forward, is there a way to test your solution on a small scale to see if it works?
- 3 **Build the business case.** Before you launch your solution, do a gut check: Does this solution make sense from a business perspective? Do the benefits outweigh the costs? If so, you're ready to launch.



This phase pairs well with:

Principles:
Be scientific
Optimize business performance
Quality involves teamwork

Tools:
Five whys

ABLE: The Launch phase

A successful launch is all about careful, thorough planning.

- 1 Prepare the launch plan.** What are the steps and when will they happen? Have you trained your team to do what they need to do? Communicated with your customers about any changes they'll see?
- 2 Define how you'll evaluate.** You'll need to be able to measure whether your solution is working. What data will you need? Who will provide you with honest feedback? How will you know if your solution is a success?
- 3 Launch your solution.** Now that you have your launch plan and know how you'll measure results, it's time to take action! Good luck!



This phase pairs well with:

Principles:

Quality involves teamwork

Tools:

Checklist

ABLE: The Evaluate phase

It's important to know if your effort is paying off. Here's how to evaluate your project's success.

- 1 Measure your performance.** Use the data you identified in your Launch plan to evaluate progress. Are you achieving the results you expected? Is the investment proving to be worth the cost?
- 2 Refine if needed.** If you haven't achieved your goals or solved the problem, don't worry — just return to an earlier phase of ABLE and build on what you learned to try again.
- 3 Reward and recognize.** Once your effort has succeeded, how can you celebrate? Throw a party? Give team members a token of appreciation? Shout out your team on your business' social media?



This phase pairs well with:

Principles:

Customers define quality
Be scientific
Measure, measure, measure
Quality involves teamwork

Tools:

Cost-benefit analysis



The tools: Top 7 quality hacks

QDM contains a multitude of tools to help you solve any aspect of a quality problem. Here are seven of the most flexible and easy to use.

Opportunity statement

Opportunity statements can help you define an issue — and explain it to others so you can enlist support. The best opportunity statements concisely define the problem without trying to solve it. As the saying goes, “A problem well defined is a problem half solved.”

Example

A business was experiencing cash flow problems due to invoices taking a long time to be issued. To define the problem and its impact on the business, they drafted an opportunity statement.

Opportunity statement

| | |
|---------------|---|
| Current state | In the last 6 months, 25% of invoices took longer than 30 days to issue. |
| Impact | <ul style="list-style-type: none">• Poor cash flow• Repeat business lost due to invoice errors• Dissatisfied customers• Frustrated employees |
| Desired state | <ul style="list-style-type: none">• Issue invoices within 15 days• Cut invoice errors in half• Achieve these goals without increased expense |

Five whys

Five whys is a way of digging past the surface-level aspects of a problem to uncover the real issue at hand.

Begin by asking “Why?” and then, each time an explanation is offered, ask “Why?” again until you’ve gotten to the root of the matter.

Example

A company’s growing customer service team is having trouble getting to emailed requests in a timely manner — leading to even more emails from the same customers. By asking why, the initial cause of the problem is eventually revealed to be a symptom of a deeper root cause.

Five whys

| | |
|---------|---|
| Problem | Customer support having trouble |
| Why? | High email volume and repeat senders |
| Why? | New employees take a long time with each response |
| Why? | There’s a long learning curve |
| Why? | There are many types of customer inquiries and new hires have to learn how to answer each one as it comes |
| Why? | Because there are no standard responses documented for them to use |

VOC translation

VOC translation is a method for turning “voice of the customer” (VOC) feedback into measurable criteria you can use to improve.

Example

A team wants to understand what customers expect from the delivery experience. When these customers are asked to define good service, they say things like “speedy.”

In order to translate these customer comments into measurable characteristics, the team uses VOC translation. “Speedy” translates into “timeliness.”

Finally, the group brainstorms ways to measure each of these customer expectations.

| VOC translation | Translated customer requirements | Measurable criteria |
|-----------------|----------------------------------|---|
| Speedy | Timeliness | <ul style="list-style-type: none"> • % of on-time shipments • % of order received confirmations |
| Box looks good | Damage-free | <ul style="list-style-type: none"> • % of shipments undamaged |
| Not delivered | Correct delivery | <ul style="list-style-type: none"> • % of valid addresses • % of readable address labels |

Affinity diagram

This tool helps you organize and understand lots of information. It can be helpful after a brainstorm, when you have tons of notes about problems, needs and ideas. It could also help sort customer complaints or survey responses to see what the most common issues are.

To create an affinity diagram, group related items and create categories to help find the bigger themes or root causes hidden within all this feedback.

Example

A business owner wants to understand challenges in the creation of advertising and marketing copy to see where there's room for improvement. First there's a team brainstorm. Then she and her employees sort the sticky notes into types of challenges.

Affinity diagram

Challenges with creating advertising/marketing content

Team organization:

- No formal process for requesting materials
- No regular planning sessions
- No process for getting images and formatting
- No system for tracking projects

Interruptions:

- Too many daily tasks that interrupt content creation
- Hard time focusing in a noisy workspace

Structural:

- No defined marketing strategy
- No permission to run with ideas

Delays:

- Feedback from others takes too long
- No library of images we can just grab and use

Waste walk

It's difficult to improve a process when you don't know what actually occurs. A waste walk is a tour where you go out and observe a real or virtual process step by step — as it *actually* happens — looking for unnecessary steps, wasted resources or busy work.

Example

A print shop wants to identify areas of waste, from efforts to money to materials, to see where they can optimize business processes. The team looks at inventory, checks records and observes employees in action.

Waste walk summary — print processes

| Type of waste | Process | Comments | Improvement ideas |
|----------------|---------------------------|---|--|
| Overproduction | Booklet production | 100 extra copies produced | Reduce over-runs |
| Inventory | | Extra inventory kept in case of rush jobs | Balance inventory and customer expectations |
| Overprocessing | E-commerce job production | Shipped early | Produce on time |
| Motion | E-commerce job production | Coordinator constantly running between steps to ensure completion | Improve floor layout and job work flow |
| Waiting | Binding | Batching in prior process leads to wait | Single-unit job size |
| Corrections | | Image error | Detect and correct on the job, rather than during inspection |
| Overproduction | All work | Excess capacity | Use to support overflow at other locations |

Checklist

When an improvement requires more than one person and multiple steps to achieve, a simple checklist can make sure the project is on schedule, everyone knows what's expected of them and no steps are missed.

You can create an overall checklist or smaller ones for stages of your project.

Example

A growing e-commerce business wants to try a new scanner that could reduce inventory tracking errors. As they approach the launch of the new tool, they prepare a checklist and update it as each step is finished.

| Done | What's needed | Who's responsible | Needed by |
|------|---|---------------------------|-----------|
| X | Scanners purchased | Damon (owner) | 8/1 |
| | Manager training | Damon | 8/10 |
| | Team training | Christy & Anil (managers) | 8/17 |
| | Meet to prepare for launch | Damon | 8/20 |
| | Launch use of scanners | Christy & Anil | 8/25 |
| | Evaluate — prepare September inventory report | Christy & Anil | 10/10 |
| | Evaluate — review results | Damon | 10/15 |
| | Meet to discuss next steps if needed | All | 10/23 |

Cost-benefit analysis

Before you do a full launch of your solution, is there a way you can test it on a small scale and gather data to see whether it benefits your business financially?

Not every improvement can be gauged this way, but if you can find a way to measure both the cost of the solution and the financial benefit to your business, a cost-benefit analysis will let you know whether it's worth going ahead with a full-scale implementation.

Example

A business investigating customer complaints discovers that gaps in employee knowledge could be a cause. They put a small group through a training course to gather data on whether it reduces complaints about their service. Then the owner can see whether the benefit of fewer refunds and discounts makes up for the cost of training.

Cost-benefit of additional training

| | | |
|----------------|---|--|
| Benefit | = | Savings from reduced errors by pilot group |
|----------------|---|--|

| | | |
|-------------|---|------------------------------|
| Cost | = | Cost of training pilot group |
|-------------|---|------------------------------|

| | | |
|----------------|---|---------|
| Benefit | = | \$1,500 |
|----------------|---|---------|

| | | |
|-------------|---|---------|
| Cost | = | \$1,000 |
|-------------|---|---------|

Benefit to cost: 1.5 to 1

Result: The profit saved by more-knowledgeable employees will more than pay for the training courses.

Appendix

The next frontier: Unlocking
innovation with Design-ABLE

Final notes

The next frontier: Unlocking innovation with Design-ABLE

Combining QDM, ABLE and
Design Thinking to create
breakthrough customer solutions.



Design-ABLE: What it is and when to use it

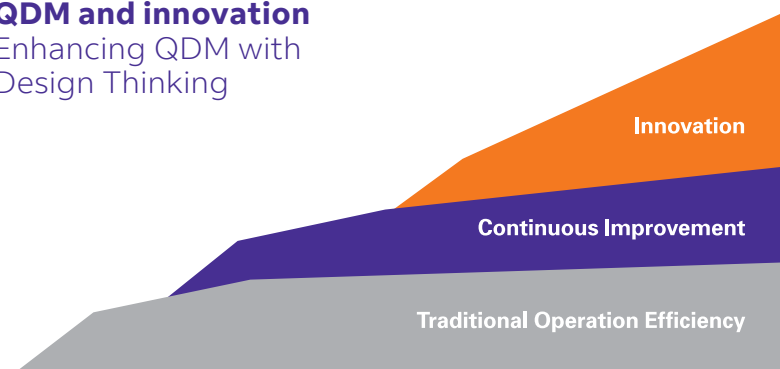
You've learned how to use QDM to optimize your small business. But sometimes the situation is a bit more complicated:

- A service or product doesn't exist, but you have a hunch you need to create it based on what customers are telling you.
- You have a product or service, but it needs to be completely reimagined or redesigned.

That's where Design-ABLE comes in.

QDM and innovation

Enhancing QDM with
Design Thinking



“If you want to grow, then you have to change and improve. QDM is all about change, and change leads to innovation. It’s a continuous circle.”

Sev McMurtry

FedEx Corporate Vice President,
Operations and Service Support

Expanding what's possible with Design-ABLE

Starting with an opportunity for innovation or a design challenge, rather than a quality problem or inefficient process, this methodology brings Design Thinking into QDM to unlock innovation.

- Design Thinking encourages out-of-the-box solutions for unmet needs.
- The ABLE process from QDM supports faster progress through rounds of design, testing and improving the product or service.

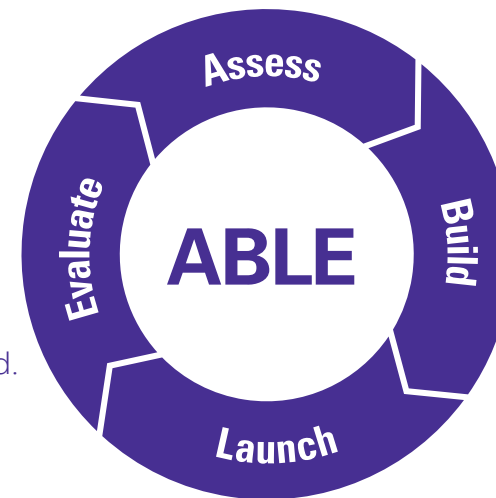
Design-ABLE brings the same steps you learned for QDM (Assess, Build, Launch, Evaluate) to your innovation process.

Assess

Identify customer pain points or unmet needs, and think creatively about what's possible.

Evaluate

Evaluate your solution's performance, and repeat ABLE until you're satisfied.



Build

Develop game-changing solutions with your customer in mind, and create and test prototypes.

Launch

Test your solution on a bigger scale, and gather data that will help you evaluate.

Design-ABLE — Assess phase

Begin with an aspiration statement

- In the Assess phase, it's critical to start by identifying customer pain points or unmet needs that you could address.
- Listen closely to get closer to understanding the human problems that exist in a process. In our view, every innovation that succeeds builds from empathizing with a real need.
- Think creatively about what's possible. Involve your team and/or collaborators who'll contribute fresh ideas.
- In the QDM tools section, you learned about creating an opportunity statement. Design-ABLE has a variation called an aspiration statement.

We want to create the best
VERB SUPERLATIVE
freight experience for
TOPIC/ACTIVITY
business users.
USER GROUP

Because:

Customers are using other
freight carriers.

The market has changed.

Technology is enabling
better solutions.

Design-ABLE — Assess phase

Create a “how might we” question

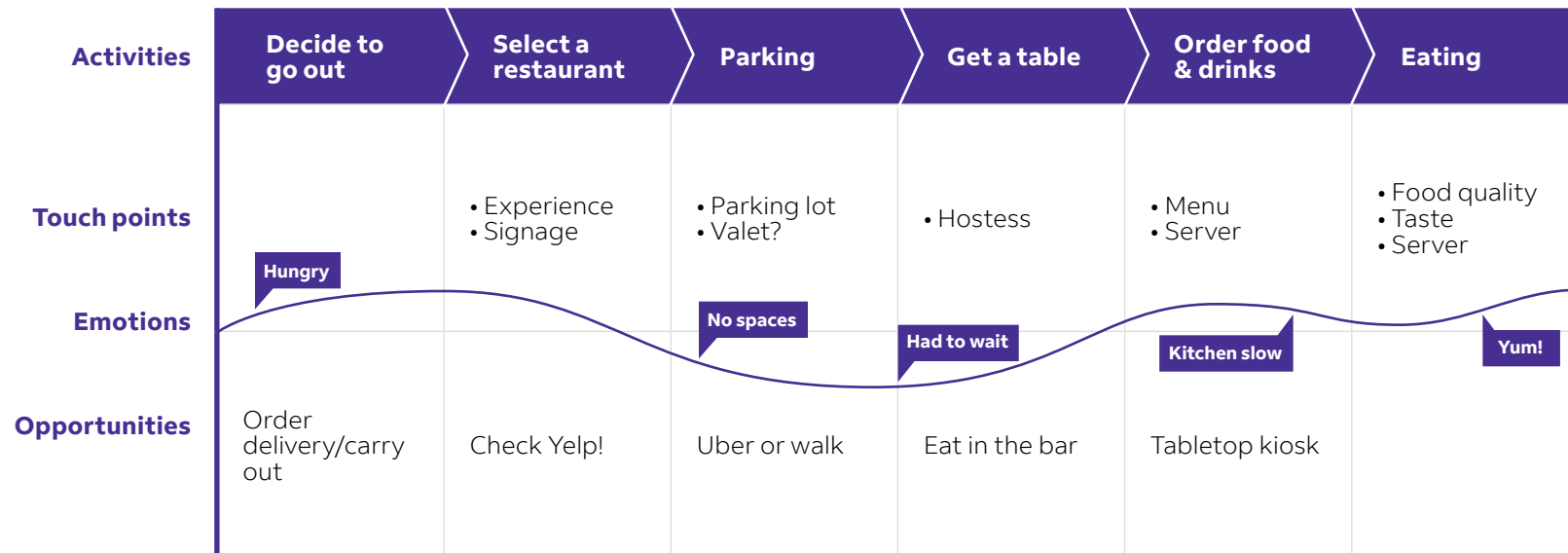
- Next, create a design question you can take forward into the Build phase.
- A good design question:
 - Shouldn't be too broad — or too narrow
 - Should include an objective, user group and constraints
- See the example here. The language “How might we ...” encourages you to explore what's possible.

How might we make it easier
OBJECTIVE
for business customers to:
USER GROUP
ship freight packages and
CONSTRAINT
maintain quality processes?
CONSTRAINT

Design-ABLE — Build phase

Empathize with your customer,
then design a solution

- In the Build phase, use tools to brainstorm and develop potential solutions that will create a better customer outcome or even change the game completely.
- For example, examine the customer experience using a journey map, which analyzes the path of a user through a process or experience.
- As you design your solution, keep the customer in mind. Quickly create prototypes, test them with real customers and keep refining until you create something they love.



Design-ABLE — Launch phase

Pressure test your innovation

- The Launch phase begins when you have a prototype you feel confident about testing on a bigger scale. This is known as a minimally viable solution (MVS), and the bigger test is called a pilot.
- How will you measure success? It's even more critical in Design-ABLE, so make sure you have a plan for gathering data.

Pilot example: Sample tasting
Data to measure: Customer taste scores, preferences between two items

Pilot example: Trial subscription
Data to measure: Cancellations versus subscription renewals, customer surveys

Pilot example: Watch party for a video
Data to measure: Focus group feedback

Design-ABLE — Evaluate phase

- Evaluate the performance of your MVS to see if your success criteria have been met.
- If you're not there yet, go back to the Assess or Build phase armed with what you learned in your pilot, then work to redevelop your MVS.
- This is a natural part of Design-ABLE! Think about the QDM Principle “view failures as opportunities.” It may take several tries for you to achieve your vision.
- If you've achieved your goals, congratulations! It's time to celebrate and thank everyone who helped make your innovation a reality.

Final notes

Start transforming your small business for the better.

We hope you're inspired to use QDM to improve processes, seize opportunities, bring your team closer together, make your customers happier and even innovate.

As you begin applying QDM to your business, keep in mind that:

- It's flexible — use all or some of the QDM tools and processes for problems big and small.
- If the principles are part of your mindset, quality improvement can become an everyday habit. And many small improvements can add up to big outcomes.
- Quality is an ongoing journey of discovery. To learn more about quality at FedEx, go to fedex.com/QDM.