

Implementing
Total Quality Management
in a Changing Organization

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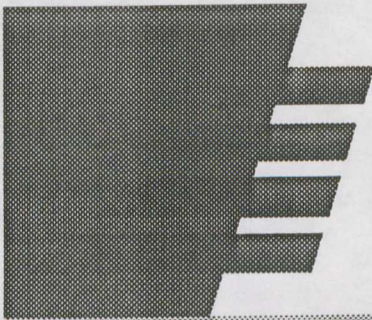
The Massachusetts Women's Forum
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Agenda

- Why is the Federal Reserve Bank of Boston Pursuing Total Quality Management?
- Strategic Planning Process
- What is Total Quality Management?
 - Customer Focus
 - Continuous Improvement
 - Total Participation
 - Societal Networking
- How the Boston Fed is Implementing TQM
- Examples of TQM Applications
 - Fed Reorganization
 - Future Intelligent Terminal
 - Check Internal Error Reduction



Why Is the Boston Fed Pursuing Total Quality Management?

- Consolidation
- Changes in Regulations
- Adoption of a Strategic Vision of the Fed's Role



Strategic Planning Process

1991 - 1995

- 4 Strategic Goals

- Enhance our expertise on financial intermediation

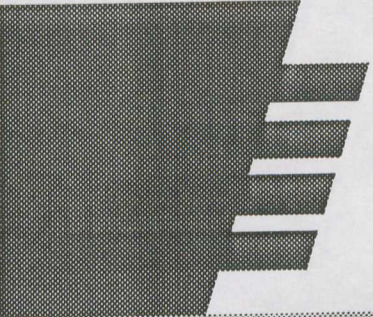
- - Define and implement plans to adapt to the changing environment

- Provide leadership in the development of valuable and unique services

- Share our expertise and develop a strong regional presence

- Forum Corporation

- Center for Quality Management



What is Total Quality Management?

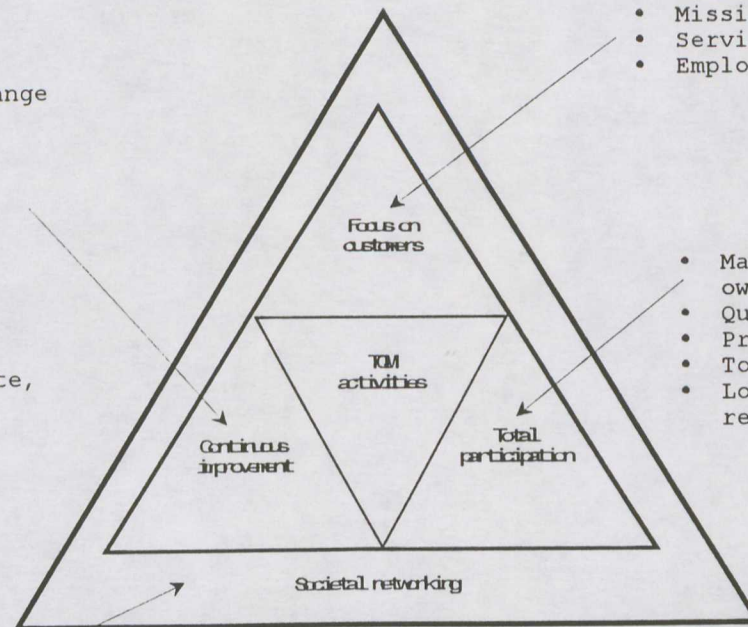
- Customer Focus
 - Market-In versus Product-Out
 - Listen to the "Voice of the Customer"
- Continuous Improvement
 - Management by Fact
 - Focus on Process Improvement (PDCA)
 - Focus on the Vital Few
- Total Participation
 - Improvement is Part of Everyone's Daily Job
 - Management Leads by Example
 - Respect for People
 - Teamwork
- Societal Networking
 - Mutual Learning from Individuals, Teams and Organizations

How the Boston Fed is Implementing TQM

- Fundamental cultural change communicated regularly
- Process improvements to eliminate the 5 evils
- Senior officer sponsors monitor team progress
- Documented reflections

(5 evils: Delays, Accidents, Waste, Mistakes, Defects)

- Voice of the Customer projects
- Mission Statement
- Service Quality Awards
- Employee Ideas program



- Management driven with each senior officer owning a piece of the TQM infrastructure
- Quality Teams addressing Bankwide issues
- Problem Boards
- Tools and skills training for everyday work
- Lots of communications, publicity, recognition

- Lots of networking through formal and informal events both inside and outside the Bank



Examples of TQM Applications Fed Reorganization

- Drivers

- Align the overall organization with our strategic objectives
- Organize to provide more effective customer support

- Process

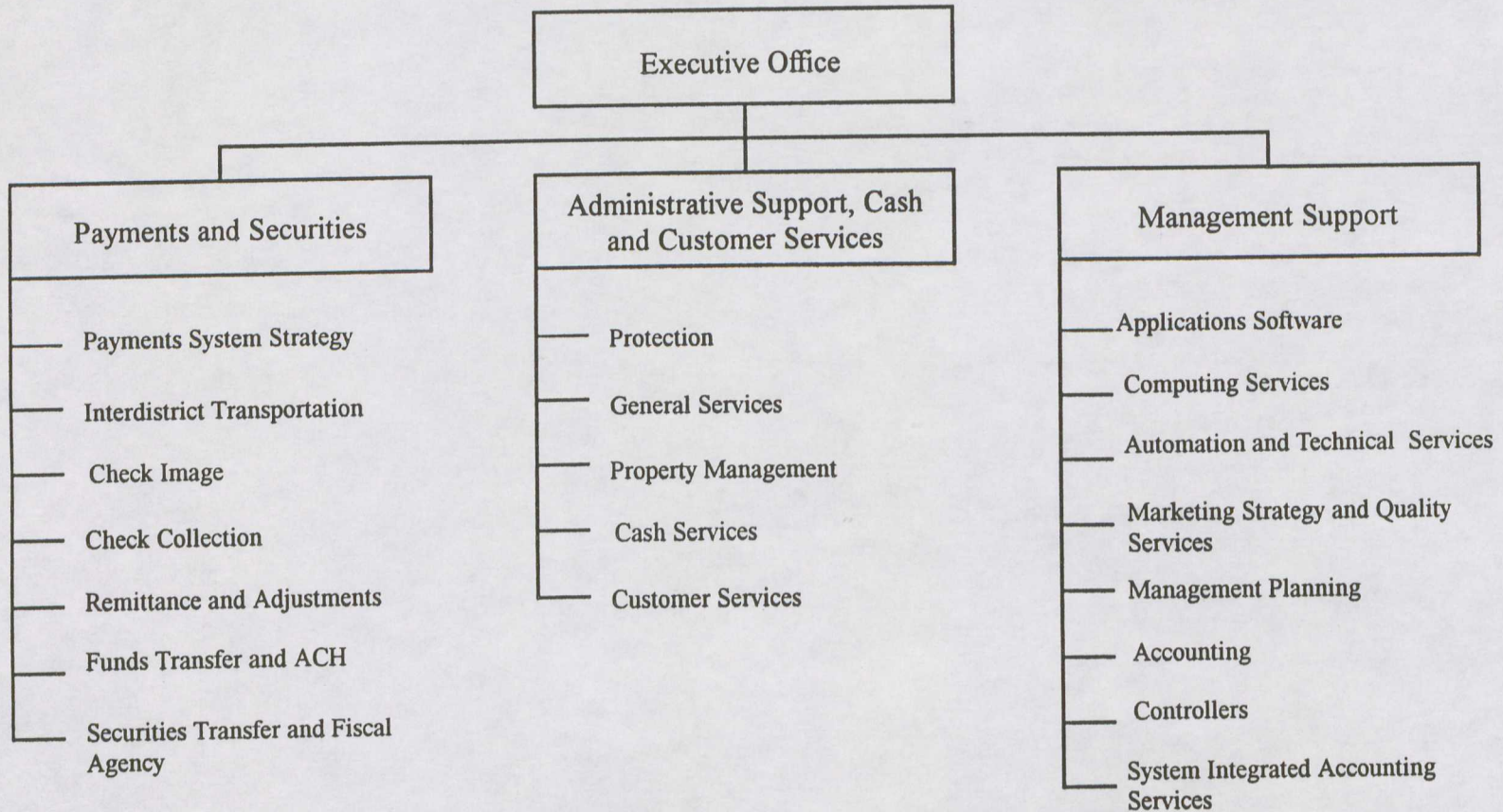
- Two teams working simultaneously on project
- Lots of participation from lower levels

- Results

- Combined customer support, marketing, accounting information, billing and support for electronic services in one division
- Integrated customer support activities with payments operations at senior level to incorporate feedback from both into product development
- Payments services are organized along the same lines as our markets - - wholesale and retail
- Better morale, better buy-in from staff
- More streamlined organization to deal quickly with rapid environmental changes

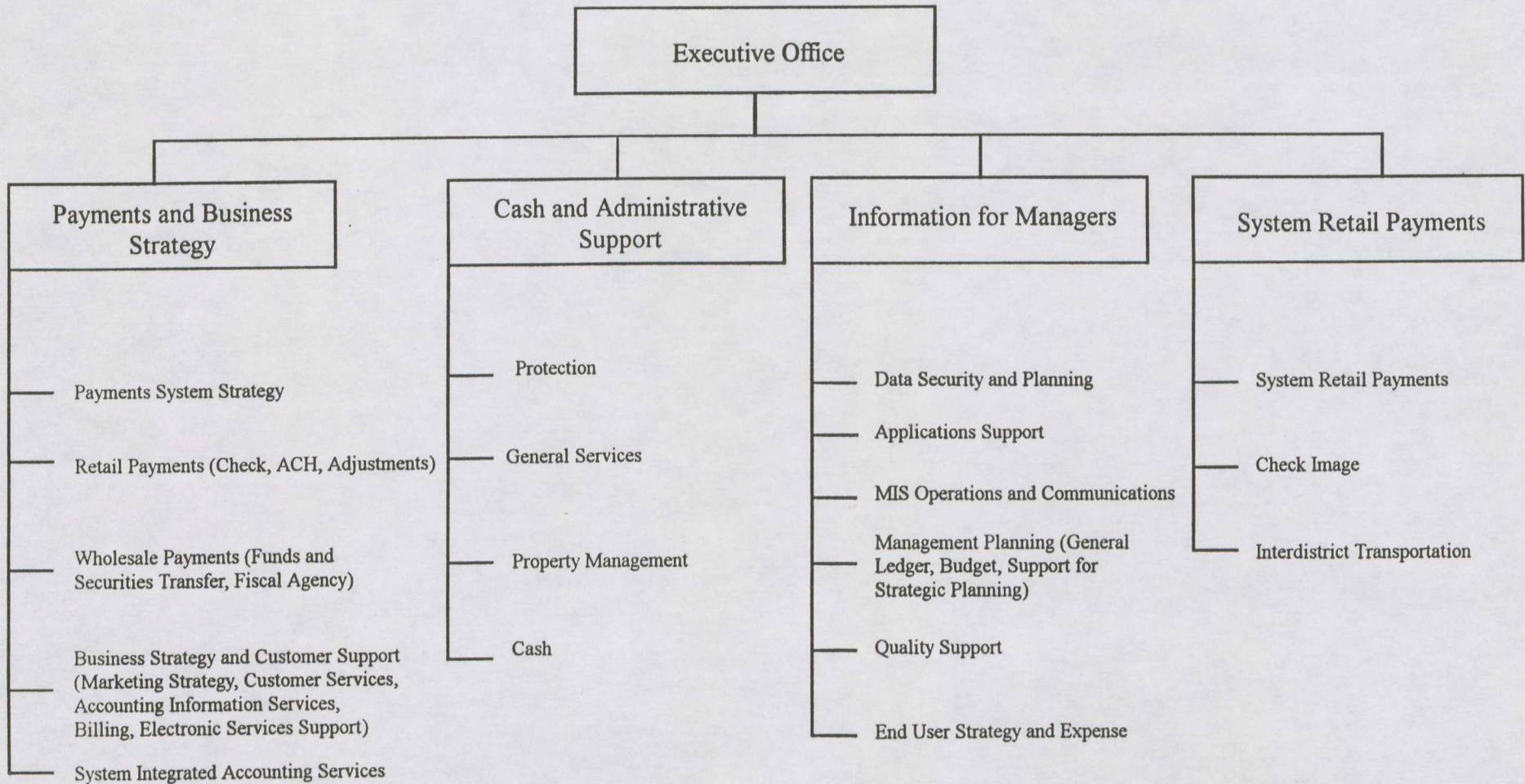
Fed Organization

Before



Fed Organization

After





Future Intelligent Terminal

- Drivers
 - Technological advances
 - Service improvements
- Process
 - Voice of the Customer
- Results
 - Added new requirements
 - Deleted some requirements we had assumed with our product-out strategy
 - Clear set of priorities for new features
 - Better relationships with interviewed customers
 - Increased operational awareness of team members



Check Internal Error Reduction

- Drivers

- Reduce already low internal error rate
- Demonstrate our commitment to quality to our customers and employees

- Process

- Rigorous application of 7-Step Problem Solving Method

- Results

- Preliminary results show significantly decreased error rates
- Improved teamwork
- Improved morale
- Increased operational awareness of team members