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Orkin's **internal audit process** fosters more reliable service, **reduces customer churn**

WHEN MOST PEOPLE imagine the Orkin man, they visualize a uniformed technician driving a white truck from house to house. What's probably not as widely known is that the technicians stop at many places other than homes. In fact, about one-third of Orkin Inc.'s revenue comes from its commercial business, which provides pest control for food processing plants, hospitals, hotels and other commercial facilities that have an extremely low tolerance for pests.

As Orkin's commercial business began to grow more rapidly in the mid-1990s, the Atlanta-based company, which employs more than 8,000 people and operates more than 400 branch offices, realized its commercial services were struggling with quality and consistency, which resulted in customer cancellations.

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In 50 Words Or Less
- Orkin was losing commercial customers because it struggled with consistency in service and quality.
- Orkin decided to focus on its audit process and formed a team to inspect and monitor internal activities.
- As a result, Orkin improved customer service, leading to higher retention rates.

To address the issue, Orkin has spent the past decade establishing and maintaining an ISO 9001-certified quality management system and internal audit process. Along the way, Orkin overcame many challenges to build a consistent, reliable quality system throughout the organization that has measurably benefited its business.

Starting with business customers

As more organizations around the world adopted ISO 9001 in the 1990s, Orkin's commercial customers began asking whether Orkin was ISO 9001-certified. Some of Orkin's largest business customers had already earned ISO 9001 certifications, and they wanted to partner with suppliers that subscribed to the same quality management standard.

At the same time, Orkin's leaders were looking for new ways to create a more consistent, high-quality, end-to-end service experience for its business customers—from every sales call to every service visit. This, along with increasing customer demand for ISO 9001 certification in certain business segments, led Orkin to require each of its dedicated commercial branches—the 15 to 20-person local offices that served commercial customers exclusively—to seek ISO 9001:2000 certification.

Each of Orkin's commercial branches worked individually to achieve ISO 9001 certification. A costly and complex process, it required one internal Orkin auditor to travel across the United States to evaluate each of the 48 commercial branch offices operating at the time.

The branch managers were expected to complete tremendous amounts of paperwork as part of the process. Orkin also retained an external auditor who inspected at least 25% of the branches every year, adding to the expense.

As the commercial-only branches attained certification, they began promoting the certification to business customers and prospects. Left behind were the locations that serviced commercial and residential accounts, some of which had substantial numbers of commercial accounts.

Admittedly, the patchwork of certified and noncertified branches might have been confusing to some customers and prospects, who therefore could not expect to see consistent ISO 9001 certification across Orkin branches.

Shift in strategy

In late 2002, the limitations of a branch-by-branch ISO 9001 certification approach became apparent when Orkin lost one of its largest and most prominent retail customers: a national account with store locations in all 50 states. Having individual branches attain ISO 9001 certification simply wasn't helping Orkin achieve the national consistency it sought.

The company moved quickly, and by early 2003, under the direction of Vice President Chris Gorecki, Orkin formed a formal quality assurance (QA) department that would monitor all of Orkin's branches and business lines.

This new QA team was responsible for developing and documenting a companywide quality management process that would earn ISO 9001 certification. By certifying its quality process rather than individual branches, Orkin could improve quality in every branch, cut costs and retain its commercial customers longer.

The first step was to create a comprehensive quality policy manual that set forth—once and for all—clear policies and procedures for each branch to follow with every customer.

After the manual was published, the team launched a full quality audit of all branches to assess performance against these standards, which included:
- **Orkin's employee training requirements and other operational standards.** Covering coursework from AIB International and three universities, in-branch training, driver certification and more, these standards ensure a higher level of professionalism and allow Orkin to meet customer needs more consistently, especially in audited facilities.
- **State and federal pest-control regulations.** These regulations vary by state and change periodically, so regular assessments of compliance are crucial.
- **Orkin's service documentation protocols.** Driven by regulations and, in some cases, by customer requirements, detailed service documentation is a big part of delivering high-quality service.
- **Agreed-on service protocols.** Naturally, it's mandatory to deliver the service the customer contracted Orkin to provide, and every quality audit assesses the local branch's delivery of Orkin's standard commercial scope of service, plus any other agreed-on service requirements.

The quality assurance team helped branches see how a commitment to consistency would allow them to keep **more of their customers happy.**

Compliance with individual customer requirements could be evaluated only through on-site audits at customer locations. These inspections would assess things such as whether the property was serviced with the agreed-on frequency, a comprehensive inspection was completed during each scheduled visit and the appropriate number of insect traps were placed at the business.

Overcoming obstacles

Not surprisingly, this first companywide quality audit uncovered a need for greater consistency. Also, the new QA team's work was met with a lukewarm initial response from branch personnel.

Some branches were creating and following their own rules and policies when servicing an account, or setting ISO 9001 certification goals that were easy to attain and document. Others complained about "big brother" monitoring their work.

Many branch managers argued that as long as they responded to customer calls quickly and resolved pest problems to a customer's satisfaction, it shouldn't matter whether they followed a written scope of service to the letter.

Over time, the QA team—which was largely comprised of Orkin field veterans—was able to build trust with the branches and help them see how a commitment to consistency and process would actually allow them to keep more of their customers happy for longer periods of time.

Today's quality management process

In 2005, Orkin earned ISO 9001 certification for its companywide quality management system. This change shifted the burden of responsibility for quality from individual branches to the QA department, which improved quality while yielding significant cost savings.

Shifting ISO 9001 certification from its commercial branches to the audit process also eliminated the need for a commercial ISO 9001 coordinator position and the 16 external ISO 9001 audits that were required each year to certify branches. This saved the company nearly $125,000 per year.

In the meantime, implementation cost little because Orkin's quality and compliance inspectors for its termite business were already conducting quality audits and could be cross-trained to perform commercial quality audits as well. In addition, by eliminating the branch downtime caused by the local ISO 9001 audits, Orkin regained some long-term operational efficiency.

Today, Orkin's QA team is comprised of seven experienced quality professionals who have worked at Orkin for an average of 30 years. Their long histories with the company and deep familiarity with branch operations has earned them the trust and respect of branch teams across the country. Beyond experience, the team also has completed technical courses and ISO 9001 internal audit coursework.

The QA team conducts at least 200 commercial branch audits per year out of Orkin's total of more than 400 U.S. branches. A typical branch audit is completed by one auditor in four business days, during which time the auditor must conduct at least:

- Nine administrative reviews (training records and other important documentation) at the branch.
- Four company-owned vehicle inspections at the branch.
- Ten on-site customer inspections from a cross section of commercial accounts (hotels, office buildings, restaurants and hospitals) that are serviced by a variety of pest specialists. The goal is to avoid inspecting only high-performing accounts and thus getting an inaccurate picture of the branch's service quality.

The auditor completes a QA audit workbook (see Online Figure 1, found on this article's webpage at www.qualityprogress.com), which helps the auditor assess each branch's compliance with:

- Orkin employee training requirements and other operational standards.
- State regulations.
- Orkin service documentation requirements.
- Agreed-on scope of service protocols (evaluated through on-site audits at customer locations).

Categories are weighted to reflect their relative importance in Orkin's quality assessment model and scored on a scale of one to four. Any score below 97% requires follow-up processes. See more about the scoring in the sidebar, "Scoring System."

Auditors then use the two-page audit summary reports to document their findings to the branches (see Online Figure 2). Each branch receives a score on the following items:

- Administration (records and documentation).
- Employee training.
- On-site service evaluations at commercial customer locations.

Branches that serve termite and residential customers can also be reviewed and evaluated using this reporting tool.

On the last day of the audit, the auditor convenes a branch training meeting for all employees. There, the auditor shares the audit results, and highlights areas in which the branch is excelling and areas in which improvements are needed. Even branches that receive very high ratings are given three to five areas of improvement to work on.

The quality team is committed to ensuring the employees in the branch offices have a voice in the process. Therefore, after an audit is completed, the quality team director emails branch and region management asking for feedback and suggestions on the audit process.

In accordance with ISO 9001:2008, if a branch fails any portion of an audit, there is a formal corrective process that requires the completion of specific action steps.

For example, if an audit reveals certain pest specialists aren't properly completing all paperwork, the quality team may require additional training for employees. This process is administered and documented by the appropriate Orkin region or division management, and the branch must document the completion of its prescribed action steps.

Finally, the QA team conducts a follow-up audit, typically within 90 to 120 days, at branches that fail the on-site inspection portion of the audit.

What's good for the goose

The quality team undergoes an audit of its own quality management process, too. Twice a year, Orkin's ISO 9001 manager completes an exhaustive management review of the QA team's performance against its own quality goals. Table 1 shows the QA team's goals and results for 2010.

If the QA team is not on track to meet its goals, it follows a corrective process similar to the one imposed on branches, setting specific action steps that must be taken and documented. In some cases, the branch imposes preventive action recommendations on itself. For example, it might add new steps to its branch audit process in anticipation of changes in service or training protocols.

Its 2010 scorecard showed that Orkin's quality team met its objectives for the year. The most important of these objectives was the reduction in customer cancellations. Between 2005—when the ISO 9001 certified quality management system and internal audit process was adopted—and 2010, Orkin's commercial customer cancellation rate dropped from 2.09% to 1.84%.

For a company of Orkin's size, even change as small as 0.1% in cancellations can have a significant impact on revenue and profitability. By decreasing the cancellation rate by 0.25% during the five-year period, Orkin preserved about $660,000 in customer revenue each year.[1]

SCORING SYSTEM

When the Orkin auditor reviews administrative records and inspects vehicles, the following scoring system is used to rate each branch:

- Commendable: 3.61-4.
- Above average: 3.21-3.6.
- Average: 2.81-3.2.
- Below average: 2.41-2.8.
- Unsatisfactory: 0-2.4.
  Points are allocated based on the following guidelines:
- 4: Full compliance with company policy, no errors detected.
- 3: Minor exceptions noted, exceptions rate between 1 and 10%.
- 2: Number of exceptions reaches rate between 11 and 25%.
- 1: High amount of exceptions, including total disregard for company policy.
  For on-site customer service audits, anything below 97% requires follow-up processes. *—M.U. and M.B.*

Orkin's internal audit process decreased cancellations by involving all levels of management, including top executives. It fostered a culture of quality in Orkin's commercial operation. It paired this quality mindset—which emphasized measurable performance standards—with consistent oversight and compliance, helping the company to better meet customer needs and avoid common service shortfalls that had contributed to cancellations.

Beyond the bottom-line benefits of reduced cancellations, Orkin's ISO 9001 process and QA audits helped Orkin:

- Establish service and quality consistency across the entire organization, as shown in Table 2.
- Better meet customer needs in a changing marketplace.
- Create an internal culture that fosters quality, accountability and ongoing process improvement, intangibly boost morale and add long-term value.
- Improve customer satisfaction from 2007 to 2009. For example, the percentage of customers who rated Orkin's service as excellent or good increased from 95.8% to 97.7%. In 2010, when the company switched to a net promoter satisfaction metric, 97.1% of Orkin's customers said they would recommend the company to others.[2]

Key performance metrics—2010 / TABLE 1

Goal	Result
● Complete 200 commercial account audits.	✓ 200 completed
● Average 10 or more on-site inspections per commercial audit.	✓ Averaged 11 inspections
● Average at least four vehicle inspections per commercial audit.	✓ Averaged 4.5 vehicles
● Average at least nine administrative reviews per commercial audit.	✓ Averaged 12.5 reviews
● Reduce pest control service customer cancellation rate to 1.91%.	✓ 1.84% rate achieved

Quality audit process compliance trend since inception / TABLE 2

	2005	2006	2007	2008	2009	2010
Commendable	28.3%	38.4%	35%	30.8%	32%	40.4%
Above average	24.1%	19.2%	19%	21.1%	27%	15.4%
Average	17.3%	18.4%	24%	24.1%	24%	26.9%
Below average	8.4%	2.4%	6%	7.5%	6%	4.5%
Unsatisfactory	22%	21.6%	16%	16.5%	11%	12.8%

Ratings are for on-site portion of inspections only

Employee and customer buy-in

Today, employees in the branch offices value the QA audits and view the quality team as a true internal partner. Branch offices are appreciative of how the team has helped them improve their business practices, which has led to better customer retention.

Many branch offices turn to the team as an expert resource for questions about training and technical or operational policies and procedures. They know the quality team is a valuable repository of the most current and accurate information available.

Another benefit of Orkin's new quality management process was its reception by customers. Overwhelmingly, customers viewed the audit process and on-site evaluations as reaffirmation that Orkin is committed to servicing their business at or above the agreed-on

scope. According to customer surveys and feedback reports, customers were impressed that a supplier such as Orkin takes quality so seriously and spends time and resources to enforce quality controls—something many customers say is rare with their other suppliers.

Lessons learned

Here are a few of the lessons learned during the past five years as Orkin shifted processes and, more importantly, its mindset to support quality. It is hoped these can be applied in other organizations:

- In a decentralized service organization such as Orkin, maintaining quality is difficult without a clear set of universal procedures and a centralized oversight process. This may seem intuitive, but many organizations still operate without one or both of these elements.
- An organizational shift toward quality controls cannot happen without the involvement and support of regional and local management.
- One of the keys to success was that Orkin quality

auditors operated in good faith, without ulterior motives and in partnership—not in opposition to—local offices. One example of this mindset: Orkin's post-audit evaluation surveys ask branch managers whether solutions were offered for any deficiencies found. This coaching mentality is part of the success.

- Having a team of auditors who came from Orkin's field operations added much-needed credibility to the change effort.

Orkin continues to evaluate and improve its quality management system to deliver consistent, high-quality service. Orkin's leadership knows that the mission to be not only the best pest-control service, but also the nation's best service company, is a never-ending quest.

Last year, the QA team invested time and resources to fine-tune its database management systems as the company rolled out some new processes and services. The quality team is already adding this new information to the databases to ensure the team is ready to track branch compliance and performance from the start.

While the journey to service delivery excellence is not fast or easy, Orkin's experience shows how the application of ISO 9001:2008 can help a service organization improve its quality performance metrics and better meet customer expectations. **QP**

NOTES
1. This estimate is based on the number of commercial customers and average annual customer revenue.
2. These percentages are from only the years for which data are currently available.

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