

QualPro's Democratic Management Consulting

Whether it's advising a manufacturer on better production or a retailer on sharper marketing, QualPro gathers ideas from everybody—for less

By Rebecca Reisner

When Keith Van Scotter set out to solve problems relating to two of his company's staple products, a high-quality paper used to print business-reply cards and a type of tissue paper sold at party stores for gift wrap, he eschewed the idea of hiring a big-name consulting firm like McKinsey or Accenture (ACN). "Conventional wisdom told me I'd have to spend millions of dollars, but we didn't have that money to invest," says Van Scotter, CEO of Lincoln Paper & Tissue, a manufacturer based in Lincoln, Me. "So I turned to QualPro."

Based in Knoxville, Tenn., QualPro differs from conventional consulting firms in that it doesn't rely on subject-matter experts, the high-priced professionals whom firms traditionally employ to instruct clients on how to improve their business. Instead, QualPro mines hundreds of ideas that mostly come from its clients' own employees—everyone from the janitor to the CEO. Then it throws away any ideas that fail to meet three criteria. "They must be cost-free, easy to try out with current resources, and capable of being implemented immediately," says David Cochran, SVP of operations for QualPro. "That way you don't have to wait six months or a year to try them out." The company also uses Multivariable Testing (MVT), a trademarked method of experimenting with different combinations of the gratis ideas.

With its lower-fee price structure, QualPro may be poised for growth, even amid economic conditions that suggest a slowdown for the \$350 billion global consulting industry. According to Kennedy Consulting Research & Advisory, based in Peterborough, N.H., revenue increases for the industry as a whole dropped by 50% in 2008 from the previous year, and 2009 may see no growth or negative growth.

Multivariable Testing at Work

QualPro, which was founded in 1982 and whose roster of past clients includes DuPont (DD), Williams-Sonoma (WSM), and Saint Luke's Health System, has a policy of not taking a consulting job unless it will bring to the client at least a fivefold increase in value within a year. (For example, if a client pays QualPro \$100,000 in fees, it will see an increase of at least \$500,000 in revenue.) Cochran says, however, that the firm usually attains results of tenfold to twentyfold—and once even a thousandfold.

The more surprising aspect of QualPro's performance, however, is the lack of dependence on subject-matter experts, according to Tom Rodenhauer, vice-president of Kennedy Information.



"That shocks me," says Rodenhauer. "Most consulting firms really push their subject-matter experts out front."

So how does QualPro's process work? Van Scotter shared some details from his recent experience. The first problem he asked QualPro to solve involved the aforementioned paper sold to companies to make into business-reply cards—those inserts that fall out of magazines to entice readers to subscribe. "We had a sheet that weighed less than those of our competitors, but it wasn't as well-formed," Van Scotter explains. "It was economical for our customers, but it didn't print as well."

In accordance with its belief that good ideas can come from anyone in the company, QualPro organized meetings with groups of Lincoln employees not only from production but also from maintenance, tech, and customer service. After eliciting suggestions, the consultants used Multivariable Testing to determine which ones to try out and, of those, which combinations to try out in tandem. "QP taught us if you want to do process improvement, if you try 20 different things, five will help, five will hurt, 10 will do nothing," Van Scotter says. "MVT tests as many of these factors as possible as quickly as they can. If you're really lucky, you'll find some interactions where two things put together help a lot. You'll never find those things if you're not using a tool like MVT."

Providing a Competitive Boost

Many of the employees' suggestions centered on the amount of water and pulp the machine combined to produce the paper. "We tried more water and less water and slow speed and faster speed, which you can change by how fast the jets of water are," Van Scotter says.

With QualPro's help, Lincoln attained a grade of paper that looked more even and attractive and printed with greater sharpness. "We went from being last in our group of seven competitors [makers of paper for business-reply cards] to being second," Van Scotter says.

Lincoln's second problem pertained to a new machine the company had bought for \$38 million to test the strength of its tissue paper. For an enterprise taking in, at the time of the purchase in 2006, about \$110 million a year, that was a blood-pressure-elevating buy, especially after the machine proved to work inefficiently—and the price of oil surged. "We concentrated on energy efficiency since the machine uses oil," says Van Scotter. "QualPro showed us that our system for measuring efficiency was wrong in the first place." After various adjustments to the operation system derived from employee suggestions, the machine's efficiency improved by 5%, a savings of about \$300,000 a year for Lincoln.

Van Scotter believes QualPro's help was instrumental in the increase in yearly profits, from \$110 million in 2006 to an estimated \$150 million for 2009.

Equal Opportunity for Employee Ideas

Cochran says much of his firm's success can be attributed to the democratic nature of the gathering of employee ideas. "At manufacturers, we talk to the cleaning people, because they see what's left on the factory floor," he says. The inclusiveness extends to employees who work outside of the area of business the company is focusing on. "Once we asked a retailer's employees for advertising ideas, and the most successful one came from a part-time cafeteria worker."

Multivariable Testing holds many other surprises, including the fact that ideas that work separately can backfire if executed simultaneously—or on a Monday instead of Wednesday. "At one retailer, newspaper advertising flyers worked only on certain days of the week and greeters also worked on some days of the week better than others," Cochran recalls. In some cases, when the stores used greeters and flyers on the same day of the week together, neither of them worked.

Of course, just because QualPro prides itself on simplicity and democracy doesn't mean its services come cheap—just cheaper, Cochran points out. "You can't hire us for \$10,000," he says. "But our average project cost of about \$500,000 will still be much less than the big guys."

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