

THE HONG KONG AND CHINA GAS CO LTD

REPORT SUMMARY

THE QUEST FOR QUALITY EXCELLENCE

A deep sense of customer needs and a strong desire to deliver customer value drove Hong Kong and China Gas Company's (Towngas) quest for quality excellence.

Towngas is a Hong Kong-based organization with 137 years of history. It is the oldest utility in Hong Kong, providing a comprehensive range of products and services from the production and distribution of gas, marketing of gas and appliances safety audits and maintenance services to attending gas related emergencies. Today the Company has about 2,150 staff. and serves more than 1.2 million customers.

In the early 90's, Towngas became more aware of the need to differentiate itself from its competitors. Moreover revenue growth was not as fast as before. To gain a competitive edge in the marketplace, Towngas must bring value added services to customers and constantly strive to surpass them. It is indeed this drive for quality and service excellence that constitutes the purpose of Towngas quality journey.

The mission of Towngas is to provide customers with a safe, reliable gas supply and the friendly, competent and efficient service they expect. To achieve this purpose, Towngas must develop and motivate a competent, innovative and effective workforce with leadership at all levels. At the same time, Towngas must create sustained shareholder value in a market environment, which is conducive to business growth. This fine balance of the interests of the main stakeholders requires a change in everybody's mindset and in their approach to work.

LEADERSHIP

The Executive Committee Members (ECM) led by the Managing Director shape the direction and culture of the Company. They, with the senior managers, create the Towngas Shared Values and the Key Strategic Focuses, which aim at balancing the interests of the Company's main stakeholders, namely customers, shareholders and employees with the goal of creating a win-win-win situation for all.

Sustained Business Growth, Customer Value and Customer Focus with leadership as the catalyst form the basic philosophies or foundation of the Towngas Shared Values in which all change principles strategies and basic beliefs are rooted.

The following nine key strategic focuses constitute the Sustained Business Growth framework:

- Sustaining Revenue Growth
- Maintaining Safety and Reliability
- Controlling the Costs
- Enhancing Customer Service
- Beating the Competition
- Shaping the Business Environment
- Increasing Organization Effectiveness
- Expanding into other business
- Striving for Continuous Improvement

These strategic focuses are thoroughly communicated to all levels of the organization, so that everybody would be able to contribute to its full implementation.

To direct and implement initiatives contributing to the strategic focuses, Towngas needs strong leadership with foresight respect from colleagues, determination and demonstrated skills to take the organization forward. In Towngas leadership is not only limited to the senior level, but is cultivated at all levels.

A comprehensive communication system is being designed to align the staff with the Company's direction. Different communication channels are being established to ensure the voice of the ECM and the staff are being heard clearly at both ends.

STRATEGIC PLANNING

Towngas adopted a two-tier approach in formulating the Towngas Strategy. The first tier started back in 1992, when Towngas began the Superior Quality Service programme (SQS) —Towngas version of Total Quality Management —in which quality initiatives came from the front-line staff. In 1996, Towngas launched the Continuing Transformation programme (CT) —Towngas tailored Business Process Reengineering —to bring about quantum lift in the efficiency of the business processes. Spearheaded by the top management, the programme has brought about a fresh look at the fundamentals of the business in today's and tomorrow's context.

The second tier aimed at capitalizing on the energy and momentum that has been established. A five-year strategic plan covering 1998-2002 was formulated to complete the transformation of Towngas into a customer-focused, market-driven and high productivity company. At the same time, the Towngas Shared Values and Basic Beliefs were created.

To successfully implement the Strategy, Towngas adopted a three-system architecture comprising the Business System, the Work System and the Human System. Changes in any one of these systems must be accompanied by corresponding adjustments in all the others.

CUSTOMER AND MARKET FOCUS

Towngas market is segmented into residential, commercial and industrial customers. Different methods are being employed to understand the requirements of different customer groups. Towngas adopts the One-Stop Shop concept to take care of customers' individual needs, in which a single department is responsible for providing a single point of contact for each customer segment.

Customers can reach Towngas, through the Customer Service Hotline or Customer Centres, and the media to provide feedback or lodge complaint. Every customer complaint and compliment is monitored to ensure it is handled appropriately. The ECM are personally involved in the management of customer complaints.

Towngas is committed to a high level of service for the customers through the annually published Service Pledge. Towngas proactively gauges customer satisfaction through different channels for different customer groups. Feedback from general residential customers is collected from surveys and through Customer Focus Team visits. For the major customers, the respective account managers will gather feedback directly from their customers and work on solutions to meet customer satisfaction.

INFORMATION AND ANALYSIS

Senior management places a strong emphasis on making decisions based on the use of accurate and timely information. The nine strategic focuses form the basis of selection and use of competitive data and information. Acting as an enabler to support the implementation of the quality programmes, Information Technology systems effectively distribute data to concerned parties to give them up-to-date information on changes in the business environment.

All the major performance data, collected from different functional departments, government departments, external surveys and other reports, are captured in the Unified Company Information system on a monthly basis. Comparative data in areas such as customer services, productivity and revenue generated are being analyzed. These data are centralized and integrated by the Business Analysis Section.

HUMAN RESOURCE FOCUS

Towngas has become a horizontally aligned learning organization, which fosters creativity and leadership at all levels. Multi skilled training is designed around business processes and the organizational structure is realigned to support the Business and Work Systems. Good performers especially those with achievements in customer value and productivity, are recognized.

Training and development are of utmost importance in requirement. Towngas people with the technical skills. It is equally important to cultivate a customer-focused mindset among the employees especially the front-line staff. Towngas therefore invests substantially in technical, management and customer relations training.

Towngas provides a safe, healthy and environmentally friendly working environment for their employees' wellbeing. The "no layoff, no salary reduction" policy promoted high level of employee satisfaction throughout The Company.

PROCESS MANAGEMENT

Towngas strives for excellence and continuous improvement in designing the Work System to create the maximum value to customers. Core business processes were re-designed by CT. Towngas managed to strengthen the processes that directly deliver customer values, optimize the processes that support the delivery processes, and minimize the administration and organization processes to ensure organizational efficiency and productivity.

The concept of partnering is adopted in the relationship with suppliers and business partners. A win-win result is being achieved with the cooperation and long-term agreement.

BUSINESS RESULTS

The systematic approach to quality management and clear focus on customer satisfaction have improved both financial and non-financial business performances. Over the past five years, the gas sales business has expanded steadily at 5.6% per year, while profitability has improved at 19.1% annually. Towngas has successfully and prudently managed the costs to improve productivity and ensure healthy growth in profit. This strong position has enabled Towngas to weather the economic downturn and survive with confidence with a good future outlook.

Customer satisfaction levels indicate customers have perceived a constant improvement in Towngas products and services. High customer satisfaction is recorded in regular surveys.

Towngas' outstanding performance has been reflected in its winning a number of major awards: the Grand Award of the Hong Kong Award for Services : Productivity in 1997; Effective Staff Communication Gold Award in 1998; the Company of the Year Award in 1999. This award was granted by the UK-based Institution of Gas Engineers in recognition of the Company' s outstanding achievements in enhancing productivity, customer value and sustaining steady business growth.

CONCLUSION

Towngas embarked on the quality journey in 1992. which transformed Towngas into a horizontally aligned structure that encourages leadership and creativity at all levels. Towngas has become customer-focused under an organizational umbrella of quality-enhancing business processes.

As a utility involved in an estimated 10 million interactions with the public every year, almost all staff and business partners are on the front line when it comes to providing service.

Quality management is a continuing process. Towngas has built a solid, creative, learning and teamwork-oriented culture that has provided a strong base for further business growth. Going forward, Towngas will leverage on what has already been achieved to obtain even better performance.