

Linking Customer Value and Process Improvement.

And why most process improvement fails with customers

By Gregg Young- Young Associates, Inc.

In reading Value-Based Marketing for Bottom-Line Success, by DeBonis, Balinski & Allen- published by McGraw-Hill and The American Marketing Association in 2003, some thoughts became clear at both a conceptual and practical level of use. The essence of the Pentadigm customer value model in Value-Based Marketing for Bottom-Line Success is "Deming applied to Marketing", and that is a very good thing. Here's what I mean.

Deming's most familiar contribution is the popularization of the Shewhart Cycle, "**Plan - Do - Check - Act**" or **PDCA**. It was developed for use in manufacturing operations, and was focused on improving processes to improve quality for the sake of quality. It assumed the manufacturing operations knew what good output was and what was bad output, and looked for ways to change the processes to improve the quality of the inferior output. It assumed up front that manufacturers knew what customers wanted, and yet, that initial assumption was the biggest flaw in Deming's work.

Pentadigm's customer value approach takes the same thought process and moves it to the front end of the business to fix this shortcoming. The 5-Steps of Value Based Marketing: "**Discover - Commit - Create - Assess - Improve**" is very much the same concept as PDCA, but applied to the entire operation, and totally based on KNOWING, NOT GUESSING, what it is that customers value. This front end work enables the entire process to become more effective.

- Discover** and **Commit** are the two elements that make up the Plan step in PDCA. Discover what customers value and Commit to becoming the best supplier of that value.
- Create** is another way of saying Do, or in Deming's words, implement the plan.
- Assess** is what Deming called Check, to evaluate the effectiveness of the implementation.
- Improve** is what he called Act, to make adjustments to the implementation based on what was learned in assessment.

The biggest difference is that Deming was applied strictly to the manufacturing operations, while Pentadigm's customer value approach expands that thinking to the entire business, where it can really have a strong impact because it is driven by actual customer value inputs.

Now, expand this comparison to include **Six Sigma, Fast Track to Excellence™** (FTTE™) and **Jump Start Six-Sigma™** (JSSS™). Six-Sigma is a complex process that tries to be an implementation plan for PDCA, and with a linkage to company profitability. It also considers the customer in concept **Voice-of-the-Customer** (VOC), but does not go far enough to really know what customers value and why.

The outline of the Six-Sigma process is **DMAIC (Define - Measure - Analyze - Improve- Control)** which similar to PDCA.

- **Define** the problem is part of Deming's Plan stage.
- **Measure** and **Analyze** are also part of Plan because they determine what changes to the process are necessary. Because of the multiple iterations, DMAIC usually looks more like DMA-MA-MA-IC.
- **Improve** relates to the Do step in PDCA.
- **Control** in DMAIC encompasses both Check and Act in the PDCA cycle.

To its credit, Six-Sigma tries to link to customer value in concept with **Voice-of-the-Customer** (VOC). Six-Sigma also defines up front what good output is and what bad output is, but often that is according to the supplier, not the customer. Still, as structured, it does not go far enough to really know exactly what customers value and why. Often VOC is derived according to how the supplier views the customer not how the customer views the value offered by the supplier.

To its detriment, Six Sigma is a large and cumbersome process that spends too much time measuring the defect levels rather than getting to the root causes of the defects. Six-Sigma hypothesizes the causes of defective output, and then must conduct elaborate data gathering and analysis to test these hypotheses. Usually this takes several iterations to get right, and that makes projects takes several months and cost lots of money.

PDCA provides **the high level guidance, the "What"** the company seeks to achieve. It does not provide a company with a detailed **"How to"** roadmap for achieving it. PDCA is a sound approach, but people have had difficulty applying it to their specific problems, especially because of the front-end weakness of not knowing what it is that their customers really value. Six-Sigma moves in the right direction by providing a more detailed "How to" process, but it makes broad assumptions about possible root causes in the beginning, which often creates a lot of extra work.

The Pentadigm Customer Value approach takes the basic concept out to the market where it needs to be. By not assuming the process is flawed until the customer value discovery dictates, Pentadigm addresses just those parts of the process that are not producing value to the customer. It provides the superior "What" for Marketing, and therefore, for the entire business. FTTE and JSSS are the "How to" that reduces these concepts to practice for a business. FTTE and JSSS put aside

the flawed assumptions at the front end of Six-Sigma, by providing the tools a business needs to:

- (1) **Discover** what it is that customers value,
- (2) **Discover** how the business is doing on delivering that value now, and
- (3) **Discover** the root causes of defective performance whenever it occurs.

This allows the business to **Commit** to the customer that it will improve the performance by tightening up the conditions that allowed the occasional defective performance to occur. They can then **Create** greater customer value by eliminating the defective performance on whatever the customer value item was, whether it is product or service related. Next a business can **Assess** the effectiveness of their enhanced value creation based on customer inputs. Finally, they can **Improve** long-term performance by locking in the desired improved performance and adding to customer value creation.

The hidden power of FTTE (or JSSS if the tools are applied to an existing Six-Sigma system) is that it provides simple tools to everyone in the organization, so they all can become aligned on delivering customer value. FTTE enhances the powerful Pentadigm customer value approach in practice so that any business can achieve big results fast. FTTE builds on the Pentadigm model by showing businesses **HOW TO IMPLEMENT** it quickly and successfully.

So far this analysis has focused on existing products, services, and customers, the basis of all current operations. The NOVA innovation method was originally developed to identify opportunities for new products and services. However, it is also useful for interviewing customers in order to identify all the things that customers value now, and to determine the current levels of benefit that each supplier provides. NOVA is the "How to do it" set of tools for gathering REAL Customer Value data. Then FTTE/JSSS tools will guide a business through the Pentadigm model to improved performance and profitability by delivering better value to customers now.

Finally, to pull it all together....

Six Sigma will never allow companies to address any more than a very few items because of the massive amount of data and time that its process improvement effort requires. FTTE and JSSS enable operations to do more because they do not make fundamental changes in the operation. They start by focusing on what really delivers value to customers, and then they provide the detailed roadmap for quickly fixing the operations that are not working well every time. This is the magic.

FTTE or JSSS are the tools that will get to the root causes of poor performance quickly, in just days or weeks, and give clear direction to the business exactly what needs to be tightened up. The businesses should begin to see performance results

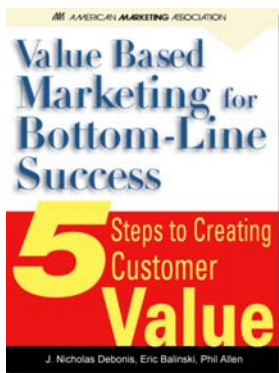
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immediately, with better customer satisfaction and profitability following. This improved performance on the important issues will lead to NOVA discussions to deliver greater benefit/customer value, and to deeper discussions of unmet needs that can be the basis of new product development and stronger long-term relationships between the businesses.

These tools will do the entire job, delivering bigger results much faster, at much lower cost, with much greater employee involvement and commitment because all employees work to get results that customers value. Pentadigm and NOVA determine what customers value and the company's current levels of performance. Fast Track To Excellence and Jumpstart to Six Sigma find the root causes of defective performance fast, so the critical parameters in the current operations can be controlled better to eliminate defects. NOVA identifies unmet market needs that are opportunities for future offerings. Pentadigm commits an offering to fulfill customer needs and deliver customer value, enabling the marketer to exploit the identified opportunities. Designing for Competitive Advantage is the last module in the series. It provides the roadmap for generating possible solutions, identifying the winning solution, and developing the winning process for making it. This integrated set of tools is the complete guide to achieving Bottom-Line Success.

About Gregg Young:

Gregg is President of Young Associates, Inc. He has 30 years experience leading new product development and quality improvement efforts in both large corporations and small businesses in a wide variety of industries. Over the last 10 years, Young Associates has been integrating the best available practices for Innovation and Quality Improvement to maximize their effectiveness. The results include **Fast Track To Excellence** (the stand-alone system that reduces defects by 85-100% in just days to weeks in any business), **Jumpstart to Six Sigma** (the streamlined version that accelerates Six Sigma to generate bigger results faster), and **Designing for Competitive Advantage** (the process that identifies unmet customer needs and develops the winning solutions). He can be contacted at gregg@youngassocinc.com or 989-839-0566.



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For more information on Value Based Marketing for Bottom-Line Success, released by the American Marketing Association and McGraw-Hill in January 2003, please contact Eric Balinski at SYNECTION. He can be contacted at: ebalinski@synection.net or 973-726-8091.