Value
Flow

Aims

People

Customers

Measure

Ever
Better

Simply®
Manage

Clark · Peterson · Pitt

Simply Manage

Lead to Sustainability

Alan Clark, Terry Peterson and Steve Pitt

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#simplymanage

To managers and team members everywhere

In memory of Peter Walker, Nigel Clements and Tony Brown

Contents

Hello & Welcome!

This book is about the skills and knowledge to move closer to excellence at work from which all else flows.

Are you an effective manager who really:

1. takes pride in delivering value to customers?
2. has a fulfilling job?
3. helps your team have fulfilling jobs too?
4. is part of something inspiring?
5. has control over your work (autonomy)?

Our aim in this book is to help you develop your craft as a more effective manager by providing the best skills and the knowledge that underpins them. In this way we will help you to meet the five 'wants' above. Overall we suggest that there are six basic themes under which your skills and knowledge can be summarized. We have brought these together in the following sentence and have highlighted them in bold:

> Your organisation **aims** for your **people** to serve **customers** in a system through which **value flows**; if you **measure** what is happening, you can do it **ever-better**, so it will succeed and sustain.

The Simply Manage Star® below shows these six themes are connected. Note, people and customers are at the heart.
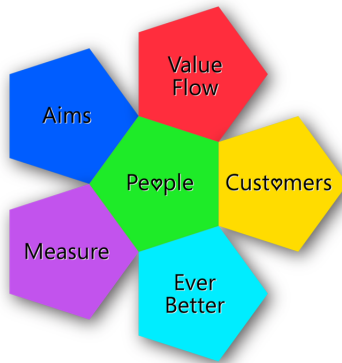
Aims: guide the way your organisation works
People: are the sources of every organisation's strength
Customers: everyone's focus to deliver excellent experiences
Value Flow: maximising added value and reducing waste
Measure: for deeper insight into actually 'What's happening'
Ever Better: always working towards sustainable excellence

This book has six parts, one theme for each, which is then further sub-divided into chapters, each organised:

- **In brief** – an overview including a mind map guide
- **In more detail** – easily digestible chunks on the topic
- **Er-hem** – warns about things to avoid
- **Bottom line** – the chapter summary
- **Next steps** – what will you do on Monday?
- **Find out more** – the appendices, sources & web links

Have a read through to get the big picture. Do dip into any topic that is of special interest or use to you right now.

Theme 3: Customers

Serve customers

Customers provide the focus for the whole of your organisation. Central to this is the total customer experience. Identifying, listening to and understanding the wants and needs of your customers and users at every stage in total customer experience are critical processes. You need to manage the total customer experience from order through delivery to long-term use. This includes every contact you have with your customer.

The radical idea is that... **if you look after your customers, they will look after your profits and pay you**.

Under **Theme 3:**
Chapter 3.1 What Customers Need
Chapter 3.2 Total Customer Experience

3.1 What customers need

In brief

The radical idea is that... **knowing who your customers are and truly listening to what they need and value are the basis of an ever-better total customer experience**.

We say, *Simply Manage* the value flow to the total customer experience. This chapter aims to give you steps to find out who your are customers and what are their underlying needs, what they value. Then some introductory steps to convert these into measurements against which you can design, provide and monitor products or services.
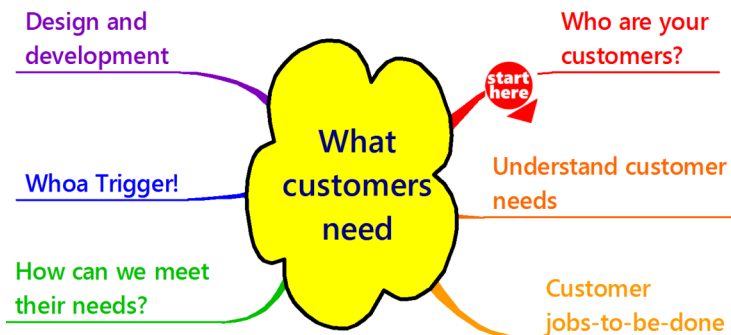
In more detail

Who are your customers?

You must always be clear who your customers are. If you are in retail this may appear pretty straightforward since they are usually the folk that walk in through the door. Be careful though, there will certainly be different subgroups of customers within what appears to be a mass of identical people. Similarly, if you are in medicine or are a professional such as a lawyer or accountant, your patients or clients may appear obvious. If you are a farmer or manufacturer you may deal through a market, another processor, distributor or retail organisation. However, it pays to find the groups that they naturally fall into.

Then think about the supply chain to the final consumer or end user. There are many customer-supplier relationships that you need to understand starting with who is the end customer, service user, patient, client or consumer.

Finally, if you are in public service or are a charitable organisation your funding may come from sources other than the service users or beneficiaries. *Without service users or beneficiaries you have no purpose.* Think of these as the primary customers and you could think of your funders, those who pay you, as secondary customers. The latter will also have their own needs. *We will refer to customers throughout for simplicity.*

Internal customers

How far you go in applying the analysis of external customers to your internal customers is up to you. It is vital that you do talk to them and listen to what it is they need from your team to ensure value is delivered to the business's external customers. Just like external customers there will be spoken and unspoken needs.

More thoughts to help identify your customer types:

- **Residual** - people inside or outside your organisation who must live with the consequences of the way you do business
- **Potential** - people who you do not currently do business with and are, say, in a different area or industry to your external customers

The diagram below is intended to spark questions about who your customers are.

Who are your customers?

Each of the customer or user types above can provide different insights into who your customers are and how they see your products or services. For example:

Lead users would be the equivalent of so-called power users of IT. These people operate at the leading edge of technology and are always pushing it to its limits. From their deep understanding of, in this case IT, what trends of issues do they see emerging?

Unhappy users and **lost users** can tell you where their needs are not being met by what you are offering. This information is used to prioritise improvement activity.

Customers who are not end users

The customer is not always the consumer or end user of your product or service. Architects, developers and consultants are not the occupiers of offices or houses. The problem here is that the needs, particularly financially, of the immediate paying customer may not be the same as the needs of the end users. There isn't an easy answer. If you see that there is a conflict of interest you need to raise and try to resolve the differences in line with your values.

Help for your thinking:
- Who uses the outcomes that you deliver?
- Who is indirectly affected by those outcomes?
- Who is affected by the way that your outcomes affect your direct customers?
- Which colleagues, teams and departments depend on your outcomes?
- Who else is affected by what you do?

Help for your thinking:
You can use an affinity process using sticky notes either real or digital ones. Now group them. What patterns emerge? Then analyse them on a spreadsheet with relevant data. What does this reveal that you didn't you know?

What does all this tell you? What more do you need to find out?

Understand customer needs

You have now identified, and probably grouped, your customers against your products or services. Next you will want to identify the needs of each customer group. Don't assume you know this, ask them. Then convert these into quality measures that you can design, produce or deliver against. It's no use supplying something that is 99.9% perfect if it is the *wrong thing!*

You must understand your customers' underlying need so that you supply them with the *right things right* not just supply them right.

Our *Simply Manage* approach to understanding customer needs will introduce you to some basics. Our intention is to help you review your current capabilities in this area, and to begin thinking about new products or services. If you are new to understanding and converting customer needs take this as your starting point.

Your outcome is a record of your knowledge about customer needs, which you process into your supply requirements. Take it a stage at a time. As you go through each stage you will expand and clarify your knowledge.

Remember the value equation:

$$\text{Value} = \frac{\text{Quality}}{\text{Cost}}$$

Looking deeper at quality in the equation there are three aspects: Does it do what the customer needs it to do? Is it doing what the supplier says it would do? Are we (the supplier) delivering what

we said we would over the life of the products or services?

Voice of the customer

Your starting point is the voice of the customer (VoC), from which you can extract the spoken and unspoken needs of the customer and the benefits that they need.

Sources of VoC

Your customers are 'speaking' to you all the time. In these conversations you will find some of the evidence that you need to begin to quantify the VoC. Analysing *complements*, *comments* and *complaints* is one starting point, which are relevant and *free!*

Tip - Capture the raw evidence of the VoC on sticky notes where everyone can see it. Regularly get the team together to create an affinity diagram grouping sticky notes into common user issues or emerging new trends.

Capturing VoC and feeding it back is a central task for your people in sales, customer service, support or any customer-facing role. Indeed anyone, including you, if they meet a customer. Your job as a manager is to have a set of values and a process in place that *accepts any feedback without denial.*

Kano: What customers do and don't tell you

Building upon what has been said above, truly listening to what the customer says, the VoC, is central. But, there is a problem. Customers will not necessarily tell you all that you need to know about their needs or concerns. Or do they? Are you actually listening?

Kano analysis is used to determine which features/requirements are important. All identified features may not be of equal importance to all users. Dr Noriaki Kano developed an analysis tool, the *Kano model and survey*, which helps you rank customer requirements in order of importance.

Firstly, you need to listen to the *spoken* VoC. This will tell you about features in products or services that already exist and they know about them. If customers value these features they add to the view of quality. So **More is better**. Adding to the feature list of your offering is part of helping your business to survive and possibly flourish and grow. If you do not keep up with the market, your prices will come under pressure and your business will be at risk.

Customers will *not* usually tell you about features that they *expect* to be present; these are the **Must be** quality. For example, a motor vehicle is expected to have wheels and tyres fitted as standard. Brakes are expected too! All the aspects of a product or service are expected to work reliably. When they don't, they give rise to complaints and, ultimately, this poor quality can drive a company out of business.

When something only has **Must be** quality there is a high risk of price becoming the issue, which will hit profits. This is because people make the unspoken assumption that the standard features

will be there. As a result there is nothing to make your offering stand out.

Finally there are products or services that have the **Wow! factor**. These will be new to customers, a surprise, because they meet an unspoken need, which may not have been met before. Think of the first smartphone or tablet computer that gave a great user experience and worked intuitively straight out of the box! *Even the box was great!* This is where competitive advantage lies. With the **Wow! factor** your offering creates customer delight and may enable you to charge a premium price. Remember the value equation.

The challenge is that as soon as your exciting new product is on the market the point of difference starts the **Familiarity** journey down to **More is Better**. The competition is likely to bring out their own version or even leapfrog you with their own innovation. In order to develop an innovative offering you must understand both the customers' underlying *and* unspoken needs.

The Kano model below reveals these different sorts of quality in the VoC.

Kano model
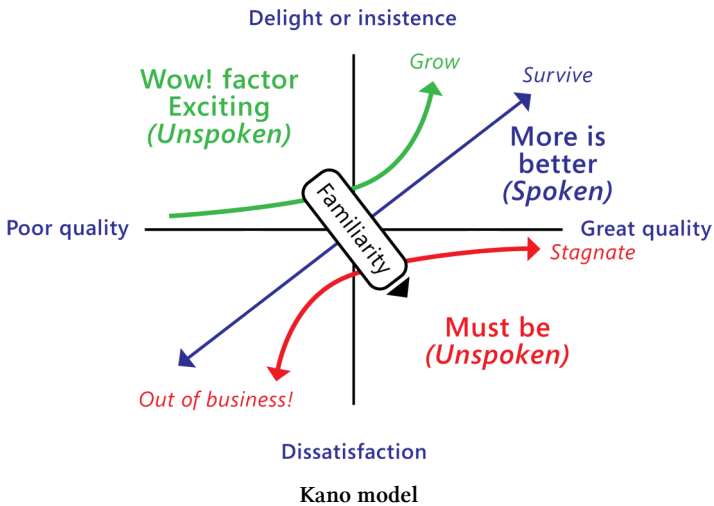
The blue doubled-headed arrow represents the spoken VoC where **More is better**.

The red double-headed arrow highlights more areas of risk. Customers will not usually tell about features that they expect to be present. These are the **Must be** quality.

The green arrow represents a product or service that has the **Wow! factor**. Some features in the offering are satisfying unspoken needs in new ways or providing solutions that have never been satisfied before. Before they were developed nobody would have asked for a hip replacement joint.

Customer jobs-to-be-done

We saw in the Kano model that products or services that have the **Wow! factor** met the customers' *unspoken* needs. If you ask them what they want they would only be able tell about a better something that already exists. The responsibility for innovation lies with *you*, the supplier!

What customers can tell you is their *jobs-to-be-done.*[1] As the famous marketing guru Theodore Levitt once put it, 'People don't want to buy a quarter-inch drill. They want a quarter-inch hole!'

When you want to understand the customers' needs, hence their jobs-to-be-done, go to the point of use for your products or services. Surveys and focus groups cannot give you the subtle information about how users behave because people take things for granted. Worse, they tell you what they think you want to hear! You will need to research jobs-to-be-done across different kinds of customers. The following steps[2] can help:

1. Work out the different types of jobs customers are trying to do.
2. Assess current solutions and the undesirable side-effects.
3. Discover the full range of alternative solutions.
4. Find out the basis for customer decisions.
5. Look for the barriers to adopting innovations.
6. Work out the cash value of innovations to customers.

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[1]Christensen, Clayton M. and Raynor, Michael E. (2003) *The Innovator's Solution: Creating and Sustaining Succesful Growth.* Boston MA: Harvard Business School Press.

[2]These steps are based upon the work of Stephen Wunker of New Markets Advisors in his book and an article on Forbes. Wunker is a long-time collaborator with Clayton Christensen.

Of course the danger is that customers may be very unclear about their reasons. They may only find out, good or bad, once they have bought and used your products or services. So you need to verify the information that they give you in the steps above. A Kano survey and model may help. Ultimately, a trial or prototype may be necessary.

This sort of problem can occur in software development. The customer may say, 'I can't tell you what I want but I'll know it when I see it!'

How can we meet their needs?

Prioritise customer requirements

First step, you need short unambiguous phrases that summarize **what** your customers require from each product or service.

Whatever sources you bring together, your aim is to generate from them a set of phrases that describe what the customer needs for a particular product or service. For example, consider a patient going to their dental surgery for a consultation. When making the appointment they will not want to keep being put on hold. This can be written as 'Appointment made quickly'. The patient will have many requirements. They will expect the dentist to be there and that they will see the dentist at the appointed time. This can be written as 'Appointment punctual'.

Keep the list short, ideally 10-15, perhaps 20 **whats**. We have heard of use in software development where there were a 1000! Guess what? The project was never finished.

Next get your customers to prioritise the **whats**. Taking our dental surgery example above we might end up with ten requirements, as in the table below, which have then been prioritised by the patients. If you use a Kano survey you add in these results too.

Making a Dental Appointment "What" Customer Requirements	Average of Importance Survey	Kano Type
Number of rings	3.5	
Optional Internet booking	4.5	
Urgency of appointment discovered	9.5	
Private and NHS	4.5	
Convenience of appointments	8	
Surgery opening times	7	
Appointment made quickly	8	
Orthodontics offered	1.5	
Appointment punctual	8	
Patient-friendly approach	10	

A rating of 10 represents high importance, in the chart above.

The Kano model for a product or service is created using a unique Kano survey that categorises customer requirements, identifies competitive advantage **WOW! factor** and what **Must be** from the VoC.

Translation matrix

The next step is to translate the customer requirements into the detailed specification of what you provide to match these

requirements, the sum total of value to the customer experience. These must be measurable, which provides a *factual* basis to:

- Check a new product/service delivery design before use.
- Assess product/service delivery performance levels.
- Detect when something unusual has happened.
- Know whether a change is an improvement.

These definitions are the basis for design and for production of products or the delivery of services. We will call these definitions *quality elements.*

These are any physical properties or functional characteristics of a possible product/service delivery that can be used for *measuring* its quality.

The structured approach uses a matrix that focuses on the *vital few* issues that will excite users or increase satisfaction whilst meeting the users' minimum expectations. *It is not a problem solving tool!* This is what a translation matrix looks like:

	Quality Element A	Quality Element B	Quality Element C	Quality Element D
⊙ Strong ○ Normal △ Weak Blank no relationship				**Supplier "Hows"**
Customer Requirement 1	⊙	○		
Customer Requirement 2			⊙	△
Customer Requirement 3	○	⊙		○
Customer Requirement 4		△	⊙	○

Customer "Whats"

Fill up to ~60% of boxes

This translation of the *customer requirements* (**whats**) in to *supplier quality elements* (**hows**) can only be done through the professional judgement of you as the supplier. Only you have the required knowledge of your products or services, system and processes.

Customer requirements → Translation process → Quality elements

Perceptions and emotions — Use professional judgement — Rational measure
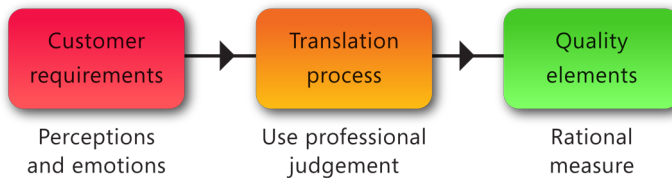
Whoa Trigger!

What we have talked about above is known as *quality function deployment* (QFD). We decided not to take you through the whole of traditional QFD. This process, among other things, uses a series of translation matrices to go from customer requirements through technical requirements (or quality elements), process parameters, process controls, supplier controls, and process set-up.

Full QFD is useful in overcoming the following possible problems:

- Multiple relationships between quality elements and user requirements.
- Redundant quality elements.
- Conflicts between quality elements.
- Resource limitations requiring prioritisation.

When to use QFD:

- New service or product development.
- Capital expenditure approval.
- Service or product design changes.
- Significant volume changes.
- Relocation of service delivery or production processes.
- Policy, service or system changes.

As above, you can find out more about QFD from the reading list at the end of this chapter in the **Find out more** section. The book by Yoji Akao is one of the classics on QFD.

Design and development

Design and development activities take the outcomes from the above processes to create and specify products or services.

Whether you have products or services, your offering must be created. The use of the terms *design* and *development* has become clouded by different usage in different sectors. However, we want to stress the importance of the need for *planned and structured activity* for the new entity. The output from design and development activities may include the concept, the creation of plans, specifications and/or drawings. Quality must be considered both of design and development process and as parameters against which delivery or production outcomes can be tested. The output from design and development activities can be either *improvement* or *innovation*; usually both will be required over time.

The landline telephone is an example of an innovation, which was first patented by Alexander Graham Bell in 1876. It was the first device that enabled people to speak to each other over long distances. The mobile/cellular phone can be thought of as a modern innovation that gives users the freedom to phone from wherever they are. By comparison, increasing a smartphone camera size to 8-megapixels from 5-megapixels is an example of improvement.

Two models have been defined for design, the *rational* and the *action-centric.* These depend on how intuitive design is thought to be. We suggest it is helpful to be clear which you are working to.

Advanced product quality planning (APQP) is a set of procedures and techniques used to develop products originally

primarily in the automotive industry, which you may find useful to learn about.

APQP sets out five sequenced stages stating what needs to be done to identify and satisfy customer requirements:

Stage 1 Plan and define the concept.
Stage 2 Design and development of the product.
Stage 3 Design and development of the process.
Stage 4 Product and process validation.
Stage 5 Feedback assessments and corrective action.

An important point about this sequence is that stage gateway requirements must be established for the completion of each stage. The project must not proceed unless these gateway requirements have been met.

The Automotive Industry Action Group (AIAG) *APQP Reference Manual* is the primary reference work on APQP.See https://www.aiag.org

Er-hem

Business as usual thinks all this work means using psychology to *manipulate* customer behaviour. Do not try this at home! They *will* find out and that *will* destroy the trust that is the basis for sustaining your business.

Er-hem, Er-hem

Brands ain't everything

Hype erupts from time to time about brands. It seems like success is all but guaranteed if you *create* a powerful brand. Oh really?

Look at Nokia in 2008 when it was rated a highly valuable brand. Fast forward to 2013. Even after Microsoft announced it was buying Nokia's mobile phone handset business, Nokia was only worth 20% of its 2007 market value. Nokia's total customer experience had been overtaken by that of Apple and Android phones, in terms of hardware *and* software.

Brand is an *outcome* of the total customer experience. Customers' expectations always rise. At the height of your current sales success you must be developing tomorrow's offering to safeguard future sales. Remember the problem of **Familiarity** shown in the Kano model? A side effect of rising brand loyalty and strength is a rise in customer expectations on quality and longevity.

Bottom line

- People are central: Customers' spoken and unspoken needs; staff practical and professional knowledge.
- Who are your customers?
- Our core message to you is: *Understand what customers value in the total customer experience.*
- The customers or consumers of your outcomes, whatever these may be, only obtain your products or services because they need to *do something.* What you supply must therefore be matched to these jobs-to-be-done.
- Voice of the Customer: what benefits/needs they seek
- Customers' requirements must filter and *prioritise* needs.
- Kano model and survey show satisfaction categories.
- The techniques themselves, including full QFD, are there to provide a framework to *translate* the spoken and unspoken user needs into tangible measurements on which service design or redesign can be based.
- These are *means* not ends and *not* problem-solving tools.
- The aim is cost effective, excellent services.

Service provision or product delivery cannot be left to chance.

Puts customers first - how?

By absolutely basing the whole process on data from the customer puts them first. Having focused on a customer group, you bring together all of the sources of material that represent the voice of the customer. From these you get a set of

customer requirements that can be translated ultimately into quality elements, resulting in services and products that truly meet customer needs.

Next steps

How do you feel now about your knowledge of your customers and their needs? Start step 1 of the process in the section *Customer jobs-to-be-done* by drawing different versions of *Who are your customers?* diagram for different products and services or market segments. Next, with your team, run a trial using one part of what you deliver. Work through from step 2 to 5, particularly collecting the VoC data.

Find out more

More on VoC and jobs-to-be-done:
Christensen, Clayton M. and Raynor, Michael E. (2003) *The Innovator's Solution.* Boston, MA: Harvard Business School Press.
Wunker, Stephen (2011) *Capturing New Markets: How Smart Companies Create Opportunities Others Don't.* New York, NY: McGraw-Hill Professional.

There's more about QFD online at the QFD Institute: http://www.qfdi.org/ A lot of good material here. Worth persevering with despite, to some tastes, being a bit heavy on acronyms and Japanese words.

The classic QFD book:
Akao, Yoji, Ed. (1990) *Quality Function Deployment: Integrating Customer Requirements into Product Design.* Translated by Glenn Mazur. New York, NY: Productivity Press.

Also worth reading:
Shiba, Shoji, Graham, Alan and Walden, David (1993) *A New American TQM: Four Practical Revolutions In Management.* Portland, OR: Productivity Press.

A really useful book on QFD for developing new services: Fisher, Caroline and Schutta, James T. (2003) *Developing New Services: Incorporating the Voice of the Customer Into Strategic Service Development.* Milwaukee, WI: ASQ Quality Press.