Seven Steps for Creating a Customer-Centered Culture

A customer-driven strategy that will work for Accountants, Administrators, Architects, Bankers, Brokers, Chief Information Officers, Customer Service Representatives, Dentists, Doctors, Geologists, Geophysicists, Landmen, Lawyers, Preachers, Real Estate Agents, Reservoir Engineers, Secretaries, Teachers and at least 500 other occupations…

by Robin L. Lawton and Dar Schwanbeck

Over the last 15 years manufacturers have invested a great deal of energy to improve quality and competitiveness. But what about the other 90 percent of us who do not manufacture tangible products? Most of us spend our days delivering reports, plans, answers, information, engineering designs, patient diagnoses, or some other form of service. Many efforts have been made to launch quality, service improvement, and customer satisfaction initiatives in nearly every non-manufacturing area. But what progress have we made? Do we have the right tools and strategies? Are we applying them correctly?

The purpose of this article is to outline seven steps for building a quality-conscious work culture in an information, knowledge, or service work setting. Changing the culture of an organization is not easy, but the customer-driven change strategy outlined here has been used effectively in transportation, electronics, banking, retailing, manufacturing and communications.

Step 1: Define knowledge and service work as tangible products.

We normally think of service as a continuous *activity*, an intangible 'something' that we cannot measure. Our first challenge in creating a Customer-Centered culture is defining service in a way we can manage it. The word *service* has a very fuzzy meaning. Even though most of us would say we perform service work, it can be very difficult to define what that means. Think of the various ways we use the word:

- customer service
- financial service
- postal service
- medical service
- religious service
- repair service
- social service
- information service
- civil service

Given this partial list of how we use the word service, is there a one-word synonym for service? Most people have a hard time answering that question. Two of the most common definitions of service are "help" and "assist". Both of these words imply reactive activity, not proactive behaviour. In fact, even though service can be either a verb or noun, most are inclined to think of service as an activity, a verb.

The labels we use for organizational functions reinforce our concept of service as activity. Engineering, purchasing, marketing, accounting, data processing and training are all verbs. When we embark on improving an activity, we look at changing how we do what we do (process). This is a great area of opportunity but the wrong place to start for service. We can achieve a wonderfully efficient, error-free process but produce something our customers don't want. It also misses the basic fact that customers generally do not care *how* we do our work. This focus on internal activity encourages producer-centered thinking.

We find that knowledge and service work seems hard to define, often lacks explicit planning, and represents activity. Unless we change the way we think of service, we will remain producer-oriented and miss opportunities for competitive advantage.

We have found that customers *do* care about what we provide them—things which help them achieve some desired outcome. These things are **products**. Products are deliverable in discrete units. Unlike our activities identified by verbs, products are nouns. Products are the bridge between the value our customers seek and our activity as producers.

For simplicity, we refer to either information or service products as "knowledge products". Knowledge products are the tangible result of work activity either from an individual or work group.

Figure 1 proposes a way in which we might categorize knowledge products into **service** and **information products**.

Products are concrete. Every product has a producer and at least one customer. A knowledge product (information or service) is the link between us and our customers, whether they are internal or external. Its identification is essential for creating a Customer-Centered culture.

The understanding of this concept of the knowledge product is absolutely critical to everything else we will address here. The real beauty of identifying knowledge products as tangible entities is that everyone makes and uses them. Their concreteness also makes them measurable. If there is any doubt in your mind about your own product, stop here and review what we've just done. Focus on the product you've identified as your own for the rest of this article.

Figure 1: Defining Knowledge Products

Service Products	Information Products
Examples	
Repairs	Designs
Orders	Orders
Shipments	Policies
Deliveries	Directories
Installations	Procedures
Appendectomies	Schedules
Courses	Manuals
Questions	Reports
Answers	Answers
Characteristics	
Responsive	Anticipatory
Requires customer involvement	Customer input optional
Built to order	Built to stock, limited variety
Batch size of one	Large batches
High variability of cost	Low variability of cost
Often delivered unpackaged	Often packaged information

Step 2: Differentiate customers by role, power, characteristics and needs.
"Get close to your customers" is perhaps the admonition of the last decade. Unfortunately, all customers are not equal in power, need, or role. We need a way to handle competing customer expectations for our and their optimum benefit. It is not enough to recognize that we have internal and/or external customers for our knowledge products. While this is true, it oversimplifies. This view can also create confusion by classifying customers based on location or organizational affiliation. We often see internal organizations like marketing and engineering referring to each other as "customers". That may feel good and represent an attitude promoting teamwork. But, the reality is that this view may have only marginal practical significance when confronted with the day-to-day details of running the business.

Customers actually have three primary roles. These roles are always determined by the specific product in question, not necessarily by organizational membership. These customer roles are briefly described below:

End-users are individuals or groups who use the product to achieve a desired outcome. They are the folks we ostensibly had in mind when we designed the product. There are usually more end-users than any other kind of customer.

Brokers transfer the product to someone else who will use it. They may either act as an agent of the end-user or as an agent of the producer. As an agent of the end-user, the broker makes the product more accessible, easier to use or more appealing. As an agent of the producer, the broker "encourages" the end-user to accept the product.

Fixers transform, repair or adjust the product at any point in its life cycle for the benefit of end-users.

Our goal should always be to satisfy the **end-user** customers. (They are the ultimate reason we are in business.) Unfortunately, we may inadvertently focus on satisfying **brokers'** needs. This can easily happen by not differentiating customer roles. An example will illustrate this point.

If an insurance policy is a product, the consumer is the **end-user**; the salesperson is the **broker**. The **producer** (insurance company) may pay more attention to **broker** (salesperson) needs than to **end-user** needs. The **fixers** of the product may be the insurance company customer service personnel.

Fixers generally have the least power over the design of a product, even though they are often familiar with customers' frustrations and have first-hand knowledge of design problems. **Brokers** often have the most power, but can have interests in opposition to their customers'. It's easy to get confused about who the most important customer is—the **end-user**.

Step 3: Determine customer expectations.
Once customers have been clearly defined, the next step is to identify their expectations. Contrary to most thinking about quality, *customers do not really care about your processes.*

Outcomes: The basis for satisfaction. Peter Drucker said it long ago: "Customers don't buy products, they buy results." They don't buy drills, they buy holes. Not light bulbs, but light. *Customers are constantly seeking out new products that will better deliver the outcomes they desire*. We know this intuitively. History has taught us this lesson about products again and again (as the manufacturers of slide rules would tell you, if they were still around). Have we learned? It doesn't seem that way.

Producers continue to concentrate on *the process of making widgets* (or reports, or diagnoses), rather than on *delivering outcomes to their end-user customers.* "Quality" has come to mean an obsessive focus on production, rather than a reflection of the product's value to customers.

The simple truth is that most producers do not sufficiently understand the *outcomes* that their customers are trying to achieve. Customers are left to shop around for someone who (inadvertently or by trial-and-error) "gets it." Do you think customers will be buying your lamp oil after some enterprising Edison invents the light bulb? Remember—customers buy *results* in whatever form suits them best.

Understanding expectations in this way has tremendous strategic value. Being Customer-Centered means tuning into the results that your customers seek. So how do we focus on these results strategically?

Step 4: Measure the degree to which expectations are met.
Measurement is management's way of saying "we care." Producer-centered organizations heavily favour financial information. Their five commonly used measures—*profitability*, *productivity*, *specification-based quality*, *schedule* and *volume*—illustrate their cultural priorities. There are several drawbacks to using these measures in the traditional manner:

- Management activity is focused on improving measures that may have little relationship to customer interests.
- They may not be integrated or organised by product.
- It is difficult to determine how changes in one variable impacts others.

Customer-Centered organizations take pains to

measure what customers care about. Our research indicates that customers consistently look for four or five specific types of attributes in virtually all products, whether tangible or intangible:

- Ease of use
- Timeliness
- Certainty (consistency, accuracy, reliability, predictability, safety)
- Cost to own/use
- Variety/choice

Through working with thousands of managers in all industries, we have found that producers rarely measure these product attributes from a customer perspective. Lack of measures of these attributes makes it virtually impossible to proactively address customer expectations.

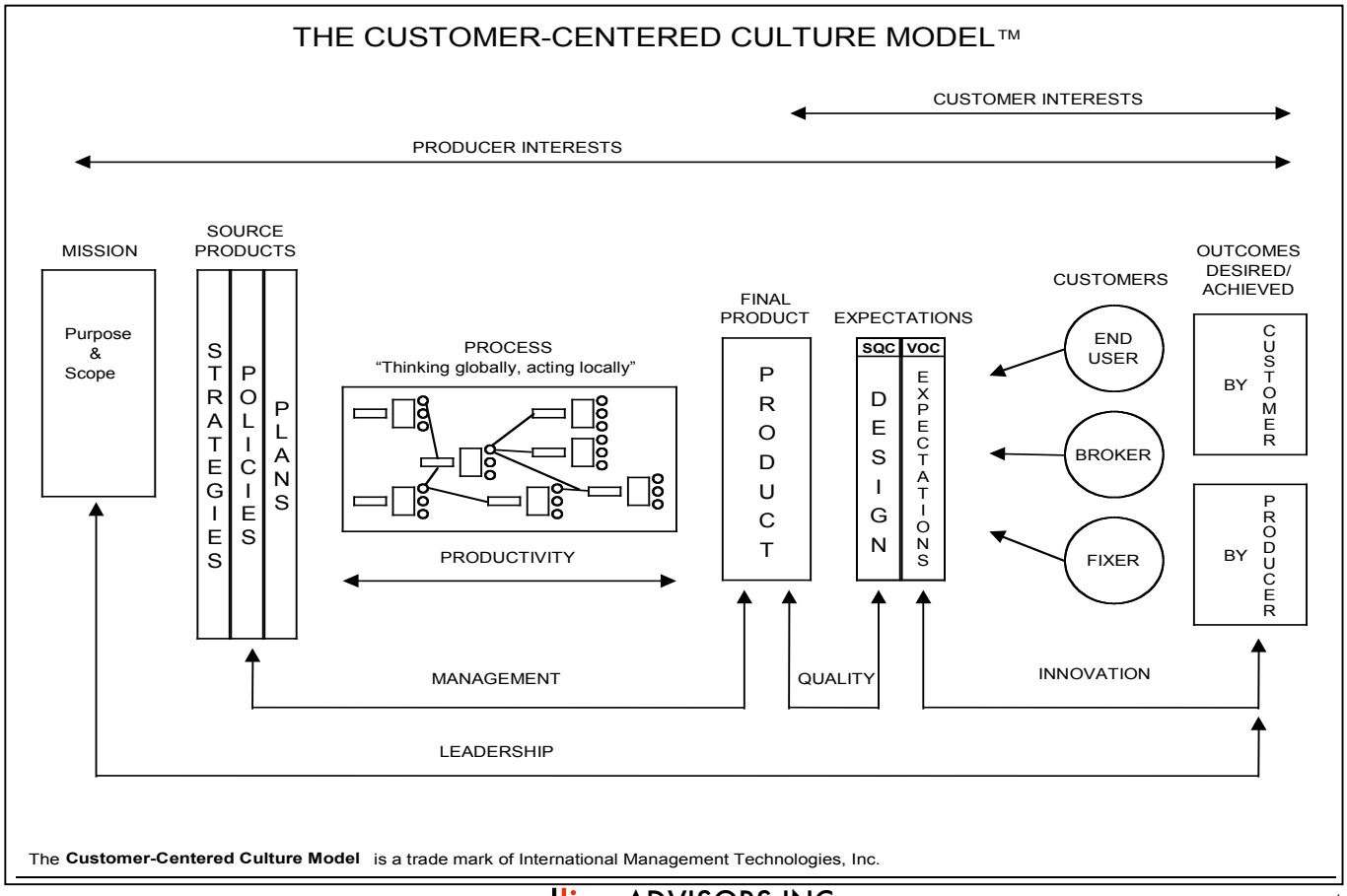
Once we measure, we can act.

Quality measures for products should be tailored to the specific product's most important attributes. Further, these quality measures should be related to the desired outcomes of the customer's use of the product. Our challenge is to specifically design products with the customer's expected outcomes in mind.

Outcome requirements can have both *performance* and *perceptual* attributes. Perceptual attributes are the most often neglected, yet are of higher importance to the customer. The use of graphics to display data, rather than number-filled tables, is an example of how perceptual attributes can make a financial report satisfactory to an end-user customer.

Step 5: Align organizational purpose and goals with customer priorities.
Once you understand what your customers are trying to achieve (outcomes), you can determine how well your organization's mission fits with these needs (see Customer-Centered Model above). A Customer-Centered organization is focused on these outcomes.

If slide rule manufacturers had understood the significance of outcomes in the Seventies, they would have seen that they were in the business of delivering *fast, accurate answers*. With this stra-



The **Customer-Centered Culture Model** is a trade mark of International Management Technologies, Inc.

tegic perspective, they could have leveraged their brands and distribution into the electronic era.

But not one of them did. Instead, a little company called Texas Instruments found a better way to provide the same outcome to customers. How can you avoid the same fate?

Improvement vs. Innovation. Incremental improvements in the performance and perceptual attributes of products are often the result of *convergent* thinking. That is, steady, incremental, measurable modifications are made to the same product. This is often referred to as *continuous improvement*.

True leadership in quality also requires *divergent* thinking (innovation) which is focused on the results desired by customers when they use the product. Naturally, most producer-centered improvements flow from *convergent thinking*. Producer cultures ask: How can we make the same product better?

In contrast, *divergent thinking* is driven by customers' outcome expectations. The Customer-Centered question reads quite differently: How can we deliver the same outcome differently?

The difference between convergent and divergent thinking may be illustrated by our experience with the training department of an equipment manufacturer.

Using convergent thinking, management had already identified one of their training manuals as a knowledge product that needed improvement. They had also determined that the end-users of the manual couldn't read well enough to easily use and understand the manual. They had decided to rewrite the manual at a lower reading level and asked us for assistance.

Using divergent thinking, we asked them what outcomes they were trying to create. They said they wanted manual end-users "to be able to successfully operate the equipment within X hours and cause no damage."

We then asked if they had considered using audio tapes (we had observed that many of the equipment operators used Walkman-like radios) or interactive video plugged into the equipment. They hadn't.

The key to moving from improvement to innovation is to consider the outcomes or results desired by customers in their use of our knowledge products. The steps of identifying our product, differentiating customers, defining expectations and measuring quality all deal with *effectiveness*. All the components on the right side of our model (above) address effectiveness. They answer the question, “Are we doing the right thing?” By addressing these issues first, we know which types of customers expect what from our products and how well we’re doing to provide it. Only then can we tackle the process.

Step 6: Describe and measure the product creation and delivery process. Once we understand our customers’ desired outcomes and have created or redesigned our products to best meet those expectations, *the next step is to redesign the process which creates and delivers the product*. Traditional quality improvement methods would encourage us to reduce process variability. This is important to meet expectations of *certainty*, but represents a producer priority—important to us, but of little direct significance to customers.

Ease of use and *timeliness* are the recommended starting points for improving product quality. *Convergent thinking* will typically cut 15-25% from process time. We recommend a starting goal of 80% reduction in cycle time. The tasks, in the recommended sequence, are shown in Figure 2, “Process Improvement Strategies”.

How can we institute this new approach to what our organization does everyday?

Step 7: Model, measure and reward behaviour and results that support these steps and Customer-Centered values. Any progress you make toward a Customer-Centered culture will be an uphill battle unless members of the organization have incentives to change. Profit-sharing motivates employees to increase the bottom line. Do your employees have incentives to increase customers’ success in achieving their outcomes?

Figure 2: Process Improvement Strategies

1. Map (flowchart) the current process.
2. Bring cycle time down to value-adding time only. A cycle-time reduction of 80% is quite often achievable.
3. Remove inspection and approval bottle-necks. One big contributor to complexity, cost, and time in service and information processes is inspection.
4. Use parallel, rather than sequential, processing. Look at processing in smaller lot sizes.
5. Increase precision and certainty. The adage "do it right the first time" applies.

If a transportation company understands its mission to increase the competitiveness of its customers, they could introduce a bonus for every account that achieves or sustains a number one ranking in their industry.

As another example, what if firefighters were paid for *fire-free days*? What might they do differently if they were motivated to help their customers achieve this desired outcome, rather than motivated to sustain the producer-centered priority of *fighting* fires?

In a Customer-Centered culture, the motivation of the organization is intimately linked with the outcomes its customers seek. Any "close to customer" initiative that does not reinforce this simple idea is a competitive mirage.

IMPLEMENTATION

If you are convinced that the seven-step customer-driven strategy described above has merit, how should you put it to work? Typically, a cross-functional team is the best vehicle for translating customer needs into product and process redesign.

The selection of the **product** determines which problems are addressed. In other words, problems are grouped by product, simply because our products are what customers use, not our processes.

Training is provided to team members on a just-in-time basis. Only the specific training needed by the team members is provided, at the time it's needed.

Select high impact items. The customer-driven change strategy uses projects, focused on specific products, to achieve high impact with minimum time and cost. However, even this approach to change will have limited success unless the conditions are right.

SUCCESS CONDITIONS

The first condition for success is *high readiness*. This refers to the receptiveness of individuals or groups to change. We need to accept the fact that the people in any organization differ in their readiness to change. Use this knowledge to guide the selection of the projects, project sponsors and team members. People who have to be dragged, kicking and screaming, are not ready.

Not only is it critical to have the right people involved during start up, but by limiting access to the program, you will also drive up demand for involvement. Consider both readiness and capability to contribute. And be sure to fully support the ready few who will lead the change.

The second condition for success is high potential. This refers to potential of the project to address a significant business issue. Return on investment should be a key factor in project choice.

High visibility is the third condition for success. That is, when the project is successfully completed, others will notice the impact. High visibility successes are very important to expanding organizational involvement, sustaining the change process and transforming the culture. As the success builds, it will become important to increasingly open up the change process to broader involvement as fast as possible.

LEARNING FROM THE PAST

To sum up, we have seen three major strategies for change in organizations:

Problem-driven change. "Zero defects" programs exemplify this change strategy. While these efforts can be both valuable and effective, they are not sufficient. They are often dependent on convergent thinking. Remember—we can build defect-free buggy whips, slide rules and type-writers, but who will buy them?

Training-driven change. When management identifies an issue, that has strategic importance, such as quality, training is often used as the vehicle for initiating the change process. The up side to this strategy is that we may provide new skills to our people. The downside is that they won't use them because a context for application is missing. Experience strongly recommends global *education*, but just-in-time *training*. To understand the difference, consider your teenager enrolled in sex *education*…and how you'd feel if it were *training*!

Getting It Right: Customer-driven change strategy. Here, we use the seven-step process outlined earlier to identify a specific product for focus. The three types of customers for that product are identified and their needs are defined and prioritized. We then put the resources of the organization to the task of delivering customer-desired outcomes, measuring performance, and rewarding successes.

Creating a Customer-Centered culture means thinking differently. It concerns what we create for whom and the values governing that work. Focus and experience with improving internal knowledge products and processes creates a good foundation for applying the philosophy and methods externally. When we can win the home games, there is greater probability of winning the away games—achieving a competitive advantage over those who fail to understand their customers in a meaningful way.

File: Seven Steps Brochure (redline Update)

About the Authors

Robin Lawton is President of International Management Technologies, Inc. (IMT) in Bradenton, Florida. Robin is the author of Creating a Customer-Centered Culture, published by the ASQC.

Dar Schwanbeck is a Certified Management Consultant and Partner with Redline Advisors Inc. in Edmonton, Alberta, Canada.