Focusing On the Customer

November 12, 2007

FULLER JONES INSTITUTE

- The Challenge

- Customer Focus Elements

- Behavior Focus Elements

- Customer Focus Best Practices

- Customer Focus Case Study

- Summary

- Questions & Answers

- People are demanding more and more of their public officials, agencies and contractors

- Spans All Areas:
  - Quality of Education Systems
  - Adequacy of Health Care Services
  - Law Enforcement & Prison Management
  - Delivery of Reliable and Affordable Water and Energy
  - Ever Tougher Environmental Standards
  - States Levees, Bridges and Roads
  - Etc

- Do it ALL (faster) with LESS, Lower Tax Burden and Spending

Without Ever Losing Sight of the Customer and Their Needs

Those Who Are Successful Self-Select

- **Successful Individuals And Organizations Are Those Who, Despite The Paradox, Remain Committed To The Pursuit Of Excellence In The Public Interest**

- **Those In This Room Who Will Succeed Will Be Those Who Best Serve The Needs & Rising Expectations Of The Customer – The Highway Driving Public**

- **Time Is Of The Essence: Learn, Share And Improve**

Success Is Not An Accident (no pun intended)

Leveraging Learning's From "For Profit" Org's

- The Challenges, In Many Ways, Are Not New

- 'For Profit' Organizations Have Continuously Dealt With The World Of Rising Expectations

- Rule # 1: Serve Your Customer's Needs In A Superior Manner, Or Somebody Else Will

- In The Private Sector, Competition Is Increasing In Many Ways:
  - Globalization
  - Privatization
  - Outsourcing

Successful Organizations Stay Focused, Learn And Get Better

- Superior Products and Service

- Competitive Price / Cost

- Timely Delivery

- Safe (for the individual and the environment)

- Exceptional Performance

- Prompt and Reliable Support

The General Needs of the Customer Are Nothing New; How To Focus an Org?

Malcolm Baldrige National Quality Award Criteria Include:

- How Do You Use Voice Of the Customer (VOC)?

- How Do You Keep Your Customer Focus Methods Current?

- How Do You Build Relationships With Customers?

- What Do You Use To Let Customers Communicate With You?

- How Do You Manage Complaints?

- How Do You Determine Satisfaction and Loyalty, and Take Action?

- How Do You Compare Yourself to Others, i.e. Benchmark?

World-Class Organizations Effectively Action the Above, Others Just Talk About It

FJI Has Codified "Behavior" Focus

- **Align Leadership Horizontally:** Changing Leadership Behaviors To Ensure The Organization Focuses On Shared Outcomes That Serve The Customer's Needs & Expectations

- **Align Employees Vertically:** Changing Employee And Suppliers Behaviors To Best Serve The Customers Needs & Expectations

- **Continuously Improve:** Changing Individual, Work Team & Organizational Behaviors To Ensure Continuously Improving Processes That Best Serve The Customer's Needs/Expectations

The Approach to Transforming Behavior Must Be "Radically Simple"
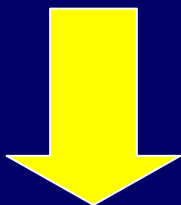
Transforming Organizational Behaviors

Integrated Organizational Performance Architecture

Process Management
• Enterprise Goals
• Defined Processes, Metrics & Owners
• Horizontal Connection (Cross-functional End-to-end Process Alignment)
• Operation Reviews

Process Improvement
• Six Sigma
• Lean
• Theory Of Constraints
• System (IT) Implementation
• Change Management
• Best Practices
• Business Process Reengineering

Behavior-Based Performance Excellence (BBPE)

Line Of Sight
• Vertical Alignment Of Employees
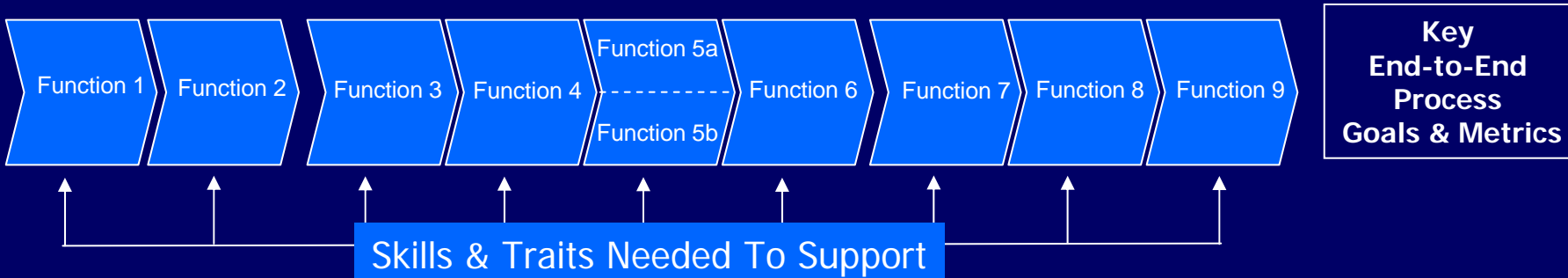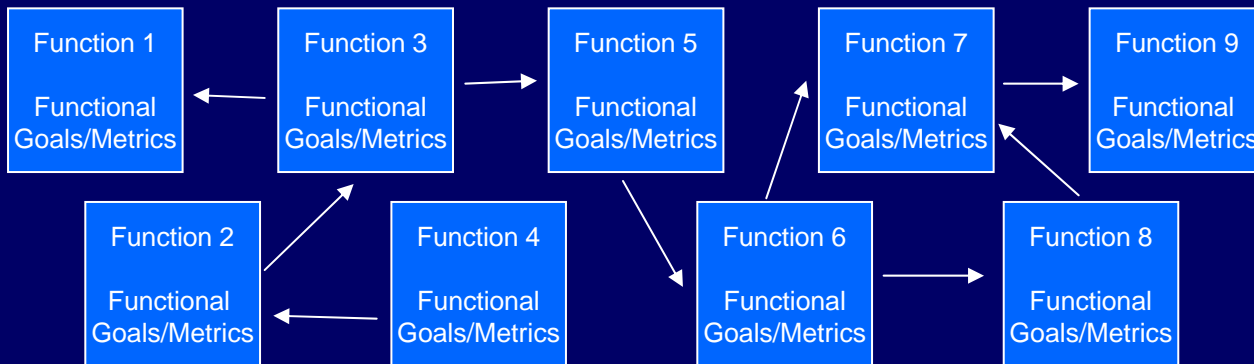• Connecting Value Add From Employees And Suppliers To Customers

Connecting the Leadership Horizontally

"FROM"
Traditional
Functionally – Based
Organization

"TO"
Process- Based
Organization

Function 1 Functional Goals/Metrics	Function 3 Functional Goals/Metrics	Function 5 Functional Goals/Metrics	Function 7 Functional Goals/Metrics	Function 9 Functional Goals/Metrics

Function 2 Functional Goals/Metrics	Function 4 Functional Goals/Metrics	Function 6 Functional Goals/Metrics	Function 8 Functional Goals/Metrics

Function 1 | Function 2 | Function 3 | Function 4 | Function 5a / Function 5b | Function 6 | Function 7 | Function 8 | Function 9

Key End-to-End Process Goals & Metrics

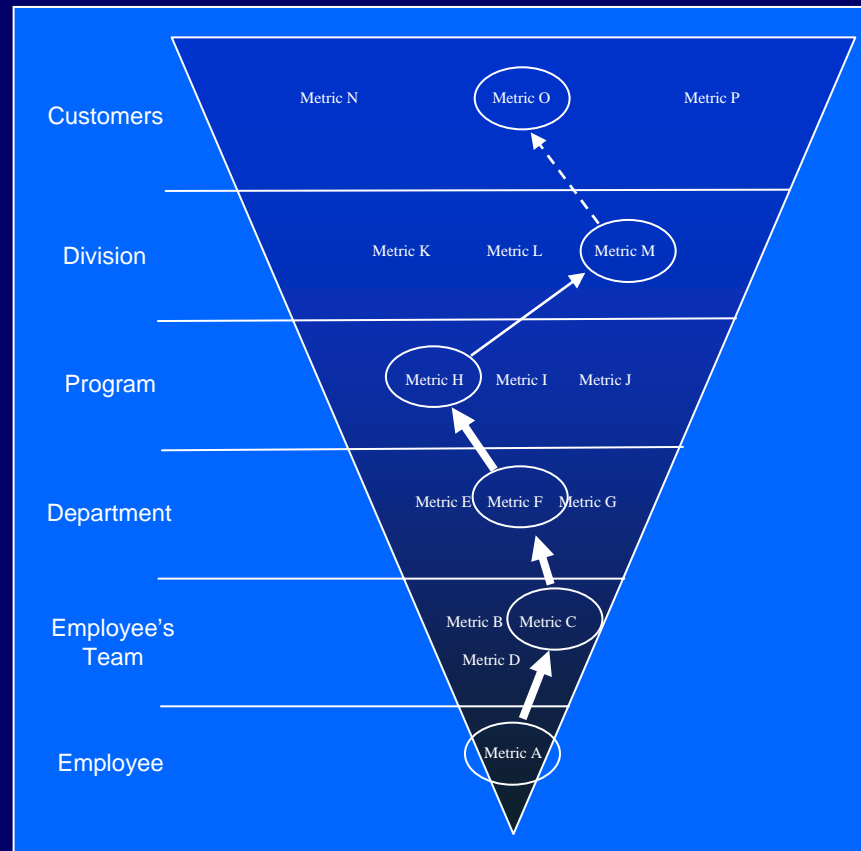**Skills & Traits Needed To Support**

Process Management Connects Functions, Reconciles Organizational Structure and Ties Performance To The Key Metrics for the End-To-End Process

LOS: Aligning The Employees Vertically

Employee Metric Example

Customers — Metric N, Metric O, Metric P

Division — Metric K, Metric L, Metric M

Program — Metric H, Metric I, Metric J

Department — Metric E, Metric F, Metric G

Employee's Team — Metric B, Metric C, Metric D

Employee — Metric A

Line Of Sight (LOS) is the critical capability of each individual to be able to understand and monitor how their actions, goals and metrics supports the strategies of the Organization to meet Customer's and Stakeholder's needs
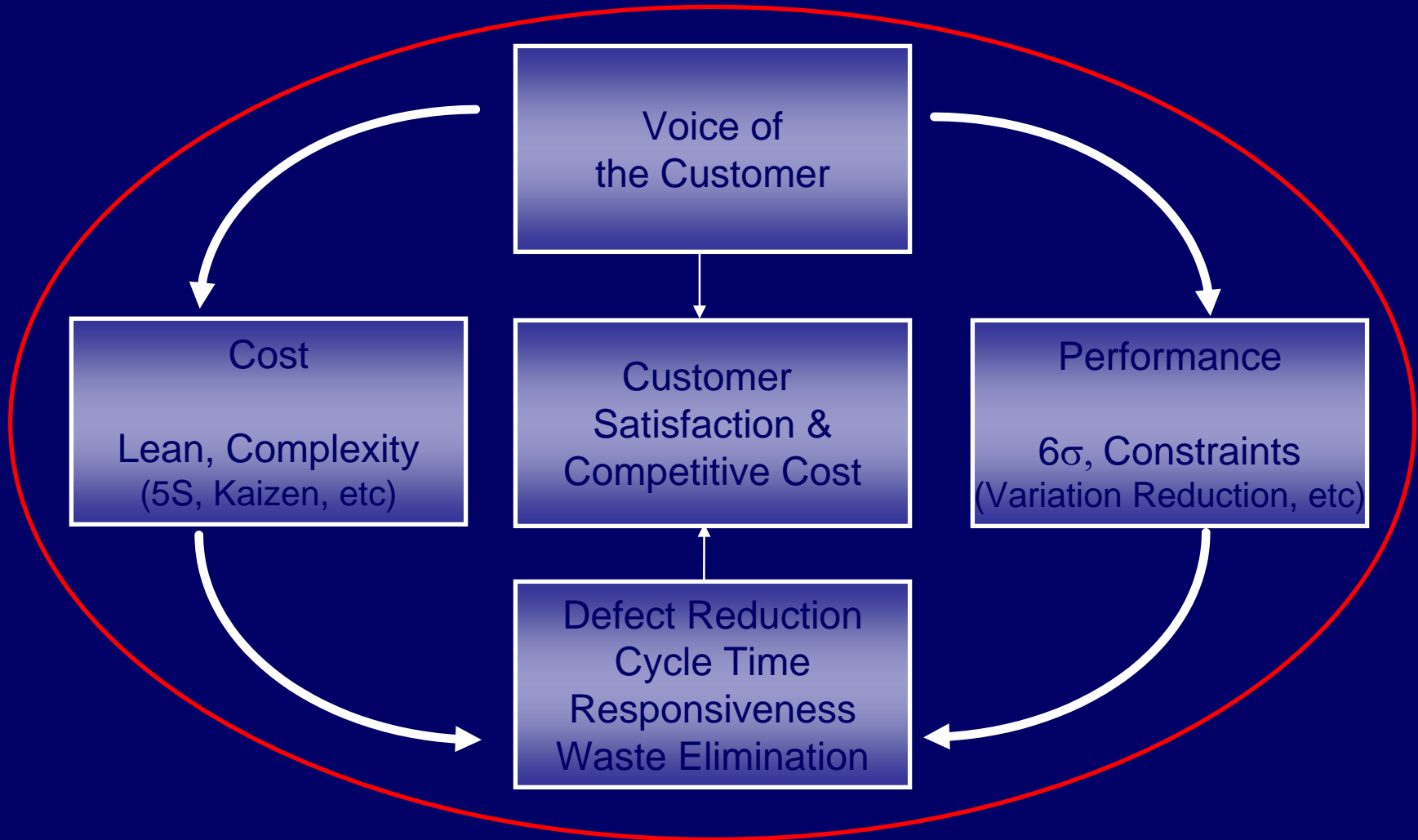
Process Improvement Methodology

Steps	Deliverables	Tools
Select Problem	Measure Problem Solving Behavior...	**Typically Requires Only _Basic_ Tools Such As**
Define and Contain the Problem		■ Run Charts,
Measure the Problem	... Through Key Deliverables ...	■ Pareto Charts,
Root Cause Analysis		■ 5-Why Analysis,
Implement and Assess Solution	... At Every Step	■ Value Stream,
Control and Standardize Solution		■ Risk Analysis, ■ As Needed Statistics ■etc

Focusing on Key Deliverables Needed Most of the Time, Rather Than Tools That are Rarely Needed

VOC Drives Improvement

Voice of the Customer

Cost

Lean, Complexity
(5S, Kaizen, etc)

Customer Satisfaction & Competitive Cost

Performance

6σ, Constraints
(Variation Reduction, etc)

Defect Reduction
Cycle Time
Responsiveness
Waste Elimination

Improvement For Improvement's Sake Is Not Enough

Best Practices For Customer Focus

- **Customer Requirements**

- **Listening And Learning**

- **Building Customer Relationships**

- **Customer Access**

- **Customer Complaints**

- **Customer Satisfaction And Loyalty**

- **Customer Views On Quality**

* * Best Practices * *

Multiple Systematic Methods Used To Gather And Validate Current And Future Customer Expectations / Requirements

- ✓ Surveys
- ✓ Focus Groups
- ✓ Customer Complaints
- ✓ Customer Gain/Losses
- ✓ Use Of Web-based Systems
- ✓ Competitor's Customers

World-Class Organizations Anticipate Evolving Expectations

* * Best Practices * *

Continuously Improve Listening And Learning Strategies :

- ✓ Monitor Key Factors – Societal Needs, Technological Capabilities, Environmental Concerns, Economic Conditions, Demographics And Competitors
- ✓ Regularly Assemble Focus Groups Of Key Customers
- ✓ Train Front-line Employees In Customer Listening Skills
- ✓ Perform Win / Loss Analysis

World-Class Organizations are by Definition Always Listening

* * Best Practices * *

❑ Measurable Customer-contact Service Levels /

Requirements Derived From Customer Expectations (E.G.,

Timeliness, Efficiency, Courtesy)

❑ Requirements For Building Relationships Are Defined

(E.G., Service Knowledge, Employee Responsiveness)

World-Class Organizations Recognize That Understanding Their Customer's Needs And Expectations Are An Essential Ingredient To Their Near And Long-Term Success

* * Best Practices * *

❑ Multiple Methods In Place To Ensure Ease Of Customer Contact:

- ✓ Toll-free Numbers
- ✓ Web Sites
- ✓ Email
- ✓ Electronic Bulletin Boards

❑ Adequate Personnel Are Available To Maintain Effective Customer Contact For All Contact Methods

Information From Customers Is Valued & Acted Upon

* * Best Practices * *

❑ Employees Having Contact With Customers Have Been Trained And Are Empowered To Make Decisions To Resolve Customer Issues Promptly And Effectively

❑ Customer Complaint Data Is Tracked, Analyzed And Used To Initiate Broader Scale Corrective Actions

❑ Customer Service Levels Are Continuously Improved

World-Class Organizations View Being Responsive To Customer Complaints As A Highly Effective Means To Build Long-Term Positive Customer Relationships

* * Best Practices * *

Systematically Determine Satisfaction And Loyalty

Levels For Customer Segments. Information Used To:

- ✓ Exceed Customer Expectations

- ✓ Secure Future Business

- ✓ Gain Positive Referrals

World-Class Organizations Link Customer Satisfaction Levels To Management Compensation And Progression

* * Best Practices * *

Frequently review performance with the customer:

- ❑ Quality of products

- ❑ Quality of services

- ❑ Quality of transactions

World-Class Organizations Value The Perspective Of Their Customer And Use This Input As An Essential Element Of Their Strategic Planning Processes

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Malcolm Baldrige National Quality Award 1997 & 1991 Winner

The Customer Satisfaction Assessment (CSA) Process

Dr. Howard T. Fuller
VP of Worldwide Quality

1985   **Telephone Survey (By President)**

1987   **Customer Satisfaction Index (CSI) scorecard**

1989   **Customer Complaint Resolution Process (CCRP)**

1994   **Customer Expectation (CE) package**

1996   **Customer Focus Team (CFT) to manage the CSA**

CFT – Members of a CFT are assigned to a customer immediately upon engagement

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CE – A customer expectation package is developed detailing operational definitions for the CSI scorecard

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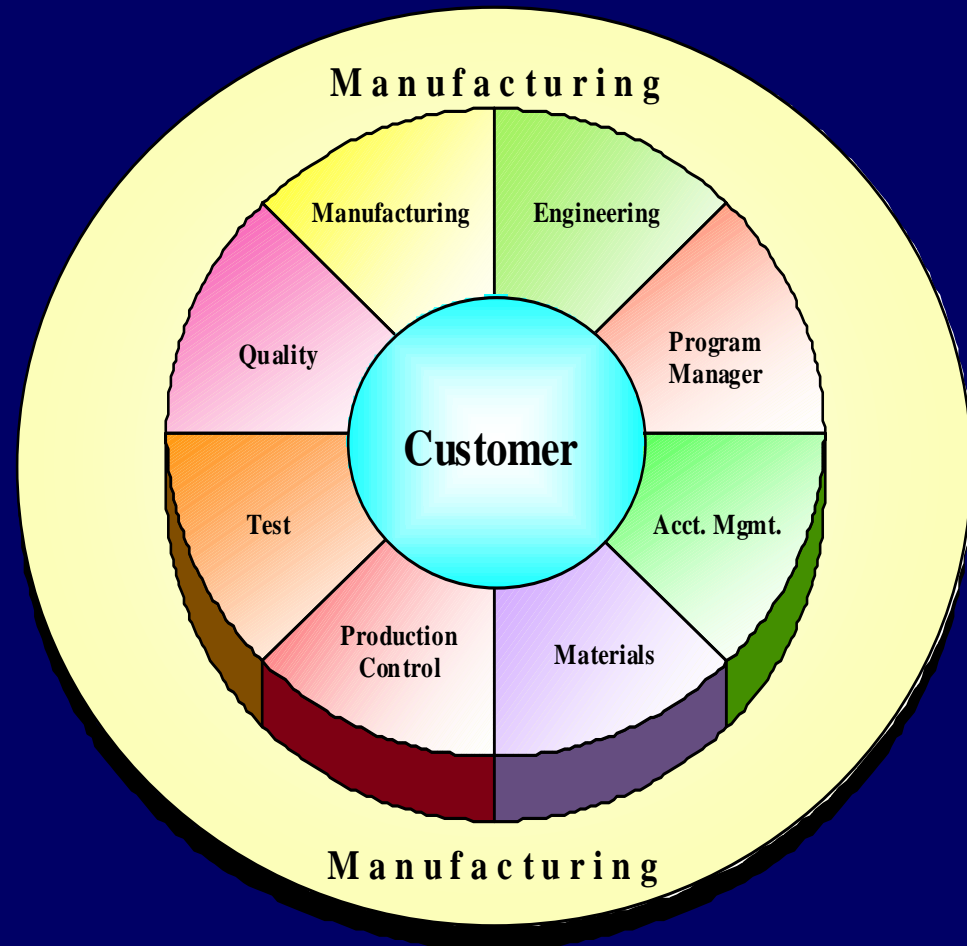CSI – The scorecard is collected weekly and reviewed by site sr. management

↓

CCRP – A grade of "B-" or less, a severe repeat complaint trigger the closed loop corrective action process

- Cross functional team of members from all areas of the organization

- Co-located to enhance communication

- Common set of metrics tracked and displayed include: OTD, % Rev AND CSI score

Manufacturing

Manufacturing · Engineering · Program Manager · Acct. Mgmt. · Materials · Production Control · Test · Quality · **Customer**

Manufacturing

Helps Ensure Horizontal And Vertical Alignment To Customer

Customer Expectations Package

Establish operational definitions around scorecard

Weight applied to "Quality" element

Quality		20%

CSI Score	First Time Fix (FTF)	50%
100%	> 95%	
95%	94.5% - 94.99%	
85%	94% - 94.49%	
80%	93.5% - 93.99%	
75%	93% - 93.49%	
0%	92% - 92.99%	
-100%	< 92%	10%

20%	CSI Score	Out of Box Major failure (OOB)
	100%	< 0,3%
	95%	0.3% - 0,49%
	85%	0.5% - 0,99%
	80%	1% - 1.99%
	75%	2% - 3.49%
	0%	3.5% - 5.99%
4%	-100%	> 6%

CSI Score	End of Line Major Failure (EOL)	10%
100%	< 4%	
95%	4% -4.99%	
85%	5% - 5.99%	
80%	6% - 6.99%	
75%	7% - 7.99%	
0%	8% - 9.99%	
-100%	> 10%	2%

20%	CSI Score	Third Repeat Return
	100%	0
	95%	1
	85%	2
	80%	3
	75%	4
	0%	5
4%	-100%	> 5

Example Of The Quality Element Of The Scorecard
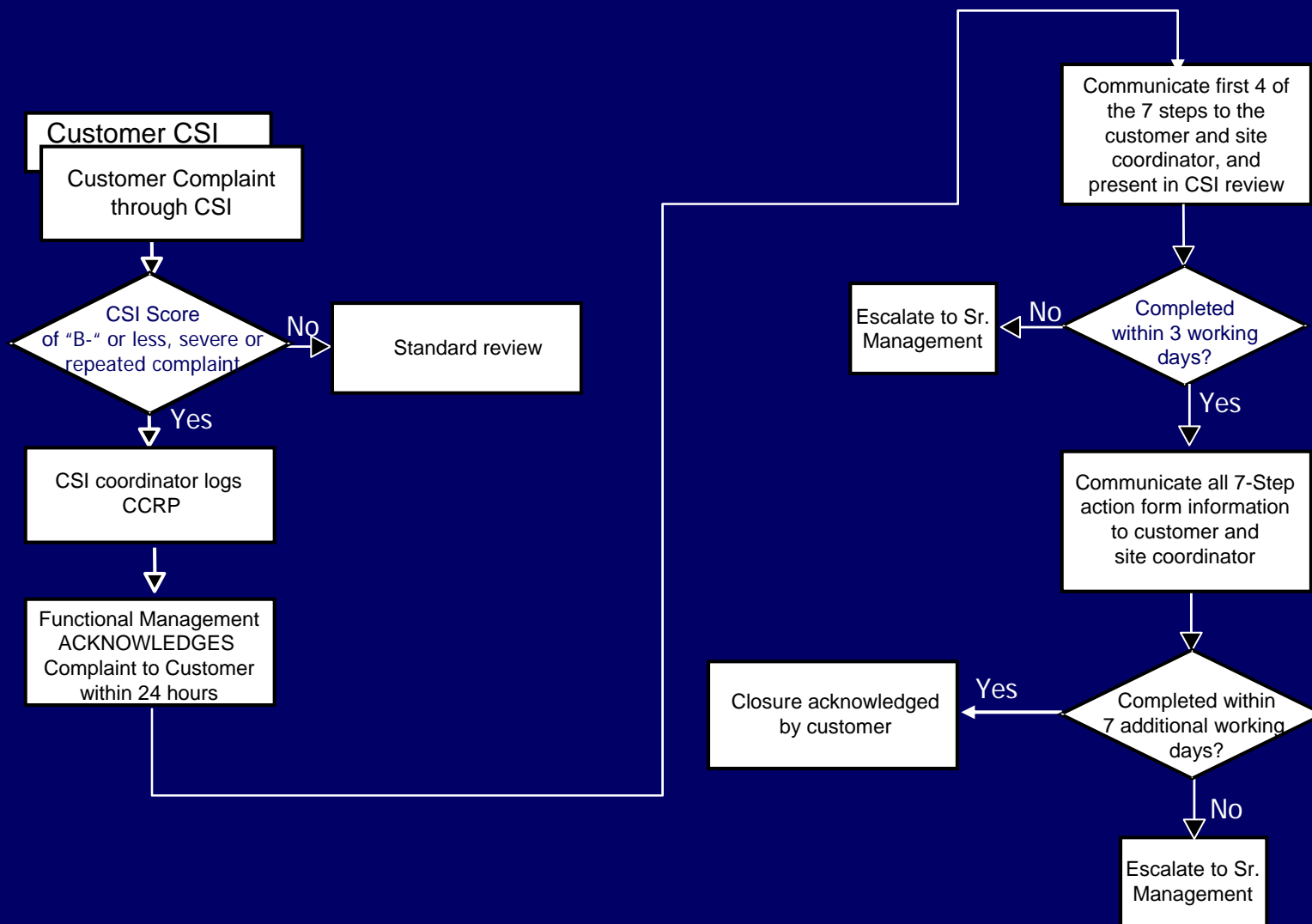
Customer Satisfaction Index Card

- Scored in five areas based on CE.

- Scores are rolled up at the site and reported to Corp on a quarterly basis (CSI-Quality is reported to Corp Quality Monthly).

- Reviewed weekly by senior mgmt.

- Facilitated by quality or AM.

- % response rate, trend analysis against targets, and customer comments are reviewed.

Date: **Acct. Mgr:**
Customer: **Division:**
Person Surveyed:

	A 100	A- 95	B+ 85	B 80	B- 75	C 0	D -100
Quality							
Delivery/Responsiveness							
Communication							
Service/Flexibility							
Technical Support							

Comments:

Bonuses Tied To Scorecard Performance Helped Ensure Horizontal Alignment

Customer Complaint Resolution Process

Customer CSI

Customer Complaint through CSI

↓

CSI Score of "B-" or less, severe or repeated complaint → No → Standard review

↓ Yes

CSI coordinator logs CCRP

↓

Functional Management ACKNOWLEDGES Complaint to Customer within 24 hours

Communicate first 4 of the 7 steps to the customer and site coordinator, and present in CSI review

↓

Escalate to Sr. Management ← No ← Completed within 3 working days?

↓ Yes

Communicate all 7-Step action form information to customer and site coordinator

↓

Closure acknowledged by customer ← Yes ← Completed within 7 additional working days?

↓ No

Escalate to Sr. Management

Utilized Integrated, Radically Simple PI Approach

- How do we ensure we continuously understand the needs & expectations of our customer?

- What are the organizational behaviors we have in place to meet the needs & expectations of our customer?

- How do we compare to others?

Alignment and Improvement are the Keys to Customer Satisfaction

Questions

&

Answers

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