FORTUNE

M A G A Z I N E

Video Seminars

Customer-Driven Quality

Presented by Richard C. Whiteley

The Forum Corporation

Nathan/Tyler
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Pre-Videotape Message

A Letter From Richard C. Whiteley

Dear Senior Manager,

Over and over again, research has indicated that those organizations that seriously embrace and successfully implement customer-driven quality as both an operating strategy and a leadership philosophy experience four important benefits. Customer-driven companies create:

- Revenue growth
- Increased profitability
- Faster turnaround time
- Improved employee morale

Despite these impressive payoffs, however, 70 percent of the organizations that currently wish to implement customer-driven quality are failing in their efforts. Many of these companies are blaming the "quality fad" instead of confronting the real cause of their failure—poor implementation.

Whether you are considering a quality initiative or are in the process of implementing one, you should know the most common reasons for failing to successfully implement customer-driven quality programs. Do any of these sound familiar?

- **Reason: Improvement efforts not connected to customer requirements.**
  Result: Improved efficiency in areas that do not make a difference to customers.

- **Reason: Functions not collaborating.**
  Result: Greater loyalty to functions than to customers, which compromises quality.

- **Reason: Lack of proper training in both the technical and interpersonal aspects of customer-driven quality.**
  Result: Initial employee energy and enthusiasm turns to frustration and skepticism because they lack the skills needed to bring customer-driven quality to life.

- **Reason: Employees are fearful and risk averse.**
  Result: Employees are uninspired, uninvolved, and waiting for somebody else to "do it."

More of these kinds of obstacles will be discussed in the Video Seminar, but I want to mention here one more reason for failure that is clearly the most prominent:

- **Reason: Lack of leadership from the top**
  Result: Without visible action and support from senior managers, employees view leaders' words as rhetoric and do not take the quality initiative seriously.
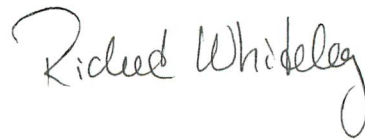
In a recent survey, we asked over 600 executives to reveal their top strategic priorities. Over 86 percent responded that some form of customer-driven quality was important to their organizations. This priority ranked as number one above every other option. At the same time, in another study, the *Wall Street Journal* asked a random selection of consumers, "Do you believe business is trying to understand and meet your needs?" Only 5 percent of respondents said yes. The implication of these studies is clear: to become a customer-driven company, you must do more than talk about it — you must lead.

The *Customer-Driven Quality* Video Seminar is designed to meet your needs no matter where you are in the process of trying to implement a quality initiative. You will learn how to contribute significantly to your organization's success, and you will see why it is imperative that all the leaders in your organization "walk the talk."

It's my hope that you will invest a few hours of your time in viewing the *Customer-Driven Quality* Video Seminar and experiencing the abbreviated version of accompanying activities that appears in this *Senior Manager's Guide*.

Then, I urge you to use this Guide to investigate alternatives for disseminating *Customer-Driven Quality* throughout your organization.

Sincerely,

Richard C. Whiteley
Vice Chairman
The Forum Corporation

Post-Videotape Reading and Activities

Seminar Implementation Options

The best way for an organization to gain the full benefits of this Video Seminar is for senior management to take an active role in its implementation. There are a number of options for senior management participation, and they are listed here along with comments on the results that can be expected with each.

Preferred Approach

Top executives form a learning team and complete the Video Seminar in the same manner as each of the teams of employees that will follow. The Seminar might be facilitated by one of the team members or by someone outside the executive level, but in either case each executive would in turn facilitate one or more Seminars for the next level in the organization.

After the second cycle of Seminars is completed, participants in that round lead subsequent Seminars for the next level, and so on. This "cascading" approach is best coordinated by a senior-level Seminar Facilitator.

Other Options

1. Senior Management Sponsorship. Disseminate and support the educational effort through a Seminar Champion, a senior manager who is responsible for identifying instructors, scheduling seminars, and managing the organizational education process.

2. Sanction. Sanctioning of the Seminar with no involvement on the part of senior management is the least desirable implementation option available. If this is the option that is being considered in your organization, please explore the true level of commitment at this time to becoming a customer-driven company.

Expectations for the Facilitator Role

Richard Whiteley's approach to quality requires that employees at all levels of the organization understand how their work fulfills customer needs. The most important job of the Facilitator is to ensure that this Seminar is more than just a training experience. The planning activities, Personal Agendas, and Report to Management created in the Seminar are real opportunities to move the organization closer to being truly customer-driven by changing the personal behavior and attitudes of participants. When coordinated and led by an effective Facilitator, this Video Seminar can be an important ingredient in changing your organization.

In addition to organizing and managing the implementation of the Seminar as a vehicle for creating organizational change, there are several other important criteria for a successful Facilitator:

- A sound understanding of the concepts introduced in the videotape as well as the structure and content of each learning segment.
- A plan for implementing the Video Seminar with different groups.

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- A knowledge of your organization's current quality improvement efforts, the key measures involved, and progress to date.

- Credibility among senior management as an experienced business person who can help implement change.

- Basic group facilitation skills, including:
    —Questioning skills
    —Listening skills
    —Summarizing skills (paraphrasing, consolidating, and synthesizing).

The Report to Management: An Important Benefit to the Senior Management Team

An integral part of the *Customer-Driven Quality* Video Seminar is the creation of a Report to Management that explores such issues as:

- The extent to which our organization is clear and aligned in its strategic direction and recommendations for how we can improve.

- How well we understand what our external, intermediate, and internal customers expect and what we can do to expand our understanding of their expectations.

- The extent to which the people in our organization are able and motivated to implement the philosophies of customer-driven quality and what we can do to influence employees' readiness to participate.

- The extent to which the processes in this organization help to eliminate waste, while anticipating customer needs and expectations and recommendations for process improvement.

- What is needed from leaders throughout the organization in order to become a customer-driven company.

- How to avoid or eliminate predictable, common obstacles to successful implementation of the quality initiative and the actions that can be taken to ensure success.

At the conclusion of the Video Seminar, the Facilitator will forward a copy of this Report to Management to the senior executive responsible and accountable for the successful implementation of the quality initiative. As this information accumulates from all of the learning teams, it will present clear trends about how well the *Customer-Driven Quality* Video Seminar is being understood and implemented and will become a rich source of creative ideas and feedback from the organization.

The Report to Management can be used:

- To monitor the implementation of *Customer-Driven Quality*.

- As a source of innovative ideas and suggestions from the people in the organization who are close to all types of customers.

- To obtain feedback on how the senior management team is perceived throughout the organization in terms of its commitment to the concepts of customer-driven quality.

- To demonstrate management's interest in and commitment to accessing the ideas and suggestions generated throughout the organization.

Senior Manager Activities

The following activities are abbreviated versions of those provided to participants in the *Customer-Driven Quality* Video Seminar. You are encouraged to pursue these activities to discover how your organization is perceived by its customers and by its employees. The purpose is to stimulate your thinking and create a sense of urgency about the need to become customer-driven. (Segments 1 and 8, Introduction and Conclusion, have been eliminated in this abridged version of activities for senior managers.)

Activity for Segment 2:
Establishing Direction and Alignment

Purpose

- To assess how well company direction, vision, and values are interpreted in the organization.

- To provide an opportunity for you to draw some conclusions about your findings.

Instructions

1. **Take a moment to reflect on the following questions:**

   - Where are you and the executive team trying to take this organization?

   - What factors in the marketplace will be a challenge to your moving in the direction you have identified?

   - Think of a company you consider a paragon of quality, one that consistently exceeds its customers' expectations with the high quality of both its products and service. Consider that company a "10" on a 1 to 10 scale.

   - Using that same scale, how do you think your customers would rate your organization?

   - Given the challenges in the marketplace, what are the implications of a rating less than 10 for achieving the direction you have identified?

2. **Randomly select from five to ten employees and ask each of them some of the following questions:**

   - Do you know if this organization has a clear direction, vision, or set of values it has promoted to employees?

   - If so, what is that direction, vision, or set of values?

   - How does that direction, vision, or values affect how you do your work?

   - Do you think employees are inspired by that vision?

   - How do you think customers are affected by that vision? What would a customer think or feel if they knew the organization's vision?

3. **After collecting the interview data, ask yourself:**

   - Do you have a direction or vision statement or a stated set of values that works for the organization?

   - Does that statement help to clarify the direction and priorities of the organization?

   - Would it help people make decisions about the right thing to do in an ambiguous situation?

   - What are the implications of your findings for achieving the direction you identified earlier?

   - If you are not happy with your vision statement, how would you improve it?

The purpose of a direction and vision statement is to "aim the organization" in the direction necessary to succeed competitively in the long run. A good direction, vision statement, and set of values inspire employees and serve as guides in decision making. The direction, vision statement, and values are not merely crafted words in customer-driven companies; they are images of excellence each employee can aspire to and work with.

Bottom Line

Are you happy with the effectiveness of your organization's statement of direction, vision, and values?

Activity for Segment 3:
Listening to the Voice of the Customer

Purpose

- To assess how actual customers currently view the organization.

- To identify areas your organization needs to work on and where it can be proud of its performance.

Instructions

1. **Randomly select and interview (either face-to-face or by phone) up to five customers of your company. You may select final customers, intermediate customers, or internal customers, but you should try to get a mixed sample.**

2. **Ask the following questions:**

   —What matters most to you in doing business with this company?

   —To what extent are we meeting or exceeding your expectations?

   —Are our products the level of quality you expect from an organization like ours?

   —Is the service and support the level you expect from an organization like ours?

   —What are we doing well?

   —Do you have any suggestions about how we can improve?

   —Has anyone from our organization ever asked you for your opinion about the level of product and service quality before?

   —Is there anything you'd like to add?

3. **Based on what you have just learned, use the 1 to 10 scale to estimate the ratings given for service and product quality, then plot them on the grid below. What are the implications of where your organization falls on the grid? Where on the grid would you plot your competition?**

Product Quality (vertical axis, scale 1 to 10)

Service Quality (horizontal axis, scale 1 to 10)
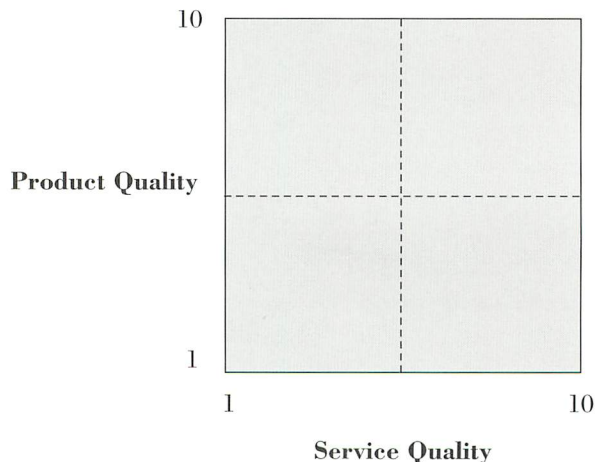
4. **Based on your interview experience, what have you learned about your company's relationship with its customers?**

   • What did you learn that you would like others in your organization to know?

   • Are you satisfied with your company's position on the Product/Service Quality grid?

   • What do customers say your company does well?

   • According to customers, in what specific areas does your organization need to improve?

The voice of the customer provides standards of quality to live up to. Everyone in an organization has customers, and the responsibility of a customer-driven organization is to identify the needs and expectations of all customers, to regularly assess how customers see the organization, and constantly to seek ways to meet and exceed their expectations.

Bottom Line   Your customers have a message about doing business with your company. Do you know what that message is?

Activity for Segment 4: Improving Processes to Exceed Customer Expectations

Purpose

- To create awareness of processes and of how processes can reflect the voice of the customers.
- To assess the extent to which the organization is process oriented.

Instructions

1. **Choose one of your organization's processes with which you are familiar and examine it closely. If necessary, for this exercise, experience the process and observe how it works.**

   After you have "experienced" the process, ask yourself these questions:

   - As a "customer" of this process, what are your expectations for performance and quality?
   - What indicators tell you, as a customer, that the process is meeting your expectations?
   - When this process breaks down, what is typically the cause?
   - What would you suggest to the "owners" of the process to improve it? What do you expect them to tell you in return?

2. **Taking a broader perspective, assess how process oriented your organization is by asking the following questions:**

   - To what extent does this company focus on defining and improving processes to meet customer expectations?
   - Is this true throughout the organization or only in certain work units?
   - Have you identified processes that are critical to the success of the company?
   - Have processes been mapped?
   - Are processes being improved systematically through formal and rigorous problem solving? How are you kept informed about process improvements?

3. **If your organization is process oriented or becoming process oriented, how can you reinforce continuous process improvement? If the organization is not process oriented, what are the implications for your customers and for achieving your strategic direction?**

   It is clear that examining processes—how things are done—and continuously improving them represents a tremendous opportunity to meet customer expectations. Often, old waste-filled processes that feel comfortable to employees are very irritating to customers. Fixing them means changing operations, and change is never comfortable for employees.

Bottom Line

Is your organization ready to reexamine and possibly redesign how things are done?

Activity for Segment 5:
Involving and Empowering People

Purpose

To determine the extent to which employees feel empowered to make decisions, take risks, and be in charge of meeting customer expectations.

Instructions

1. **Interview at least three employees at different levels of the organization who are willing to share their views concerning empowerment.**

2. **Begin each interview by explaining that your purpose is to understand how this employee views the organization as a producer of quality products and services, what gets in the way of improving quality, and what the company might do to improve quality.**
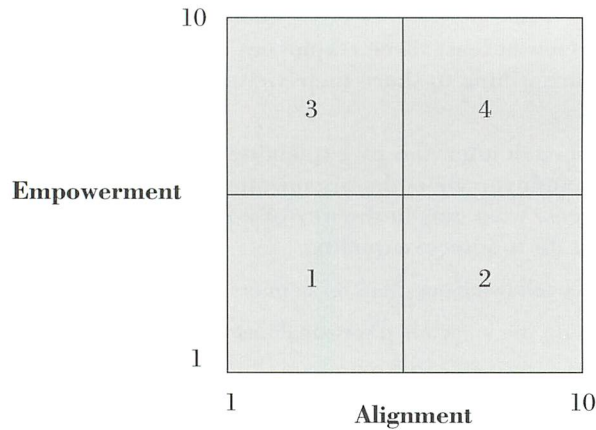
   Use the following questions as an interview guide:

   • How do you know when you are doing your job well?

   • On a scale of 1 to 10 (10 is high), how would you rate the quality produced by your business unit?

   • What led you to answer that question as you did?

   • What would you need to help improve the quality of your work?

   • What happens to employees who make mistakes?

   • How do employees really get ahead?

   • To what extent are employees willing to take risks?

   • What happens to new ideas you have?

   • How much time do you spend improving versus doing your job?

   • How well have you been trained or prepared to do your job?

   • How well does your job fit into the overall direction of the organization?

   • What rewards or recognition do you get for satisfying customer needs, doing quality work, or improving processes?

3. **Now go back and review your conclusions from the Direction, Visions, and Values activity for Segment 2. Based on the information you received from your interviews, estimate the degree to which employees in the organization are aligned with its direction, vision statement, and values. Use the following scale to make the estimate:**

   10 Everyone is clearly aware of what is important and how his or her job satisfies customer requirements.

   5 Some people understand the vision and values of the organization and how they guide decision making. Others either misinterpret the vision and values or don't know them.

   1 Most people don't understand how the vision and values relate to their work or they misunderstand the organization's direction.

4. **Use the following Alignment-Empowerment Grid to plot a score for alignment.**

```
10 ┌──────────┬──────────┐
   │          │          │
   │    3     │    4     │
   │          │          │
Empowerment ──────────┼──────────┤
   │          │          │
   │    1     │    2     │
 1 └──────────┴──────────┘
   1        Alignment      10
```

5. **Next, given the results of your interviews about the degree of empowerment felt in the organization, plot an empowerment score on the Alignment-Empowerment Grid. Use the following scale:**

10 People have a sense of ownership, are willing to take risks, and participate in making decisions.

5 Some people take risks and develop innovative ideas on their own initiative. Others either are afraid to "stick their necks out" or don't know they have the authority to make decisions.

1 Most people keep a low profile and delay making decisions, avoid controversy, and/or ensure that all decisions are thoroughly researched.

The location of your plot point on the Alignment-Empowerment Grid can be viewed in the following way.

Quadrant 1: Low alignment and low empowerment—Abdication.

Quadrant 2: High alignment and low empowerment—Autocracy.

Quadrant 3: Low alignment and high empowerment—Chaos.

Quadrant 4: High alignment and high empowerment—Leadership.

2. Identify areas in which the management team is relatively strong and those needing attention.

3. What can you and your management team do differently to send the message that a customer-driven quality initiative is the most important priority for the organization? What should you do less of? What should you do more of? How will you know that you are improving?

An important key to the success of any quality improvement initiative is the support, and more important, the leadership of senior management. Without total support where leaders do in their own work as they ask others to do, changing to a customer-driven orientation will always be perceived by the rank and file as "just another program." All managers must behave in a way that is consistent with the customer-driven vision/values. Their supporting behavior must be clear and obvious so that others can see it and use it as an example.

Bottom Line   When it comes to customer-driven quality, are your behavior and words seen by others as being consistent?

Activity for Segment 7: Clearing The Hurdles

Purpose

To develop strategies for avoiding common hurdles to implementation of successful quality initiatives.

Instructions

1. **Add to this list of the five common hurdles to implementing customer-driven quality any others you feel are having or will have an impact on your organization.**

   Five Common Hurdles

   • Inadequate leadership from the top

   • Functional warfare

   • Quality treated as a "program"

   • Untrained people

   • Fear

2. **Rate the extent to which each hurdle is currently having or will have an impact on the implementation of customer-driven quality.**

	Low Impact				*High Impact*	
Inadequate leadership from the top	0	2	4	6	8	10
Functional warfare	0	2	4	6	8	10
Quality treated as a "program"	0	2	4	6	8	10
Untrained people	0	2	4	6	8	10
Fear	0	2	4	6	8	10

	Low Impact				*High Impact*	
Other hurdle:	0	2	4	6	8	10
Other hurdle:	0	2	4	6	8	10

3. **After rating each hurdle, ask yourself the following questions:**
   - Why did you rate the hurdle the way you did?
   - What contributes to a high score/low score?
   - Is there a message in the way scores are distributed from one hurdle to another?
   - Are different parts of the organization implementing quality in different ways? What is the impact on the customer?
   - What do you think your organization's greatest strength is in overcoming these hurdles?

4. **For each hurdle with a high impact or potentially high impact, can you identify an action you can take to remove, avoid, or reduce its effect?**

These hurdles are not someone else's to overcome. Everyone in the organization has a role in anticipating and dealing with these common hurdles. Those in a leadership position have the most impact on removing and avoiding these hurdles and the greatest responsibility to customers and employees for acting decisively.

Bottom Line

Will hurdles like these put your quality initiative into a holding pattern? Are there indications that they might?

Suggested Reading

William E. Deming, *Out of the Crisis* (Cambridge, MA: MIT Center for Advanced Engineering Studies, 1986)

David A. Garvin, *Managing Quality* (New York: Free Press, 1988)

H. James Harrington, *The Improvement Process: How America's Leading Companies Improve Quality* (New York: McGraw Hill, 1987)

Masaaki Imai, *Kaizen: The Key to Japan's Competitive Success* (New York: Random House Business Division, 1986)

Kaoru Ishikawa, *Guide To Quality Control* (White Plains, NY: Quality Resources, 1986)

J.M. Juran, *Juran on Leadership for Quality: An Executive Handbook* (New York: Free Press, 1989)

Peter C. Reid, *Well Made in America: Lesson from Harley Davidson on Being the Best* (New York: McGraw Hill, 1990)

Carl Sewell and Paul B. Brown, *Customers for Life* (New York: Doubleday, 1990)

In Closing

It is my hope that this *Customer-Driven Quality* Video Seminar has had an important impact on you and your senior management team. However, rather than assuming success, I ask that you, as my customer, let me know what you think. If there are portions of the Seminar you found especially helpful, I would appreciate hearing about them; but, more important, if there are segments you feel need improvement, I depend on you to let me know. You may correspond with me through Nathan/Tyler, the producer and distributor of *Customer-Driven Quality*.

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