

SECORA

Preventative Business Care (PBC) Part 1 of 3

The ABC's of keeping business alive, improving, and advancing forward.

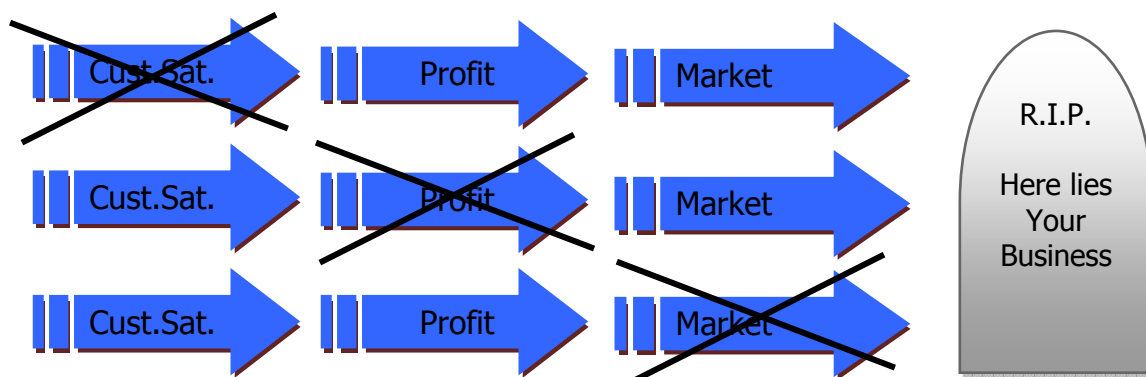


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To stay competitive in a fast moving market, many companies are working hard to increase customer satisfaction, gain market share, and at the same time remain profitable. Many industries are only focusing their efforts in one area (mostly the profit side), hoping that the other two areas will automatically follow. This is simply not the case. However, if one area declines the others will certainly follow. Another mistake is to tie all three focus areas into a single overall strategy. By doing so, companies ignore the fact that each focus area has its own dynamics, requirements, and priorities. Using this approach will only waste valuable resource, time, and efforts.

To survive in today's market we have to focus on all three things separately. One cannot function without the other.



KISS 1 (Keeping it simple statement)

If we have great customer satisfaction, but it costs us too much, and you do not gain market share, you will eventually die.

If you only focus on profit, without considering customer satisfaction or new services or products for the future, you will eventually die.

If you invest all your time in new service and product developments, but forget customer satisfaction and profit, you will eventually die.

PREVENTIVE BUSINESS HEALTH, the ABC's

Preventive Business Health can be explained in simple terms, all we have to do is compare a company to human health.

What are the three *basic* things a human needs to have to survive?

Air
Blood
Circulation.

What are the three *basic* things a business needs to have to survive?

Customer Satisfaction
Profit
Market Share

Customer satisfaction is the air we breathe, profit the blood that keeps us alive, and market share our circulation.

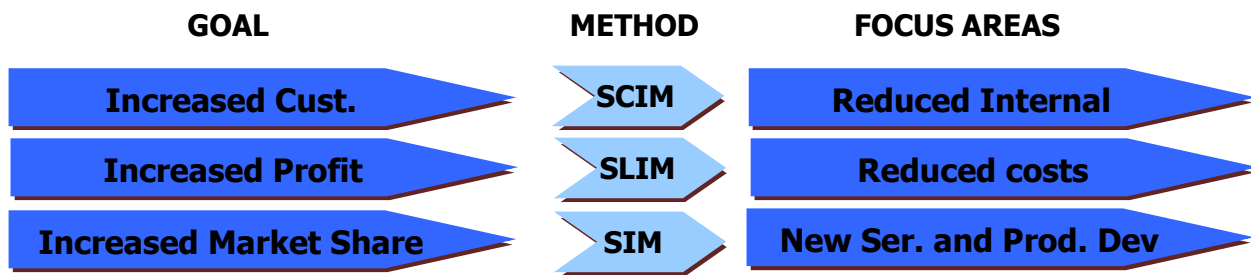
All EMT's (Emergency Medical Technicians) know the ABC's of maintaining life, thus surviving:

A = Airway. Restore and maintain the breathing. Without air we cannot survive long. Just as without customers the business cannot survive. Restore and maintain customer satisfaction.

B = Bleeding. Stop the bleeding. We can bleed for a while depending on injury. Just as a business can survive for a while with low profits and high costs. Stop the high cost.

C = Circulation. Restore and stabilize the circulation. Unstable, bad, or no circulation hastens death. Just as companies with unstable, bad, or no market share will die. Restore and stabilize market share.

You obviously never want to get to the point where you have to call the EMT's, but will do so if survival is at stake. Just as the EMT's sometimes have to take drastic measures to save a life, businesses too must make drastic decisions to keep operating, such as head count reduction, price increase, restructuring, applying pressure to suppliers. These solutions are all only temporary and should be compared to a tourniquet, and only used as absolute last measure. The proper approach is to do preventative healthcare, or in a business sense, preventative business care (PBC).



In this first part of three articles, we will focus on the "A" (restore and maintain the breathing) by reducing internal problems which have a direct link to customer satisfaction.

Prior to restoring and maintaining the breathing we have to answer a few basic questions.

"Why is customer satisfaction so important?"

Before answering this question, really think about it. We all talk about customer satisfaction, but what is really so important about it? Is it about making the customer happy? Is it about giving your customer great service? Is it about giving your customer what they need at the right price, right time, and right quality?

All these answers are correct in their own way, but in the end the reason why we *want* customer satisfaction is not because we can sleep easier knowing we have a happy customer, but because we want a "repeat" customer. Businesses want and need repeat customers, just as the human body needs the air to breathe over and over again. A customer who only buys once with you is nice, but the real money comes in with repeat customers. While focus also needs to be on gaining new customers, more resources need to be put on gaining and retaining repeat customers.

KISS 2:

True customer satisfaction is expressed in repeat customers. Finding new customers is a vital part of growth, but it makes more sense to have 1 customer come back 5 times, then to try and find 5 new customers each time.

Since customer satisfaction is so important for business health, and we have translated "customer satisfaction" into having the customer come back for repeat business, the next question should be, "What does the customer actually feel to make them come back (or not)?"

How do businesses measure customer satisfaction? They take surveys, do questionnaires, may even have a few internal key measurements such as quality level, on time delivery, orders in full, or complaint resolution time.

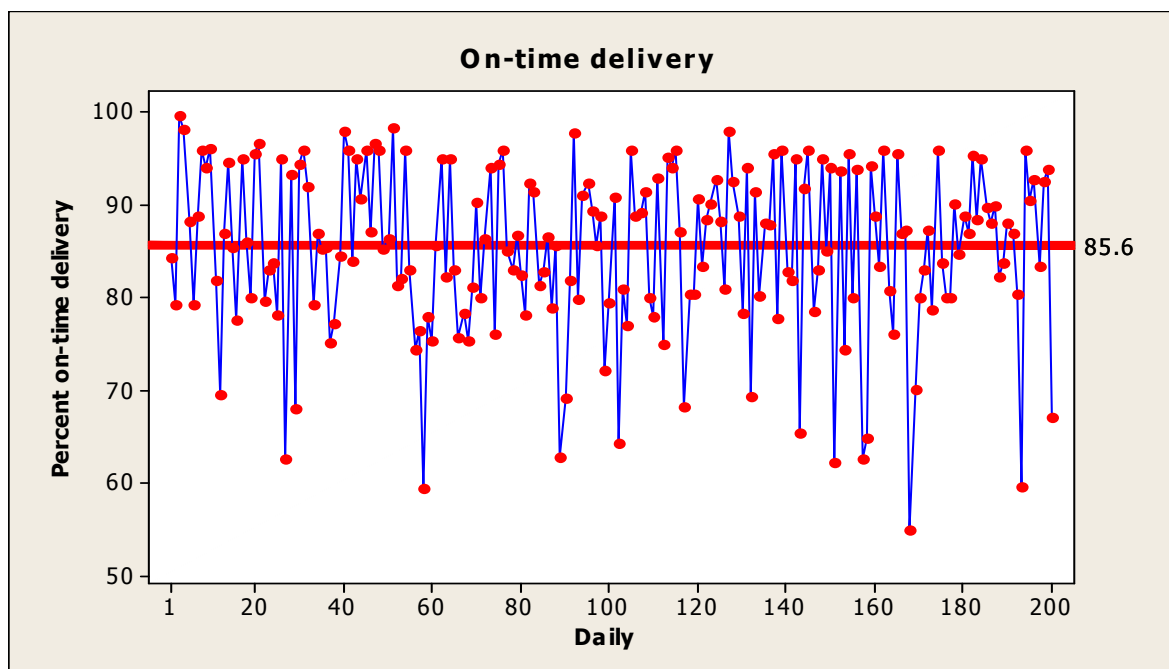
Do the non-repeat customers feel:

- An average 90% quality level?
- An average 85.6% on time delivery?
- An average 30 minute complaint resolution time?

No, no, and no again.

What both repeat and non-repeat customers do feel is the deviation/variation from the averages. They feel all the times when the delivery is late, too early, or not delivered at the specific promised time, or all the times it took longer than 30 minutes to resolve a complaint.

The below graph is a depiction of a daily on-time delivery percentages. Each data point (red dot) reflects that day's on-time delivery rate. The red line is the average deliver time percentage over 200 days. For our purposes here, it does not really matter what the measurements are – they could be delivery times, weights, lengths, customer satisfaction scores, etc. What is important is that we look at is all variation/deviation from dot to dot.



The customers do NOT feel the **red line**, but rather all the **red dots**. Having a on-time delivery one day of 99% and then the next of 69%, is pure misery for the customer, which then directly translates into poor customer satisfaction, and loss of repeat business. This can also be transposed to the various service industries that do not in the classical sense “produce” or ship anything. The different wait times at a bank, the calls an insurance company makes to gather the “missing information”, or how many times the cable guy has to come by your house because they do not have the right parts. These are all things customers feel, that will either get them to come back or

start looking for another ways to get what they need for the right price, at the right time, and the right quality.

KISS 3:

Customers do not feel averages, they feel the deviation/variation in service, quality, delivery, and of course price. Making strategic decisions based on averages is the same as if the EMT would say the patient's breathing is ok, because based over the last week the patient took 20 breaths a minute. In the end, variation KILLS customer satisfaction and our objective to retain repeat customers.

Following our train of thought, that a high customer satisfaction rate can be directly translated into repeat customers, and the way we gain and maintain our repeat customer base is not by looking at averages, but rather at the individual dots (measurements) that make up the averages, we need to ask ourselves where does this variation/deviation come from?

The variation that customers feel is directly related to our internal approaches and how we try to satisfy the customer. If one day a customer has to wait 12 minutes in a bank line, and then 20 the next, something is not the same. We may have 20 reasons why this occurred, but in the end game it does not matter to the customer. They simply want to be serviced. They do not care that yesterday there were only 3 people in line and today 13. They do not care that yesterday the computer system was functioning correctly, but today "it's a bit slow". No not at all. They simply feel that there is a difference, and hopefully the difference is not so big that the customer decides not return.

To reduce this variation, our thinking needs to change. Simply looking at the "how can we fix it" will not do. It is not only a matter of finding a solution, but rather finding out the "why". Once we find out the why, then we can start thinking about the how.

Our basic premises' has to be that in everything we do, in life or business, we need certain "things", "items", or "resources". Furthermore, we have to describe how we "do" it. Finally, after take all the "things" and "doing" something to it, we either have a happy or dissatisfied customer. In practical terms, let's look at making a cup of instant black coffee.

What "things" do I need?

Water, instant coffee, pan to heat water, cup to hold coffee, heat to heat water, a stove to heat, and a spoon.

How "do" we do it?

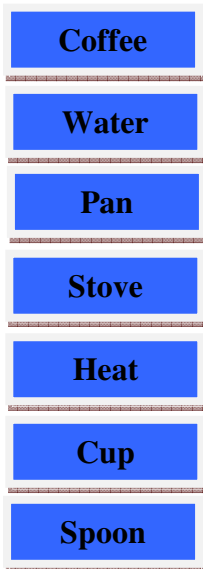
Put water in pan, turn on stove, heat water, put instant coffee in cup, pour hot water into cup, and stir with spoon.

End result.

Good cup of black instant coffee (or bad).

Looking at this graphically:

**"THINGS"
"ITEMS"
"RESOURCES"**



**"HOW"
"APPROACH"**



"RESULT"



MUST HAVE THIS

MUST DO THIS

WILL GET THIS

This is an easy example, but we could do this with everything we do in business, from selling a car, to booking a room in a hotel, to completing a tax return, and even taking care of patients. Of course if everything is going well, there would be no need to look at how we do things, what we need to do these things, and finally how this effects the customer. If we always made great coffee, there would be zero variation, if the customer never had to wait more than 3 minutes in line, we would have less variation, and if we always delivered at the right time, we would meet customer expectations, thus then increasing the probability of repeat customers.

KISS 4:

In life as in business, we need various things to get the job done. Furthermore, after we have assembled all the necessary items to get the job done, there is a certain approach and order we have to follow to finish the job, or meet the customer expectations. If we deviate in either items or approach, then the quality of the job will decrease, and hence customer satisfaction. The key is stabilizing what we need to get the job done and how we do it.

If we cannot always meet the customer expectations, we need to look at ways to reduce the times we fail (variation, sometimes it works, sometimes it does not). A way to make sure we have stable resources, a clear approach to get the job done, and increase customer satisfaction is Secora Continuous Improvement Method (SCIM).

SCIM is a data driven philosophy of process improvement. It will increase quality and customer satisfaction by reducing variation in a product or service. It creates direct benefits by reducing variation within the way we do business. SCIM can be applied across a wide variety of products, services, and industries.

SCIM methodology utilizes a six phase proprietary technique developed and refined over hundreds of projects:

Statement of Goals: What is the use of all the right answers to all the wrong questions? A clear statement of goals or definition of the problem determines where resources should be applied. An unclear start leads to wasted time, frustration, and missing the objective.

Evaluate Causes: In this phase, we search for factors that hinder us in reaching our goals or which are causing our business pain. Using various process analytical tools, such as VSM, CEARP, FMEA, and C&E matrix we determine the best course of action with a 95% confidence.

Correction / Correlation: Here we take immediate steps to resolve the issues which are causing the undesired effect , or construct a mathematical model of the processes to determine relationships between factors and process outputs.

Optimize: To reach the optimum solution, Secora uses techniques such as Design of Experiments, Process Simulation, TRIZ, the 40 principals, 6 hat method, and DFMEA's to ascertain optimal settings of critical business and process factors.

Results: We compare the statement of goals with achieved results. This is done to assure the solution is not just coincidental or by chance, but rather with a statistical certainty. Then we evaluate potential risks associated with the improved process and ensure it does not revert to the old.

Audit: Finally, Secora develops a continuous monitoring system. Employees are trained to identify, monitor, and control critical process inputs and outputs using SPC and the PDCA cycle. This allows for quick and decisive adjustments to the process. Thus Secora creates a self evolving system which can realize continuous long term performance improvements. The goal is never to have to fix the same problem again.

This method and approach has been tested and proven over 100's of projects, within various industries ranging from Banking, Mining, Defense and Space, Automotive, Steel, Health Care, Airlines, and Transportation.

Next month's article Part 2, will focus on "Stopping the High cost" using Secora Lean Implementation Method (SLIM).

About the Author: *Sean C. Rast* is with Secora Consulting www.secora.de which has offices in Frankfurt Germany, Tampa USA, and Sydney Australia. He has worked directly and indirectly with companies such as Textron, HP, Magna, VW, BMW, BHP Mining, Bao Steel China, Bosch, Fed-Ex, and the US Army. Mr. Rast is a certified process engineer with both process design and improvement expertise. He has extensive international experience and can communicate in English, German, Swiss-German and Swedish. He can be reached at sean.rast@secora.com.au.