SATISFYING REQUIREMENTS

Businesses need a value-based customer strategy.

By H. James Harrington

I've worked for many organizations on every continent except Antarctica, and my objective always has been to improve performance. In most cases, I helped companies become more customer-focused because, really, that's what quality is all about—achieving higher levels of external customer satisfaction.

The major focus of Six Sigma, total quality control/management and zero defects is to provide customers with products and services that satisfy their requirements and, better yet, exceed their expectations. We all believe that in order to gain customer loyalty, market share and increased profits, organizations must be customer-driven while continuously improving the quality of their products and services. But what if we're wrong? Organizations that focus on quality often lose market share; Ford Motor Co. and Motorola are good examples. Some organizations that implemented TQM and Six Sigma stopped using these methodologies because they didn't produce the desired results.

While attempting to understand this phenomenon, I ran across Michael Treacy and Fred Wiersema's book *The Discipline of Market Leadership: Choose Your Customers, Narrow Your Focus, Dominate Your Market* (Addison-Wesley Longman, 1994). Treacy and Wiersema developed three "value disciplines" that classified organizations' external customer strategies:

> *Organizational excellence strategy.* Organizations that use this strategy provide the lowest total purchase cost. This is accomplished by delivering products and services that conform to specifications at a low price and are easy to purchase. These organizations focus on streamlining their processes to minimize costs and hassle.
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> *Product leadership strategy.* This helps organizations provide customers with the most advanced products and services. Companies using this strategy thrive on creativity and rapid commercialization; they try to improve their own products before competitors do. They're very results-driven rather than product-driven.
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> *Customer intimacy strategy.* Organizations provide customers with the best total solution to their needs. Such companies are customer-focused--not market--focused. Their most critical process is solution development, which provides specific results rather than a general solution.

Given these different external customer strategies, is it necessary to apply a different quality system to optimize each strategy's performance?

The organizational excellence strategy wins customers by providing them with output at the lowest total purchased cost. The quality strategy used to support this approach is based upon poor-quality cost and business process improvement concepts. Outstanding quality isn't a driving factor in these organizations' strategies because their customers are cost-conscious rather than quality-conscious. These organizations try to meet requirements, cutting every corner they can. Calling this strategy "organizational excellence" is misleading because that's not its focus.

Product leadership strategy applies to high-tech corporations. A good example is Microsoft. The key to its success is to get to market first with a product of tolerable quality. Its customers buy its software because it's a leading-edge product and accepting problems is part of the package. The quality system here focuses on reducing cycle time. Both efficiency and effectiveness are put at high risk to get the product out fast. The quality system is designed for customers whose quality expectations are low. Such software companies are happy simply to meet minimum requirements of ISO 9000 and aren't trying to climb up the capability maturity model beyond level three.

The customer intimacy strategy focuses on individual customers by providing personalized results. Organizations using this strategy provide customers with the best perceived value they can get. This is an environment in which unique, customized solutions that require a high degree of individual excellence and craftsmanship are delivered. Such organizations require well-defined customer requirements and rely on inspection to ensure final results. Meeting or exceeding customer expectations on a very personal basis is key to their success.

Where do methodologies such as TQM and Six Sigma fit into these customer strategies? We all agree that the best measure of quality is the customer's perception of the deliverables. Thus, the quality strategy must support the customer marketing strategy.

Although some correlation exists between the different quality methodologies and the three customer strategies, it's very weak. The problem is that there's a fourth customer strategy that really applies to the majority of our external customers. I call it "value-based customer strategy." Organizations that use it provide the general public with output that represents the best value to them when they consider the price of ownership, features, availability, responsiveness, service and quality. These organizations focus on their processes to ensure that they're operating efficiently and effectively. They ensure that the processes are readily adaptable to the changing environment. They make effective use of information technology and TQM concepts. And they make great efforts to protect their brand image.

Value-based organizations are those that embrace quality and win increased customer loyalty over the years. It's the kind of company that I want to work for. How about you?

About the author

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