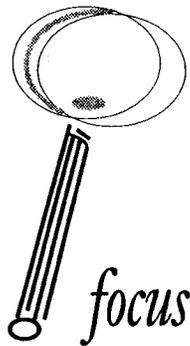# Introduction

Learning Objectives

By the end of this chapter, you should be able to:

- List the steps in a customer satisfaction management process.
- State the role of customer satisfaction in a total quality management process.
- Summarize the activities conducted during each phase of a customer satisfaction management process.
- Define the difference between customer satisfaction measurement and customer satisfaction management.

CUSTOMER SATISFACTION

Because this is a book about customer satisfaction, we'll begin by defining these terms. Just what or who is a customer? And what is satisfaction, as far as customers are concerned?

The premise of this work is that satisfied customers are the principal determinant of a company's success or failure, both in the marketplace and organizationally. Quality initiatives that lack customer input and process improvements that are focused only on internal results inevitably fail. They fail because they lack the critical ingredient of customer requirements and need the relationship between satisfaction and performance to measure progress.

As you move through this course, you will see that customers are often where you least expect them and satisfaction is frequently what you least think it will be.

What Is a Customer?

A customer may be defined as anyone who has an expectation of you. The recipient of your product or service is your customer. Many consider this to be the end user-for example, the hotel guest, airline passenger, hospital patient, insurance claimant, machine operator, information handler, or general consumer. Each of these is certainly a customer, but there are many others.

Consider internal customers. The person at the next desk in your operation is, in part, a customer to your company. That person's performance is affected by the environment, training, and tools with which he or she works. If the environment is unsatisfactory (e.g., poorly lit, uncomfortable temperature, smoke-filled air), the training is inadequate or the tools are faulty (e.g., damaged keypads, unreliable telephones, inaccurate data), a worker is likely to be dissatisfied and unable to provide a high-quality service or product to either internal or external customers.

Manufacturing and sales are really customers of the design group. If a design is not something the end customers want, the best manufacturing and salesmanship in the world won't make it successful. The school administrator has customers in the teaching staff, the school board, the community, and so on. The reservations agent and the airline chef have customers in the flight attendants. Why? If you were the flight attendant, would you want to present to your customers poor food or a double-booked window seat?

The world is full of customer-supplier relationships. It is at once interesting and challenging to determine who they are, what their needs are, and how to go about satisfying those needs successfully. This is one of the most important aspects of developing a total quality system. Successful companies are those that have created chains of internal customers linked to meeting and exceeding the requirements of their external customers.

❓ Think About It . . .

Using our definition of *customers* as anyone having an expectation of us, make a list of internal and external customers for your business and your function within that business:

Internal	*External*
_____	_____
_____	_____
_____	_____
_____	_____

As you can see, we all have a lot of different kinds of customers, and it sometimes is not easy to identify them all, let alone meet and exceed their expectations.

For the purpose of this book, we will be focusing primarily on the external customer. However, do not lose sight of the importance of internal customer satisfaction, because what the external customer experiences is the cumulative effect of internal processes and the actions of internal customers of various departments.

In a later chapter, we will discuss surveying employees to determine their perceptions of customer satisfaction, barriers to delivering quality products and services, and rewarded behavior in the company. If the internal customer's needs are not being met, then there is a good chance this will reflect on the level of satisfaction of the external customer, the one who actually buys your product or service.

What Is Customer Satisfaction?

How do we satisfy our customers? Like many good things, customer satisfaction is different things to different people. We are all customers of someone or other, and one person's satisfaction is another's heartburn.

The misdirected use of customer satisfaction as a pop marketing tool has ruined more business opportunities than it has created, although it has made millions for button manufacturers and smile trainers. However, the application of customer satisfaction concepts as guiding lights for market strategy, quality improvement, and organization structure has helped place many companies in the forefront of overall excellent performance.

Satisfaction can be defined as supplying or gratifying all wants or wishes, fulfilling conditions or desires, or as a pleased or contented feeling or state of mind-anything that makes a person feel pleased or contented. Customers who are satisfied come back to buy again, they usually keep buying, and they frequently recommend your company to others. In fact, the profit impact of market strategy (DIMS) database developed by The Strategic Planning Institute indicates that those companies characterized by high standards of quality and customer satisfaction significantly outperform the competition (Buzzard and Gale, 1987).

Similar evidence of the value of quality improvement driven by customer satisfaction is available in the 1991 report of the General Accounting Office, which discusses the superior operating and economic results realized by many of the finalists and winners of the Malcolm Baldrige National Quality Award (MBNQA).

Meeting or exceeding the expectations of both your internal and external customers and satisfying their requirements in a way that keeps them happy also keeps them coming back for more. By focusing on customer satisfaction as a critical factor in process improvement, your organization can gain the proved benefits of improved results in both human and economic terms.

THE CUSTOMER SATISFACTION MANAGEMENT PROCESS

Successful quality improvement and customer satisfaction initiatives are the result of a process, not a program. A program has a beginning and an end, whereas a
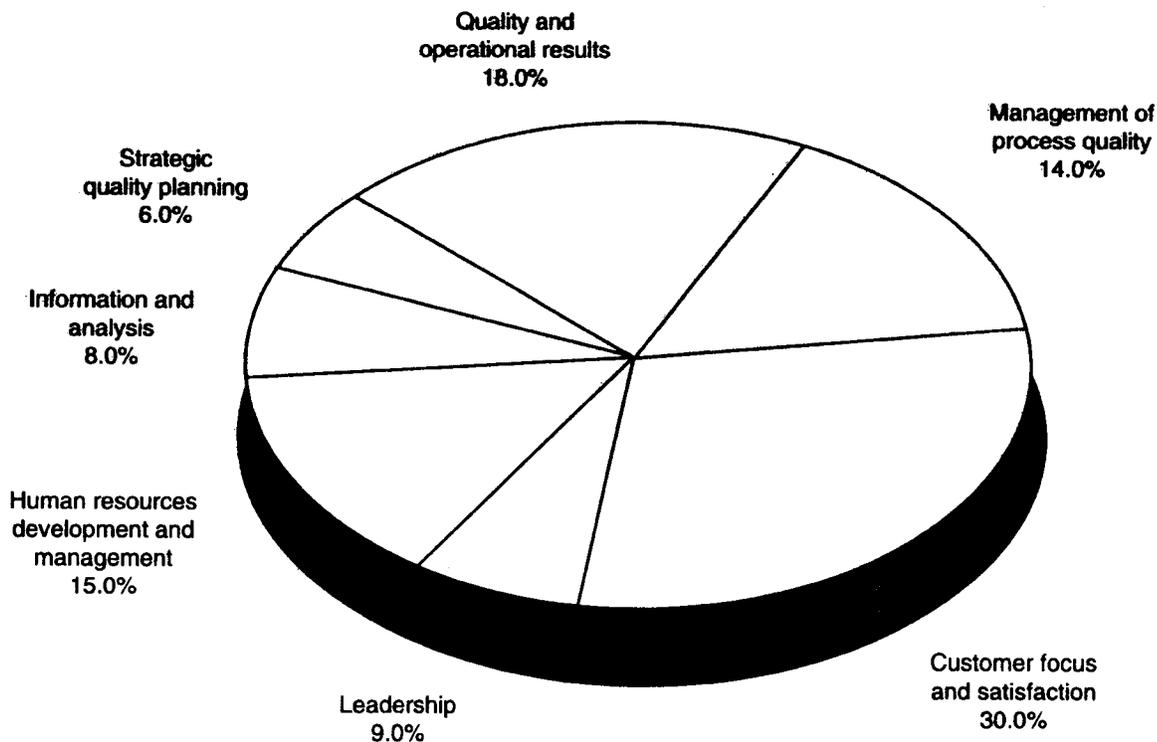
process is usually continuous. The concept of total quality management is based on continuous improvement driven by customer satisfaction requirements.

In fact, the criteria for the MBNQA represent just such a model. The importance of the award is not winning it or even applying for it. What makes the MBNQA unique is its congruity with the major concepts of quality improvement and its process-based approach to total quality driven by customer satisfaction, with strong linkage between quality results and operating results (National Institute of Standards and Technology, 1991). The MBNQA criteria link the economic and organizational benefits of internal process improvement with the requirements of the external customer to improve market share and revenue performance. This powerful combination adds value to all aspects of a company's activities.

Exhibit 1-1 outlines the seven MBNQA categories and their relative importance. Category 7, customer satisfaction, carries the greatest weight and provides significant support to all other categories. Customer satisfaction information provides performance measures for the key processes of the organization.

Exhibit 1–1

The seven categories in the Malcolm Baldrige National Quality Award selection criteria and the weight they are given in the selection process.

- Quality and operational results 18.0%
- Management of process quality 14.0%
- Strategic quality planning 6.0%
- Information and analysis 8.0%
- Human resources development and management 15.0%
- Leadership 9.0%
- Customer focus and satisfaction 30.0%

The first step in gaining control over quality and customer satisfaction in your business is to understand the concept of process. A process is simply a series of events that yield an outcome; coupled with a feedback loop, it becomes a continuous process. Quality improvement and customer satisfaction are continuous processes.

It is process, not product or service, that drives quality and competitiveness. Everything we sell is directly related to the process we use. To attain quality improvements, it is necessary to understand our processes and continually to investigate ways of improving these processes.

With the understanding of our processes, we begin to identify overlaps, redundancies, and gaps. This knowledge, together with the understanding of our customers' requirements and expectations, allows us to improve our processes on a continuous basis. There are several valuable yet simple techniques for mapping, understanding, and improving processes, which will be discussed later.

The intent of process improvement is to change our simple definition of a series of events that produce an outcome to a planned series of events that yield a predictable, desired outcome. Note the addition of the three key words, planned, predictable, and desired. We need all three conditions to be successful. A planned, predictable, and desired process outcome will go a long way toward transforming an organization into one that will be structured to respond to the needs of customers in a superior way.

? Think About It . . .

Think about the external and internal customers you listed earlier.

What do you think may be some of their expectations for service and quality? _____
_____
_____

How have you ever measured the relative importance of these expectations and your performance in meeting them?_____
_____
_____

How have you incorporated these requirements and expectations into your quality and process improvement activities?_____
_____
_____

Traditionally, many companies have determined what was important to them in terms of internal performance and then gone out to ask their customers how well they were performing in these areas. Regrettably, these companies frequently were not measuring what was important to the customer, only what was important to the companies.

Customers have an entirely different view of your organization than you have, and the things that are important to you may not matter at all to them. Because it is customers who keep you in business, it's important that you measure what is important to them, not you.

Successful customer satisfaction activities are outwardly focused and driven by the customer. This customer-driven approach allows the organization to adjust existing processes or create new processes to better satisfy customer requirements.

The challenge in customer satisfaction   management and quality improvement is to identify and listen to the voice of the customer and then translate that voice into process improvements. How to best hear the voice of the customer and act on it is a process in itself. This book provides a proved conceptual model (Exhibit 1-2) and explains how to implement the model and make it work for you.

Throughout the remainder of the book, we will define each of the steps in the customer satisfaction management process. In essence, the model provides the framework for the following:

1. Define clear objectives as to how the information will be used to improve customer satisfaction.
2. Identify customer and employee perceptions of quality and satisfaction.
3. Measure the relative importance of customer requirements.
4. Benchmark performance on these attributes.
S. Assess employees' perceptions of the organization's ability to deliver quality and satisfaction.
6. Deploy those customer requirements throughout the organization to allow various functions to work as teams in improving processes.
7. Provide feedback measurement of performance improvement over time, plus monitoring of critical issues.

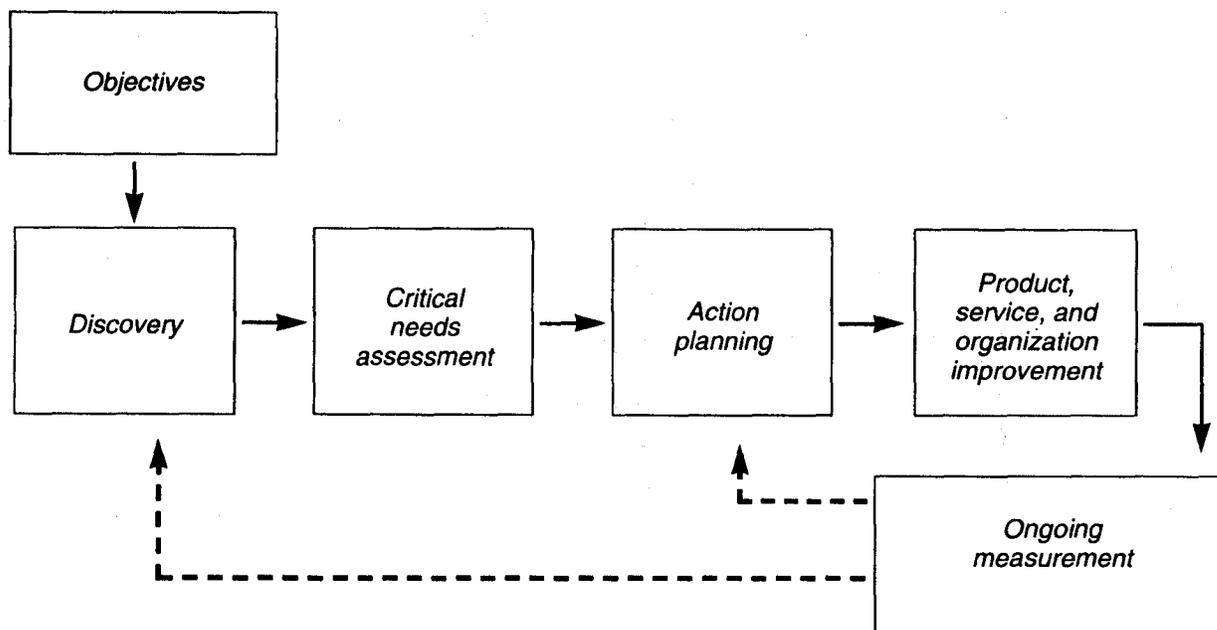Each of these phases of the comprehensive management process is summarized on the following pages.

Objectives

The objectives-setting phase of the process provides the necessary opportunity for leaders in the organization to understand how the process works. It assists them in defining what their information needs are and how the information from customers will be used.

For the customer satisfaction management process to be successful, functional leaders need to be willing to take ownership of the results of the research. This ensures that the process improvement teams representing various functions will be as effective as possible in their work.

The objectives-setting phase also provides the environment to link customer satisfaction activities with any existing quality improvement initiatives. Quality improvement should be an integrated system of specific improvement processes rather than a series of unrelated ad hoc tasks or programs.

E xhibit 1–2

Conceptual model of a quality management process.

```
┌─────────────┐
│             │
│  Objectives │
│             │
└─────────────┘
       │
       ▼
┌──────────┐   ┌──────────┐   ┌──────────┐   ┌──────────────┐
│          │   │ Critical │   │          │   │  Product,    │
│ Discovery│──▶│  needs   │──▶│  Action  │──▶│ service, and │
│          │   │assessment│   │ planning │   │ organization │
│          │   │          │   │          │   │ improvement  │
└──────────┘   └──────────┘   └──────────┘   └──────────────┘
     ▲              ▲                                  │
     ┊              ┊                                  ▼
     ┊              └ ─ ─ ─ ┐         ┌────────────────────┐
     ┊                      ┊         │                    │
     ┊                      ┊         │     Ongoing        │
     └ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─         │   measurement      │
                                      │                    │
                                      └────────────────────┘
```

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Discovery

The discovery phase of the process is intended to identify employees' and customers' perceptions of quality and satisfaction in their own words and to identify the attributes that will be measured in the subsequent critical needs assessment phase.

Discovery is qualitative, nonmeasured research to provide guidance in designing the survey instrument. It includes individual or group interviews with company management and customer contact personnel, as well as with current customers, lost customers, and competitors' customers.

Company personnel are interviewed to obtain their commitment and to ensure actionability of the process, to fine-tune objectives, and to identify potential gaps with customer perceptions.

Customers are interviewed to discover everything that is really important to them concerning quality and satisfaction issues and attributes. These interviews get the customers' perceptions in their own language and assist in identifying the buying decision process. Of particular importance is the identification of very specific attributes that compose a general requirement. This degree of specificity is necessary to provide actionable information with which to manage and improve customer satisfaction.

At the completion of the discovery phase, a company will have a reliable guide for developing the survey instrument used in the quantitative measure-

ment phase. It will have identified all the attributes that need to be measured to determine which ones are truly critical in terms of satisfaction and performance.

In addition, participation in the process by key leaders provides continued involvement in and commitment to process results. Significant problems may have been identified qualitatively, and important attributes of quality and satisfaction that are specific to the company and its industry will have been defined.

Critical Needs Assessment

Critical needs assessment is the quantitative measurement phase of the process. During this step, a survey based on the attributes identified during discovery is administered to a representative sample of customers and competitors' customers, if appropriate. A similar survey may be conducted among employees to assess the organization's ability to deliver on customer satisfaction requirements.

Customer Satisfaction Measurement

The objective of the customer satisfaction measurement step in critical needs assessment is to measure the relative importance of the critical attributes identified in discovery and the company's performance on these attributes. In addition, needs-based market segments and competitive structure should be determined.

This measurement is accomplished by means of quantitative interviews among a representative sample of customers and competitors' customers. The sample is designed in a manner that ensures statistically reliable and projectable information. Considerations in sample design include the depth in the organization at which detailed measurement is desired, the size of the company's customer base, key transaction-based measurements, and anything else necessary to provide actionable importance and performance information.

Interviews are conducted by telephone or mail, or in person, depending on design and budget issues. During the interview, respondents are asked to make an overall evaluation of the company, as well as to assign relative importance to attributes, identify characteristics of value-added performance in key areas, and provide product and service performance evaluations and relevant background information.

Data from the survey should provide accurate and reliable information on performance benchmarking, competitive positioning, needs prioritization, value-added performance, needs segmentation, and strategic resource allocation. This information, together with information on employee perceptions, provides actionable input to the ensuing action planning phase, in which customer requirements are deployed throughout the organization for action by process improvement teams.

Organizational Assessment

The organizational assessment step in critical needs assessment is designed to assess the organization's ability to deliver customer requirements for quality

and satisfaction. Data is collected by means of quantitative interviews with all or key groups of company management and personnel. The survey is by a confidential questionnaire completed on site or mailed to the employee's home.

The questionnaire examines many of the same attributes measured by the customer. It asks employees to rank perceived customer priorities, perceived company performance on such priorities, barriers to delivery of quality products and service, and rewarded behavior within the company.

This employee survey information identifies gaps between customer requirements and the organization's perceptions of critical importance and performance issues. Analysis of such gaps provides information to achieve alignment of the company with customer requirements through action-planning and process improvement activities.

Taken together, the customer satisfaction measurement and organizational assessment components of critical needs assessment provide powerful information to drive the action-planning phase of the process.

Action Planning

The action-planning phase of the customer satisfaction management process provides a framework for improving quality by better using customer satisfaction information in operational decision making. By linking the voice of the customer to critical management actions and process improvement activities, customer requirements become integrated into the `quality improvement strategy. They can then be functionally deployed by means of tactical quality and process improvement teams representing various areas of the company.

Continuous satisfaction improvement is facilitated through the use of quality tools and problem-solving techniques. Among these are quality function deployment (the house of quality), flow charts, check sheets, Pareto diagrams, cause-and-effect diagrams, affinity diagrams, tree diagrams, various matrix diagrams, and other management-planning tools and process analysis techniques.

Effective action planning results in relating customer satisfaction to the way work gets done and how to do it better, defining better in terms common to the entire business, avoiding suboptimization in process improvement and, most important, basing actions on information rather than unsupported opinion.

Product, Service, and Organization Improvement

The success of the product, service, and organization phase of the process depends on how well the previous steps have been executed, particularly action planning. Continuous improvement in customer satisfaction is the result of continuous improvement in all aspects of a company's operations. If reliable information from external and internal customers is combined to create a customer focus throughout the organization, then it is possible to enhance the organization's financial performance through improving its ability to concentrate on doing the right things right the first time.

Product, service, and organization improvements require that major systems and processes, that cut across several functions be analyzed and redesigned to optimize their ability to meet customer requirements. Concurrently, each process within each functional area should be mapped to improve functional results and to establish links between internal performance measurements and external customer requirements.

A modified quality function deployment matrix, called the condo of quality, is an excellent planning tool to assist in defining interfaces among various functions and particular customer requirements. Based on customer derived information concerning importance and performance, it identifies priorities for improvement.

Once critical areas of improvement have been determined, the various functions involved can begin to use a range of process analysis techniques to improve specific functional response and to streamline processes that cut across several functions. Over time, measurable change should occur as a result of improvement activities and customers' perceptions of changes in performance levels. These results are tracked in the next phase of the customer satisfaction management process.

Ongoing Measurement and Monitoring

Ongoing measurement and monitoring provides the feedback required for continual improvement of satisfaction. It consists of ongoing performance tracking of your company and your competitors' on key measurement criteria to monitor progress in closing quality and satisfaction gaps.

Ongoing measurement and monitoring data are collected by brief telephone, mail, or personal interviews on a regular basis with your customers and competitors' customers. The interview is conducted among a sample meeting the same requirements as the sample developed for critical needs assessment. This survey focuses on the critical importance attributes measured earlier. It calls for evaluation of performance in either an absolute or, preferably, a competitive context and should make provision for direct action comments by the respondents. The questionnaire should also offer the opportunity to introduce topical issues of importance to the company sponsoring the survey.

It is important that periodic qualitative monitoring also be conducted as part of ongoing measurement and monitoring, to ensure that new and emerging issues are identified.

Ongoing measurement and monitoring provides the feedback mechanism necessary to adjust actions based on performance over time, the effectiveness of improvement efforts, comparison of organizational units, and direct comments from customers for immediate responses to problems and opportunities.

Summary of the Process

The customer satisfaction management process should involve the entire organization in addressing the issues of culture change and process improve-

ment that are required to eliminate the disconnections between company performance and customer requirements. The process model represents a logical, organized approach to gathering information from external and internal customers, measuring what is and is not important, and improving the entire organization's performance by effectively integrating customer requirements into the way the enterprise does its business. The secret is consistency, accuracy, and commitment: consistency of purpose and implementation in each step; accuracy in the way the information is collected, analyzed, and deployed; and commitment throughout the organization to translating the voice of the customer into improvements that matter to customers, employees, suppliers, shareholders, and the community.

recap

This opening chapter has discussed the nature of customer satisfaction and its role in the process of quality improvement. The importance of customer satisfaction as a key driver in the Malcolm Baldrige National Quality Award criteria and the importance of MBNQA as a total quality management model were explained.

The purpose of customer satisfaction measurement is to provide actionable information that will permit a company to manage and improve quality and satisfaction, as well as measure it accurately. There is a vast difference between customer satisfaction measurement and the full organizational deployment of customer requirements as the basis for effective customer satisfaction management. Customer satisfaction, like quality, is a process of continuous improvement.

The customer satisfaction management process model introduced represents an organized and systematic process for identifying, measuring, managing, and monitoring critical attributes of customer and employee satisfaction. Accurate measurement of customer satisfaction requirements, including importance and performance information, provides a reliable basis for identifying gaps between what customers require and what the company is prepared to deliver.

Integrating customer requirements into the organization's process improvement activities ensures alignment between internal performance standards and external customer needs. This, in turn, enhances both operating results and marketplace results, thereby adding value to the company's overall performance. Periodic ongoing measurement and monitoring of changes in customer perceptions of performance on critical requirements provides feedback to improve process improvement activities further and to enhance customer focus.

? Review Questions

1. A customer is: 1. (c)
   (a) someone who buys from you exclusively.
   (b) what the other company has.
   (c) someone who has an expectation of you.
   (d) someone outside the organization.

2. The most important category of the Malcolm Baldrige National   2. (d)
   Quality Award (MBNQA) is:
   (a) leadership.
   (b) strategic quality planning.
   (c) management of process quality.
   (d) customer focus and satisfaction.

3. One of the principal values of the MBNQA is: 3. (b)
   (a) support for Deming's 14 points.
   (b) a model for total quality management.
   (c) winning the award.
   (d) increase in sales.

4. What role does customer satisfaction play in total quality manage-   4. (d)
   ment?
   (a) Provides direction to internal process improvements
   (b) Focuses the organization on meeting customer needs
   (c) Optimizes resource allocation
   (d) All of the above

5. Combineing_____with _____improves overall company results.
   (a) internal process improvements ... external customer require-
       ments
   (b) marketing strategy. .. human resources
   (c) engineers ... computers
   (d) none of the above

6. The purpose of customer satisfaction research is to: 6. (a)
   (a) provide actionable information to manage and improve cus-
       tomer satisfaction.
   (b) develop a list of high-probability sales prospects.
   (c) identify new sales territories.
   (d) introduce concurrent engineering.

7. Place the phases of a customer satisfaction management process in   7. (c), (f), (d), (a),
   proper order.   (b), (e)
   (a) Action planning
   (b) Product, service, and organization improvement
   (c) Objectives
   (d) Critical needs assessment
   (e) Ongoing measurement and monitoring
   (f) Discovery

8. The principal difference between discovery and critical needs   8. (a)
   assessment is:
   (a) guidance versus measurement.
   (b) telephone versus mail.
   (c) internal versus external.
   (d) universe versus sample.

9. The attributes used to develop the customer survey are identified   9. (d)
   during:
   (a) action planning.
   (b) critical needs assessment.
   (c) ongoing measurement and monitoring.
   (d) discovery.

10. The purpose of action planning is to: 10. (b)
    (a) decide who was wrong.
    (b) integrate customer requirements into process improvements.
    (c) optimize departmental results.
    (d) none of the above.