

MMT Article

The Executive Decision, Starting Point: Know Customer Needs

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Lowering the risk in business decisions through
VOC (Voice of the Customer).

In this series we will be discussing executive decision-making and how to improve the process, including things like decision speed, reliability, prioritization and risk reduction. The process and principles we will cover work extremely well for high level/executive decision makers, product development teams and sales/marketing managers. These same principles of truly understanding the needs of the business or the customer work equally well when applied to decision-making at any level in the plant, and will result in better decisions. We will interview business leaders, capture current concerns and then propose the application of classical tools, often in less than classical fashion to improve competitiveness, build stronger relationships with customers, and increase the business value we deliver as suppliers.

In recent conversations with business leaders I've heard a lot about the increased level of risk inherent in their decisions. They believe they are forced to take greater risks, make decisions quickly often without much hard data, and they are probably right, since these are extraordinary economic times.

My contention is that this problem can be greatly reduced and the quality of one's decisions greatly enhanced by having a crystal clear understanding of your customer's business needs—in order to precisely target necessary resources in a way that adds discernible value to the customer relationship.

This article will start at the beginning of how to make reliable business decisions: the voice of the customer. Following are just some of the subjective statements voiced lately regarding the customer relationship, which seem to be more common now due to cycle time compression:

- "Too much ambiguity in the customer's development program."
- "The customer continues with big design changes, even after the mold design is released."
- "It takes too long to get responses and approvals on issues."
- "Sometimes we are not sure what problem we are trying to solve."
- "The customer used up all the excess cycle time doing engineering and now the pressure is on us to deliver faster."
- "Business is far more competitive than ever, both domestically and internationally."
- "We cannot compete against offshore wages, so what else can we offer?"
- "What I got was not what I ordered and now I'm going to be late delivering."
- "It's taking too much time to manage my offshore supplier, especially with frequent requests still coming from the customer."

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All of these statements share the elements of increased risk to cost, program effectiveness or profitability, and could potentially spiral into a negative effect on the supplier-customer relationship.

Wouldn't it be nice to reduce the risk in decisions related to these statements while simultaneously increasing business value in the relationship for both suppliers and customers? Fortunately many of the same quality management tools developed years ago are extremely helpful for developing customer-centered business approaches and reducing decision risk.

I won't advise that you create or invest in any new quality initiative of the day; rather, I will show you how to get started painlessly with some useful tools, add structure and depth to the decision-making process, and increase decision reliability by the addition of more data/information.

Getting Started

To begin, get to really know your customer's needs and business drivers. I've been as guilty as the next in occasionally declaring I already know my customers needs only to find out halfway through planning a program that there are still many important questions around customer objectives.

VOC and CTQ: Voice of customer (VOC) research is a powerful tool to develop specific understanding that was well developed by the mid 90s, and is more relevant than ever. VOC is a relatively broad term for collecting information from a single customer or class of customers that allows you to really understand what is important to their success, and brings the most important business drivers to light.

It can be as simple as surveys or as complex as participation in design reviews and market analysis. Once VOC is collected other tools are used to analyze, prioritize and interpret the data into actual specs for a product or service. A next step might be translation of the VOC into what is called CTQs (Critical to Quality). Most important to an executive though, is what are the business drivers behind the needs and who is sponsoring the project.

Both VOC and CTQ are common terms used within the "Six Sigma" quality process. CTQs are essentially those features or supporting services without which a program or project may fail or be severely hampered. When the translation drill is complete there will be specific measureable requirements for each CTQ, in a form to which you can build your product, quote or service. It is as simple as that. Yet is it extremely powerful to developing clear understanding and then communicating, both internally and externally, to the customer.

If an organization begins to use VOC in its process, executives naturally get exposure to strategic information, even if all the work is done by others in the organization. It quickly becomes a common language and raises the bar. While quick web searches of these terms will yield droves of great information on how to deploy these tools, a simplistic high level example might look like this:

Basic VOC: I need a high volume of parts very soon to beat the competition.

CTQ Translation: The new mold must be capable of producing 2M parts per month, fully qualified with linear deliveries, starting September 1st.

Possible Business Drivers: Time-to-market, market positioning, fast volume ramp, etc.

Basic VOC: The parts have to work well for all of our customers.

CTQ Translation: Compatibility across the full list of known customer applications, including operation on all legacy test systems from 2006 on is essential.

Possible Business Drivers: Inventory simplification, distribution simplification, cost reduction, business continuity for legacy system owners, customer satisfaction.

A purest in the quality practitioner world would surely drive down deeper on the CTQs and then prioritize, but you can see the point: VOC is fairly broad, while translation to CTQs is more specific and measureable.

The point here is that just conducting the exercise with some basic training will get you a long way toward the ultimate goal, and always deepens understanding of the customer. It may be as far as you need to go to understand and meet your customer needs.

Business Value (BV): Sometimes referred to as “business driver, is what ultimately drives executive decision-making in all companies. A quick examination of the VOC and CTQ discussion above shows its usefulness in understanding the customer’s real business drivers, beyond just outlining the “critical to quality” features for a proposal or product development. Knowing what’s behind the VOC is incredibly important for higher level discussions on where you can add value.

Consider business drivers like market position, time-to-market, functional superiority, design reliability, manufacturing costs and cost reduction. While always important, prioritization changes over time within any company. Using VOC to understand, target and then drive more business value in the area of the customer’s current priority is a terrific way to assure you get noticed—you are speaking their language. Adding this value early enough in the project will help capture the attention of the top decision-makers and position your company.

I urge you to do a bit of homework and spend an hour looking into VOC and CTQ. If you have time learn about QFD (quality function deployment or house of quality), which is how it’s laid out by a team. Conducting an entire QFD is a bit challenging the first time around, but may fundamentally change the way you specify, design, propose and make tradeoffs on a daily basis. An easy way to get started is to collect VOC from your team, do some translation to get more specific, and then map it to business drivers to help define your competitive strategy.

The next installment will discuss decision-making incorporating the balance between profitability, prioritization, investment options and timing, all tied to learning from VOC.