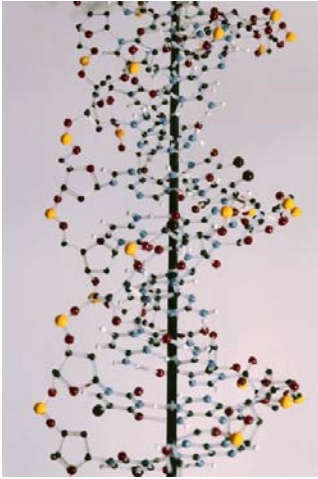


A Fundamentally Profound Ah-Ha!

By Eric Balinski



Unraveling the mysteries of business performance can sometimes feel like unlocking all the secrets of DNA. We can see it, we know parts of it, but how to truly unlock the power of DNA eludes us.

However, you can crack the code to business performance. To truly improve any company's performance though, one must start with a very different mind-set and approach than is used by most companies addressing performance improvement. We have found that companies which achieve long-term growth and sustained profitability succeed by tackling their business challenges in a fundamentally different way. It starts with how they define, discover, and then how they implement Customer Value.

Here is an example to illustrate the important difference offered by the Synection™ *Customer Value* approach and how it uniquely affects a company's strategy compared to traditional improvement efforts like Six Sigma®, Change Management, and customer initiatives, such as CRM.

Suppose we run an airline and we need to improve business performance. One thing we might do is customer analysis which would involve customer interviews, surveys and research. Upon completion we would learn how much people hated the food, the baggage services, ticket counters, and the overall experience with us. Or we might be an internally focused airline who knows, without asking, where the poor performance is coming from, so we jump right in to fix things by acting on our assumptions.

Following much of today's results-focused business world, including the latest articulated approaches to Customer Value, Six Sigma®, Outsourcing, Downsizing, Continuous

Process Improvement and/or High Performance Work Groups, we would try to improve all the identified areas, if possible. Our actions would be driven by the belief that if our results would improve, our costs would be lowered, and customers would be happier with each improvement we made to our business.

In any of these worlds, ranging from those grounded in customer delight driven by customer research, to visionary leadership using high performance work groups, to bloody downsizing, how would we fix the airline? We would attempt to fix our airline using methods all the airlines have been trying to use over the past 15+ years. And we would achieve the same results they are. I call these bankrupt, government bail-out airlines or *zero-profit-over-time* airlines. If any of these meet your company and personal goals, than read no further.

In the Synection world of *Customer Value*, we ask a fundamentally profound strategic question to determine "customer impact" first, before we touch anything. The question is: *what are our customers trying to achieve when they fly our airline?* Or if we are a feisty airline start-up we would ask, *what are the passengers trying to achieve, that they can't achieve, when they fly today?* In this world, the first answers we get will likely have little to do with our airline or our competition.

One critical answer we would get is, passengers are trying to get to business meetings, visit customers, and go to corporate events- that is they are trying to conduct business. In this world, *speed* and *on-time reliability*, which are crucial to actually getting to the meeting, are the two critical dimensions for business customers on our airline. Even though there are many other dimensions of customer value occurring in this simple scenario, the truth is, the highest priority from the business customer's perspective, is getting to the meeting on time. Why? So they can conduct and succeed in *their* business?

In other words, most airlines have continued to fail or struggle because they are conducting business to make **themselves** succeed. What they need to do is start conducting their business to **make the customer's business more successful**. Although this is a story of an airline, the same barrier exists within most companies or organizations that are not getting the results they are working so hard to achieve.

If we focused on helping our customer achieve their **MOST** important goals, *what would we most likely be inclined to fix in our airline to deliver the most significant impact to business travelers?* Everything related to on-time departures. Faced with turf battles inside the airline between competing customer focused departments, *where would we place the biggest*

time, capital and resource commitments? On everything related to on-time departures. As we faced inadequate capital to run our company, and we see quality issues throughout the airlines, *what now would drive our decisions and choices? What would be the customer focused initiatives we would drop since we didn't have the money to implement them all?* Everything that is not related to on-time departures.

In this scenario we would call our airline Southwest Airlines, and we would be the most profitable airline AND one of the most profitable companies of all time. And our customers, employees, airport authorities, and shareholders would find they all greatly benefited from this approach to running our company.

And if we were the business conference center hosting the meeting that the passengers from Southwest Airlines were coming to, *what would be the fundamentally profound question we would want meeting attendees to answer?* What are attendees trying to accomplish in their meeting. And if we made steel beams and girders that built the conference center, *what would be the fundamentally profound question we would want the owner of the conference center to answer?* What is your financial strategy for the building?

And if we were the facilitators for the business meeting that the passengers from Southwest Airlines were coming to, *what would be the fundamentally profound question we would want the meeting attendees to answer?* What do you want to accomplish in your meeting? And if we were the senior leader paying for this business meeting that had our employees on Southwest Airlines coming to our meeting, *what would be the fundamentally profound question we would want these entities to answer?*

- the Conference Center?*
- Southwest Airlines?*
- the meeting facilitators?*
- the meeting attendees?*

As a thorough answer is gained to this type of profound question, we have found it greatly impacts the long-term growth and profitability success, as it did with Southwest's performance, It does because a company tackles their business challenges in a fundamentally unique way. The *exemplary value creating* companies succeed by doing five things:

1) Determining the **critical few** value creating dimensions that have the **highest** impact on the customer we are pursuing.

2) Quickly finding root causes of problems within the **critical few** value creating dimensions that lower output results to customers.

3) Implementing solutions for the identified problems. These solutions typically involve improving control of critical variables within the critical customer dimension. This leads to reducing cost and shortening cycle time, which enables the company to determine what profitability is obtainable.

4) Eliminating those customer value dimensions that have **lower** impact, but **increase** the cost to serve customers- this frees up resources from all activities that do not add value in the eyes of the customer, thereby providing more resources for the critical few dimensions that have the most impact on customers.

5) Over time these companies revisit the customer value dimensions, to determine if there is a shift in the critical value dimensions for customers. If so, the process starts back at the first step.

In summary, to truly improve our airline or any company's performance, we need to start with a very different mindset and approach than most companies use. Most start by examining the company's inability to make a profit and search for the causes. This approach leads us to fixing many things that in the short term will make improvements but do not deliver long-term growth or profitability and will likely increase costs.

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