QUESTION 3

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WHAT DOES THE CUSTOMER VALUE?

Peter F. Drucker

- What do we believe our primary and supporting customers value?
- What knowledge do we need to gain from our customers?
- How will I participate in gaining this knowledge?

The question, What do customers value?—what satisfies their needs, wants, and aspirations—is so complicated that it can only be answered by customers themselves. And the first rule is that there are no irrational customers. Almost without exception, customers behave rationally in terms of their own realities and their own situation. Leadership should not even try to guess at the answers but should always go to the customers in a systematic quest for those answers. I practice this. Each year I personally telephone a random sample of fifty or sixty students who graduated ten years earlier. I ask, "Looking back, what did we contribute in this school? What is still important to you? What should we do better? What should we stop doing?" And believe me, the knowledge I have gained has had a profound influence.

What does the customer value? may be the most important question. Yet it is the one least often asked. Nonprofit leaders tend to answer it for themselves. "It's the quality of our programs. It's the way we improve the community." People are so convinced they are doing the right things and so committed to their cause that they come to see the institution as an end in itself. But that's a bureaucracy. Instead of asking, "Does it deliver value to our customers?" they ask,

"Does it fit our rules?" And that not only inhibits performance but also destroys vision and dedication.

UNDERSTAND YOUR ASSUMPTIONS

My friend Philip Kotler, a professor at Northwestern University, points out that many organizations are very clear about the value they would like to deliver, but they often don't understand that value from the perspective of their customers. They make assumptions based on their own interpretation. So begin with assumptions and find out what *you* believe your customers value. Then you can compare these beliefs with what customers actually are saying, find the differences, and go on to assess your results.

WHAT DOES THE PRIMARY CUSTOMER VALUE?

Learning what their primary customers value led to significant change in a homeless shelter. The shelter's existing beliefs about value added up to nutritious meals and clean beds. A series of face-to-face interviews with their homeless customers was arranged, and both board and staff members took part. They found out that yes, the food and beds are appreciated but do little or nothing to satisfy the deep aspiration *not to be homeless.* The customers said, "We need a place of safety from which to rebuild our lives, a place we can at least temporarily call a real home." The organization threw out their assumptions and their old rules. They said, "How can we make this shelter a safe haven?" They elimi-

nated the fear that comes with being turned back on the street each morning. They now make it possible to stay at the shelter quite a while, and work with individuals to find out what a rebuilt life means to them and how they can be helped to realize their goal.

The new arrangement also requires more of the customer. Before, it was enough to show up hungry. Now, to get what the customer values most, he must make a commitment. He must work on his problems and plans in order to stay on. The customer's stake in the relationship is greater, as are the organization's results.

WHAT DO SUPPORTING CUSTOMERS VALUE?

Your knowledge of what primary customers value is of utmost importance. Yet the reality is, unless you understand equally what supporting customers value, you will not be able to put all the necessary pieces in place for the organization to perform. In social sector organizations there have always been a multitude of supporting customers, in some cases each with a veto power. A school principal has to satisfy teachers, the school board, community partners, the taxpayers, parents, and above all, the primary customer—the young student. The principal has six constituencies, each of which sees the school differently. Each of them is essential, each defines value differently, and each has to be satisfied at least to the point where they don't fire the principal, go on strike, or rebel.

LISTEN TO YOUR CUSTOMERS

To formulate a successful plan you will need to understand each of your constituencies' concerns, especially what they consider results in the long term. Integrating what customers value into the institution's plan is almost an architectural process, a structural process. It's not too difficult to do once it's understood, but it's hard work. First, think through what knowledge you need to gain. Then listen to customers, accept what they value as objective fact, and make sure the customer's voice is part of your discussions and decisions, not just during the self-assessment process, but continually.

Note

The preceding text is from Peter F. Drucker, *The Drucker Foundation Self-Assessment Tool: Participant Workbook* (San Francisco: Jossey-Bass, 1999), SAT2, pp. 32–34.

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Jim Kouzes

Everything exemplary leaders do is about creating value for their customers.

That is exactly the perspective Patricia Maryland took when she came on board as president of Sinai-Grace Hospital, in Detroit, Michigan. When Patricia arrived, she found a hospital in distress. Sinai-Grace was the one hospital remaining after a series of mergers, and all the "slashing and burning" had left the staff feeling angry and distrustful. But even after all the cuts, the hospital was still losing money. Sinai-Grace was an organization not only looking for new leadership but also searching for a new identity.

One of the first things Patricia noticed was that employees mostly related to the way things had been done in the past, and that breaking this deep-seated paradigm would be

one of the first tasks Patricia and her team needed to tackle. For example, one obvious challenge was the long waits that patients—the hospital's customers—experienced in the emergency room. "When I first came here, it took people an average of eight hours to be seen and admitted to a hospital bed," Patricia said, "and this was clearly unacceptable."

Another challenge was the way the hospital was perceived by the community. According to Patricia, the perception was that "it was a dirty hospital. There were individuals who lived within a block of us who tended to go to other hospitals. It was clear that the physical environment was a big part of the problem." These kinds of issues demanded immediate action, and because they had existed for so long and were accepted by hospital staff as normal, resolving them required experimenting with some fundamentally new approaches.

To address the unacceptable ER wait times, Patricia challenged the long-standing tradition of how the department was organized. The team accepted the challenge and responded with an innovative new service. "One of the changes we wanted to make was a separate area for chest pain patients so they would be triaged immediately, and our urgent care population could be moved to another area called Express Care." In Express Care, the hospital built examination rooms with walls, improving privacy and confidentiality. These simple changes reduced wait time by more than 75 percent.

Building on this success was a $100,000 foundation grant to upgrade hospital decor. Fresh paint, new carpets, and new furniture can do wonders for the morale of both patients and staff. Patricia got the doctors to donate artwork, and the environment took an immediate turn for the better, beginning to look like a contemporary medical center. "I really felt it was important to create an environment here that was warm, that was embracing, that would allow patients coming in the door to feel some level of trust and comfort," Patricia explained.

Patricia also challenged staff to take a look at the way they related to patients: "If this was your mother you were treating, if this patient was your father, how would you work with them? How would you talk to them? How would you feel if someone was cold, unfriendly, and treated you like you're a piece of machinery rather than a human being?"

These first few changes at Sinai-Grace Hospital started an outstanding turnaround. Customer service scores went up dramatically—from mostly ones and twos on a five-point scale to mostly fours and fives. Today staff morale is high, and there's a new vitality and enthusiasm at Sinai-Grace. And the hospital is now doing quite well financially. Most important, said Patricia, "There's confidence from the community, and they are feeling more comfortable coming back here."

All these improvements were driven by an unyielding commitment to listening to and creating value for the customer. It was Patricia's dedication to first understanding how

the hospital's customers experienced Sinai-Grace and then responding to their needs—and enabling staff to do the same—that supported each innovation to restore the health and well-being of the organization, and the morale and pride of the staff. All of this was possible because Patricia and her team had one fundamental purpose in mind: to create extraordinary value for the customer.

So, what does the customer value? Clearly customers value an organization that seeks their feedback and that is capable of solving their problems and meeting their needs. But I would also venture to guess that customers value a leader and a team who have the ability to listen and the courage to challenge the "business-as-usual" environment, all in service of the yearnings of the customer.