Soft Measurement:
A Vital Ingredient in Quality Improvement

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During the early days of the quality revolution, when quality improvement efforts were focused primarily on manufacturing, managers measured hard facts – errors, rejects, and production time – as a way to document tangible improvements in the production process.

But, as the theme of this issue of *Prism* suggests, quality is no longer a revolutionary idea. As it has spread beyond manufacturing and as the movement has matured, the words „quality“ and „measurement“ have taken on new meaning.

Defining Quality and Measurement

Quality, for instance, is no longer defined as what the corporation thinks it is. It is, instead, what the customer believes it to be. A product is not superior unless the customer thinks it is, and customers' perceptions often change over time and in varying situations. Quality expectations are almost certain to be different between two people who have entered a hospital for a minor operation and a life-threatening illness, respectively. And when a corporation improves its service quality, customer standards and expectations are very often raised to new levels. Next year, what was once superior service may be considered only adequate.

Because notions of quality are changing, so too are notions of the measurements needed to support quality achievement. For industry after industry, „soft“ measures have become every bit as important as – in many instances even more important than – “hard“ ones. Today, one-quarter of all possible points in the Malcolm Baldrige National Quality Award scoring system are awarded for them.

Many companies, however, overlook these critically important soft measures. Familiar with such hard measures as defects per thousand and daily production rates, many quality managers are less comfortable with – and thus less likely to use – softer measures of success and progress. The result, often, is a quality improvement program that falls short of its goals.

A soft measurement is something that cannot be timed or weighed or calibrated. It is neither tangible nor physical. Rather, it is concerned with individual attitudes, beliefs, and opinions. Soft measurement allows you to hear the clear voices of your customers, employees, managers, and intermediaries. And those voices are critical not only in understanding how well you are doing, but also in determining what you should be doing next.

A Five-Step Approach to Quality Improvement

At Opinion Research Corporation (ORC), we have developed a five-step approach to service quality improvement that starts with the customer and ends with refinements to the quality improvement process (Exhibit 1). Soft measures as well as hard measures are critical throughout the process.

Customer Satisfaction. The first step – the foundation – of a quality-improvement program is to measure and understand what constitutes customer satisfaction. Traditionally, measures have defined customer satisfaction in the narrowest of terms, focusing on present customers and asking little more than whether or not they are satisfied.

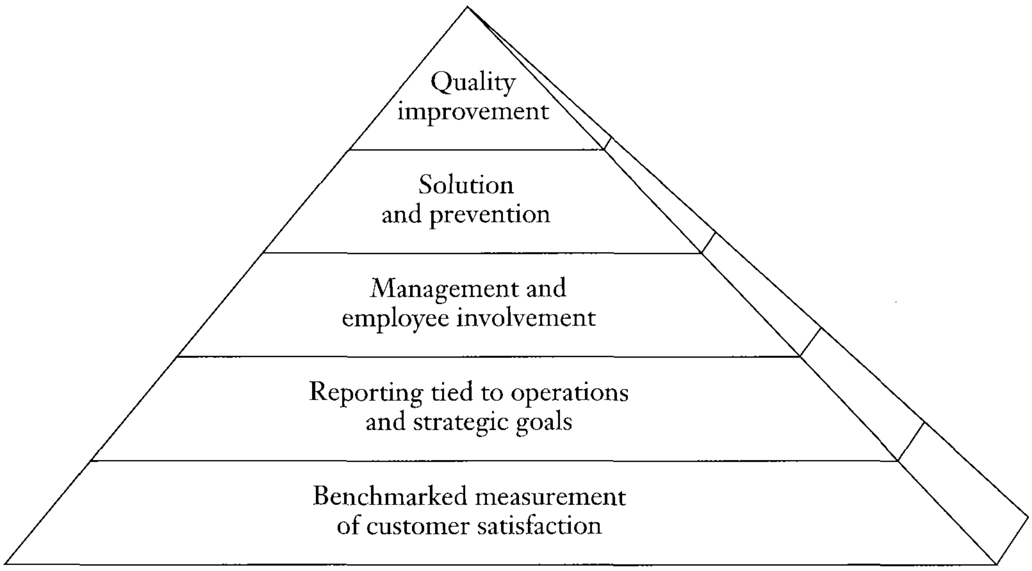
This approach has proved to have limited value. While current customers should certainly be surveyed, so too should past customers. Why did they leave? Why did they cut back on the volume of business? Unlike present customers, lost accounts will focus on what went wrong – information that is critical to making things right in the future. Potential customers should also be included, particularly those who are currently giving the bulk of their business to a competitor.

But external customers alone cannot provide all the information necessary to the improvement effort. The voices of intermediaries and internal customers – employees – are also important. Health care providers, for example, should be talking with physicians; insurance companies, with agents and brokers. Employees, too, need to be heard. They should be thought of as the customers of management. Employees need the proper tools, policies, and equipment to get the job done and can provide valuable insights into how the internal process does and does not work.

Measuring customer satisfaction properly requires asking the proper questions. For the past 20 or 30 years, most research firms have taken the notion of satisfaction far too literally. Their questions have consisted of little more than: „Are you satisfied?“ Only recently have we begun to understand the importance of looking at satisfaction as the difference between what people expected and what they thought they got. The results have provided important insights into corporate performance and customer choices.

Exhibit 1

A Five-Step Approach to Quality Improvement



Source: Opinion Research Corporation

A good example is a hotel chain whose guests rated its performance as superior, while guests at a competitor's hotel rated their hotel's performance only above average. However, those staying at the competitor's hotel actually claimed greater satisfaction with their accommodations. How is it possible that lower performance can spell higher satisfaction? The difference is in customer expectations. The superior hotel, through its marketing, had created exceedingly high expectations among its new customers. The competitor had not created such high expectations and therefore did not need to achieve such high levels of performance.

In addition to surveying both customer expectations and firm performance, it is also important to ask customers for their complaints. In manufacturing, an estimated 7 out of 10 unhappy people never make their complaints known. In service sectors, the number is even higher: 9 out of 10 unhappy customers are thought to remain silent. In order to achieve high customer satisfaction, it is imperative that you understand what it is about the service that makes customers unhappy.

Finally, firms need to understand what is important to their customers and why. Some factors may be minor considerations in overall satisfaction, while others may be major considerations. Assessing their relative importance makes it possible to focus time and energy on those that are of most immediate importance.

A good example of how these consumer questions provide essential information can be found in the case of a newspaper chain with which ORC worked over a period of several months. The chain had begun to lose advertising dollars to television and radio, and it wanted to know why. In surveying customers, we found that two-thirds of the chain's advertising customers had had service problems in the last year, and an impressive 54 percent had actually complained. But only 18 percent of them had had their problems resolved.

When ORC linked customer satisfaction with customers' plans, we found that those who were dissatisfied with the way their complaints had been handled were much more likely to be looking for other places to advertise. This information prompted the chain to become serious about improving its service and especially its complaint-handling process.

To help the newspaper identify other priorities for improvement, ORC asked advertisers to rate performance against expectations in several areas. In doing so, we identified two of the firm's major satisfaction gaps, the accuracy of its page proofs and its responsiveness to customers.

Had ORC merely asked advertisers how well the chain performed, it would have identified a different set of weaknesses. Specifically, the need for improvement in the page proof area would have been overlooked, because performance was rated about average, although expectations were very high.

Before the newspaper chain made a financial commitment to addressing the gaps between expectation and performance, it was necessary to assess the importance of the problem areas to the customer. ORC determined that the second factor, responsiveness to the advertiser, was of greatest concern.

That information in hand, the chain's first priority was training its staff to understand and respond to advertisers' needs and complaints. It also began to develop an effective complaint-handling system to stem the defections of advertisers to television and radio.

Operations and Strategic Goals. As the example above illustrates, once customer needs and wants have been identified, this information must be put to work. The customer's voice is of little value unless it is linked to operating procedures and corporate strategies.

One of the most effective means of putting customer satisfaction measures into action is by actually building operating standards and performance feedback measures based on these measures, as a manufacturing client of ours did recently. We determined that the most important concern of this firm's customers was the time it took to receive their orders. We then asked how fast was fast enough and found that a turnaround time of three days or less was considered outstanding, while anything more than seven days was considered unacceptable. Next, ORC learned that this particular firm was delivering orders, on average, seven days after they were placed. Its main competitors were generally a day faster.

Recognizing the need for improvement, the firm asked itself how fast it could afford to be. We ran a cost-benefit analysis, and the firm concluded that it could maximize profits if it turned orders around in five days. Five-day delivery became the company goal for that year. The goal for the next year was set at four-day delivery.

In order to measure its daily performance, the company created a card that it places on every delivery, with a request that the customer date and return it. The manufacturer also uses the card to ask basic questions about customer satisfaction. The card allows the firm to monitor its progress toward one of its quality goals.

Management and Employee Involvement. It is crucial to involve employees in achieving quality improvement. Unless employees understand the connection between their jobs and customer satisfaction, quality remains more an idea than a reality.

To achieve that critical connection, the firm must share information about customer needs with its employees. It must also demonstrate how individuals' tasks are directly related to meeting those needs. Equally important, companies must take the time to measure the wants, frustrations, and needs of their internal customers – their employees – and must be willing to act on that information.

A good example of the importance of employee and management involvement in achieving quality is the case of an overnight delivery service. For years, this firm had stressed the importance of quality improvement but had seen few results. It asked ORC to talk with employees to see if we could identify the problem.

We started by asking employees what they thought management's goals were and what they thought they should be. We found that a large number of employees believed that the company was undervaluing both service and teamwork and overvaluing on-time performance and cost reduction.

As a result, the firm began explaining to its employees why it stressed on-time performance. The company had done many studies, all of them showing that punctual, reliable delivery was of chief concern to customers, but the firm had failed to share that information with its employees.

Management also created a recognition and reward system for on-time performance that was team-based, as the employees had wanted. And it decided to stop talking about cost reductions, hoping that savings would flow naturally from efforts to improve quality.

The results of these efforts were dramatic. Costs were reduced and on-time performance improved. Employee suggestions increased markedly, as did the number of quality teams.

Problem Solution and Prevention. Measurement plays an important role in both solving and preventing problems, because it provides firms with a mechanism for looking beyond symptoms to root causes.

ORC recently worked with a large manufacturing firm that had established a telephone answering center to respond to customer questions for all its operations. The goal, of course, was to improve customer satisfaction. The results, however, were not uniformly high, and the company wondered how to ensure that all callers were pleased. It speculated that the call agents were at fault and needed more training.

In surveying customers, however, we found that the problem was not with agent courtesy but with the system. The agents, in many instances, were simply prohibited from answering the questions asked of them. Many managers, believing their issues to be too complicated for the agents to handle, insisted that questions be referred to them. As a result, many callers either were asked to call back or were referred elsewhere.

The analysis of customer opinions and experiences convinced the company to reorganize the system rather than retrain the agents. Once the new organization was complete, we found that customers' opinions of the company consistently improved after they placed calls to the company.

Quality Improvement. Our symbol for quality improvement, the pyramid, is somewhat misleading, because a truly effective quality program has no culmination. Quality improvement is a continuous process, one that builds on the many steps outlined here and that evolves along with customer behavior and needs.

As measurement techniques become increasingly sophisticated and as firms develop their own information databases, it becomes possible to tie together data on market share, sales, costs, and customer satisfaction in ways that allow firms to chart – more precisely than ever before – what is driving both customer behavior and the bottom line.

For example, the overnight delivery service's ability to demonstrate the effects of improved on-time delivery on both market share and corporate value has had important implications for improving not only customer satisfaction but the firm's decision-making process as well.

Conclusion

As the quality revolution has spread beyond manufacturing into services, our notions of quality and how we measure it have changed dramatically. Hard measures – those aspects of our work that can be timed, weighed, or calibrated – are more easily measured, analyzed, and understood than are softer factors such as customer satisfaction and corporate reputation. But as quality is increasingly defined not by the corporation but by the customer, soft measures have become the vital – and all-too-often missing – ingredient in quality-improvement efforts. Corporations serious about improving customer satisfaction and the quality of their service must take full advantage of the insights that only soft measures can provide.

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