

## 3. Both~

TBD

## (2004-2005) Part B. Both

{2005/07/03, DLH in Cancun: The target for this part should be those who own the system}

« Equivalent to Emery & Trist, Type 3, Disturbed Reactive »

### Sidebar: Content from the BPM discussion database

- (also was in Chapter 2): 2004/08/02 Hard systems to soft systems || math models to intangible analogies; mental models {Gary Metcalf}
  - 2004/08/03 Systems thinking vs. systems analysis; concrete systems vs. mental models {David Ing}

### << Examples to be incorporated >>

The cross-border world, industrial production and international trade x

### << Concepts to be incorporated >>

1. Emery & Trist, Disturbed Reactive
2. Strategy vs. stratagem

x

### B.1 A "both" orientation can serve multiple customers and/or constituents, in multiple ways

« Need to cite an example, first »

« Describe countable goals »

A business can be oriented towards satisfying more than a single purpose in the world. In contrast to approaching a single ideal, however, the range of goals needs to be defined. In order to deliver on these goals, however, clarity is important. The wants of needs of various customers or constituents needs to be articulated in a way that people operating the business agree.

Customer segmentation and constituent analysis can be seen as ways to come to an understanding of how multiple goals can be simultaneously satisfied. The first issue, overall, is which customers and constituents are to be engaged, and which are not. "Firing your customers" is one of expressing this. At one extreme, there may be a small set of premium customers who so demanding that they draw on too many resources to properly serve others. At the other extreme are customers who only respond to prices below the cost of operation. In addition, there may be some constituents – such as suppliers or distributors – that want exclusivity in a way that is infeasible with others.

The second issue is then partitioning the customers and/or constituents into distinct, non-overlapping sets, so that are easily identifiable. Frequent flyer programs and hotel loyalty programs do this explicitly. At stated thresholds, the customers who do the greatest amount of business get privileges.

Similarly, banks have private banking for customers with the largest accumulation of assets. Segmentation also happens geographically, as branches of retail stores in more affluent areas are stocked with higher quality merchandise. Multinational businesses, such as McDonald's and Coke, have to price their products at a level that is affordable to the local economy. At the root of the product or service, the same basic thing in a “both” approach is provided to all customers. It's the privileges of priority access or complimentary services that make the difference to the customer or constituent.

It is important that the wants and needs – quality, quantity, price, attention – of each of the segments is well-understood. It is usually best to have customers recognized in distinct tiers, so that less profitable ones are not overserved while the most profitable ones are underserved. Three or four different tiers are easy to remember. Serving hundreds of segments simultaneously suggests a complexity that call for a “more” approach. « Describe divide and conquer »

Making a partitioned or segmented strategy work follows a divide-and-conquer approach. This generally means that the customers or constituents are served by different channels. Frequently flyers and loyal hotel guests get a priority line. Large customers may get a dedicated sales representative, while small customers phone into a 1-800 call center. Since the rank or tier of each customer or constituent can be clearly identified, it is possible to route their requests in an appropriate way.

In contrast to the purely functional organization – such as sales, manufacturing, finance – common for a “best” approach, the “both” approach requires more sophisticated customer-facing structures. At the grandest level, this may be level of contact, e.g. dedicated sales representative, regional sales representative, 1-800-call centre. It may also be partitioned geographically, particularly for multinational businesses, where local language and culture makes a difference.

It is not uncommon for “both” businesses to become highly process-oriented, with simple decision rules on how customers are to be handled. Customer set “A” gets routed to the left, while set “D” gets routed to the right.

« Describe why “both” works well in a complicated system conception, but not necessarily others »

When a business is conceived as a complicated business, each subsystem can be optimized, to some extent, to the wants and needs of the customers and/or constituents it serves. The decision rules that partition the customers into sets and then route their interactions into the appropriate parts of the business make this work.

This approach may not work well when the business is conceived either as a simple or complicated business.

As an example for a simple conception, Canadians generally believe in universal health care, so the idea of preferred access is in basic conflict with the values of the country. People who want to “jump the line” sometimes travel south to the United States and pay for their services privately, and are not restricted from doing so. At the same time, these patients are not encouraged to do so. « Note: occasionally, the Canadian government does pay for American treatments, but it's rare to be paid at above the Canadian schedule »

In contrast, for a complex example, consider the worldwide market for large passenger aircraft, as served by Boeing and Airbus. There are only two businesses with sufficient expertise and resources to produce such aircraft. Although the number of airlines that purchase new aircraft with more than 150 seats changes every year, it is countable. Still, with the complexity of nationalized ownerships,

funding, and long term maintenance, it makes sense for the aircraft manufacturers to have small sales teams dedicated to each customer. Setting arbitrary rules and partitioning customers into simple segments are likely to result in large losses.

## B.2 A "both" orientation works in distinct locations with definable periods

« Need to cite an example, first »

« Describe "distinct locations" »

"Both" is often reflected in multiple branches of stores, or services available within franchised geographic regions. Customers exhibit a preference for the store or product, but not so much as to drive out of their way for it.

In many cases the "where" is controllable by the business. Either the store locations are placed in a mesh around a city, so that it's only a few minutes to the next one, or they're sufficiently attractive to become "destination shopping", where customer will drive out of their way.

« Describe "definable periods" »

Often, it's not feasible to be open for business all of the time. Much of the world is still oriented around the 9-to-5 work day. On the other hand, it may serve particular customer sets to work on a varied schedule. "Boozecans" often serve liquor after local blue laws call for 1 a.m. bar closings.

« Describe why "both" works well in a complicated system conception, but not necessarily others »

A "both" allows the business to better utilize its resources by focusing on times when demand is the greatest. As an alternative to "best", it may develop work practices that reflect the preferences of the workers, rather than the customers. As an alternative to "more", it doesn't provide personalized or unique offers that customers would like.

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