

White Paper on the Road to Overcoming Overload



Competing On Value

Most of us like to live and act based on what brings the most value. Making decisions based on the highest value proposition is the goal of most good organizations. In buying products, selling our services or making business and career choices we all seek for the highest value. We all wish there was a tool that could insure achieving the highest value we expect from our limited resources.

In 1993 it was my privilege to attend a Mack Hanan workshop based on his best selling book **“Competing on Value.”** Since then a lot has been written and said on the subjects of value measurements and client satisfactions. In writing this article I am influenced by a leading consulting firm with whom I am associated. **“The Advantage Group”**, is a Toronto based firm specializes in client satisfaction measurements. In this article I also take the blame for some of my own thoughts that reflect my personal biases.

This article can be helpful for those of us buying systems as well as those selling products and services. I have used the principles presented here in serving clients facing major system acquisitions. Also, I have used them in helping vendors as they focus their planning and business development efforts. Indeed, the following framework is portable to many aspects of our personal lives as well.

Measuring value:

While most of us aspire for the highest value in all we do, our plans and decisions do not always meet our value expectations. Value measurements are often subjective, personal and incorrectly communicated. In the absence of a yardstick, communicating value expectations to conflicting interests results in disappointing relationships. Unfortunately, in our fast changing world there is no perfect yardstick; certainly the following framework does not aspire for perfection.

The Value Measurement Framework is a flexible process to lead our thoughts towards more effective value based relationships. The Value Measurements Framework is designed to help us articulate individual and corporate perceived values. Used effectively it can help improve the communication between vendors and clients and accelerate the development of value based supporting relationship.

Note:

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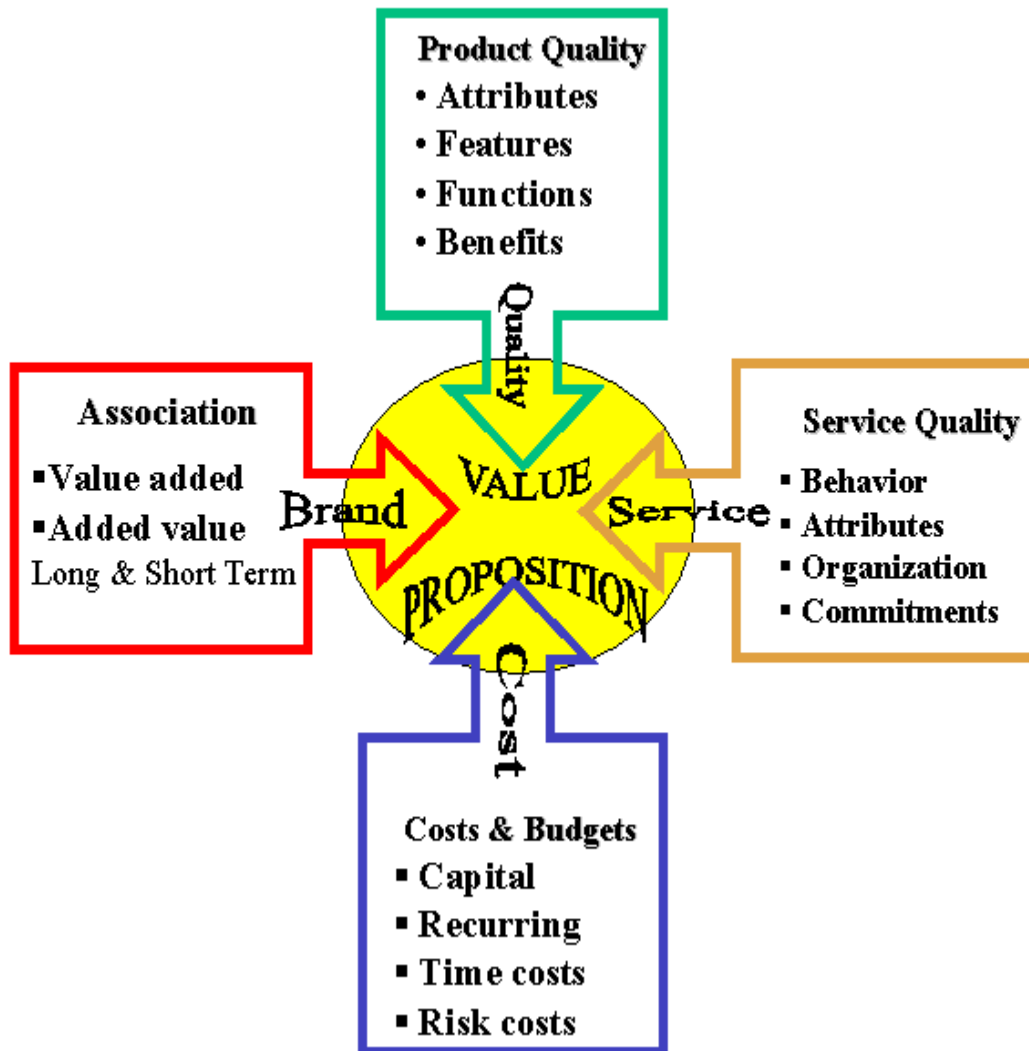


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The value Measurements framework suggests that our value proposition is based on the sum of four quadrants.

Value Measurement Framework



❖ *Product Quality:*

During the mid 80's the "Crosby School of Quality" encouraged vendors to think of quality as *the total compliance to customer expectations*. This assumes that customer expectations are well defined and unchanging during the term of the contractual relationship. In order to keep this manageable we need to define clearly the attributes, features, functions and expected benefits of the considered products or services. This is the stuff of which RFP's are made. In

our communication it is important that we differentiate between attributes, features, and functions and insure that all parties see this very clearly.

As vendors or clients, we need to communicate reasonable business benefits. Regretfully, most RFP efforts are directed towards features and not outcomes. Traditional business culture encourages vendors to focus their communications on the functional specifications directing little time to defining the total value of the business relationship.

❖ *Price / Costs:*

Some of us approach the market with specific price point in mind. Our price expectations are often directed by:

- ❑ Mandated financial structures and budget
- ❑ Estimates based on a previous experience and sales comments
- ❑ Imaginations or gut feel

Whether we approach the market with a fixed price point or an investigative attitude looking for the best price, budgets and costs ultimately affect what we can afford. Our desire is to get the best value for every dollar. Our budgets often include capital and recurring costs. Regretfully our calculations seldom consider two other very important factors:

- ❑ The cost of time until the benefits are realized
- ❑ The cost of potential risks associated with the various option

❖ *Service Quality:*

Most RFPs document some measurable service expectations. These include items such as mean time between failures and mean time to repair. Yet we know that service is more than that. Service delivery is affected by the culture of the organization. It is influenced by the values of senior management. Staff attributes affect behavior and impact the commitments they are able to make. In our complex and difficult world, service quality should present a very significant component in our value measurement framework.

❖ *Brand and association:*

Much is written about the value of brand recognition these days. How does it affect our trading relationships? I WOULD suggest two consider to key elements, value-added and added- value. -

❑ **Added-value:** Added-values are incremental benefits that can be directly associated to the product or service. While not part of the present needs or requirements, these can be attributed to the product quality or service quality and result in future benefits. Added-values could have future costs. These costs are more economical when associated with the initial decision. With this in view, we need to consider the benefits of added-value in the light of short and long-term frames.

□ **Value-added:** We live in a society of associations. Brand recognition brings associated additional soft and non-tangible factors to our decision process. Value-added is seldom directly associated with the product quality or the service quality yet often impacts the viability of our long-term expectations. Value-added benefits include items such as the market share, user groups, conferences, newsletters, and even social or cultural associations.

The sum of the above outlined framework quadrants determine our “**perceived value proposition.**” Very often we approach buying decisions or communicate to prospective clients with an incomplete value proposition. As a result we waste time, effort and resources. This leads to disappointing results and strained relationships.

Developing strong business relationships:

In the acquisition of systems and resources, corporate leaders, or the project authority must clearly articulate the extent to which each of the framework elements will impact the final decision. This will directly impact the kind of vendors that should be considered for engagement. Targeting a vendor population that has a compatible value proposition will save all parties valuable time and effort.

In marketing products and services vendors often fail in articulating and communicating their complete value propositions. As a result market segmentations are flawed and business development efforts are wasted. Engaging with the wrong client is like a bad marriage. It is hard to break and expensive to maintain. This must be avoided to insure success in a targeted market.

We all have a common goal of gaining the best value for our limited resources. Defining a clear value proposition will help us identify trading partners that can appreciate our value proposition. Complementing partners, who appreciate and need our value, can enhance our value propositions thorough long-term relationships.

Personal biases

Based on many years in the marketplace, I believe that each of us has strong bias towards one of the above framework quadrants. Our personal temperament and training will influence how we relate to such issues. Further, I believe that job functions direct what most influences us:

- Technologists are most influenced by product qualities.
- Administrators are most influenced by costs and price.
- Managers are most influenced by service quality.
- Executives are most influenced by brand and association values.

Well, my mother often told me not to make generalized statements. Sorry Mom, this is my personal bias.