

BONUS CHAPTER

Value Acceleration

Building and Sustaining
Your Only Competitive Advantage

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BonusChapter

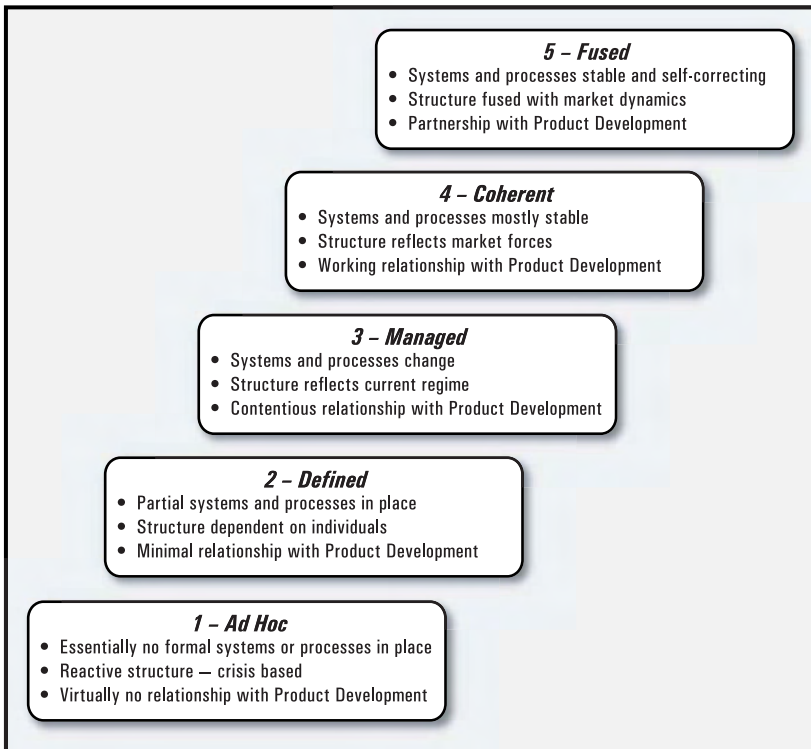
A Marketing Maturity Model

Maturity models of all sorts have been developed for almost all corporate processes and functions. Most have been derived — in concept and inspiration, if not in actual form — from the Software Engineering Institute’s *Capability Maturity Model* (SEI/CMM.) Such models range from internationally recognized benchmarks (like ISO certifications, which are really certifications of a certain process maturity level) to less-well-known models developed by organizations and consulting firms for use in their own operations and practices.

Any implementation of a sufficiently defined process can be evaluated with some objectivity in regard to its maturity, or completeness, by comparison of the implemented process to the process model on which it was based. Since the marketing process model described by the Customer Manufacturing System (i.e., CMS) is defined in robust detail, it is possible to develop a Marketing Maturity Model (MMM) that identifies the maturity of any actual marketing process in use by comparison to the CMS model.

THE CMS/MMM MODEL

The Customer Manufacturing System Marketing Maturity Model (CMS/MMM) defines five levels of marketing maturity, as depicted in the following graph.



LEVEL ONE: AD HOC

Level One organizations are essentially managed ad-hoc. An important distinction must be made between a management process – a high-level construct by which the enterprise is managed – and an operational process, a low-level construct without which nothing would be accomplished. In Level One companies, there are no true management processes in place.

Level One organizations are reactive, and thus not in control – even a little – of their destinies. They are also crisis-based. That is, their management time is consumed with the *crisis du jour*. In fact, crisis management is one of the more-or-less defining outward characteristics of a Level One organization. Inter-organizational integration is almost nil. Any

process elements that may be even partially in place are the result of the efforts of individuals — not the organization — and thus, they are dependent on the continued effort of the individual for sustainability.

In a Level One company, Environmental Influences are little understood, beyond the bare minimum necessary to survive from month to month. There are no formal — or even consistently informal — methods in place to capture all of the information about the outside world that is necessary to make informed, timely decisions about product and marketing strategy.

It follows that Value Specification (VS) — the element of marketing that sets such strategies — is ad-hoc too. VS is typically established reactively and almost always too late, with too little information about the market, customers, competitors, and so on, and with negligible consideration for the results of previous efforts.

A true marketing process is closely coupled with product development. Needless to say, in Level One companies, that relationship is also ad-hoc. To the extent it exists at all, it is based on personal relationships and is completely dependent on them. Customer Development (CD) activities are likewise dis-joined from most other marketing activities. Sales strategy and programs are not tied to overall marketing strategy or new-product pipelines. Even the most well-understood aspect of marketing — promotion — is ad-hoc, reactive, not integrated, and not well planned.

There are no pro-active controls on the activities of marketing and feedback loops are non-existent. True professional marketing management — despite the inevitable latent talent of the people involved — is not evident at Level One.

LEVEL TWO: DEFINED

Level Two organizations have partial systems and processes in place that are sustained by the organization, as opposed to individuals. However, the funding and support of these process elements, as well as their overall structure, is dependent on a few key individuals and thus, these elements are still fragile.

At Level Two, crises and reactive exercises still rule the day (literally — most of management's time, almost every day, is consumed by them), but life is easier by a little in Level Two companies than in Level One organizations by virtue of the partial processes in place. Consistent Environmental Influences information is only partial, but does exist. As a result, Value Specification must be based on incomplete information, so it is often not timely.

The relationship with product development — beyond individual relationships — is minimal, but some elements are evident and repeatable. Integration of marketing with sales on a structural level is also partial. Promotion has only tenuous ties to upstream marketing activities and downstream sales programs — ties it is constantly struggling to maintain.

At Level Two, there is limited understanding or practice of institutional learning, and this, too, is accomplished in an inadequate, piecemeal and tenuous fashion.

LEVEL THREE: MANAGED

Level Three enterprises have systems and processes in place, but they are dependent on the current management regime for their support and continuance.

Information about Environmental Influences exists in differing states of completeness. Value Specification is a defined activity, albeit hampered by incomplete data and inadequately integrated process-information flows.

The relationship with product development is recognizable and repeatable, with varying amounts of efficacy and success. Often, it is marred by contentiousness. Integration with sales is likewise incomplete. Promotion has evolved into a self-sustaining process, but because its success is poorly measured, it often becomes the tail that wags the dog, in terms of driving the upstream process.

LEVEL FOUR: COHERENT

At Level Four, the existence of broad and robust marketing processes within the institution is evident. However, the process is vulnerable because it is almost exclusively focused on current markets and business models. The “innovator’s dilemma” is a critical risk, always looming on the horizon. Likewise for the potential calcification of the process as it is; there is a tendency to rest on laurels, and to fall into the resistance to change that progress inevitably tempts one with.

The limitation of the process is that, while its elements are reasonably efficacious, the integration of the elements into a whole is lacking. Thus feedback loops are missing and continuous improvement is seldom practiced.

A Level Four enterprise can appear to be smoothly running, can achieve superior results for a period of time, and is often the envy of others. But sooner or later, one of these failings will catch up with it. All too often, its fall from grace is then as swift as it is sure.

In the information economy of this century, such falls are all too common, as simply reading the business press for a single year will attest. Multi-billion dollar firms, operating at Level Four, are regularly reduced to corporate rubble in a matter of months or a few short years at most.

LEVEL FIVE: FUSED

Level Five organizations are those with full-blown Customer Manufacturing Systems appropriate for their business, operating in a stable, self-correcting and self-sustaining manner.

Not only are all of the process elements in place and functioning correctly (that is, the information they output is accurate and complete), but the process-information flows between the elements are functioning well, too. Element outputs and information flows are adequately measured and managed. Constant reality checks are built into the process. Tactics and programs flow seamlessly from strategy. In addition, the process-management principles of continuous improvement, lean thinking and constraint analysis are not just employed regularly, but are part-and-parcel of the daily life of the enterprise. The marketing process is fused with the product-development process with a structured phase-review or stage-gate methodology.

WHERE ARE WE TODAY?

The Customer Manufacturing System/Marketing Maturity Model is a construct we use to help organizations see themselves — and the problems they are attempting to solve — in an understandable context. It provides a language for organizational self-examination and a mutual perspective on the enterprise that facilitates communication and improvement. Ultimately, we believe that the embryonic notion of the CMS/MMM will develop into the underpinning of an extensive database of measured corporate characteristics.

In our experience, most competitive organizations are Level Two or Level Three. We find that most enterprises that

are really in trouble are at Level One, while most competitive organizations are at Level Three and above. In rare situations, we find a Level Four company. We don't know of a Level Five organization today.

Some may argue that the hurdles to achieving Level Five status are so difficult that no organization will ever achieve it. And it is true that Level Five SEI/CMM software development organizations are extremely rare, indeed. We believe, however, that Level Five CMS/MMM organizations will become more common as the competitive drive to focus on marketing process becomes more critical to organizations.

Look at manufacturing quality programs. In the 80's, you could easily laugh at the notion of manufacturing quality that achieved six sigma levels — the math will tell you that six sigma is an *extremely* tiny error rate. Now, of course, six sigma quality it is commonplace. It didn't become any easier to accomplish; it simply became a competitive necessity. It's amazing what you can accomplish with a gun to your head. Firms that achieved this new management competence first — the firms that put the gun to their own heads — not only learned to adopt — and even to seek out and embrace — new management methods, they also reaped the benefits of beating the competition.

It is our position that the process management of marketing/sales is the frontier on which the battle for competitive advantage will be waged for the next couple of decades. It follows, therefore, that the firms that charge into this new management territory now will have the advantage of refining their practice in this area as their less well-managed competitors are just getting their feet wet in it. Sooner than you might expect — and certainly sooner than complacency

will allow — companies at Levels Four and Five of a marketing maturity model similar (or perhaps identical to) the CMS/MMM will be commonplace. Some company in every market will get there first, and reap the benefits of a dramatic competitive advantage for a long time.

The question is: which company?