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Podcast Transcription
Implementing Lean Marketing Systems



A Lean Practitioner

Guest was Ken Rolfes

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Ken Rolfes has spent more than 30 years in public and private companies that design, manufacture, and market technically based products for the medical device, industrial product and computer industries. He has extensive lean enterprise experience in general management, new product development, cost management systems, turnarounds, acquisitions and divestitures, and various financial transactions including IPO, private equity and venture capital financing.



He has a reputation for turning around businesses and leading companies to record profitability and growth. In 1995 as a corporate officer and VP Operations at Graphic Controls, a medical device and industrial products manufacturer, the lean operating product and market expansion strategy developed and executed resulted in almost doubling the company revenues in three years.

Ken currently serves as National Board Director and Western Region President of the Association for Manufacturing Excellence (AME) and is contributing editor for Modern Woodworking magazine. He has served on economic development board in Western New York, the advisory board for UCSD Lean Manufacturing Institute and periodically serves as extended studies instructor for San Diego State University in the Lean Enterprise Program.

Ken can be found at [KDR Associates](#). They are located in San Diego, CA.

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Transcription of Podcast

Joe Dager: Welcome everyone this is Joe Dager the host of the Business901 Podcast. With me, today is Ken Rolfes. He has spent more than 30 years in public and private companies that design, manufacture, and market technically based products for the medical, industrial, and computer industries.

He has extensive Lean enterprise experience in management, product development, turnarounds, acquisitions, and various financial transactions. Without the fanfare of social media, articles or a new book that I'm aware of, what has intrigued me about Ken is that his name has continually surfaced in discussion with both industry and trade people as one of the most well-respected people in the Lean world.

I would like to compliment you, Ken on the respect that I have found for your work, and since it is pretty tough to find a starting point could you start out by telling me what about all this you enjoy the most?

Ken Rolfes: Well thanks for the very nice introduction that's very enjoyable. Basically, what I enjoy the most is really getting the people energized in companies when they see the possibilities of what they can do themselves.

That's kind of what the heart of Lean is all about, isn't it? It's really engaging the people and using the talents that you have and what you see is so many of the organizations and companies that you walk into use so little of the brain power in their organization so what I think Lean does is it helps you unlock the brain power and use a much larger percentage of

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that. I think if you're talking about North American manufacturers or service providers whether they're in medical or industrial or any sector at this point, you can't afford to waste the brain power of your people.

Joe Dager: I think that's a great description. I've never really heard someone start it out that way before. It's really about knowledge creation, knowledge building, isn't it?

Ken Rolfes: That's what Enterprise Lean is all about. In my background, I have an engineering degree and an MBA in Finance, but my real learning was hands on in a startup company that I did, and a leverage buyout that we did, and then taking a company public. All those activities there's very keen element about that is, is that you're never rich on resources in this kind of environment and so consequently the resource that you have to be able to use is the thought and capability of your people and develop ways to differentiate yourself in the marketplace.

Joe Dager: Your name first came up in the product development area to me, in Lean 3P. Have you always practiced 3P or is 3P something new you're working within product development?

Ken Rolfes: Can't say that I've always done 3P, but I guess my 3P activity really started when I was with a company called Graphic Controls. We were in the medical device industry, and a very small player and so consequently we took it through a leverage buy-out and consequently we didn't have a lot of capital, so we had to be very creative.

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At the time, this was in the mid-90's the group purchasing organizations in the medical industry and the hospital supply ruled the world and so in order for you to sell your products you had to sell through the group purchasing contracts which were driving prices down very aggressively in their favor. Looked at one of our products lines and found that if we didn't do something pretty radically different we ought to just withdraw from the business because, in two years, we would not be able to make any money.

I had heard a little bit about this 3P stuff at that time and it was a huge learning for me and the team, and we knew we did reasonably well, but when we were acquired some years later our acquisition company competed with us in their product line so we wouldn't show them the products until we had a definitive agreement.

Well, I was walking the guy into our plant, and he says, "You better be glad we bought you," and I said, "Oh, why's that?" And he says, "Well these products here we just spent 4 million dollars in the last few years here we're building a product production line that's going to make all these products." I said, "Oh wow, well is it up and running?" And he said, "No, nope. It's about 6 months off." I said, "What's your unit cost going to be?" And he told me. My response was, "Well you better be glad you bought us," I said, "because I'm going to walk you into this plant and I'm going to show you two lines that are currently running and operating and we're operating at that cost. And oh, by the way, each line cost us a quarter of a million dollars."

That taught me the power of 3P, which is really the power of rapidly learning and

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developing alternatives and using the capabilities and such of your people from a broad spectrum and backgrounds. That was my kick off, and my learning and I'm sticking to it.

Joe Dager: Well I think it's interesting. 3P has always interested me because it seems it can be used outside of product development also, really as a change method. Can it be?

Ken Rolfes: Basically what 3P is a very physical modeling of an item, and you can do this as a process or a product. I suppose you could consider it to be done for the service. It might be a little difficult to think of it in that way, but basically what you're doing is you're creating ideas, and you're trying them very rapidly. You can use these and people do use 3P whether you're designing a product or designing process and it's best used when you do them both somewhat together as we did with our product because that's what is really effective.

That was one of the reasons why I recommend looking at Target Magazine in mid-2012; I think the mid-year one and the Fall one. We featured a subject on the squeeze machine which is Temple Grandin's design of a piece of equipment to hug an individual, specifically an autistic person, to relax them. And it works. It's been working for 25 years, but the cost of it has escalated.

We thought here is a product that's free of intellectual property issues because Temple owns the intellectual property, and she's given it to anybody. She was willing to give it a try, so we used that as a model to bring people together to understand how do you use and unleash part of the capability of a broad spectrum of people and use it in your

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organization. Use this as examples.

So we had 12 people from 12 different companies. We had an autistic person, we had people from the autistic research institute, the Easter Seals Foundation, the manufacturer and such all came together for first a couple days of just exploring what is the requirement of this device. What are the needs, what's the customer looking for, and then we came back a few months later and did a three-day 3P event.

The article's pretty interesting. There are two of them. What you can see is we radically redesigned the product and cut more than 50% of the cost out of that product.

Joe Dager: You did this in a regulatory environment or in the medical device field. Does that restrict you in using 3P does that, or in any product development maybe, a great deal?

Ken Rolfes: Well the regulatory doesn't really restrict you in that regard. What it restricts you with is the path that you have to follow to release. Most of the products in the medical device industry follow, unless you're really getting into invasive products, a [510(k)] route which is a little less regulatory. As you get into the higher Class 3, which is the life-sustaining or very invasive products, you have to follow the path in the device history records to be able to release your product.

3P actually can help that because, in that process, you can document what you're doing and document the trials. You have a history record as to why you chose a design and

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proved that the design works.

Joe Dager: One of the things that you really specialize in is Customer-Centricity. In connecting companies closer to their customers. How does Lean help that?

Ken Rolfes: Let's take a step back and talk about how companies connect with their customers. I don't know what your experience has been, but mine has been as I got into this consulting world if you will and got into visiting companies, people really don't understand what their real mission is as a company. Connect with their customers. I call it; refer to it as a line of sight.

Think about it this way. Can you look at your customer throughout your entire business? Can you see? Can the people in your organization see what they're doing for their customer? You might say; "Why is that important?" Jim Womack wrote his book on Lean thinking. He came up with these five principles. The number one principle was the principle of value. The customer really defines the value.

If that's case, isn't it important for people to know what the customers value? I thought I was just going into companies that were unique if you will in that they weren't very well organized, and they didn't really see.

The Gallup Business Journal last year, and I don't remember what month it was, had an article on some survey that they did. They went into companies and asked questions of executives, the management, and employees. And one of them that kind of stood out, it

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says; "I know what my company stands for and what makes our brands different for our customers." Interestingly enough, only 60% of the senior executives strongly agreed that they knew that answer. It went down to somewhere about less than a third of the employees could answer that question.

I know this is kind of a long answer to this thing but the key here is, unless you can create clarity in your organization as to why you're there and what are you doing for your customer it's really hard to do Lean throughout your organization.

Consequently, what Lean has been focused on primarily is in the operational and what we call the fulfillment value stream in the organizations. When we get to the demand generation or the sales side or product development, Lean has a tough time. You go to AME's conferences there are few sales people, and there's getting to be a few more product development but pretty heavily focused on the fulfillment side.

The metrics that you have in the fulfillment side are fairly simple. They're process metrics. Quality, delivery, cost, and safety are the ones that you generally measure. Now get outside of the fulfillment side, and the value definition becomes a little bit more complex. Now quality becomes more than just adherence to the spec. Cost becomes more than just price. Delivery is more than just being on time.

So work with and use Lean tools with demand generation side is a value stream map of your demand generation process can be a pretty eye opening type of thing. I'm working in the B to B range that's the realm that I'm working with I'm not really working with the B to

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C. What I'm looking at here is how the companies work together.

An example, a retail services company that I work with was struggling because basically the retail services were looked at by the customer base. The customer world was simply just how many bodies, what's the rate per hour that you're going to charge me to do this job. I said, well let's go look at what are the goals that the customer is really trying to solve. What's the problem the customer is trying to solve? When we look at that in that way, it changes your whole dynamics.

If you take your value stream map and you map the process. What you find is most of what you're doing today is more transactional. Companies don't have a whole lot of control over the process. In other words, a customer decides to send a request for a quote in and the company looks at it and says, "Oh is this something I do? Oh, okay. All right, here's a quote." You negotiate it a little bit. The customer selects a vendor, issues a contract. Okay, "what percentage of business are we getting?" So, they manage the implementation. It's all highly contractual, or transactional.

In each of the cases that we're working with is, in the B to B realm what is the ultimate customer, what are the goals that the customer is looking to achieve? We create a discussion around shared goals and creating solutions. Such that now you've got instead of your sales guy dropping a line card and saying, "Hey if you need any of this gives me a call." Now we're really talking about how do we manage the mutual cost of doing business together?

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At the end of the day, you need the same fundamental metrics resolved that you have to have; the quality in the broad sense of the term in how they work together. The cost has to become the total cost of doing business together. The delivery has to be exactly when it's needed for your customer to be able to satisfy their customer.

Consequently, Lean tools apply so radically and can be so engaging between you and your customer. I had a few examples of that at AME but not very many. I would like to see more.

Joe Dager: Clayton Christensen used the words "jobs to done". You got to look at what jobs need to be done for the customer and how your product or service plays a role in getting that job done.

Ken Rolfes: Exactly. 3M was notorious, and I hope they still are for this in that they used to say, 'We don't go ask the customer what he wants we go look and walk in his shoes and see the job he's trying to get done. And that's how we create our solutions.'

Joe Dager: I think it's interesting that you bring that up Ken because so many times when we look at a value stream, or we look at some process flow thing the customer is all the way over there on the right side where you've run out of paper. He really should be over in the center of the paper shouldn't he?

Ken Rolfes: We've gotten tool happy if you will in this and I think that's part of the problem. We're always in search or another tool if you will. For a while, we were doing

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Kaizen events and that sort of thing, and then we decided that maybe we ought to map the process and do some value stream mapping. Easy ways to do this stuff by saying well okay what's the value?

When we're doing the fulfillment side, you've got a lot of things that are defined. When you're out there trying to develop a customer and develop some business, it's not nearly as defined. It's much more complex, and it's harder to do. It's harder to define the value, and you can't do it in a conference room you've got to go out there to the customer.

That's why what you see on the map is all the way on the right-hand side. They probably spend 2% of the time talking about that and the rest of the time wanting to put post-it notes up for the process. I think you got to talk, do a lot more time around that customer value.

Joe Dager: How can we get our sales people or leadership? Is it just visiting the customer or can we talk to the customer and say, "Hey can we help you and value stream your process?" So, we can see what problems they have getting their job done? How can we get involved or how have you gotten companies involved?

Ken Rolfes: The way to get involved is to first start internally. Understand what you're doing as an organization. I'll give you an example. The company that I'm working with was clearly an example of this. They do a good job, but each of the departments was very siloed, none of the managers of those departments could really look at the whole picture. The first thing we did is we got them to look at, number one how connected they are and

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how important it is that they're connected for their customers.

Then secondly, we said look at your customer base. Every company has a tier of customers. We had them take their top customers and say okay guys let's sort this stuff out and let's create a customer team, a cross-functional customer team. This really took the owner of the company's buy-in because typically sales people don't want to let anybody, but themselves own the customers.

We took a cross-functional customer team and created what we called, this was a service company, and we created client service teams having each team do business reviews of their top customers. They first started internally, you know they could feel comfortable with it, and then by the second quarter went out to visit with customers and started talking about what they're doing. The customer got pretty interested, so that's kind of neat.

Then the third quarter brought the team to the customer. They did a complete walk-through and business review with those customers. Obviously, the outcome of all this is you have some actions and things you're going to work on.

The outset of the whole thing is they finally over the last two years they've developed where client teams cover all their key customers and their new customers and since the last two years they've grown over 20% in this environment here because of that. When you talk to their customers their customers say, "Geez, most of what we knew of you before was the bill we got each month for your service," kind of like the electric company?

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Today, what they know of them is how they're helping them improve their business. And that's the difference. You have to build your own internal confidence and then go out. Another company that I'm working with is a product company. They're starting their business review, and part of the discussion is we're having what is called innovation reviews. What do they need? What do they need?

It's open, not just into the product itself but also to what the end use of that product is and how they get that product there. So it's beginning to change the view of how they're working together. So it's a proactive activity where goals are shared, and solutions are developed in a collaborative, mutual way.

Joe Dager: You know I buy into this, I agree. I mean I agree with you anybody that's read my blog will know that you're signing my tune. They'll know that. I think what prevents companies from doing this a little bit, one, it's a scary thought, one you need what I call Lean engagement teams versus a sales guy out there covering a customer. One of the things is it seems like there's a lot of upfront investment to get this without a sure bet that you got rewards at the end. You're not sure you got a pot at the end of the rainbow here. Is that a fair question to ask?

Ken Rolfes: Well I'm not sure I follow the alternative. What else would you invest in? I mean Peter Drucker so wisely said, "The first order of business is to create a customer." Where else are you going to invest?

Joe Dager: You're saying it's got to go deeper in an organization than just one guy out

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there owning a customer anymore.

Ken Rolfes: Basically, what it has done is created clarity of purpose throughout the organization. It's not unusual in a company to see the internal conflict between finance and sales and operations and such that the operations guy says, "Well you know those guys will sell anything, doesn't matter whether we make it or not." Finance guys will say, "Oh those guys will sell anything no matter whether we'll make any money on it or not." The sales guys are out here saying, "Geez, you know I'm out here, it's hard developing customers. It's hard work out here, and I don't get the damn support from the whole office I just get criticized." That doesn't have to happen.

Joe Dager: Part of it is building that, like you talked about, building that clarity within internally first so that there are some communication channels inside first, right?

Ken Rolfes: You have to first work within your four walls. You know in the operation side when they start working on their Lean processes you start in your four walls and then go out to your supply base so that you can create some connection with your suppliers and relate to them well. Well, same thing goes with your customers.

Joe Dager: Just touch base here on AME and the Consortia Program that you're doing. Can you tell me about that?

Ken Rolfes: The Consortia Program at AME has been kind of in development for a few years, and, in fact, we've had I guess our first one started in 2009, I guess it is. The whole

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purpose of it is, is that AME as we see and particularly the biggest thing that people recognize is the annual conference, and you get people from all over the world. We have regional events, and we get those regional events we get people coming in from all over the place.

What we're known for is innovative thinking and openness and ability for people to come see and learn. What we haven't had is a mechanism for people in their local area to work and share and learn and grow together, and that's what the Consortia are really all about.

It is taking the capabilities that AME has on a global and national basis, bringing those capabilities into the local area. Where companies that are physically located less than an hour's drive of each other can get together and share and learn and grow and help each other overcome obstacles. What this is really doing is that, AME the way we're structured right now is fairly broad, but we can't get very deep into the organization.

With the Consortia, it can create the ability for the local groups to get deeper in their organization, get more of their people to go back and forth and help each other and learn and really focus on the things that they need in their organization. We're on a roll-out. I guess we have about 6 or 7 of them running right now and by the end of the year we hope to see about 10 more.

Joe Dager: Wow that's pretty aggressive.

Ken Rolfes: Yeah, well there seems to be a fair amount of demand there.

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Joe Dager: What do you have upcoming for yourself?

Ken Rolfes: I guess right now on AME I'm working on the San Antonio conference. I'm the flight leader for the presentations, and its our whole theme there is the revitalization of North American manufacturing. We've got three flights. One is on people. One is on supply chain, and the other is on innovation. We've got pretty neat programs set up for that conference. I'm concentrating on that at the moment.

Joe Dager: What's the best way for someone to get a hold of you or contact you?

Ken Rolfes: Get my website at KDR-Associates.com, or on the AME website my email is there. You can get me through AME.

Joe Dager: You're also on LinkedIn?

Ken Rolfes: LinkedIn, yes, I forgot about that.

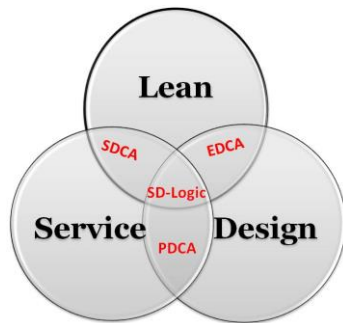
Joe Dager: I would like to thank you very much it's very appreciative and very informative. This podcast will be available on the Business 901 iTunes store and the Business901 blog site so thanks again Ken.

Ken Rolfes: Well thank you for having the time to chat with you here. It was great.

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Joe Dager is president of Business901, a firm specializing in bringing the continuous improvement process to the sales and marketing arena. He takes his process thinking of over thirty years in marketing within a wide variety of industries and applies it through Lean Marketing and Lean Service Design.

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