

# Business901

Podcast Transcription

Implementing Lean Marketing Systems



## Fine Tuning your Company Processes

## Guest was David Hamme

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## **Transcription of Interview**

**Joe Dager:** *Welcome everyone. This is Joe Dager, the host of the Business901 podcast. With me today is David Hamme. David is the President of Ephesus, did I say that right, David?*

**David Hamme:** *Ephesus Consulting.*

**Joe:** *Ephesus Consulting, a boutique management consulting firm located in Charlotte, North Carolina. David is also the author of Customer Focused Process Innovation. David, I'd like to welcome you and can you tell me about how you came up with the company name Ephesus Consulting.*

**David:** *Thank you, Joe. Well, Ephesus actually traces its roots back to a city in Turkey and about the time that Rome was the predominant city in the world, Ephesus was number two. And, if you think of Rome as being kind of a center of government, Ephesus was kind*

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of a business center and a lot of the innovations that we take for granted in the business world really can be traced back to Ephesus and just a couple of examples, really the first instance of the company marketing itself, the first publicly funded library, the first time that you really kind of had a retail district with storefronts, all those innovations can be traced back to Ephesus. Our company being trying to really help companies innovate, really the name just seemed very appropriate for what we were trying to do.

**Joe:** *Was it over by the Troy and, you know, in that area?*

**David:** Absolutely, the city of Kusadasi today is the closest. Ephesus take a number of hits from earthquakes and just, the wars that ravaged that area so it doesn't exist. It exists today but only as ruins. But, Kusadasi is a thriving city up in Turkey today, it's right there.

**Joe:** *I had to ask you about that because when you talked about it before I just found it fascinating that how cultures developed and you said that there was a lot of pictures that you possibly would recognize that you see around but you don't really know where they're from.*

**David:** Absolutely, you know it's kind of like Petro, when you seem to see pictures of Petro and you maybe not recognize this Petro but it is, you know one of famous flights of antiquity. Ephesus is the same way and you know if it's not on your bucket list, it'd be one I'd recommend, just because it's a city that really kind of all the marble remnants are still there, kind of like the Colosseum, somewhat of Rome and it's just gorgeous. All the old statues in that and if you trace it back and you look at it, there's a lot of the wonders of

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the world are in that same area. The Temple of Artemis is right around the corner from it. So, I mean there's a lot of great stonework there, and it's just a gorgeous city to walk through even today.

**Joe:** *I admire you for picking something out like that for a name. I wish I could be so original, okay.*

**David:** Sometimes it just hits you in the head.

**Joe:** *You know, your book, Customer Focused Process Innovation, the first thing that struck me about it was there seemed like a lot of buzzwords in the thing, right at the very beginning.*

**David:** Absolutely.

**Joe:** *Can you tell me specifically what the book is about?*

**David:** What I'm really trying to do with this book is really kind of attack some of the business conventions and structures that we all take for granted but really prevent us from having organizations that really are apt to changing. You're right. There are some buzz words in that title there. The problem is sometimes these buzz words communicate better than anything else what we're trying to say. And, my intention is to make innovation not a process that's based upon epiphanies or the genius of the superheroes in an organization, but something that's more methodical and natural too in an organization and to me that

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always starts with the customer. When I started thinking about the title and we started batting it back and forth with the publisher, what really came out is you know it is these things, it's about the customer. It's about innovation, and it's about how I use processes. It's not just the traditional concept that we talk about proficiency efforts but really a way to describe 'what is the work an organization actually does' and from there on, the title just kind of fell out of it.

**Joe:** Well, I guess customer can never become too much of a buzzword.

**David:** I wish more organizations focused on the customer.

**Joe:** When you put the words process and innovation together, I think a lot of people on this, especially listening to this podcast, even myself, my first thought sometimes are about the Lean startup, okay. Are there similarities, are there differences?

**David:** Absolutely. I view Lean or Six Sigma or TQM or any of those methodologies as tools. What I've tried to do is not say, it's not just the tools but we got to step back from that and those tools belong in the workshop. I tried to layout the workshop in this book by saying, "You don't want to look at Lean for every organization, for every situation. It's not always appropriate. Same as Six Sigma and it's like using a hammer to knock in screws. But, what you want to do is just the right tool at the right time and have a methodology that kind of overrides those tools, thus to say, "You know what, we do want, quality does need to be our emphasis with this particular product line and Six Sigma would be the appropriate one there. Oh, we do want to minimize waste to make this more efficient. Lean

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would be your toolset.” So, I try and provide that overriding theory in that methodology in the book that helps people identify when is the appropriate time to use the tools, and sometimes you don’t want to use those tools even.

**Joe:** *Why do think we need a process? I mean why do we need a process for innovation, why aren’t we, having that one brainstorming session and putting the post-it notes up and “Boom, let’s go try this.”*

**David:** That’s a fantastic question. To me, processes are the underlying mechanism. It’s the construct that really defines how it would work. If we really want to understand what goes on inside of an enterprise, we have to understand that it consists of hundreds or thousands of processes in most cases. They’re all interconnected. They span different departments and different groups and how they work in totality is how that organization or how that enterprise creates value. If you don’t look at that viewpoint, I don’t think there’s a construct out there that operates nearly as well. But, once you have that and all that totality of that network, it becomes a blueprint for anything that you want to do in the future.

I like to use the parallel, “If you’re building a skyscraper and you want to do an additional on it or on your home or whatever building, at the end of the day you start with a blueprint. So often, efforts inside companies don’t start with that blueprint. It becomes just what you said. Let’s sit in front of a white board and throw things up there. The problem that I have with that is you’re creating a lot of waste then. You’re not using structures that already exist that you can leverage. You may be creating a whole new organization when

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you don't necessarily need to. So, if you want to make it methodical, specific and design the organization to the task at hand, you really have to start with that blueprint. The concept I use it is what I call an enterprise process blueprint. It's a high-level view of an organization from a process perspective, and it's analogous to a traditional org chart but with several differentiators. First is I put the customer on there. My thought is the customer is the supreme of whether you're successful or whether you fail. The other one that you want to, please to gain market share or if it's not a for-profit corporation, it could be your stakeholder that you want to please, that you want to provide value to. If the customer's on there and you map all your processes to that customer, now you really understand what is the flow back and forth between you and the customer, what are the connection points, what are those things that you can do to delight that customer and as it focuses down it replaced the org chart which I mean the org chart is a command and control structure that really kind of shows who reports to who. It doesn't really show how work gets done.

Enterprise process blueprint gives you that view of the workflows, how they flow out to the organization, so when you're planning innovation efforts you can go back to them and say, "You know what, we can leverage as part of our organization to do this." And, there's just a lot of power in starting from something and having a framework as opposed to just letting it be kind of, you know, spitballing things in the air to see what comes out. I find for innovation one of the worst things you can do is put up a suggestion box. You can get a thousand ideas there but you got to weed through them at the end of the day because they're not grounded in what the problem really is or what you're trying to solve for or the customer you're trying to delight, they really don't give you a lot of value or as if you can

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say very specifically, "We want to delight this customer and this is what our current processes are." Often, the ideas become much more focused, become much more meaningful, and that gives a lot more value and it really accelerates your innovation process.

**Joe:** *It sounds like a big project. What's the difference between a process and a project?*

**David:** To me, a project is an effort to improve a part of the organization. It could be strategic in trying to change how you position yourself in the market or could be an efficiency to improve what you already have. The process to me is your underlying construct. It's that series of steps that an employee executes on a day or, I also say this, customers might execute those steps in a given day. And so, totality of those steps that work together create value. So, the process to me is the basis of value creation, a project is how you change that process.

**Joe:** *Are we at risk of everything looking like a process, you know, that old analogy, If you had a hammer, everything is a nail and...*

**David:** There's a balance there, and I think we have grown up to think to think of process as a series of steps that, you know, have to be executed. To me, I define it a lot simpler. A process is just something that takes inputs and creates outputs. At the end of the day, you don't want to document every process and manage it like crazy. What you really want to do is understand where the value is in the organization and do that one and make sense. At a high level, you absolutely need to know the whole terrain of your organization but at a

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low level, you know, there's things you just don't need process to because they're easy. You know, you would never say, "Hey, how do you take out the trash?" and design a process for that. And, that's at the critical value component of your enterprise. If that is the most critical piece because you're a waste management company, it's a very different scenario. But, it's up to you and the leaders and the people in the organization to decide, "Hey, where are the value creation components of our, where are the main areas where we're creating value in this enterprise and how are we going to manage those so they get as good as they possibly can be and delight our customer?" You don't want to improve things just for the sake of improving things. I think that, sometimes, that to me is a promise on the process methodology as they assume every process must be chaired to a specific level. Not always the case. You got to go back and say, "What does the customer want from us or what dissatisfies them or what would delight them?" and build those components in the processes and let the other stuff fall by the waste side. So, I'm not a proponent of going out and saying, "Hey, let's map every process in the company." That doesn't make sense to me. It seems like a lot of wasted effort. But, if there are processes sprinkled throughout that organization that connect and really are what makes your organization unique, by all means you better be managing those because if you don't the competitors are going to come in and take away whatever advantages you have, because they will change their processes to beat you. I use the process vernacular a lot to say, "Really, this is how organizations create value, and it is the construct upon which you base that." But, it's not to say that you need to over manage every process in the organization.

**Joe:** *When I first think of processes, I think of internal working. What drives yours outside? Is it just the innovators or the development team and the sales and marketing team is*

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*customer focused or, what drives some of those other internal working departments to be customer focused?*

**David:** My ploy about saying customer focused is that at the end of the day, every enterprise, I think most of them today would benefit greatly from this, needs to understand their customer. And so, I'm going to change your question a little bit. One of the things I think is extremely powerful is not only to know your processes but to know your customers' processes. I mean what are they doing when they shop? What are they doing when they compare prices? What are they doing when they build, you know, a solution for themselves, like you know they're creating a kitchen in their home, you know, what are the things that they have to do to design it? What are the things that they have to do to get it installed or built for them? What are the things they need to do at the end of its life cycle to dispose of it or to refurbish it or to refuel it? All of those things, all those customer processes, your company should know them intimately, and I'm afraid most company, they don't do that. You know, with all the focus, you know, on you know what Wall Street thinks about your company and what the competition's doing and you know, what can we do to boost sales very quickly. I think that the customer perspective gets lost a lot of times. But to me, that's extremely powerful when the company can know what its customer processes are and then can begin to re-engineer those processes to create something that's new for the customer. So, a perfect example is the iPad or iPod, I'm sorry. The iPod when it came out, we always go to music stores and buy records or cassettes or, you know, I'm dating myself but eight-tracks back then, then we went to NextSpace, where you know we would go online and we would order the things, we had joined music clubs and have them send to us monthly whatever it would be and buying

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CDs. Well, all those things really changed because, and I'll give it to Steve Jobs because he was a genius. He simply found out that there was a better way to do this and he created iTunes, an online library, and of course the iPod, so you could download the music to a device and it changed that industry and it's never been the same since. He did that or that occurred because they understood the customers' processes and if all organizations begin to look at their customers that intimately and understand "Hey, what are their paying points throughout the way that they deal with our product?" And then, take that and re-change and make that proliferate throughout the organization so their processes are adjusted to align with what the customer wants, that becomes an extremely powerful innovation mechanism that now your customer changes, their preferences are changing, the things are changing and you need to methodically change over time to mirror your customer. That's how you pick up market share. You delight your customer by continuously changing your organization along those lines.

**Joe:** *I think with that example you remind me of a thing I read once about Jobs, when they you know comparing the iPod to the Zune, I think it was, or something and Microsoft went out back then and he said that "The people we have working on it, they like music." Meaning, that they weren't engineers but they were as much listeners of music as they were engineers and one of the ways to put yourself in the customers' shoes is doing something, being a customer and I thought that was a great way to put it is in kind of what you're saying is customer focus being in the central and another term I use is 'playing in their playground' is where you need to be.*

**David:** Exactly, Joe. I mean you hit the nail on the head there. I mean so many companies

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would benefit from that because it is the customer's loss and they all participate in a lot of sessions at different companies and one of the things I always come back to is how is this going to impact the customer. Are we delivering a customer benefit here, if we're not we're wasting our time. I mean because otherwise we're just sitting at meetings and taking in minutes, but we're not really kind of moving the ball forward. If you really want to have a productive session, it has to start with the customer.

**Joe:** *Right. You know, when you go into Lean and you go into some of these customer journey maps, I think the big difference between let's say a value stream map and a customer journey map is that a value stream map starts with a customer over here in the right hand corner and a customer journey map kind of starts in customer in the middle of pitch, which means that you're looking at the before and after experiences and when you talk about customer focus, we're on the piece of paper is your customer?*

**David:** You know I put the customer everywhere, and that's kind of a bad answer but it's also the true answer is the customer really has to be central to everything. If you're ever working on a process or an improvement and the customer's not top of mind, you really got to question why you're doing that, and I'll give a perfect example. I was working with a client recently and they view themselves as innovators and you'd always hear that term that they banded about is we know we have an entrepreneurial spirit here that's better than anyone else in our industry. And, to some extent are true. The promise that they kind of use, they just decide from a menu that "Hey, we want this, this, this, this and this." But, they don't think of it from the perspective of 'how did all these things combine to create a customer experience'. So, my thought is every time you're doing some innovation, you

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have to go back to that customer experience. What do you want your customer to think? What do you want your customer to feel? What do you want them to get out of it? Is that consistent with what your feedback groups are telling you that they need? Is it consistent with what, you know the research is telling you that they want, and they need? And, do you have focus groups and I mean not just doing this pie in the sky but are you talking to the customer and making sure they say "Yeah, this is kind of a neat little thing. I would definitely use this." That's when you really get those breakthroughs; all those game changers are when you're that intimate with the customer. So, you know, value stream maps, customer journeys, they do a great thing that they focus on the customer. My push is that I'm not always sure they're focused enough on the customer because you don't want to think of the customer as a point in time but you want it to continuously change how you adjust over time. So, as an example, one of the things that I said in the book is strategic planning for so many companies is an annual practice and typically aligns with the budgeting cycle as well. Strategy should be a year round thing. It should be something where you're constantly getting information about the customer, about the competition, about what they're doing, and you're constantly adjusting where you're going to go. That's not to say that you always have your hand on the wheel and you always turning one way or the other because that can create problems on its own. But, you know where those things are and then gradually you're steering to those places. You know, to me, a lot of large companies are like battleships. They move very slowly. The issue is if you hit on and go in the wrong direction, it can be very hard to get back to where you need to be. You know, you can look at companies like JC Penney that did that recently. You know, they decided they weren't going to promote and it's really kind of crushed the company. You don't want to make mistakes like that. You want to kind of move forward. You want to

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move more methodically to where the customer's going but not jerking around but very steadily over time.

**Joe:** *As a company, I didn't think at all we all have processes but is it uncommon to find a process-orientated company or do you find just broken process-orientated company?*

**David:** What I find is a lot of companies that have had improvement efforts and some of the processes they've polished to a gleam. Then, they have others what I call heritage processes and a heritage process to me is one of those ones that's been around since time began. No one really understands the origination of it. It really doesn't have any conscious design, but something that just kind of fallen in over time because, you know, it's like someone comes into a new job. They're trained that particular day and then over time, you know, they look around to see what, you know, their colleagues are doing and they kind of mimic those activities and the boss gives them some influence and they change that. That over time develops into a heritage process. No one's really looking to say, "This is exactly what we should be doing" and created metrics and manage that process but it just kind of fallen into place over time. I think most companies today that are strategically challenged have an abundance of heritage processes. They're doing it that way because that's the way it was always done. And, I think the real true innovators, and there's not a ton of amount there right now but I think this is changing. The two innovators are the ones who manage their processes, and I'll give you a great example. I was working for a company recently, and one of the things that I asked them is I said, "Okay. When did you update your strategic planning process?" They said, "Well, never. We've always done it this way." And, I said, "Is it getting you the result that you want?" And the answer came back, "Well, it

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gets the results but not as good as we think we could do.” And, I said, “Then, why aren’t you focusing your energy to make sure that your strategic planning process does what you need it to do? Do you have the right inputs? Do you have the right data to make decisions? Do you have the time to, you know what, identify those intuitions that are going to be game changing in the industry and how are you managing that end-to-end process?” They said, “Well, we’ve never thought of that as a process.” I said, “Well, then how can you improve it if you don’t have a basis of how you should improve it.” So, they’ve started to look at their strategic planning process and their budgeting processes and how they rank initiatives as processes and saying, “You know what, we need someone to own that, manage that and try to make improvements over time.” I think that those companies that are beginning to become more nimble and flexible and scalable are doing that because they’re getting that process perspective. I don’t think there’s a lot on the market that’s really kind of talked about how to manage an organization by processes and that’s why I think my book is a little bit unique but where I’ve employed the methodology in the book I think companies really kind of have a lot more clarity about what they’re doing today and that in itself helps them to understand how we need to change and adapt over time. I mean all those things these managers know, they just don’t really have that guidebook to help them to get from point A to point B.

**Joe:** *In Lean, I would turn that sort of the Hoshin process, okay, to be able to, you know, go through that process and tie it strategically to what we’re doing. I think there’s a lot of similarities that Lean people can draw from.*

**David:** Absolutely and I got to be honest, Lean’s a major influence upon this book and

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upon myself. I just try to make it, wrap it a little bit tighter and say, "You know what, Lean is a fantastic tool but it is a tool and what we really need is a whole methodology for managing the processes across the organization because Lean can, just like any other process methodology, it can be localized. You can find you're really focused on a piece of the organization." A perfect example, a couple of years ago I did a Lean project. It was focused on the distribution area of a major retailer, and we did some great things there but what we lost is the ability to kind of look across the whole enterprise and do end-to-end adjustments. But, Lean if it's employed correctly, it can do a lot of the same things as the principles outlined in the book.

**Joe:** *What's in the future for you? Your consulting practice, what does it do, tie in to what you want to get out of writing a book?*

**David:** Writing this, there's a couple of questions. I wrote the book because there's a lot of things I've learned over a 20-year consulting career. It's continuous learning, I think any good consultant is continuously learning and changing and upgrading their toolset. But, what I did find is this, I approach any project, I was doing a lot of the same things over and over again, creating that big process map, helping them understand what their value is, focusing on those areas and then driving change. As a result of that, I had a lot of clients that were approaching me and saying, "You know what, Dave, where can I go to learn this, because this is really neat stuff. It makes sense to me. It's intuitive. I can grasp; it's not a pie in the sky." I started, over time, accumulating a number of different blogs, web papers, posts, presentation and that kind of morphed into a book when I finally sat down and said, "Hey, I need to do this now or else it's never going to happen. So, it's

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one of the things that's always kind of nagging at the back of me just saying, "Let's put that down." It's been very beneficial to me and my career because my focus is really helping companies to innovate and it's not the small little initiatives where, "Hey, we're going to focus on the HR Department" and I just make these couple of processes more efficient but the bigger things seeing our companies in an industry where we know that if we're not innovating, we're not changing, we're not growing that we're going to get left behind. How can we do that and what does that mean for these big initiatives? So, I look at myself and Ephesus Consulting a lot of times, we are the Special Forces group for a lot of companies that says, "Hey, we got our backs to the wall" or "You know what, this industry is changing so fast. What do we need to do? Let's get those initiatives launched and what are those initiatives and how are we going to execute those?" One of my clients right now is in a rather stagnant industry for a number of years and they've decided they want to be an innovator and be very entrepreneurial and we're launching out a change right now that we think could change the industry. That's the work that I love. I mean at the end of the day if you're a consultant, a tutor in your DNA or it's not a lot of people don't like jumping from company to company and always being on the cusp of the problems, that's where I like to be. I like the chaos and being order to the chaos. So, the book to me is to give something that it's a business card to some extent like you get out there and give it to a client and say, "Hey, this is what I intend to do with your company. You know what, we don't have to do it all. You may not be ready for it all. But, if this is something you're interested in, you know, let's talk, and I've done this a number of different places and I think it can work here. So, my intent of writing a book is really kind of not only as business card but I also, everyone gets passionate about something. I'm one of those weird guys that gets passionate about processes and how it can impact innovation

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and I think there's a strong message here that if I can get out there to communicate and help every other company, I think there's a lot of benefit to that. I mean I would love to see our government look and say, "Hey, look at our transportation system. We're losing X amount of money, X amount of money as a country because we have not created a very efficient transportation system or is it as efficient as it could be?" And, I say that because, you know, you go to a third world and obviously their transportation systems are very inefficient. But, can we make it more efficient with the growth and all the things that we need to do in our society? And, someone attacked that problem using the principles in this book and said, "You know what, we want to minimize the time that people are commuting. We want to maximize what they could do on those particular commutes." That could have fantastic outcomes for any of us, and if I can even help to contribute to that conversation and drive those types of things forward, that delights me. I'm very happy to be a part of it.

**Joe:** *I think that's very well put, Dave. How can someone get a hold of you, contact you, and you know, the book is on Amazon, but who's the publisher and so forth?*

**David:** The publisher is McGraw-Hill and the book just came out this October, 2014 and it's on Amazon. It's on Barnes and Noble. It's on most major booksellers, books-A-million, iTunes, it's an eBook. So, you can get it. It's widely distributed, or you can get a number of different channels. And, I have a website setup. It's [www.davidhamme.org](http://www.davidhamme.org) and it's d-a-v-i-d h-a-m-m-e.org and that's a newly launched website but it has things about the book and more information about the book as well that's how I'm going to be publishing a lot of blogs and my papers moving forward. So, that's the best place to find me, and there're links to get directly in contact with me. Ephesus Consulting also has a website as well. I

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would direct people if they're interested in this material to go to my personal website for the latest and greatest information.

**Joe:** *If they want to go to Ephesus Consulting, could you spell Ephesus for me?*

**David:** Yes. It's E-p-h-e-s-u-s Consulting.com.

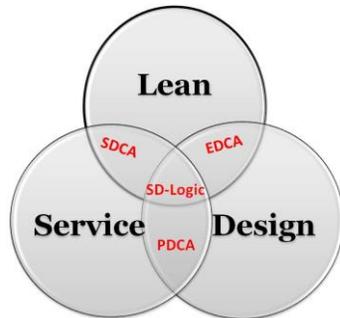
**Joe:** *I'd like to thank you very much, Dave. I appreciate it. This podcast will be available in the Business901 iTunes store and the Business901 blog site. So, thank you, Dave.*

**David:** Thank you, Joe. It's my pleasure.

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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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