

## Creating Customer-Centric Organizations

“The purpose of a business is to create a customer.... The aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself.... The single most important thing to remember about any enterprise is that there are no results inside its walls. The result of a business is a satisfied customer,” said the messiah of management, Peter Drucker decades ago. And today they are even more pertinent.

While the years from 1950 to 1980 can be described as the era of products, those from 1981 to 2000 can be described as the era of brands. And while the years from 2000 to 2010 can be described as the era of processes, those of 2010-25 can safely be predicted as the era of customers.

Accordingly, the organizations have been structured around products (Product-centric organizations), brands (Brand-centric organizations), processes (Process-centric organizations) and customers (Customer-centric organizations). It should, however, be noted that: (a) All four of them co-existed in each of the respective periods, and (b) The importance given to each of them differed greatly in their respective periods. For instance, brands, processes and even customers were given importance even in the product-centric organizations or product era. It was just that while products were given more importance, the other three were given less importance. So is, the co-existence of all the other three elements in the other three eras.

The reasons are historical and contextual. The ‘Zeitgeist’ part of the logic says that organizations had to concentrate more on manufacturing immediately after World War II as there was pent up demand and the world was not yet introduced to modern day business competition. And mostly conglomerates were ruling the day with their significant presence in every major industry. Why would companies then worry about brands, processes and customers when there was almost an insatiable captive demand? Accordingly, the organizations were structured around products and that was the birth of product-based or product-centric organizational structures. The organizations’ primary responsibility was to manufacture products with reasonable quality in enough numbers. As JS Mill said, “It was a typical ‘supply creates its own demand’ situation”.

And once competition came on – especially from Japan, Germany, France initially and later from BRIMC countries, South Korea and a few eastern European countries – the platforms for competition began changing and new points of differentiation started emerging. And the biggest and the most defining differentiating factor for the next two to three decades would be customer centricity. What are customer-centric organizations and how to create customer-centric organizations? This exclusive issue features articles and interviews addressing these interesting questions.

*Effective Executive* wishes all its esteemed readers a very Happy and Prosperous New Year 2011.

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# Building a Customer-Centric Organization



## Five Critical Duties for Senior Management

Building a customer-centric organization requires a sustained and concerted effort. It is hard, transformative work. The companies that pay lip service to customer-centricity will end up being pushed to the sidelines of their respective industry.



**W**e live in an era of increasing competition and fast changing customer needs. To survive and thrive in this environment, organizations cannot rely anymore on their ability to develop and sell new products because once a new product hits the market, competitors are quick to catch up. The benefits of innovation are therefore short-lived. Besides, customers are not looking for products; they want solutions to their problems.

Therefore, organizations must move away from a producer mindset. They must put the customers and their needs at the center of everything they do. They must develop a better understanding of the unique

problems their customers face. They must work with them on developing solutions that are mutually beneficial. They must be the trusted advisors of their customers and look at ways to bundle products, services and advice. In short, organizations must become customer-centric. But what should be done to kick-start the process?

### Top Management Commitment

Becoming customer-centric usually entails a fundamental transformation of the operating model of the company. It will be necessary to alter the strategy, structure and management systems of the organization, as well as its corporate culture.



This level of organizational change requires the CEO's full commitment – fuelled by concerns about the competitive landscape and a forward-thinking vision.

But unless the entire senior management team agrees on the need for change and buys into a common vision of what customer-centricity means for the organization, as well as how to get there, it won't be possible to execute the systemic change required to become truly customer-centric.

To develop executive buy-in and commitment – while producing a strong and necessary foundation for customer-centricity – the CEO should work with his or her senior managers on fulfilling five critical duties:

- ◆ Developing the case by “Painting the Abyss and the Lighthouse”.
- ◆ Defining customer-centricity in actionable terms.
- ◆ Promoting the necessary mindset one question at a time.
- ◆ Reorienting the strategy by looking differently at the customer's needs.
- ◆ Engaging and empowering front-line employees.

We will discuss each of these duties in the following sections.

### Building the Case by “Painting The Abyss and The Lighthouse”

As previously discussed, building a customer-centric organization requires the implementation of major changes. Such a transition inevitably involves pain – and the more extensive the change, the greater the pain. In order to prepare the organization for the journey towards customer-centricity, senior management must build a compelling case for change that is both logical and emotional. We call this critical duty “Painting the Abyss and the Lighthouse”.

The “Abyss” captures the reasons why the organization cannot afford the status quo anymore or at least why it won't be

able to continue operating the way it has been doing for so long. Once convinced that the organization is heading towards an abyss, people will readily consider embarking on a path away from it. However change is tough and at encountering the first difficulties the natural tendency will be to retreat back to where the journey started – i.e., the status quo. Furthermore, if the thought of plunging into an abyss gets people going, it doesn't point them in the right direction. Most importantly, the abyss doesn't encompass a message of hope.

That is why senior management must also paint the “Lighthouse”, a reachable destination that holds the promise of less pain and more gain. The lighthouse provides both direction and hope. It guides the organization while it navigates the rough waters of the transition. It also fuels the energy required to overcome the numerous obstacles that will be encountered along the way.

The biggest mistake senior executives make in building the case for change is to rely almost exclusively on logic. They explain the need for change in rational terms. They articulate how it makes business sense to become more customer-centric. They talk about big picture benefits. Such an argumentation is both useful and necessary in order to drive change. However, it doesn't resonate with most employees. Convincing people of the need for change is not enough. To fully support the customer-centric vision and go through the difficult change journey ahead, people also need to be moved – in the emotional sense. They need to connect emotionally with the change by receiving an exciting answer to the question that is always lingering top-of-mind during times of change: “What's in it for me?”

Hence our advice to the top management is to paint the Abyss and Lighthouse with both the “colors of the brain” and the “colors or the heart”. That means building a case

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for customer-centricity that is both logical and emotional.

The second biggest mistake that executives make is exaggerating the dangers of the Abyss and the benefits of the Lighthouse. Most people have an intuitive ability to sense when someone is “over-selling” an idea. The result is a feeling of being manipulated, which damages trust and credibility. This invariably leads to resistance. Therefore we recommend that senior executives paint the Abyss and Lighthouse with “pastel colors” – as opposed to “bright colors”. Pastel colors symbolize an argumentation that is engaging yet realistic. Using bright colors means selling too aggressively the need for customer-centricity.

### Defining Customer-Centricity in Actionable Terms

The expression “becoming customer-centric” nicely captures the concept of moving away from building and selling products towards understanding customer’s problems and providing mutually beneficial solutions. It is a high-level concept that is useful in strategic planning sessions or marketing materials.

However, becoming customer-centric requires employees throughout the organization to demonstrate different attitudes and behaviors – for example: being solution-focused, engaging in ongoing dialogue with their customers to understand their wants, anticipating their needs, etc.

Therefore, the senior management team should define customer-centricity in concrete terms that provides a guide to action for employees. The following format may be used as a template:

- ◆ Definition – using action verbs.
- ◆ We do... – specific examples of actions that demonstrate customer-centricity.

- ◆ We don’t... – specific examples of actions that conflict with customer-centricity.

Each department should adapt the generic examples provided under the headings “We do” and “We don’t” by taking into consideration their respective responsibilities.

An international financial institution, we guided, on its journey towards customer-centricity adopted the following definition:

*We focus on our clients and what they need, as opposed to ourselves and what we need. We take the time to understand their reality, be proactive and offer advice outside the scope of the service or transaction; in turn that helps us anticipate issues and uncover opportunities to develop mutually beneficial solutions to the unique problems our clients face.*

#### We do

- ◆ Keep our clients in the forefront and center of everything we do.
- ◆ Have a “Know Your Client” mindset and commit to an ongoing communication with them.
- ◆ Strive to constantly be aware of the shifting dynamics and needs of our clients.
- ◆ Ask ourselves: “What else can we do to add more value to our clients?”
- ◆ Examples specific to our department: [to be completed...]

#### We don’t

- ◆ Limit ourselves to merely responding to our client requests.
- ◆ Hesitate to go beyond the standard, easy solution.
- ◆ Try to “push products”.
- ◆ Examples specific to our department: [to be completed...]

Through a series of workshops, the managers of this bank worked with their

respective teams on adapting this overall definition to their specific function. Employees throughout the bank started to use their tailored definition as a daily guide to action. It helped them identify concrete actions they could take personally – i.e., within their own span of control – to demonstrate and promote customer-centricity.

Of course, the above description is just an example. Each organization should develop its own definition based on its unique vision, challenges and needs. The most important thing though is to craft a definition that constitutes a guide to action for employees.

### Promoting the Necessary Mindset One question at a Time

Becoming customer-centric requires employees throughout the organization to adopt different attitudes and behaviors. It is about changing the corporate culture.

To drive the necessary mindset, senior managers should routinely ask what we call “Culture Promoting Questions”.

To illustrate the power of such questions, let’s consider the case of an electronic manufacturing services company that came to the realization that it needed to foster a stronger learning culture. To contribute to the change process, the CEO started using the following Culture Promoting Question with his managers: “So, what did you learn from it?” For example, he would ask the question after someone had described to him how his team had dealt with a particular challenge.

Initially, the CEO’s question caught most managers by surprise. They didn’t know what to answer, which was quite embarrassing. Nevertheless, the CEO kept asking his question week after week – like a ritual.



Soon the managers were expecting the CEO to ask the question at every opportunity. Because they didn't want to experience ever again the embarrassment of not having a meaningful response to the question, managers made sure to think about an answer in advance of meeting with the CEO. Often, the managers had to ask the same question to their own staff in order to prepare an answer. The question was cascading down the organization.

The CEO's simple, open-ended question was encouraging people to stop and think about their experience – and to derive learning from the process. It was promoting the attitudes and behaviors necessary to make this electronic manufacturing services company into a learning organization.

A few years later, we asked the Vice President of Human Resources what he thought were the keys to the company's successful evolution of its corporate culture. Topping his list was the CEO's Culture Promoting Question. We have witnessed the power of Culture Promoting Questions in numerous contexts. The concept is simple, but it works.

Therefore, in order to promote the necessary mindset to become customer-centric, the top management team should select and leverage one or more Culture Promoting Questions. The trick is to select the right questions; word them in such a way that they are easy to ask – either verbally or in writing; and use them as often as appropriate.

For example, in the case of the international financial institution mentioned above, the following question became a favorite of the CEO and his executive team: "What else could we do to add more value to this client?"

### Reorienting the Strategy by Taking a Different Look at the Customer's Needs

The top management team should lead by example and work on reorienting the strategy with a customer-centric mindset. The starting point should be to focus on selling solutions as opposed to pushing products. Usually, this requires developing a deeper understanding of the customers and taking a different look at their needs.

A chain of consumer-electronics stores took this exact approach as it tried to survive in its highly competitive market. Its efforts to better understand its customers yielded critical insights into the needs of women, who constituted slightly over half its customer base. The chain discovered that while men were looking for specific products at competitive prices, women were interested in complete solutions – for example a laptop computer, carrying case, all-in-one printer, cable and accessories. To them, the ease of finding related products was more important than their respective price. Furthermore, the chain learned that women needed help with the installation – contrary to men who were comfortable with installing the products themselves.

As a result of these insights, the chain reorganized its stores to display together related products; it acquired a company specializing in installation services; and it trained its sales representatives to offer non-intimidating, solution-oriented advice to customers.

### Engaging and Empowering Front-Line Employees

The focus on tailoring solutions to the needs of the customers is the hallmark of customer-centric organizations. The points of contact with customers

represent the best place to gather insights about their needs.

Therefore, it is critical that the senior management devises ways to engage front-line employees in the journey towards customer-centricity. These employees need to be equipped with the skills to uncover the problems the customers face. Furthermore, they should be empowered with the necessary authority to provide tailored solutions on the spot whenever possible.

The best hotel companies understand this. They give their front-line employees great latitude to anticipate and solve guest problems. They provide them with extensive training in customer service. They fully support the decisions they make on their own to fulfill the guest's needs and deliver an outstanding experience.

Above all, these companies take very good care of their front-line employees. They recognize they have to be employee-centric in order to be customer-centric. The Ritz Carlton's famous motto captures the essence of this mindset: "We are Ladies and Gentlemen serving Ladies and Gentlemen."

### The Long-Term Survival of the Organization is At Stake

Most companies talk about customer-centricity but few make it a reality. Building a customer-centric organization requires a sustained and concerted effort. It is hard, transformative work. However, the long-term survival of the organization is at stake here. The companies that pay lip service to customer-centricity will end up being pushed to the sidelines of their respective industry. To avoid this fate, senior executives should kick-start the journey towards true customer-centricity by focusing on the five duties described in this article. ☺

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