



# Getting Your House in Order: Prerequisites for a Customer-centric Organization

Becoming more customer-centric is essential in enabling today's organizations to achieve their desired results and performance levels. However, doing so requires that organizations develop the appropriate leadership, culture, capabilities, processes and systems. None of this will be easy or quick.

**Michael Haynes**

Today's business environment is characterized by highly competitive markets, tough economic conditions, and demanding but often less loyal customers. In an attempt to perform better in such conditions, businesses worldwide are attempting to be more responsive to customers' needs.

Responsiveness to customers is heavily discussed with regard to business-to-consumer (B2C) markets. However, the same challenges exist in business-to-business (B2B) markets. As a result, B2B suppliers and service providers must also adopt more strategic, customer-centric approaches in addressing their markets and customers.

But becoming a customer-focused organization requires a company to do much more than simply creating roles such as customer experience officers or having senior leaders within the company declare that becoming customer-centric is the new direction taken by the organization's strategic plan.

There are essential characteristics that an organization must possess in order for it to operate in a genuinely customer-centric manner. These can be classified into four categories: culture and senior leadership; analytical and strategic capabilities; processes; and knowledge management.

This article will describe how each of these can be addressed, and will also provide examples of the benefits that organizations have been able to achieve by adopting a customer-centric approach.

## **Culture and Senior Leadership**

One of the first requirements for an organization to become customer-centric is the commitment and support of senior leadership. Senior managers within a company must take a top-down approach in which they champion, support and commit to ensuring that all strategies, decision-making and operations are driven by the priorities and preferences of customers.

Achieving these ends necessitates that senior managers adopt decisive positions in a number of areas.

They must engage with customers directly so that they have awareness and knowledge of customer issues and priorities.

They must create and foster a culture of collaboration, information sharing, and cross-functional work throughout the organization. It is critical that such an environment is created, as meeting customer needs will often require that business units or teams work together.

Managers must also ensure they have management and business teams that are committed and working toward the goal of a customer-centric culture.

Finally, they must have key performance indicators and compensation schemes tied to working effectively in a customer-centric manner.

Creating such a customer-centric and collaborative environment is often the biggest challenge for organizations. The difficulty in doing so is often attributed to senior management's failure to understand the value and impact that taking a customer-centric approach can have on business performance.

To gain the support of senior leadership in such instances, a bottom-up approach should be undertaken in order to demonstrate the impact and value of operating in a customer-centric manner. This approach can be realized by a business unit's undertaking of a "pilot project" that is aligned to the company's strategic business objectives and that would potentially satisfy customer requirements. An example of such a pilot initiative would be the trialing of a new program or solution with a particular group of customers.

To increase the likelihood of adopting more customer-centric initiatives, the results of the project would then be documented and communicated across the organization. These results would need to demonstrate the impact on the performance of both your organization and your client's.

As more support is gained from the senior leadership team, additional customer-centric initiatives can be undertaken and rolled out across an organization.

For more on customer-centric culture and senior leadership, see *Value Merchants: Demonstrating and Documenting Superior Value in Business Markets*, by James C. Anderson, Nirmalya Kumar, and James A. Narus; published by Harvard University Press in 2007.

### **Analytical and Strategic Capabilities**

*Analytical Capabilities.* Organizations must also possess strong capabilities in analysing market, customer, competitor and financial data. Such capabilities are essential, as they

enable an organization to gain a strong understanding of market and customer requirements, and enable it to identify opportunities, financial impacts, and potential competitor responses.

However, the ability to effectively conduct such critical activities is proving to be a challenge for many companies. A global study conducted last year by *MIT Sloan Management Review* revealed that forty per cent of respondents found analytics to be one of the greatest challenges in their organization (see "Big Data, Analytics and the Path from Insights to Value," in the winter 2011 issue [52, no. 2] of *MIT Sloan Management Review*, available at <http://sloanreview.mit.edu/the-magazine/2011-winter>).

This difficulty in analysing data can be attributed to (a) an increasing amount of data that organizations are producing; (b) the increasing use of multiple channels such as the call centres, web, mobile and social media to engage and service customers (also resulting in a greater amount of available data); and (c) the many different types of data – such as survey, web, campaign and purchase data – as well as secondary research reports from a variety of sources.

In order for an organization to overcome the analytical challenges without succumbing to "analysis paralysis" – that is, the analysis of massive amounts of data, without any clear direction or outcome – it is advisable to take a number of steps before embarking on the analysis: Define the business objectives. Define the insights and/or questions needed to meet business objectives. Identify the data required. Determine how to source the required data.

Effective data analysis will require highly skilled staff. Organizations that do not possess such internal capabilities will need to train their current staff as well as hire new staff with such skill sets and/or utilize specialists to perform the required analysis.

However, merely conducting analysis is not enough. Effective communication of data and insights to the management team is critical to get senior management to champion, support and commit to customer-centric initiatives. Once the analysis is completed, the insights must be conveyed clearly and effectively to the senior leaders so they can quickly absorb the meaning of the insights and determine priorities.

Therefore, it is imperative that organizations have an effective internal communications strategy, which may include using a multi-channel approach comprised of executive briefings and written executive summaries.

Executive briefings, ideally conducted face to face, enable the management team to gain a strong understanding of the acquired insights and their implications. These briefings

may include the use of simulations or scenarios and data visualization.

Written executive summaries are used to further reinforce executive briefings, as well as to provide additional detail to assist in decision-making.

For more information on analytical capabilities, see Ross Dawson's *Developing Knowledge-based Client Relationships*, 2nd ed., published by Butterworth-Heinemann in 2011.

*Strategic Capabilities.* In addition to possessing the capability to effectively analyse data and communicate findings to senior management, organizations must also possess the capabilities to develop strategies and to identify, execute and manage specific projects and actions or initiatives to meet those customer needs that must be addressed. All of this will also require cross-functional collaboration and sharing of information – again reinforcing the importance of the senior leadership team's creation of a collaborative customer-centric culture.

### Processes

It is important to recognize that being customer-focused is not a one-off project but a continuous way of doing business. Therefore, organizations must have processes and systems to enable them to continually and effectively uncover, understand and respond to customer needs.

Organizations must have processes in place to analyse market, competitor and customer data; integrate insights into business planning processes; identify, create and manage projects or initiatives; and communicate key insights, actions or developments to management and staff across the organization.

These processes should be developed cross-functionally to ensure that they take into account the considerations and requirements of the teams or business units that will be involved in such activities. Doing so will help create buy-in and increase the likelihood that the organization will truly be operating in a customer-focused manner.

An example of an organization that has been successful in systematically understanding and responding to customer needs is the global software and technologies giant Adobe Systems Inc. Adobe has a process for gathering customer insights through various initiatives, including its Customer Immersion Program, Customer Advocacy Council, customer listening posts, and pre-release programs.

Recently, as a result of effectively analysing and using the insights obtained to drive decision-making and actions, Adobe has significantly improved customer satisfaction, and generated cost savings and efficiencies in excess of US\$2 million annually.

For more on this case study, see Andrew McInnes's "Results of Forrester's 2011 Voice of the Customer Awards, available at <http://blogs.forrester.com/blog/170>

### Knowledge Management

It is unlikely that an organization will be able to function in a systematic, cross-functional, customer-centric manner if a knowledge management system (KMS) is not implemented. A company requires a knowledge management system that will enable the organization to gather and store customer insights; share information across the organization for use by management and various project teams or business units; link customer needs to specific projects, as well as to specific segments and customers; and manage as well as track projects, initiatives and communications.

Establishing such a KMS enables all functional areas to have visibility to information that impacts them, so that they can act accordingly. It enables organizations to execute initiatives in order to deliver the outcomes sought by customers – outcomes that will also impact the organization's competitive position and overall performance.

An example of such a knowledge management system is the Customer Information System (CIS) that is used by the Dental Products Division of 3M. This system includes all customer survey results, focus group feedback, and product evaluations, as well as customer contact details. The CIS allows senior management and key stakeholders to assess how well specific products and services are meeting customer requirements, and to identify new product opportunities.

For more, see Robert Schieffer's *Ten Key Customer Insights: Unlocking the Mind of the Market*, published by South-Western Educational Publishing in 2005.

### A Case Study of Success

*The situation.* The CEO of Springer Science and Business Media (SSBM), the world's second largest producer of science, technology and medicine journals, realized that the emergence of digital and electronic technologies would transform the publishing industry. Up until 2004, SSBM had a fairly arms-length relationship with its customers. In order to compete successfully, a new strategy was needed, requiring guidance and input from SSBM's core library customers.

*What was done.* SSBM developed a robust set of programs and processes to gather and analyse customer feedback. These were centred on the company's global executive customer advisory boards, consisting of decision-making librarians and the leaders of buying consortia. The programs were rolled out globally to support all key regional and industry verticals in order to gain market insights and drive growth.

*The results.* SSBM experienced improved customer relationships and engagement, as well as a ten per cent increase in revenues.

For more on this case study, see Sean Geehan's *B2B Executive Playbook: The Ultimate Weapon for Achieving Sustainable, Predictable and Profitable Growth*, published by Clerisy Press in 2011.

## Conclusion

Organizations that have acquired the essential customer-centric characteristics – even if only to some degree – have experienced numerous quantifiable benefits, including increased share of wallet, greater customer retention, improved profitability, and lower cost to serve.

In today's tough business environment, becoming more customer-centric is essential in enabling organizations to achieve their desired results and performance levels. However, doing so requires that organizations develop the appropriate leadership, culture, capabilities, processes and systems. None of this will be easy or quick to achieve but will require persistence and focus in order to ensure viability and success moving forward.

*Now that you have read this article ...*

1. Take a look at your own organization and ask yourself:
  - a. Are you overwhelmed with the amount of data being generated?
  - b. Do you have the insights required to drive decisions and actions?
  - c. Does your organization have the required skills and processes to analyse and use data effectively in an ongoing, systematic manner?
2. Check out [www.2excell.com](http://www.2excell.com) for further information.
3. Register for the quarterly newsletter *Tips2Excell* to receive insights and tips.

*2Excell Consulting, an international consulting firm based in Sydney, Australia, works with companies operating in business-to-business markets in order to maximize their performance by empowering them to systematically understand and respond to customer needs.*

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