

In the following article Philip Atkinson outlines the severity of the challenges that lie ahead for businesses in all sectors. It is clear that only those companies who can master change will have any degree of dominance as we move towards the first decade of the new Century.

In the last ten years we have witnessed huge changes in all sectors of Industry – the next ten years will see Industry thoroughly transformed. The weak players will fall by the wayside or be integrated into larger conglomerates; customers will choose their service provider on different criteria from those of the past. Customer perception of service delivery will be imperative and will shape their choice of supplier or service provider. Service excellence will need to take on a new mantle of one to one partner relationships with the customer, the consumer and the end-user.

The traditional choice to stay loyal to one provider lost credibility in the 90s drive to downsize and reduce operating costs. The new pattern for business will be based upon developing pro-active one to one relationships and partnerships. In order to live one to one marketing and service delivery, organisations will need to become far more flexible than in the past which will require a radical change in the culture that underpins customer management. This paradigm shift in customer management requires a radical change in the internal fabric and

management style of any business to service the now critical customer with heightened market awareness. Simple Economic theory often assumed that customers had perfect knowledge of the market – well perhaps the time has come when they have. Ready access, increased knowledge and rapid speed of decision-making are the drivers for customer wants and decisions. If organisations fail to keep up with the speed of customer decision-making and fail to adapt quickly to changes in preferences then those businesses will be occupying second tier positions ripe for acquisition or destined for further decline. I believe that management teams can see the early stages of decline in their business but busy themselves with developing unrealistic quarterly returns to the detriment of shareholder value. Publicly funded organisations chase short-term initiatives to please their political masters rather than providing best value in its most general sense to the consumer or end-user.

Exposure to corporate restrictive practices or Rip offs

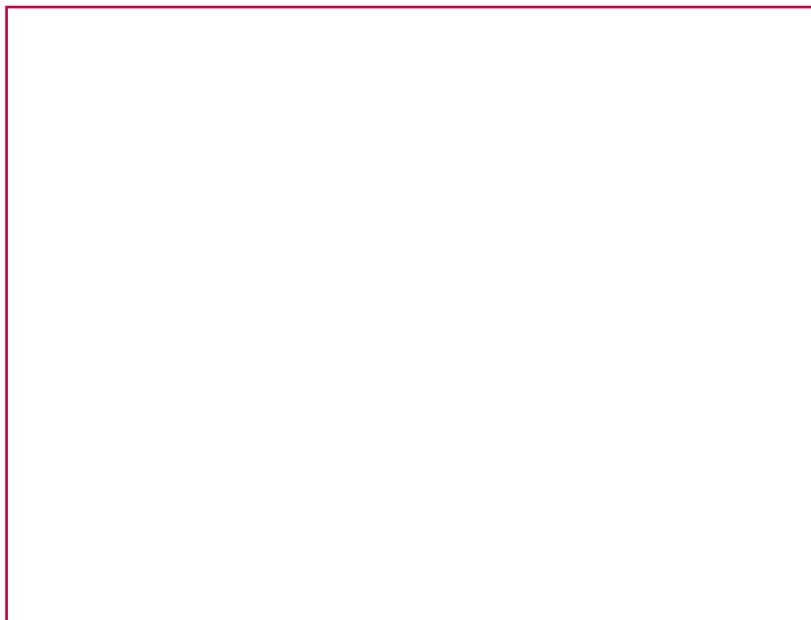
In Britain particularly, research by consumer bodies has exposed price-fixing strategies by complete industries. For instance price fixing in the Automotive Industry has had a major impact upon consumer behaviour – the decline in the number of private cars purchased in the last year has been phenomenal. Alternative purchasing strategies through the Net or circumventing boundaries – both physical and administrative – has provided credible alternatives for purchasing new vehicles. The traditional dealership, the middleman between the auto manufacturer or importer, and the end-user will change radically. There will be less and their functions will change to that of purely one of demonstrations and servicing. Purchase and financing decisions will be made without recourse to the dealership and through electronic channels. The customer is now all too aware that they were funding the cost of the middlemen's commissions, and overheads. Customers are now in the position of being able to acquire knowledge and this trend will continue in the Travel and Hospitality Industry, FMCGs, Financial Services the purchase of all Utility Services and so on.

It is time to de-mystify the real added value to customers

Customer perception in recent months with the rip off Britain slogan extends to Financial Services. Recent years have witnessed larger institutions and Independent Financial Advisers being questioned regarding the mis-selling of pensions and other products. Industry watchdogs are ever vigilant and are ready to expose those who deal and trade in a manner deemed less than equitable for consumers. Public opinion is already mistrustful of some institutions, fuelled by the tabloid newspapers. Already, Government Committees are investigating overcharging for services, and exposing practices which may be perceived as generating profits and

The Strategic Imperative :- Creating a Customer Focused Organisation

by Philip Atkinson



shareholder value solely rather than addressing the immediate concerns of their customers. What is even more surprising is that many Banks, Insurance Companies and Building societies don't use the word customers – they prefer the more clinical policyholder, investor, borrower, or even mutual society member. Psychologically these terms detract from customer service and attempt to mystify the relationships between those who ultimately pay for a product or service and those who provide it.

Customers moving from passive purchasers to active challengers

The inability of these institutions to demonstrate simple cause and effect relationships between input and investment, and return to the customer has always been in the interest of the Institution but never to the benefit of the consumer. Clarification of relatively simple processes is what the customer or consumer will now be expecting before any transaction takes place. Any chicanery by the service provider or failure to explain the circumstances and processes which underpin the performance expected will alert the customer to seek guidance elsewhere. Customers are coming of age – they are maturing and asking searching and challenging questions. Their knowledge of market forces, their interplay and the behaviour of competitors are now becoming more distinct and explicit. And their impact reinforces their opinion of the provider or supplier. It is time to ensure that organisations that have perhaps failed to grasp the importance of the customer, develop strategies that do.

Consumers of public services are becoming assertive and asking for value beyond the simple consumption of that service

Customers of the Health Care sector, parents of children in the Education system, customers of the transport system are now challenging the boundary between service provider and consumer. In the past professional boundaries and mystique was enough to keep patients from questioning Health Care institutions and professionals. Social etiquette distanced teacher from learner and bureaucracy separated taxpayer and citizen from government. These are all now being challenged by the behaviour of consumers and customers – and the revolution is only just beginning.

2001 – 2011: The customer revolution

The major trends from all social groupings, the baby boomers, generation X and the nexters is a challenge to de-mystify the organisational processes and ethical and other business practices which determine the quality of service delivery. Customer delight delivers shareholder value. There is no value to a business without customers. Together with other issues such

as impact on society, ethical, environmental and welfare variables, customer delight will either drive organisation performance up or down. We have already witnessed how active campaigning against alleged unethical businesses has led to fund managers steering clear from investing in these companies. No organisation is so large as to be able to ignore customer opinion and increasingly the leading companies in industrial sectors are devising innovative strategies to ensure that their practices are consciously and in reality fitting with consumer and customer values.

Moving from ignorance to awareness

The customer may not be currently aware of who in the marketplace is customer focused and who is not. However, the average customer, whether individual or institution, is starting to question the practices which underpin service provision, the charges for those services and the relative behaviour of other service providers.

The relationship between an organisation and its customers is a mirror reflection of how it manages its human relations

The internal business culture that predominates in the near future will determine the degree to which customer relationships are managed well or poorly. For instance, the break-up or de-mutualisation of some Financial Service providers will create a need for a performance driven culture for shareholders, but may do so at the expense of customers. What is critical is to get the business culture right from the start, and the structure for change.

Most businesses have a variety of cultures that compete with each other. And it is often the case that no means exist to measure and differentiate that which is good and leads to effective performance, from that which is poor. Focusing upon business culture and aligning this with business strategy will provide the platform to build a new organisation.

Mergers & Acquisitions

Between fifty and seventy percent of companies that merge with others will never achieve the synergies for which they aspire. Research from the US confirms that larger does not always mean enhanced performance. When two or more businesses come together to merge into a new entity, one culture has to prevail. A cocktail of cultures is of no value whatsoever. Allowing multiple cultures to exist that are counter to each other creates confusion and ambiguity.

Neither is it possible to integrate cultures that have grown more by default than design. Often, the basics of post acquisition integration are achieved in the short term but longer-term people issues are left hanging in the air. For instance, although distribution

In the last thirty years we have witnessed the wholesale restructuring of manufacturing business. The next ten years are critical for this sector if they are to retain existing customers and win new ones. E-commerce, the demands for value for money by customers, the globalisation of markets and service provision, over capacity of undifferentiated services, mergers, acquisitions and increased consolidation of companies, de-mergers and sell-offs all require a new mindset to grow shareholder value, while at the same time providing superlative service and innovative marketing strategies to nurture, grow and retain customers to the detriment of key competitors. This article should be seen as an introduction to the major changes facing organisations in all business sectors and the issues that need to be addressed so that organisations can master rather than be victims of change.

Change Management

or delivery channels are rationalised, business systems integrated and financial measures consolidated, little thought is given to the drivers or the enablers – those who lead and manage others. And yet the success of a merger can often be measured in the first hundred days after day one of integration.

The coming together of several businesses may never actually achieve the results envisioned simply because people were not aligned with processes.

Future trends which test how truly aligned business is to the customer

- ◆ The major fallout in Manufacturing will continue. Low interest rates and the high pound as well as cheaper European and Eastern European competition will further erode any competitive edge in most industries new investment in the UK. As an example of the divestment of manufacturing industry, should General Motors and Ford pull out of the UK it will leave behind a huge infrastructure of smaller manufacturing businesses that have to refocus their business. For those companies that still have customers they will have to partner a strategic relationship with them to work on new business developments, otherwise they are forced to compete solely on price and sooner or later will be forced out of business. Customers love customer service but if you cannot compete on the basics, forget the add ons – why pay more for less? Moves towards the single currency will be too late to save hundreds of businesses.
- ◆ There is not a great deal of future in businesses that provide purely back office customer processes or customer response units. The brief explosion of the new economy of customer focused call centres was founded upon short term job creation rather than rebuilding a robust economic infrastructure with permanence. Call centres will die as quickly as they have risen. Customer contact or Call Centres are quick and easy to develop and are easily relocated to lower cost geographies. Unless companies can provide truly excellent service rather than the three rings, response and interminable queuing, customers will seek companies who live a rapid response culture.
- ◆ There are many challenges ahead. Leading Institutions in Financial Services will change beyond recognition. The relative importance of the role of the Stock Exchange will decline over coming years. More trading will be conducted on line and third party intermediaries will play a less significant part in transacting business. Those who act as third party intermediaries will have to focus their thoughts on achieving tangible added value through customer management.
- ◆ Whatever happens, there will be increasing consolidation in the Finance, Retail, Hospitality, and what will be left of the non-niche aligned manufacturing sector. Investment decisions will be continually assessed against economic criteria and even US and Japanese companies who may have been over a decade in the UK will appraise the wisdom of their continued presence. Success criteria to keep companies in the UK will be based upon how adaptable the workforce is to exceeding the expectations and demands of customers.
- ◆ A huge employer in the economy is Banking and Insurance. Many insurance businesses will choose to be acquired by larger institutions than be de-mutualised. Many more Building Societies and Insurance companies will follow the de-mutualisation route, resulting in an interesting battle on prioritising the relative importance of the customer over the power of the shareholder. Currently many of these organisations are awash with cash and have no visible accounts to their members or customers. With increased accountability because of the change in the legal structure of the business, these companies will be increasingly league tabled and compared in terms of the services provided. No longer will the Financial pages compare interest rates and return on investment. Other apparently customer focused measures will be displayed, monitored, debated and assessed as an industry norm. There will be increased major fallouts in the sector when further customer deceptions – which have been practised but not yet publicised – become apparent. The customer will truly become King!
- ◆ Globalisation and cross border acquisitions in all sectors of industry are already at an all time high. This will undoubtedly increase with the resultant downsizing entailing reduced visible presence in certain localities. Virtual businesses peopled by fewer people and fewer local offices. Those who people these new lean machines will have to focus upon service delivery and at the same time have more to do with less resource and time!
- ◆ Technological advance will increase and with it demands to maximise service delivery. Communication with customers will become less face to face and massive transactions will take place through the Internet, requiring processes delivering customer delight rather than information processing efficiency for the service provider.
- ◆ The industrial and commercial landscape is changing and there is a requirement for user-friendly technical expertise together with more flexibility to respond to customers and to innovate and implement change on their behalf. Customer service is what the customer says it is and those who can deliver and implement these changes will be in high demand by companies. Unfortunately, there is a dearth of people with the capabilities and experience at a senior level who can successfully drive change. This core competency is missing from many businesses – they do not have the transformational leaders to see through the change from the top. These people will gain a high premium and will be increasingly valued over those who possess only technical expertise. Holding onto these people will be a challenge for those companies who have not invested in the cultural infrastructure, and rewards and performance management systems.
- ◆ Competition will be the order of the day. Not just increased competition with other service providers, but competition across National boundaries. The Net knows no boundaries and it is just as easy to arrange a Mortgage with an American Bank as it is with your High Street Branch. Competition will also be intense for good quality people. Although there will be fewer they must be better and they will be a scarce and valued resource.
- ◆ Flexibility in the staff is what will be valued most – those who can act as team leaders and build teams, communicate with customers and understand business from both a strategic level yet operate at a local level will be of most value and are increasingly in scarce supply.
- ◆ In a turbulent environment that is increasingly competitive, managing staff retention and the development of people will increasingly occupy the average manager's role. Coaching, mentoring and people development will gradually take equal

emphasis with leadership – but many would argue that managers first have to move from the comfort levels of a transactional administrative style towards leadership, before becoming the facilitative coach. This is where the challenge is greatest – changing behaviour from task completion and results orientation, to engendering the internal and external behaviours – not just to talk with the customer but ensure that internal delivery reflects external promises.

- ◆ Third parties who currently act as a filter between the customer and the provider of service, whether they be an IFA, Stockbroker, Car Dealership or Retail Outlet will require to demonstrate the best in customer management both to retain the loyalty of the customer and developing a longer term relationship with the service provider.

Drivers and Results

It will be critical that managers have to be focused upon delivering results – through people. What causes the results to happen should be the yardstick by which people assess their own performance. Results must be viewed from the perspectives of all the constituencies in the process, not just the shareholders. It is no good answering a phone call from a customer within three rings if you put him into a frustrating automated queuing system. Exploring how customers rate service and exposing the critical success factors is the key to customer retention.

Some organisations draw a distinction between drivers and results. Identifying key drivers is critical to measure what enables results to happen. Get the drivers right and the results will flow. In my experience, the key drivers are culture and processes. The business culture that enables the processes to develop and flow is based upon cross-functional working.

One of the biggest challenges that organisations face is integrating the activities of a diverse group of people in functions that are highly differentiated, to create processes that deliver results for the customer. To do this properly requires a major rethink around functional management.

In too many organisations the matrix is talked about a great deal, having flat structures with multitudes of people reporting to a small group on the Executive Team. However, progression through the structure is not usually reflected in how people are rewarded. To develop a strong cross-functional organisation requires moving beyond the old functional model. The know more to get promoted has to be rejected for a more flexible reward model based upon recognition for working outside your functional specialism. Reward strategies have to be devised to reward for customer responsiveness. Few organisations have been able to grow this culture and this has a major effect on their staff-resourcing activities. Attracting, selecting, developing and retaining staff is a major issue. If a company does not look after and coach and develop its best people, then someone else will.

Culture causes results

Creating the right culture *always* comes first. The culture or way of working should be driven by a tangible and stretching vision of what the company will become. Vision must be reflected by strong values for teamwork across boundaries, focused upon delivering customer responsiveness (see diagram). Values must drive the core strategies or competence of the business that in turn will determine the structure, roles and responsibilities and performance measures or KPIs. Cause-effect linkages must be established within the culture.

Transforming a business culture can take a relatively short amount of time – it takes as long as the top people want it to take. Working through the vision to KPIs is a methodological process

The Model for Change



that requires equal commitment in terms of enthusiasm as well as structure and process. A change that is less than challenging, inspiring and motivating will never be installed.

Summary

This article highlights the rapidity of changes within today's business. Those who manage within any Industrial or Commercial organisation will recognise and understand that we don't have all the solutions to the problems which organisations are currently facing. Customer management is still a new ball game and shaping the culture to support superlative and consistent performance is not well dispersed within business.

What is important is that change be integrated into every aspect of the organisation's functions so that those who never see or touch the customer support 100% those who do. This means creating a customer matrix which spreads seamlessly across the business so that the organisation quickly develops its own core competency of speedily implementing – rather than just talking – about business transformation.

In too many organisations attempts to shape and design a robust and customer focused business culture has been more an accident than a deliberate attempt to refocus energies. It will be interesting to witness in coming years those who do exercise their ability to shape their destiny and how that is reflected in bottom line results, customer retention and customer capture.

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