

# Creating the Customer-Centric Organization

## Finding Your Customer-Critical Path

By David F. Giannetto



Does your company's mission and vision statement place the customer at the center of your universe? Does it promise to maximize customer value and deliver the best customer experience possible? If it does, your mission and vision statement is surprisingly similar to nearly every other organization. And much like them, chances are your organization is struggling to make this vision a reality, to actually reinvent itself as truly customer-centric.

"Customer-centric" has become the new buzz phrase thrown about at most executive planning sessions, and has replaced "innovative" as the new, mandatory strategic language. The truth is, it takes a lot more to

become customer-centric than changing the company vision—it requires a departure from years of tradition, a clear look at who and what your organization is, and a deeper understanding of what motivates your customers to buy from you, or from your competitor. Fortunately, the cost to make this change is surprisingly low, while the benefits and the returns can be shockingly high.

### Finding Your Customer

Customer-centric implies that the customer is central to the organization, but this is too esoteric to have any real meaning. How does the customer fall somewhere between the receipt of raw materials and the delivery of a product? The organization turns the materials into a product or service, which is then sold. Everything the organization does must lead to this event. (No sale, no customer.) This logic works for most people and most organizations, and it logically follows that the focus should be upon the creation of the best possible product or service, because this is what causes a prospect to become an actual customer.

This logic fits nicely with traditional thinking. It was popularized by Michael Porter's value chain approach in the mid-80s. The value chain is a string of critical processes that begins with raw materials, or inputs, and ends with a product or service delivered to a happy customer. Thinking this way makes sense because it is easy to place the customer at the end of the process. But this mindset doesn't just affect how executives structure the organization; it weaves its way into every aspect of how the organization manages itself, and how managers make decisions.

For example, the finance department performs the close process each month so that it can deliver financial information to managers with actual bottom-line responsibility. These managers, from executives to cost center managers, are finance's customers, just as shareholders are when they deliver quarterly reports. Once these reports are delivered, finance goes back to the business of accounting and managing revenue and expense until the next month.

Engineers work to design new products that will keep them one step ahead of their competition. Manufacturing produces goods to meet customer orders or demand projections. The sales department courts potential buyers so that they become actual customers. Once they do so, sales then returns to identify new targets and tries to transition them. Manufacturing works to refill shelves. Engineering continues developing products.

Employees throughout the organization are focused upon delivering the product or service for which they are responsible. The product attributes become the value proposition that will appeal to their customer, regardless of whether or not this is an internal or external customer. Employees are trained to think in terms of product development, delivery, and value. The organization becomes, even if it doesn't know it, product centric. Believing that a mainstream management theory such as the value chain approach could not be wrong, or outdated, management is comfortable with this view of their world. When they try to become customer-centric, they do not know how.

### **Making the Change**

Consider, for example, the electricity powering the light by which you are reading this article. It is a fairly simple product that was mainstreamed decades ago, and, except for new types of power generation, it has remained essentially unchanged. The traditional value chain for this industry is fairly straightforward. Power is generated by a complex and often dangerous power plant, and it is delivered to the customer via a complicated and often dangerous network. The customer then consumes this power and must pay for it, creating the need for back-office operations such as accounting, finance, and customer service.

Given the complexity of power generation and delivery operations, the organization is staffed by a high percentage of engineers, many with doctorate degrees and years of specialized training. The generation and delivery assets themselves are maintained by highly trained, highly specialized workers. A large percentage of the management team also comes from this background, and rose through the ranks of organizations identically structured. Combined, these employees represent over 75 percent of the organization.

Collectively these employees create a culture that is consistent in almost every power utility in the world. Their cultures respect academic achievement, technical expertise, and years of experience in the industry. They typically believe in rigid structures, inflexible procedures, and consistency in design and execution. They are truly product focused.

Given the potential hazards, it is easy to see why they behave the way they do. But what happens when this type of organization has to compete in a more open market, when transparency is increased, or when the customer, such as a municipality, has a stronger voice or is under the growing influence of being *green*? What happens when the power company must become truly customer-centric?

It is nearly impossible for them to succeed. Seventy-five percent of the organization has little to do with, or has little understanding of, the customer.

### **Departing from Tradition**

While this product focus is exaggerated within a power utility, largely because of their technical nature, these factors affect nearly every organization. Employees who have great influence within the organization will not yield it to those who have less, but understand the customer better. Funding is unlikely to shift from traditionally respected areas to those areas that most affect the customer.

For a power utility, this means that engineers, who have often dedicated their entire lives to the study of their work, must be considered equal to project managers and customer service agents, most of who do not hold any degrees. Money, resources, and staffing must focus on project management and call center technology, not just on million- or billion-dollar assets. There must be recognition that these areas equally affect the customer.

This new perspective must be executed by executives that have spent their entire careers adhering to the traditional values of the product-centric culture. But this shift is what customer-centric really means; truly understanding and meeting your customers' needs. It starts with the customer; more specifically, it starts with a prospect.

### **Customer-Critical Path**

This means that the traditional value chain must be rethought and renamed more appropriately the *customer-critical path*. A prospect travels this path on their journey to become a customer; a customer travels this path toward the goal of becoming a happy customer. This is the true value chain of the organization – a string of processes that become critical because they directly affect your customer, regardless of the product, service, organizational chart, academic degree, or bias. Find the customer-critical path and you can guide your customers through your organization in the way that is most meaningful to both them and you.

But not all customer needs are the same, even within an industry that has only one real product, like a power utility. The customer-critical path may start in several places, meeting the needs of several different types of customers—household customers that simply need power turned on or major projects that require significant project management and preplanning. Eventually these starting paths merge. It will occur at the point at which all customers are happy. From there, they may take a different path again, some will terminate service or have new needs. There is not one value chain; there are many paths a customer might travel through your organization.

This new approach offers significant value for organizations that adopt it. It allows them to better understand their customers so that they can be more effectively segmented and targeted by products or services. This drives the bottom line in several ways. A stronger value proposition increases appeal, thus driving revenue. Better service and customer interaction improve the customer experience and increase customer loyalty, driving customer lifetime value.

The customer-critical path also becomes a vital decision-making tool for management. It provides a clear and unbiased perspective on where resources should, and should not, be spent. It defines the relative worth of projects, assets, and expenditures, painting a clear picture of what the results will be if the customer-critical path is not properly maintained.

And if your mission and vision statement says you are customer-centric, it makes your strategic plan more than simple semantics. It makes it actionable, setting your organization on a path toward true differentiation and market leadership. Properly crafted, the customer-critical path becomes a pleasant stroll through the park for your customers, and it can also become the most profitable path for your organization. **USBR**

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