

3 Changes to Build Customer Focus

BY TOM ROSE, PhD

Customer focus is a top strategic priority for most organizations.

In a 2016 and 2017 survey I conducted, respondents indicated that customer focus was a top strategic priority. Customer focus ranked second only to operational efficiency and was followed by innovation. While customer focus has always been an important source of business success, it creates special advantages in today's environment of disruption. Research indicates that highly customer-focused organizations adapt successfully to rapid (often technology-driven) shifts in customer requirements and in competitor innovation. The bottom line is that customer focus leads to improved revenue, service satisfaction, and operational efficiency.

By spotlighting case studies in healthcare, financial services, and technology organizations, we reveal that people and process managers apply mindset and action through three interconnected streams of work: strengthening a work environment of customer-focused innovation; designing work to enable resilience and agility; and increasing the use of high-impact leadership behavior. We reinforce lessons learned from these case studies by highlighting research that supports the actions taken in the case studies.

TEAM ENVIRONMENT OF CUSTOMER-FOCUSED INNOVATION

Customer needs are rapidly evolving. In fact, PwC, in its Pulse interview of CEOs summed up in "The disruptors: how five key factors can make or break your business," observed that customers may be edging out competitors as the biggest source of marketplace disruption. Customers now require their suppliers to provide them with innovative products and services.

To increase customer-focused innovation, we must close two gaps: First, clarify what customer focus is in our situation. And second, balance customer focus with other critical organizational priorities.

Clarify what "customer focus" means. To set the stage, consider the observation below, made by a colleague who recently attended a training session on customer focus. This company successfully markets innovative products and wanted to increase customer focus among its associates to achieve greater success.

"They [the presenters on behalf of management] never said 'what' kind of customer experience we were after; 2) the presenters named five behaviors that were important without really explaining why; 3) the depiction of the 'sales process' is not what actually happens on the floor; 4) the focus was the 'outcome'—increased sales—without any connection between the behavior and the outcome or how it could be measured in some way; 5) managers seem to support the initiative without critically working out the links needed to improve things."

How could the organization expect managers to move forward with all these information gaps?

These comments about what was missing serve as a good initial outline of a roadmap for customer focus: align levels of management on what customer focus means in the situation on hand; outline how we achieve it; and measure progress against standards so that people and teams can learn their way to sustained improvement. These actions convert a praiseworthy aspiration into achievement.

Managers need to be on the lookout for and overcome three common obstacles to a customer-focus mindset. First, the "customer" is too narrowly defined. A chief marketing officer who specializes in turnarounds observes that many organizations struggle to grow because they do not invest in cultivating relationships with new customers for whom a company's current products are well suited. Prospecting

3 Factors That Drive Successful Customer Focus in Today's Business Environment of Disruption

2. DESIGN OF WORK FOR AGILITY & RESILIENCE



1. TEAM ENVIRONMENT OF CUSTOMER-FOCUSED INNOVATION



3. HIGH-IMPACT LEADER BEHAVIOR



for new customers is a challenging process—even for experienced salespeople—but is key to success.

The second obstacle is that organizations can be too focused on their biggest current customers and not on the broader set of customers for whom their products and services solve important problems. While prioritizing current customers is a practice that protects one's current business, it threatens future growth.

Within organizations, the same principle applies. Focusing narrowly on one or a few favorite internal customers can limit one's impact and future.

The third obstacle is that many well-intentioned managers and organizations rely on sales or other internal experts

to define customer needs without collecting and analyzing customer survey and interview data and market data about shifting customer needs. Without surveilling how needs are evolving with data from outside the organization, managers risk overlooking important trends and becoming less valuable to customers.

Balance priorities. We have all been frustrated when we hear the following kind of statement from service personnel: "That's how we do things here—that's our procedure." This statement is a legitimate stance to take. Standardization promotes reliability and reduces costs.

Unfortunately, when overdone, operational efficiency weakens customer focus. In a global consulting firm, the company's leadership prioritized execution of standards for



“Lean work methods and Agile work methods systematically integrate customer focus, operational efficiency, and innovation.”

client deliverables over understanding customer needs. At one moment, leadership discontinued customer interviews about customer requirements to focus more attention on implementing standards. This decision was made when the industry analysts observed that global consulting was experiencing disruption.

Customer-focused organizations break through the limitations of a narrow view of operational efficiency—they achieve the right balance between customer focus, innovation, and operational efficiency. In fact, the best implementations of Lean work methods and Agile work methods systematically integrate customer focus, operational efficiency, and innovation.

In one case study, a once highly successful business had witnessed the slow decline of revenue and earnings over several years. A new leader joined the business and initiated the turnaround. A few actions stand out as very important:

- Regular conversations began taking place with employees in town hall meetings and others to review business outcomes and data on customer satisfaction with the company's products and services. This repeated focus on bad news was necessary to break through well-worn but ineffective organizational routines. If real problems are not addressed—as uncomfortable as they may be—real solutions cannot be implemented. Many organizations have to guard against the inclination that bad news should be avoided in the name of the misapplied idea of being positive and solution-oriented.
- The new leader began requiring that customer analytics of interview, survey data, and industry data be used to focus the development agenda. This is because in organizations, data gathering stops with the point of view of internal experts. In an era of rapidly changing customer needs and advances in technology-enabled capabilities, more systematic data gathering is needed.
- There was a new emphasis on increasing the agility with which products are developed in close collaboration with customers. An aggressive schedule of new releases was established and reinforced. This schedule was vital to success but was countercultural.
- A new requirement was established that required cross-

boundary teams to work together to identify and resolve team hand-off issues. The leaders' most important job is to identify hand-off problems and see that they are resolved.

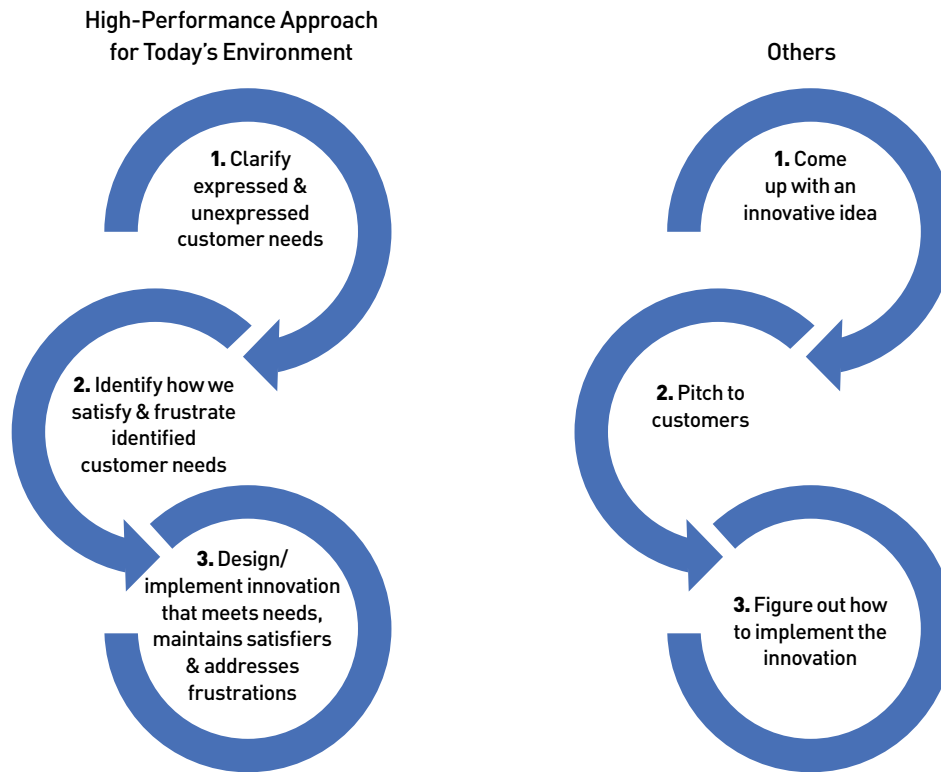
- The new leader required public reports of progress—including good and bad results—followed by candid discussions of persistent gaps, especially of team hand-off issues and how they could be improved. The leader said that he needed to build a learning culture in which every level of manager candidly admitted mistakes, took accountability, and strove to improve over time. He modeled this accountability for his team.

These and other efforts have paid off. Recently, the organization achieved double-digit growth and celebrated a new product introduction for each quarter for more than 10 consecutive quarters.

In a complementary case, a financial services organization added a few additional steps to our evolving roadmap. An organization-wide engagement survey revealed that the company trailed a benchmark for customer focus in financial services and provided executives a new perspective on why business metrics were not at the targeted level. To close the gap, the organization undertook several actions. These included:

- Administering quarterly “engagement pulses” surveys to a random 25% of employees that emphasized customer focus questions and additional annual census surveys. The reasoning was that repeated measurement was needed to retain focus on a challenging issue.
- Having company executives review the results for several quarters with employees in quarterly and annual town halls. These conversations about results (and occasionally, the lack of results) helped build the motivational momentum needed to make needed but somewhat difficult changes.
- Mapping customer touchpoints across the organization so each employee knew how he or she contributed to the company's customers. Many of the employees and teams had customer contact from marketing, sales, service, finance, and IT. Clarifying how to optimize these customer encounters was vital to the desired customer impact.
- Implementing standards and metrics and focusing the team on improving their performance against those metrics.

The Path to Customer Focus in the Era of Disruption



Sample of Customer-Focused Innovation	Solid Performers	High Performing
Begin developing ideas with a clear definition of the customer problem we are trying to solve	57%	77%
Evaluate gaps between desired and future performance	56%	72%
People contribute ideas regardless of level	56%	69%

As in the case of engagement, repeated measurement against targets for how each customer touchpoint could be enhanced was achieved.

In the end, the first of the work streams comes down to a difference in the process, as shown in the figure above (a pattern that is also reflected in research on successful organizations). The PwC Pulse interview confirms the actions highlighted in the case examples above.

DESIGNING WORK FOR RESILIENCE AND AGILITY

Today's environment presents us with the need to manage frequent changes in customer needs and the business impacts these shifting needs create. Today, the managers of initiatives encounter frequent changes in requirements, timelines, budgets, and key staff as organizations cope with

this change. Well-established work and project management routines are not especially well suited for the reality of the scope and frequency of this change. Executive teams and managers are changing how we bring work and people together to achieve greater agility and resilience. A review of two disciplines—planning and cross-team alignment—illustrate how.

Planning is one place where new approaches are being developed. One senior manager was brought in to revive a sluggish business that was part of a highly dynamic industry. As she entered the situation, the company was using business plans written for a yearlong timeline, which were very highly detailed documents but did not allow for rapid change. The manager implemented a planning process in which plans were recorded on a single piece of paper,

This chart spotlights some of the high-impact behaviors:

Sample of High-Impact Behavior	Solid Managers	High-Performing Managers
Models change asked of others	55%	64%
Adapts plans to build commitment	49%	66%
Assigns tasks reflecting strengths of team members	56%	70%

against which regular updates are completed. Among the pieces of information that were recorded, a couple were key:

- What problem does the product solve?
- Are the customer's needs changing? How do we address this change?

In the quarterly review process, these questions were asked, and if the answers changed, adjustments were made. This new agile planning process is contributing to an improvement in product innovation, new customers, and increases in revenue.

A second example is cross-boundary alignment. More than a few executives express the following frustration, "My organization is frozen in the middle." Many organizations are achieving increased agility and resilience by making the resolution of cross-team boundary hand-off issues a top priority in a manager's work. In interviews with executives in healthcare and IT companies, many say that resolving hand-off problems is a mission-critical management activity for achieving greater customer focus.

In a healthcare organization and a software firm, key initiative updates are conducted with key teams—the manager and direct reports—to reveal hand-off issues and address them.

Through our research, two practices were found that differentiated high-performing organizations from the rest:

- Senior and middle managers work together to anticipate change and outline possibilities for adapting to it
- Managers pull people across organizational boundaries to solve problems

Two other practices that were found as significant priorities in our case studies were preparing to act with agility and working across boundaries.

LEADERSHIP BEHAVIOR

Certain leader behaviors can strengthen a work environment into one of customer-focused innovation and agility.

In one example, a healthcare system was integrating several new hospitals while improving costs and healthcare quality. The CEO continued the Lean healthcare strategy initiated by the previous CEO. The head of the initiative, with the support

of two successive CEOs, began at the top. He established a development plan for each executive as the initial step of the plan that would cascade down ultimately to the individual contributor.

In addition to outlining how they would implement Lean strategies in their organizations, each executive had to identify a leadership behavior that he or she had to change for the initiative to succeed. Examples of these behaviors included:

- Being less reactive and more deliberate about evaluating options before acting
- Getting teams to link actions to patient and cost outcomes
- Pulling team members to resolve hand-off issues between the teams

Goals were set for these behaviors. In periodic reviews, the manager worked with leaders to evaluate progress on Lean actions as well as leader behavior.

Our research has revealed 20 leadership behaviors that have a big influence on customer-focused innovation. These behaviors contribute to the benefits created by a team environment of customer-focused innovation and work design that enhances agility and resilience (see chart above).

Interestingly, no difference existed between senior and mid-level managers in these behaviors. Successful managers use the same behaviors to achieve customer-focused innovation through others.

Customer needs and ways of meeting them are evolving quickly in a world of hungry and agile competitors. Customer focus is key to success in this turbulent and uncertain environment. Yet, as a CEO recently said, "What could be more obvious?" Achieving the obvious requires a three-part agenda in which people and teams achieve success through customer focus. This agenda includes strengthening a work environment of customer-focused innovation, designing work to enable resilience and agility, and increasing the use of high-impact leadership behavior. [AQ](#)

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