

The customer-driven organisation

How many organisations do you know who proclaim their commitment to the customer? Who would claim otherwise? But the question I always ask is "By what method?"

Try this exercise: Get your senior managers together and ask two questions: 'How much do we spend on customer satisfaction research?' and 'How much change do we make as a result of it?' When you get right down to it, the answers are usually 'quite a lot' and 'not much'. But in my experience, you don't get down to it very quickly. Managers are adept at rationalising.

The problem is method

Take, for example, your bank. They probably send you a customer survey from time to time. Do you sometimes feel the survey doesn't really allow you to talk about what matters to you? We'll return to that issue in a moment. In my own bank, I found it took four months from the customer filling in the survey, to the results getting to the Branch. When the survey does get to the Branch it is in the form of a report showing how the Branch stands with respect to other Branches and it includes the command to draw up an action plan. Managers assume that evidence of action-plans represents change. Have you noticed an improvement in the service offered by your Bank? There is often very little the Branch can do, pretty well everything going on in a Branch has been dictated by central management - people who want to standardise service.

A Canadian Bank took a radically different view. They went out to ask their customers what mattered to them. They found that different Branches had different customers with differing service and product needs. So what did they do? They encouraged Branches to use this information to design Branch operations on the basis of local customer needs. The first differentiated Bank in the world; every other Bank that I know believes in standardisation.

Being customer-driven really is as simple as this: Find out what matters to your customers and turn the same into operational measures - the measures against which you will work and improve. The result is always better service and lower costs. This is not rocket science but it is always rocket fuel.

But this simple truth is hard for the traditionally-minded manager to understand. The manager's job has been to set prescriptions, to tell people what to do and monitor whether they do it. Standardisation is the bane of service and quality and yet this thinking defines management's role and purpose. When these managers survey their customers they, or their consultants, write the items. They want to know if staff are doing as they 'should' and they want to know from their customers 'how was it for you?'. This is not the same as knowing 'what matters'.

An extension of this thinking is mystery shopping. People, pretending to be customers, go into an organisation with a checklist of things to observe (did he/she smile, were you told or asked?). Because managers have prescribed what should happen, they can send stooges to check up on it. In every case I have studied mystery shopping failed to elucidate what mattered to customers and the feedback reports to staff became demoralising. This is not untypical of what I find: A service agent said "The mystery shopper said she would have bought from me if she had genuinely wanted to purchase but I didn't offer her a stick of rock - the current promotion - so I got marked down". You can guess what her manager focused on. Mystery shopping adds to costs and damages morale - two forms of sub-

optimisation from one intervention. Yet managers will tell you they value it. They would say that, it fits with their view of the world. The best mystery shopping can do is tell you what you should already know. The fact that managers don't know is a reflection of their separation from the work, managing numbers not transactions with customers.

The better way

Your customers' view of your organisation is made up from what they experience when they transact with it. That's all they have. If you can understand that and improve it you will reduce costs and improve service. In return, good service will translate into improved revenues. Customers will talk positively about you, bringing more customers and customers will remain loyal.

So the first practical step is to look outside-in, to define the points of transactions your customers have with you.

Now ask yourself how much you know about what matters to customers at these points of transaction. Ask the staff who work there, but even better ask your customers. Think about your organisation this way: Its purpose should be to help customers 'pull value' from it. When a customer demand of any 'shape' comes into your organisation, your organisation should respond to that 'shape'. When you start thinking this way, you begin seeing the difference between demands from customers which are predictable and those which are unpredictable (which takes us back to the theory of variation - see The theory of variation - it is a better way!).

The third step is to learn about how your organisation currently responds to the different types of customer demand - again, what happens predictably?

Finally, and here is the rocket fuel, when you take these steps, work with the people who deal with the customers every day. Your job is to give them leadership. If they have been through the process, when it comes to making changes they will know the what and the why. Change is then rapid. Your people will want to do a better job and they will want to experience less hassle.

In every case I have experienced, this simple method has resulted in improved service, lower costs and, ultimately, improved revenue. The difference from traditional methods is stark: instead of high cost and low value, it is low cost and high value. Don't even think about it, just do it.

IBM software support

In 1996, IBM software support underwent a transformation. Starting with finding out what mattered to their customers, the software engineers who were responsible for the service re-designed the way they gave service. Instead of all customers being subject to the same process, each customer need created its own process. The right actions were chosen to give the customer what would meet each particular need. The result was significant improvement in service and efficiency, which won them the IBM UK quality prize in that year.

Organisations use 'what matters to customers' to competitive advantage...

Daewoo announced 'no commission for salesmen', Orange announced 'free itemised billing'. These are just two examples of a new phenomenon in marketing. Find out what matters to customers; in particular, find out what is upsetting them and commit to being the organisation that does not do it.

...and ignore 'what matters' at their peril..

What matters to customers is also a caution for marketers. While direct mail campaigns can measure the costs and returns, they cannot measure the costs of 'intrusion'. How many customers are upset through getting an unwanted contact?