



CENTRE FOR
PERFORMANCE-LED HR

Is Customer Centricity A Movement Or Myth? Opening The Debate For HR

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1. Introduction

“HR functions need to concentrate on end customer alignment, but HR Directors need to know how this linkage works... [and] realign their resources accordingly”.

Much debate has surrounded the influence that Customer centricity should have on the strategy, business model and organisational structure that organisations adopt in order to achieve business success. Customer centricity involves:

“...Describing an organisation that is operated from a customer’s point of view. Rather than developing new products and attempting to convince consumers to purchase them, a customer centric firm develops products and services that customers need”

It is interesting to note that some leading authorities on Organisation Design², have, in recent years, focused upon models and processes that will support the development of customer centric organisation structures, thus confirming that the concept is to be taken very seriously as a guiding strategic principle for a wide range of businesses. We believe that senior HR leaders need to be fully aware of the concept in order to understand its relevance for their particular business.

This White Paper is an “invitation to debate”. Why?

- We think that customer centricity is a strategic issue
- However, we think there is a lot of confusion as to what it really means
- We want to equip HR with the knowledge it needs to understand what customer centricity is, and is not, so that it can enter into the debate with the business
- We will show that this debate raises fundamental questions for HR Directors as to how they should think about their function in terms of the skills it needs, how resources are allocated and the value it adds.

Nevertheless, it is precisely because customer centricity attracts so much attention at the strategic level, that we have chosen it as our theme in the second of our white papers addressing the primary drivers of sustainable performance (the first was *“The Innovation Imperative”*, released July 2010). It simply cannot be ignored as a subject, given its prevalence.

Our first task therefore will be to attempt to define the idea of customer centricity with (as has now become the tradition in our white papers) a brief exploration of the history of the term, as understanding its origins can often cast light on its substance (or not) as a theory. We will then explore some of the latest ideas emerging on the topic, and in particular we will consider the subject of what is becoming known as “social CRM”. This will also entail a review of some of the strategic and structural implications of a customer centric approach.

We establish the agenda for HR through interviews with the line management (non-HR) professionals responsible for the customer centricity initiatives and related organisational design and culture programmes in four sectors: a telecommunications services provider; a financial services organisation; a high technology organisation; and an airline.

We provide a 'Routemap' for HR Directors by:

- Laying out six building blocks of customer centricity, and then for each one:
- Laying out the performance logic implicit in it
- Identifying the people management issues
- Summarising the implications for HR delivery

Service profit chain thinking has been a good starting point for HR Directors in terms of linking their function to its internal customers (employees) and then to end customers. However, customer centricity is all about end customers. Dave Ulrich has already said that HR functions need to concentrate on end customer alignment, but HR Directors need now detail on how this linkage works. This White Paper puts the flesh on the bones.

There is an implicit and heated debate here – should HR be aligned to internal customers or to end customers? Potentially it has to do both. But to answer the question we have to take the HR function through a logical thought process about customer centricity, so that they ask

- Does the business model demand of the organisation that it is customer centric or not?
- If the answer is yes, then how must HR align its internal customer focus with its external focus?

This White Paper is intended to allow HR functions to better debate the issue of customer centricity with the line, structure HR accordingly, and then measure the value that HR adds, based on where the organisation is on the spectrum of being product to customer centric.

The High Level Implications of Customer Centricity for HR

There are three high level implications of our analysis of customer centricity that HR Directors may well wish to take note of:

- 1) Organisations which choose to adopt the strategic orientation of customer centricity are, by doing so, moving away from service-profit chain thinking which has been so predominant in driving HR strategy in many companies, but which is more appropriate for product centric organisations
- 2) HR departments in a customer centric organisation should not consider their own employees as customers. Every department, including HR, needs to become customer centric – with the end customer in mind
- 3) In a shift toward customer centricity certain HR practices become mission critical, others supporting, in a way that might not be immediately obvious without a rigorous understanding of customer centricity as a strategic choice

We are not saying that end customer alignment is automatically the best solution for HR – it depends. If your organisation is really just product centric, then the final conclusions of the paper might not be apply to you. In this situation the best role for HR is to service its internal customers and the organisation so that the organisation can produce the service/ product delivery.

We have taken the title of this White Paper from one of the sources we visited in our research, as it neatly summed up the ambivalence we observe anecdotally when studying the topic of customer centricity. Anecdotal evidence would certainly seem to suggest the answer is often 'myth'. There seems to be no decline or let-up in the levels of dissatisfaction, frustration and annoyance as a client, customer, consumer or 'user' (to use a favoured term in IT circles) at the continuing poor degrees of service offered in many sectors of our economy. This despite the enormous attention paid to the subject of customer relationships in organisation strategy. This could of course be due to the fact that there are now more places for people to complain publicly, with the advent of social networking and web 2.0; it is therefore perhaps with a degree of 'schadenfreude' that companies are now turning to these very tools in the latest thinking about being customer centric to provide them with real time information on customer perceptions. More of this later.

2. Definitions and origins of customer centricity

“We zero in on those elements which appear, in combination, to represent new thinking, and which would especially be of value to HR Directors planning how to support an organisation moving to a customer centric strategic orientation”

Perhaps surprisingly, customer centricity is a relatively new concept, dating only to a decade ago. To a degree we can already see the origins of the thinking behind customer centricity in the seminal articles of the mid 1990s which described the ‘service profit chain’ for the first time. Sears was described in the Harvard Business Review³ as having introduced a ‘change in the logic and culture of the business’ by rebuilding the company around its customers and ‘developing a business model’ (the employee-customer-profit model) that changed the way managers and employees think and behave.

In the same year the elements of the ‘service-profit chain’ were further elucidated⁴, describing the ‘propositions’ in the chain that linked employee satisfaction, loyalty and productivity to customer loyalty in one direction, and to company profitability in the other direction. Already these articles presaged one key aspect of customer centricity - the focus on employee empowerment and flexibility at the front line of service delivery.

Also in the mid 1990s Peppers and Rogers⁵ published their concept of ‘one to one marketing’, the idea that companies should analyse the precise needs of every customer and deliver a product or service personally tailored to those needs, which presages another concept contained in the customer centricity movement; that of mass customisation.

However, it was in 2000 that an influential academic in the marketing field wrote a paper on the subject of customer centric marketing⁶ and the term thenceforth entered the vocabulary of popular management writers. Sheth and his colleagues defined customer centric marketing as ‘understanding and satisfying the needs, wants and resources of individual consumers or customers rather than those of mass markets or market segments’⁷. They argued that up to that point, organisations had placed the product at the start of the planning process; customer centric marketing on the other hand places the customers’ needs and wants at the start. Drivers for this shift in focus included the low productivity of the marketing department, the increasing diversity of the market, and the advent of enabling technologies.

Significantly they also pointed to a consequence of this shift for organisation structure and culture, as well as strategy. For them, the customer centric organisation would be one in which all the activities of a firm - both customer related and non-marketing functions - are aligned around customer value-adding work. They also argued that the dominant ‘DNA’ of the organisation may have to shift from its origins (for example engineering or technology) to become customer centric; and the dominant leadership style would be crucial in adopting such a focus.

Their original definition and analysis of the customer centric organisation has been expanded by the industry of consulting and expert commentating that has proliferated over the years. Of course in many cases (and an accusation frequently levelled at customer centricity) it has merely become

synonymous with timeless management fads around caring for the customer, service quality, and the 'customer is always right'. Hence the perception that the idea is more of a myth, than a movement. When considering what has been written on customer centricity it is clear that the term - like much management jargon - has become used as a cover-all for all types of customer service oriented discourse, and to that extent, the term has been devalued; probably less of a myth, therefore, and more an empty shell devoid of meaning.

It has also to an extent been subsumed in the largely IT driven CRM movement, as we shall discuss later – possibly another source of criticism of customer centricity, as the customer was often perceived to be forgotten in the drive to install the latest enterprise software⁸.

One critical commentator describes how the 'movement' is actually on the consumer side, a movement that organisations are responding to too slowly:

"... Yes, we do have a customer centric movement going on - among customers. Irresistible global market forces are driving a gradual transition from past decades of sellers' markets to future decades of buyers' markets. As a result, customers are acting more empowered and emboldened and are continually upping their expectations of companies. More than just a "movement," this is a large rock rumbling downhill at increasing speed that imperils anything in its way"⁹.

Measurement of customer centricity (often based on customer perceptions of being understood, quality of staff, level of service, accessibility, and relevant marketing) as opposed to customer-distance, tends to place exemplar firms from sectors such as building societies, mobile phone operators, car insurers, supermarkets, and traditional airlines in the lead, with many credit card, banks, low cost airlines, power and utility companies fairing badly. Individually some airlines score high on customer centricity, but just how possible, or impossible, has the pursuit of customer centricity become given the multi-party service experiences that passengers face in practice?

The Air Travel Experience: Customer Centric or Customer Distant by Design?

Consolidation has long been expected in the airline industry. Hit by the global economic downturn and rising fuel costs, they seek scale, but know that excepting brand-loyal first class passengers, travel is now mainly a commoditised market. Customer retention, re-attracting defected customers, attracting new customers, and increasing the share of a customer's travel wallet all have value, but is a return to customer centricity possible?

Back in the early 1980s airlines were hailed as leading the way towards customer-orientated business strategies. Jan Carlzon, at the time CEO of Scandinavian Airlines, made a name for himself with his book 'Moments of truth'¹⁰. He coined the term 'moments of truth' to capture those experiential moments across the full customer surface of an organisation in which the customer was in a particularly vulnerable state and the organisation has an opportunity to impress or disappoint.

He was famous for saying that SAS faced 50,000 moments of truth every day and that "... An individual without information can't take responsibility. An individual with information can't help but take responsibility".

What a difference a few decades makes. Consider now how the fragmented industry structure makes it hard for an airline to cope with the delivery of a total service experience. Industry analysis shows that "...airport management customer satisfaction with the airport experience can be significantly improved and airport net revenues can be tracked to show a direct relationship with increased customer satisfaction". "...sometimes assure abominable service by their very design"¹¹.

Whilst many are responsible for service delivery airport-wide (airport operators and the complex set of leases, permits and contracts they might have adopted, airlines, terminal operators, service contractors, government agencies for customs and immigration, concessionaires, and retail tenants), customers still perceive the airport or airline as having principal agency, even if they do not. Customers judge facility condition and cleanliness; operational efficiency; employee behaviour, appearance and knowledge; signage; airport and terminal planning and design; concessions; construction impact on customers. Yet a customer centric strategy requires a shared agenda, customer service standards and problem solving capabilities across these parties, supported by co-ordinated systems and processes, cooperative marketing and communications, pan-organisational or pan-community customer service and performance management standards.

Imagine you are an airline (be it a standalone low cost model or network model with its alliances and partners) with many functions ranging from distribution, customer service, back office, operations, maintenance, repair and overhaul. You are the target of the customer centricity industry, being exhorted to be part of the customer travel lifecycle¹². Your service performance sits in the centre of the plethora of experiences over this lifecycle, surrounded by successive rings of an airport on either side of the journey (and with the hub and spoke model rather than the point to point model, another airport in between), the transport arrangements to the airport, the travel industry, and even it seems the climate and behaviour of volcanos. Classic consulting approaches suggest suites of solutions: organisational realignments with associated cultural momentum programs; analytics to capture the needs, behaviour and value of customers and the demography of their travel; tiered systems of customer advocacy, engagement and disengagement based on the problem context; information systems that combine vast amounts of data across multiple and disparate sources; loyalty and customer relationship based on the miles travelled, revenue or the breadth of products purchased; integrated marketing communications using data as the core driver of all marketing and customer-based activities; web-based self-service choices and social media to deliver offers appreciated by the customer; tantalising lounges and in-flight services.

In its origins, and at least on paper, the concept of customer centricity entailed a logical and fundamental shift in organisation strategy, structure and culture. As the above setting shows, the benefits inherent in such initiatives within an airline may be clear, but in reality in today's world flying is an embedded experience. But:

- do modern day “moments of truth” experienced from the initial intention to travel, through to the closing travel away from the final airport, leave passengers with the view this is a customer centric experience?
- are airlines now embedded in an industrial structure that by design makes it impossible to deliver an effective customer experience?

In our analysis of the term, we have found several elements, or ‘building blocks’ that recur and which we can safely posit as the main characteristics of the customer centric organisation. We now discuss the six recurring elements in the idea of customer centricity.

3. The six building blocks of customer centricity

“The term – like much management jargon – has become used as a cover-all for all types of customer service oriented discourse, and to that extent, the term has been devalued; probably less of a myth, therefore, and more an empty shell devoid of meaning... but we have found six recurring elements in the idea of customer centricity”

So what exactly is customer centricity? We see – and now explain – its six core and distinguishing features.

- 1) Mass customisation: finding the best possible proposition for a given customer
- 2) Involvement of the consumer in the design process
- 3) Structuring around the customer, and not the product
- 4) Enablement of front line staff
- 5) The democratisation of customer relationships and knowledge
- 6) The capability to filter massive data sets to add value to product and service offers

Clearly not all elements are found in every customer centric organisation; and not all of these elements are, per se, new ideas. Customer centric structures and the product centric structures are not mutually exclusive, as both types will to an extent exist in any large organisation. Small organisations, and those at the high end of the luxury goods market for example, (low volume/ high complexity offerings) have been tailoring solutions to clients for generations. Understanding customers’ needs and including these data in the design process for products (via focus groups, market research surveys and the like) are, likewise, hardly new concepts.

The task we set ourselves was to filter out the commonplace and well known structures and processes in the marketing and customer service domains (where we do not pretend to be experts in any case) and zero in on those elements which appear, in combination, to represent new thinking, and which would especially be of value to HR Directors planning how to support an organisation moving to a customer centric strategic orientation. One important point is of course that this orientation may not be relevant for every organisation, for very good strategic reasons. But even that knowledge - that it is not relevant - may be a useful asset, especially if it is reinforced with a clear answer to the question “why not?”

We need to consider these implications for HR, and in particular think about the HR practices that are either ‘mission critical’ or which otherwise support the different aspects of a customer centric organisation.

3.1 Mass customisation: finding the best possible proposition for a given customer

“... No organisation is entirely product centric or customer centric in the way it structures itself; there will always be a group developing leading edge products in the most customer centric organisation. However, from the perspective of culture, measurement and mindset the entire company needs to think in a customer centric way”

According to one expert author in the subject, the move toward a customer centric organisation places mass customisation at the heart of its strategy¹³. It has the potential to fulfil one of humanity’s basic needs for creativity by placing the demands of each customer at the centre of value creation. However, this must be achieved in a way that is cost efficient - hence the idea of mass customisation. This apparent oxymoron has been defined as “the technologies and systems to deliver goods and services that meet customers’ needs at near mass production efficiency”¹⁴.

Alvin Toffler quoted a prediction in 1980 that

“...the most creative thing a person will do 20 years from now is be a creative consumer... Namely, you’ll be sitting there doing things like designing a suit of clothes for yourself or making modifications to a standard design, so that computers can cut one for you by laser, and sew it together by NC machine...”¹⁵

By this decade a Chinese listed company reports being able to make 500 customised uniforms a day for policemen and service workers.

One of the most straightforward ways of distinguishing the customer centric organisation therefore - at least in theory - is to contrast it with its opposite, the product centred organisation¹⁶. Table 1 describes the chief characteristics of each type. In essence, the strategy of a product-centred organisation is to find as many uses and outlets as possible for its product. It strives to deliver the best product with the most leading edge technology or set of features which opens the market to new opportunities for future product placement. Its pricing is driven by market competition.

For the customer centric organisation, the strategy is to find as many products as possible for its customer, and to find ways of integrating those products. Pricing is driven more by the value to the customer rather than on the sum of products and services that constitute the offering.

	Product centric	Customer centric
Strategy		
Goal	Best product for customer	Best solution for customer
Main offering	New products	Personalised packages of products, services, support, education, consulting
Value creation route	Cutting edge products, useful features, new applications	Customising for best total solution

	Product centric	Customer centric
Strategy		
Most important customer	Most advanced customer	Most profitable, loyal customer
Priority setting basis	Portfolio of products	Portfolio of customers – customer profitability
Pricing	Price to market	Price for value
Structure		
Organisational concept	Product profit centres, product reviews, product teams	Customer segments, customer teams, customer P+L
Processes		
Most important processes	New product development	Customer relationship management and solutions development
Rewards		
Measures	Number of new products Market share	Lifetime value of customer Market share of most valuable customers Customer retention
People		
Approach to personnel	Power to people who develop products	Power to people who know customer
	Transaction oriented	Relationship oriented
Mental processes	Divergent thinking: how many uses for our product?	Convergent thinking: what combination is best for this customer?
Sales bias	On the side of the seller	On the side of the buyer
Culture	Product experimentation	Searching for customer needs to satisfy

Source: JR Galbraith 2005¹⁷

Table 1: Product centric vs. Customer centric

Clearly no organisation is entirely product centric or customer centric in the way it structures itself; there will always be a group developing leading edge products in the most customer centric organisation. However, from the perspective of culture, measurement and mindset the entire company needs to think in a customer centric way. One of our interviewees in the telecoms industry put it like this:

"... Customer centricity should apply to the whole business. Any business decision – for example the launch of a new proposition - is driven by deep customer insight and understanding and has a clear customer segment we want to build the proposition for and is brought to the market talking about the benefits to the customer rather than some technological aspect. Customer centricity means you start with a deep understanding of customers and start to build for specific segments and execute that with an end-to-end customer experience. Whether working in customer service, finance or HR, employees need to be asking the same questions - who is the target? What need is our offer responding to? How do we measure the impact on the customer? How many are in the customer base? For the telecoms industry, this is a major challenge and one that could mark a clear competitive advantage, if achieved"

The implications of making this kind of shift can be fundamental. An interviewee from another high technology organisation notes the importance of shifting the focus of measurement systems:

"... The way that we are measured in the various business units [is what] drives the behaviour, which is very resource focused and under a lot of pressure. That doesn't always mean we behave with the client first... Deep down I think that our average employee is actually very client focused and a lot of their frustrations are caused by other elements of our organisation that prevent them from doing what they think is right for the customer"

In the short-term, until the measurement systems become institutionalised, success is very dependent on the role and leadership of senior management:

"...Management and leadership need to say 'I know we are supposed to use these controls, but don't worry about it'. I call it giving air cover, saying 'I know the rules say that, but let's just get this done, don't worry, I'll take the hit'. We have so many rules and processes and everything else, and all big companies have to have them. To a large extent they are very valid rules, but I think we have stifled creativity and that sense of doing what is right for the client quite a bit"

"...The wise men set the rules but the wisest men pay no attention to them. I've lived with that maxim quite a long time. Therefore, I will always try and do what's right, actually, for the client. This says that, within reason, unless the client themselves are being unreasonable - and by the way we do get clients who are unreasonable - you take a judgement that says the client is being reasonable here...Somebody at my level can take the decision to do that"

"...Customer centric behaviour is driven by the quality of leadership and I don't just mean leadership in terms of authority. My [customer centric] employee may not be an executive or even a manager, but if they are of a higher quality, well respected, then integrating [behind the customer centric model] becomes easier. They can say ' I appreciate how you're measured, but we need to approach this in a slightly different way with this client'. That individual will get that done".

There are a number of challenges therefore facing organisations as they "put upon" this layer of managers/leaders. Organisations must ask:

- Have we got the appropriate authority and control levels?
- In order to build "trust" in the judgements that senior managers are going to make, have we got the task competence - that total understanding of how customer centric solutions are actually all connected?
- Do we see sophisticated enough discussion or understanding of these issues in the levels that we are looking at, so that we are confident they can work that model?

Put bluntly if you were to shift authority levels, would it be safe?

What are the implications for HR of intervening to move the organisation to being customer centric through finding the best possible customised outcome for a customer? We would signal the following:

Characteristic of customer centricity	Implications for HR delivery
Mass customisation: Finding the best possible customised outcome for a customer	<ul style="list-style-type: none"> • Resourcing/career progression and strategic planning activity focused on capabilities such as creativity, innovation and consumer insight • Manufacturing, R&D, production and logistics (i.e. technical and operational) implications of changes to systems and skills – major learning and development initiative needed • Need to source talent capable of overview of industry dynamics (a "they know best" versus "we know best" regulator) • OD work with the leadership teams to develop creativity and re-balance authority and control levels

3.2. Involvement of the consumer in the design process

“... We are trying to redesign organisations for the next generation, but the people of that generation are not designing it”

A second aspect of customer centricity is the involvement of the consumer in the design process. Why? Customers' needs and requirements are usually subjective and difficult to define precisely, even by the customers themselves, and therefore difficult to transfer into a concrete design specification for a customised product or service. By integrating the customer directly into the design of the product or service, especially by using technology to simplify this, companies are enabling the implicit specification of that product or service by the consumer. Technology also then enables the company to gain access to this 'implicit' knowledge and make it explicit, by transferring it into production processes or market research/ future product development and specifications. Costs are reduced, through lower investment into traditional market research, and the more efficient use of consumer information (by having direct access to 'implicit' knowledge'). Direct benefits however should flow from increased customer satisfaction, loyalty, and emotional engagement with the organisation which has allowed their creativity to be unleashed.

It is interesting to reflect that at its best, this type of customisation potentially heralds a return to the relationship between customer and company that pertained before the arrival of mass production and standardisation, which was the broad direction of industry in the majority of the 20th century, and which produced such enormous returns in increased productivity for companies (and quality of products for customers, in most cases). In the early part of the 20th century applied art in the production of a good was still the norm, not the exception, and constituted the major part of the cost of delivering a product to a customer.

Moving back to the 21st century, 'Social CRM' appears to represent some of the latest thinking in customer centricity. Although the early intention of Customer Relationship Management (CRM) was to focus the organisation's efforts on a single customer view and one to one relationship management, CRM initiatives quickly became associated with stripping out costs and efficiency drives. Add to this the complexity of defining the appropriate channel in a world of social networking sites. one definition of social CRM sees the concept as a suite of tools for building a picture of an increasingly fragmented customer base.

It merges two strands of recent change in business:

- the orientation of CRM systems away from the purely technology-focused solutions of its earlier years and more toward the redevelopment of the business model to support customers; and
- the emergence of social networks sites as a critical channel to the customer

The combination of these two trends puts the co-creation of value between the customer and the business at the heart of customer thinking. One commentator expresses this idea thus:

“... a collaborative value chain that engages the customer in the activities of the business sufficiently to provide each (the company and the customer) with what they need from the other to derive individual and mutually beneficial value.”¹⁸

This could entail:

- Collaboration on product development
- Customer involvement in internal process development
- Customers helping each other to resolve service problems
- Customers involved in long term scenario planning

“Social CRM” – the exploitation of the technology of social networking – appears to be an important tool in the shift to collaboration with the customer. At one level, Social CRM seems to be no more than learning to listen to the voice of the customer again, which has been lost; the opportunity has re-presented itself through social networking, where customers have much more opportunity to say what they think – and have it recorded – than ever they used to. Social CRM provides the tools to do the listening¹⁹.

Is social CRM just another way of communicating with the customer, or something else? It has been described as “the new dynamic in building long-term, fruitful relationships for your company. It is a new way of approaching and cultivating customer relationships that’s focused on people instead of tools, collaboration instead of control, and valuable experiences instead of transactions.”²⁰

In theory, it can be more than this. Merlin Stone describes the (slow) advent of ‘web 2.0’ technologies in the financial services sector as a force for changing the relationship between company and customer to a ‘customer-managed’ service in which customers are engaged with the company in the development of propositions, and provide real – time feedback on their experience to the business and to each other about their customer experience, modelled on the market leaders in ‘customer 2.0’ – eBay and Amazon.

Commenting on whether social networking has really brought anything new to customer centricity, an interviewee from the financial services sector notes:

“... The world has changed. Customers have a voice in the way they have never had before. They have a growing expectation that they will be listened to, and if they are not, then they vote with their feet. I think it will be really interesting over the next 10-20 years. There are going to be some sleeping giants that will fall because of their arrogance. They don’t recognise that it is not a question of do you have to do customer centricity? It is not a nice to do, it is a must do”.

However, it is not evident that organisations know how best to exploit this new channel.

“... It is not just about IT investments. The strategy tends to be done by older people! That is an element in it. We are trying to redesign organisations for the next generation, but the people of that generation are not designing it... We need to recognize that the people we need to get to look at it are the 20 year olds, who are closer to the customer in working patterns... It is very early days, but we recognise it is an absolute requirement to understand it and then embrace it fully”.

Moreover, you have to be both clear about and authentic in your true motives:

"... Am I doing this because I want to understand my customers so I can better serve them so they can benefit from what they want from me, or am I doing it so that I can sell more of my stuff to them?"

What are the implications for HR of intervening to move the organisation to being customer centric through the involvement of the consumer in the design process? We would signal the following:

Characteristic of customer centricity	Implications for HR delivery
Involvement of the consumer in the design process	<ul style="list-style-type: none">• Alignment of employer brand with the corporate brand to ensure fit and mutual insights• Broader stakeholder values to be accommodated (eg CSR, ethics, mutual benefits, etc)• Two-way communication mechanisms to share knowledge and values, with both front line employees and customers• Informal incentives to encourage customers to give of ideas• Informal mechanisms to ensure shared values and task competence amongst customer population, especially when communicating to others on the organisation's behalf• Systems, processes and designs contributed to, and evaluated by, diverse set of employees• Contractual clarity over intellectual property rights and reputational issues

3.3. Structuring around customer, and not product

“... Whilst I do not think that any of this is rocket science, it is hard to do. There are so many opaque behaviours to unpick... Culture is so much to do with mindset”

In theory, being customer centric is considerably more than merely being more responsive to customer needs. In particular, apart from a fundamental difference in company strategy, these two approaches entail different ways of structuring. The product centric company in general terms is organised around product-focused profit centre business units, that focus the organisation's attention on product lines and information collected around those products. For the customer centric company the central unit of organising is the customer segment profit centre, which reorients the company's plans, reviews and processes to the customer and away from the product.

According to Galbraith²² culture plays a considerable part in the underpinning of the customer centric organisation. In particular, he identifies a key tension (or contrast) in the transaction with the customer. In the product centric organisation, the managers of the customer relationship are on the side of the seller, in that they are interested in pushing more features, better products, or more products. In the customer centric organisation these people are more 'on the side' of the customer, as their interest is in providing the best possible customised outcome for their particular customer.

The contrasting strategies and 'cultures' may of course exist in the same company; banks, for example, may have a division dedicated to providing credit cards (a product-centred arm), and a division oriented toward providing financial and investment advice to high net worth customers (a customer centred arm).

The empowerment of front line customer facing staff is likely to be nullified, or seriously undermined, if the rest of the organisation is not brought into line to support them. Senior managers, heading an internal product development business unit, and who continue to insist on making decisions about detailed aspects of service offerings, would counteract much of the good work in an empowerment initiative. Part of this is cultural; but the location of authority in the organisation structure, as well as the structure itself, are also critical success factors in implementing a customer centric strategy.

One commentator gives an example of the kind of shift that such initiatives may entail²³, moving away from traditional 'value chain' thinking – toward something he calls the 'customer-critical path'. A typical and traditional utility company delivers a product – power, or water – using a value chain that has remained essentially unchanged for decades. It is an industry heavily dominated by specialist technicians and engineers – including often a management team from the same background – who create a culture and structure reflecting the complexity and need for standardisation that is their product; that is rigid structures, relatively inflexible procedures, and consistency in design and execution – classically product focused.

Customer centricity in a Financial Services Organisation

The organisation has recently begun a drive called “Thinking Like The Customer”. They have looked at their customer relationship model in terms of attracting, engaging, deepening relationships. They have placed their customer values as “first among equals”. There has been a large-scale organisational redesign, moving to a matrix organisation, structured around customers rather than products and services. The bank has been “re-platforming” (software migration, re-engineering, porting and technology upgrades) to provide the customer with a full choice and cross-product, cross-channel, and cross-technology support. There is a culture change programme aimed at encouraging employees to put the customer at the heart of things rather than their manager. A raft of process re-engineering work is taking place, using the customer as the starting point. To avoid being driven by ‘lean’ only thinking, they are using a process called “Connect” to determine how decisions are made about changing processes. Each change is viewed through the lens of customers, colleagues, efficiency and effectiveness. The customer lens comes first, thereby re-prioritising the criteria they use to make the first decisions on process re-engineering.

The focus of corporate and business unit performance has also been changed through similar alterations in the balanced scorecard. They found that in pilot branches sales and profits went up. The interviewee notes: “...People often talk about a scorecard but what they are really talking about is a dashboard of measures. It is about really having them in balance, and about making customer, process, financial (interests) really balance”.

Efforts have also been made to differentiate the front-end offering. There have been: alterations to recruitment processes to understand the types of people they want to bring through, rather than just recruiting for attitude; work looking at the skills for a customer centric relationship; changes to the performance measurement system with the ‘how’ being given equal weighting to the ‘what’; and changes in the reward processes. The key is not just to change HR processes, but to ensure changes are embedded. As part of previous integration work, a “People Journey” group was put in place, with representatives from every part of the organisation. Individuals were also selected from what is called the “permafrost layer” – senior people managers who can stop things happening, but usually do so for very good reasons, because they can see the ramifications. Their insight is tapped to understand how to make the changes work.

Returning to the utilities example, as Giannetto says: “Employees who have great influence within the organisation 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”²⁴.

Consequently, a shift to customer centricity (driven perhaps by environmental concerns, consumer activism, or council intervention in the supply of utilities) is likely to be a “tough ask” for them.

The customer service representative is suddenly on a par with the highly qualified engineer in terms of value to the organisation and the way they should be treated. Organisation resources need to follow this 'customer-critical path' rather than the product. This path he defines as "a string of processes that become critical because they directly affect your customer, regardless of the product, service, organisational chart, academic degree, or bias"²⁵.

One of our interviewees, from the financial services sector, notes that:

"... Whilst I do not think that any of this is rocket science, it is hard to do. There are so many opaque behaviours to unpick... Culture is so much to do with mindset. We have mapped these mindsets out, from volume to value. We know in this sector, as a strapline, that if you have more than 2.5 product holdings the relationship with a financial services organisation changes, from transaction to customer. Everyone has known this for years, yet I am amazed by how many financial services companies actually fail to achieve the magic figure of 2.5... You [have to] remodel, literally, what you are doing on a daily basis, to force the change in habit".

Our research also makes it clear that organisations have a hard wired structural solution and set of connections that are intended to make them more customer centric, but also a soft wired requirement, which is a network, often a virtual network, who actually have the necessary resources to deal with the customer issues. Another interviewee notes

"... If our employee who looks after a particular client sits within one of our [more customer centric] segments, it is all about having resources within the associated operating divisions. In our business model, profit and loss sits in the business units. So front-end client work is an overhead actually in the way that the business model works, a taxation if you like. So the integration unit, the person responsible to integrate such perceived overhead to business units, is dealing with resource alignment. Resources in practice are scattered around... you have to build virtual teams. You are typically working in practice with the same group of individuals as a team, but some come from parts of the structure or cost models that do not see the need to have [customer centric] alignment".

Another of our interviewees identified the nature of the culture change necessary to achieve customer centricity in the following way:

"... [customer centricity] is a way of trying to convince the organisation that not all customers are equal, and they're certainly not equal in what they want from us. Just having all our technology in the shop and hope that the customer finds the right thing is not very customer centric, because we put all the work on the customer, as opposed to being customer centric, which means we bundle products and services in such a way that we can easily explain why that bundle is a perfect bundle of services for a certain group of customers, for example 25 – 35 year old young professionals. It's only when you go one level deeper and understand what people do and why they do it, which they would do if only you give them the right tools. Then you can start creating deeper propositions that resonate with a certain group".

What we often see in some of the initiatives we have examined is a power and capability equalisation exercise. Effectively what organisations have to say is 'now the people who are in charge of this (customer centric initiative) are on the same hierarchical level, so that all parties

involved in the organisation have the same complexity of understanding of the business model. The business model and the customer centricity drivers generally tell you how the relationships must work in order for key roles to be equal powered.

A customer centric approach therefore entails a deep understanding of the attitudes that drive customer buying behaviour, rather than a relatively unsophisticated grouping of customers which may derive from a superficial analysis of biodata. Achieving this 'micro-segmentation' of the market however starts with changing the attitude of those members of your organisation who still think in classical terms either about the 'product' or the 'service' they offer.

To take an example of an offering from the telecoms industry, O2 in the UK have launched a combined product/service targeted at families with young children (Joggler) which allows them to organise round a common electronic calendar with a prominent electronic display, and which (among other things) sends text messages to mobile phones to remind them of appointments. Similarly, as part of its strategy to better unify the business and increase cross selling opportunities between the different businesses, and double market share in financial services over five years, the Co-operative Group has announced that the Co-operative Financial Services (CFS) and the society's other trading businesses will come together under a new structure. It is to put banking operations inside its convenience stores to encourage customers to use more services. Out of its 2,200 food stores, it believes it could open mini-banks in the 250 biggest and help it create an experience that presents a differentiated combination of community and convenience through the power of the Group.

What are the implications for HR of intervening to move the organisation to being customer centric through structuring around the customer and not the product? We would signal the following:

Characteristic of customer centricity	Implications for HR delivery
Structuring around customer, and not product	<ul style="list-style-type: none"> • Changes in the balance in corporate KPIs to the customer as stakeholder (from volume, to customer value measurements) reflected down through business unit and individual performance management systems • Design skills to identify the clusters of people whose interactions are driven by customer interfaces and co-location of key decision making authorities with these • Power and capability equalisation exercises • People investment in newly empowered job roles • Developing lynchpin managers who are networked into units across formal reporting lines • Rewards systems to incentivise customer alignment • Key control systems (financial, information system etc) and management processes designed to reinforce customer focus

3.4 Empowerment of front line staff

“...We can easily empower people, but whilst doing this we are not actually enabling them to provide that level of service... We do not enable people to do what we are asking of them at this point in time, because systems and process get in the way... Attitudinally we are now closer, but in terms of our fundamental infrastructure, we are not”

For the customer centric organisation, or division within an organisation, this philosophy underpins one of the most common aspects of a move to customer centricity, the empowerment of front line service providers, those in day to day contact with the customer. We have already mentioned how the ‘corporate hero’ might become the customer service representative, rather than the highly specialised engineer, technologist or other specialist representing the ‘core knowledge’ of the organisation. In a recent article two commentators take the ‘hero’ tag literally, describing it as an acronym for the ‘Highly Empowered and Resourced Operative’.

More seriously, they propose allowing tech-savvy employees to experiment with and use social network technology in close collaboration with managers and IT to provide instant decisions to customers. They describe the Best Buy employee who replaced a customer’s iPhone during the weekend after reading the customer’s dissatisfaction with the product on a microblog. It entailed the employee being engaged in monitoring the microblog in the first place, recognising the potential damage to the company’s reputation (the customer had thousands of ‘followers’ who were discovering his dissatisfaction) and having the authority to take a small but significant decision to solve the problem (and transform the negative publicity into positive).

Of course, there are shades of grey between the customer centric and product centric structures, and even these evangelists for employee empowerment recognise that the employee must operate within defined and agreed boundaries and policies. Some commentators have offered models which allow us to distinguish between different levels of flexibility of front line employees according to their customer strategy and characteristics of their client base. So for example these authors define two dimensions of:

- complexity or
- variability (task, and customer need)

Customer Needs Complexity/Variability

		Low	High
Task Complexity/ Variability	Low	<p>A</p> <p>Little or no Routine Discretion. No Creative Discretion.</p> <p>E.g. Checkout Assistant</p>	<p>B</p> <p>High Routine discretion; low Creative Discretion.</p> <p>E.g. Salesperson</p>
	High	<p>C</p> <p>Moderate to high Routine Discretion. Little Creative Discretion.</p> <p>E.g. Service Engineer</p>	<p>D</p> <p>High Routine and high Creative Discretion.</p> <p>Doctor, Lawyer</p>

Source: Based on Willman, 1989

Figure 1. The relationship between customer needs, task complexity and discretion

Placed on a matrix, the authors offer the diagram above as a tool for decision makers on the degree of empowerment appropriate in their organisations. This can be used to organise the degree of empowerment given to service employees.²⁸ They suggest that the following are the major characteristics of customer needs complexity:

1. **Service product complexity;** The greater the product complexity (from the customer's perspective) the greater the need to empower employees
2. **Customer needs complexity/variability;** The more complex or variable the needs of the customer, the greater the need for empowerment
3. **Importance of speed of service;** The greater the importance of speed of service, the less appropriate is empowerment of contact employees as speed is often gained by standardising service delivery routines
4. **Customisation;** The greater the requirement for customisation the greater is the need for empowerment

5. **The importance of service quality;** The higher the level of responsiveness, empathy and assurance (and hence the service quality) expected by the customer, the greater is the need to empower contact employees

The key dimensions of *task complexity* include:

- Technology,
- Creativity,
- Product versus process focus,
- Length of contact time, and
- The value added at point of contact.

Generally the longer, or more complex, the requirement is on each of these dimensions, the more empowerment is needed for front line employees to deliver effective service.

We conducted interviews in an airline that was 6 months into a 7 year programme of implementing customer centricity, placing it at the heart of the way they do business. This of course presents a particular challenge in an economic downturn, when the temptation is to reduce service through cost cutting and efficiency drives.

A Customer centricity initiative In an Airline

The HR team is at the centre of a customer centricity driven change process. A cross-functional programme (HR, internal communications, and marketing) is implementing an integrated engagement programme. This programme puts the brand at the centre of the airline's customer centricity effort. Five 'brand behaviours' have been identified to help people understand what customer centricity means for the organisation. These behaviours are introduced in every training course, in the performance management processes, and in the internal communications. The airline sees itself as a process-driven organisation. The HR team therefore see mindset change as being key to their customer centricity project. The mindset needed is one that frees up, and empowers the front line employee to do a really good job for the customer.

An interviewee from another sector represented this 'scale of empowerment' by drawing the clear distinction between an 'empowered' front line employee, and an 'enabled' one. For him, in his business, the key was to 'enable' the front line employee. The difference? It is unrealistic to expect a relatively junior member of staff to make quite complex decisions, in real time and in contact with the customer, about what product and service offerings are best for that individual (and which represent also the best value for the company) without clear guidance. The solution? To 'enable' the employee by providing them 'with tools, and scripts, in order that they can see the relevance of offers to customer needs, and explain them to customers'.

Commenting on this distinction between being enabled versus empowered, an interviewee from the financial services sector notes:

"...The difference between being enabled versus empowered is spot on. We can easily empower people, but whilst doing this we are not actually enabling them to provide that level of service. We fall into that trap. We do not enable people to do what we are asking of them at this point in time, because systems and process get in the way... We do all the basics, but because we still operate as a sector using average handling time as a key metric, we still do all the things that most organisations that are not customer centric do! Attitudinally we are now closer, but in terms of our fundamental infrastructure, we are not".

What are the implications for HR of intervening to move the organisation to being customer centric through the enablement of front line staff? We would signal the following:

Characteristic of customer centricity	Implications for HR delivery
Enablement of front line staff	<ul style="list-style-type: none"> • Be clear on the job design of your front line employees. Are they highly skilled and relatively independent and 'empowered' or are they relatively junior and in need of 'enablement' through scaffolding procedures and decision trees? • Ensure that the appropriate skills are resourced and trained to fit this design, at front line and team leader level • Contribute to the design of appropriate scaffolding and procedures to obtain the right balance of control and enablement for front line staff • Engagement strategy to build employee identification with, internalisation of and commitment to customer interests • Capability building: creating confidence in self, influencing and other self-efficacy skills in front line staff • Proposition offered by staff to customer (segmented staff profiles) needs to be aligned with customer sophistication i.e. different touch and feel, relationship depth, so segmented service models. Existing front line staff might have been recruited to a different service model • Job design changes and OD interventions with front line staff and managers to ensure appropriate balance of time, decision making latitudes etc • Culture change programmes and exposure to alternative service models and mentalities

3.5. The democratisation of customer relationships and knowledge

“... Buzzwords only? If we accept that the ‘movement’ of customer centricity is one found mainly among consumers, whose expectations of organisations are rising dramatically, as we have mentioned, then ‘information democracy’ becomes substantive”

One commentator calls this the move from ‘information asymmetry’ to ‘information democracy’. Social CRM is therefore the means by which companies transform content into conversations, and then into collaborative experiences²⁹.

From information asymmetry...	...To information democracy
<ul style="list-style-type: none"> • Information was scarce • Customers were ill-informed • Exchanges were monologues • Marketing was “command-and-control” 	<ul style="list-style-type: none"> • Information is ubiquitous • Customers are well-informed • Exchanges are conversations • Marketing is “connect and collaborate”

Buzzwords only? If we accept that the ‘movement’ of customer centricity is one found mainly among consumers, whose expectations of organisations are rising dramatically, as we have mentioned, then ‘information democracy’ becomes substantive. In order for the expectations of customers to make intelligent decisions about how they are going to interact with a company, and about their specification of the value they want to receive from the service, then this requires companies to increase transparency, visibility and honesty; they increasingly have nowhere to hide, thanks to ‘web 2.0’.

Customer centricity: from Apple to Dell

Apple: Customer is the King but we know best what is good for them?

Research In Motion Ltd co-Chief Executive Officer Jim Balsillie fired back at Apple Inc CEO Steve Jobs by saying customers are getting 'tired' of Apple's controlling business strategy. "Many customers are getting tired of being told what to think by Apple," Balsillie said in an emailed statement. This is not the first time, and will surely not be the last, when Apple has been criticised for keeping a tight control on what goes on its platforms and what doesn't. From iPhone to iPad, it seems only Apple knows what is best for its customers. Should customers download Adobe flash on their iPhone or iPad should be their option but when you are a Mac customer you do not enjoy such liberties because Apple knows what is best for you! But can they be faulted for this when year after year they get voted as the most liked company by their customers. Apple was by far the better than its competitors in a PC industry customer-satisfaction survey conducted by Forrester Research³⁰.

Dell: Customer is the King and they know best what is good for them?

On the other end of the spectrum is a company like Dell, where you can customise to the nth detail what you want on your machine. The company works on the business model of "Configure to Order". The customer need not pay for anything more than what he really needs; for them it is the customer who knows what he needs most and they are happy to provide and get paid for what he wants. For Dell customer is the king and only he knows best what is good for him.

The point that the example above makes is that although some companies like Dell may be working on the model of "Customer is the King" and just doing their bidding, it might not be in the customer's best interest. When companies like Apple take it on themselves to decide what is best for their customers, and then develop a service model that is able to deliver on this high promise, this might not go down well with a select community of high end gadget users, but for a normal user who might not be very tech savvy the simplicity and user friendliness of the devices (at the expense of controls that the company keeps) might not be such a bad thing.

What are the implications for HR of intervening to move the organisation to being customer centric through the democratisation of customer relationships and knowledge? We would signal the following:

Characteristic of customer centricity	Implications for HR delivery
The democratisation of customer relationships and knowledge	<ul style="list-style-type: none">• Information transparency, shared access rights to key databases• Need to make visible to the customer internal culture and design changes so they see that changes are real• Front line employees and service business model designers need to share a common identity (be it demographic, life style, product insight)• Significant proportion of employee time and network building activity will be outward-facing: will the engagement model need to fund this time or exploit it?• Legal liabilities faced for 'external' employee engagement activities?

3.6 The capability to filter massive data sets to add value to product and service offers

“... There are structural and organisational challenges to the management of the massive amounts of data potentially created by the use of social networks”

One author³¹ conducted a survey of the take-up of social CRM, and concluded that the main factors holding back most companies are:

- The inability to link web activity to a specific individual customer
- The lack of integration between different databases
- Data limitations and lack of relevant information/actionable data from web analytics packages
- Lack of time and resource to understand and analyse the data
- Lack of skills and knowledge to understand the data³²

They found that only a fifth of companies surveyed were able to link the online channel to their internal back office systems; a further 28% had no capability for doing so.

Many writers still illustrate the technology-orientation of much of the work on social CRM. But there are also structural and organisational challenges to the management of the massive amounts of data potentially created by the use of social networks: how do organisations ensure that people are both willing and able to assimilate, analyse and distribute information to the right places? Another article³³ compresses this challenge into five main areas of attention, called the ‘5 Ms’:

- Monitoring (‘listening capabilities to filter out noise from the social sphere’)
- Mapping (‘linking social profiles to customer records to provide a holistic picture’)
- Management (‘tying data back to existing processes’)
- Middleware (‘tying the social world to the enterprise’)
- Measurement (‘benchmark on business objectives’)

How does this work in practice? In the telecoms sector for example, one software application is the analysis of a customer’s social network, rather than the customer’s own call records. The analysis allows the company to identify in a much more sophisticated way the really valuable customers - as well as those who simply spend more – because they influence those around them, for instance to switch mobile phone operators. Bharti Airtel, in India, has achieved a substantial reduction in turnover by deploying such a system. It has been estimated that programs for network analysis rank number two in strategic business operations meriting significant investment in 2011³⁴.

What are the implications for HR of intervening to move the organisation to being customer centric through the capability to filter massive data sets to add value to product and service offers?

We would signal the following:

Characteristic of customer centricity	Implications for HR delivery
<p>The capability to filter massive data sets to add value to product and service offers</p>	<ul style="list-style-type: none"> • Parallels to Centre of Excellence (COE) literature on nurturing and sustaining centres of competence • Recruitment and resourcing of key data analytic skills and decisions on whether to develop new COEs around this (i.e. OD insight into how COEs move from individuals to more codified capabilities) • Key challenge becomes detecting meaningful signals from background noise in mass communications: adoption of technology - enabled dialogues supported by key facilitation skills • Creation of new professional skillsets, eg. expertise in product or service technology, consumer behaviour and marketing, organisation design and employee engagement brought into one • Transfer of knowledge and capability from these COES or individual analysts to organisation as a whole • A major communications task required to put the organisation’s message over

4. Conclusions: implications for HR

“... This also needs us to turn our organisation on its head, so in HR we’re also making a classic OD intervention looking at the structure, roles and processes, and systems of performance management in our directorate with the aim of designing the organisation round the customer”

Much of the HR support for customer centricity is cultural; but the location of authority in the organisation structure, as well as the structure itself, are also critical success factors in implementing a customer centric strategy. One of the organisations we studied was pursuing a client first, organisation second, business unit third philosophy, as part of a raft of changed business priorities in a transformation programme. This focus came hand in hand with greater attention being paid to reputation and brand, growth and productivity. The people management implications required the alignment of structures, business processes, resource allocation mechanisms, leadership, and communications.

Shifting to a Client First Culture in a Technology Organisation

The need to engender “client first” cultural behaviour has so far been met by five strands of activity that have people management implications.

1. The first strand concerns a co-ordinated realignment of resources across their clients – in this instance structured around industry segments. This had three components to it. Authority levels had to be balanced and pushed down to leaders. There have been changes to control systems with the business unit measurement systems being adapted. Issues of power and capability have been addressed by making new appointments that affirm and formalise the new authorities needed. By changing the business unit measurement systems, it is argued that it is easier to rebalance the profit and loss accountabilities, to integrate units and align the sales resource, and to build a broader cross-community (internal) understanding of the needs of the client first culture.
2. The second strand concerns managing the role of leadership and the development of the necessary leadership qualities. Again, there have been two components to the change process. The changes made to accountabilities and the broader understanding of client first needs have made it clear that new knowledge and skills have to be fed into the structure. This has been associated with a series of management development initiatives. Whilst the organisation has been making these changes to the role of leadership, it has also been ensuring that leaders have the same level of complexity in, and clarity of, their own understanding of the business model being pursued. Leaders have spent the preceding year mobilising their virtual networks and communities so that they can pass on their shared insights into the business model.

This is leading to better interpretation of mandates by leaders, and higher levels of competence in pursuing a client first approach. The more teams trust their leaders' insights, the more confidence they have that the judgements being exercised reflect the correct balance of client and professional priorities.

3. The new cadre of leaders know how to provide appropriate "air cover" to their teams to allow for local adaptation as circumstances see fit, and how to make the most appropriate allocations of resources at business unit level.
4. The fourth strand reflects the need to provide formal communications in the change process. As trust in the judgements being made rises, it has become possible to communicate the next steps of the business transformation to the workforce. At a corporate level, the organisation has been pursuing an employee engagement strategy. This communication has been about building an improved individual sense of employability, taking away a sense of being hindered by role, and improving morale.
5. The fifth and final strand concerns significant levels of work on process redesign in support of the client first model.

The shift towards being a more customer centric organisation generally involves all-encompassing changes in HR. This clearly presents a challenge to HR as an internal service unit.

We consider it a valid question to ask: how do HR units incorporate these characteristics of customer centricity into their own strategy, structure, culture, and processes? This question is being asked by an airline involved in customer centricity work. The HR lead in the area notes that:

"... This also needs us [the HR function] to turn our organisation on its head, so in HR we're also making a classic OD intervention looking at the structure, roles and processes, and systems of performance management in our directorate with the aim of designing the organisation round the customer. The change for back office people to customer centric is quite a challenge... however we're now clear on how we want to change, so now we're working with local areas and getting pilot groups working."

The examples we have looked at from the airlines, financial services, telecommunications and high technology sectors show that senior managers see customer centricity as a strategic issue. It has strategic importance for HR, because as with other performance drivers such as innovation, globalisation and lean organisation, customer centricity acts as a fundamental organising and design principle that has implications for every HR process, be it recruitment, performance management or culture change. To the extent that customer centricity is a central part of the current or future business model, HR functions also need to look to their own structures to ask if their own expertise and business support activities can meet the challenge.

However, there is still a lot of confusion as to what customer centricity really means, despite the many definitions and countless consulting offerings. Note that all our interviewees feel that, excepting the use of social media, which is novel, much of what they are doing in making their organisations more customer-centric is not “rocket science”. The changes are, however, incredibly difficult to put in place. Perhaps this is why we are still talking about it nearly 25 years after chief executives first had their “moments of truth”.

In distilling the rhetoric, however, we have identified six building blocks, each of which has significant implications for the delivery of HR. The first four of these - mass customisation, involvement of the consumer in the design process, structuring around the customer, and enablement of front line staff – do not really represent new territory. It is possible to find helpful case example of what is involved, and there are tools, techniques and frameworks that HR specialists can adopt to help shape their own thinking. This is why we were able to say more about these issues.

Two of the building blocks however - democratisation of customer relationships and knowledge, and the capability to filter massive data sets to add value to product and service offers – represent quite novel challenges for organisations. Here HR will need to co-work with several other business functions to understand the people implications now faced.

By equipping HR with the knowledge it needs to understand what customer centricity is, and is not, we hope that it can now enter into the debate with the business regarding the degree to which customer centricity should influence the company strategy, the business model and the consequent organisation design.

In summary we would conclude that:

- Customer centricity is a strategic issue that merits reflection and consideration by many organisations in terms of whether the adoption of a customer centric philosophy would reap advantages in the market place.
- There appears to be some confusion in terms of interpreting the concept - is it a “gloss” or “sheen” to orient the organisation in the direction of a stronger customer focus or does the application of the concept completely re-shape the organisation?
- HR leaders should have a level of “mastery” of the concept in order that they can debate its relevance to the particular business in which they are operating.
- A decision to move, in a substantial manner, towards customer centricity by a business, will raise some fundamental questions for HR Directors in terms of the skills, capabilities and thinking required by members of the HR team to ensure they add value to such a move.

Finally we would recommend that HR Directors recognise the following;

- Organisations which choose to adopt the strategic orientation of customer centricity are by doing so, moving away from “service-profit chain” thinking which has been a predominant force in driving HR strategy in many companies but, as we are now more aware, is more appropriate for product centric organisations.
- In HR departments located within customer centric organisations the internal employees are not the customer. Every function, including HR, needs to become customer centric - but in terms of the end customer.
- In a shift towards customer centricity certain HR practices become mission critical, others supporting, in a way that might not be immediately obvious without a rigorous understanding of customer centricity as a strategic choice.

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Notes

Notes

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