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Take three companies . . . Aiming for customer focus in the 21st century

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Abstract

As social institutions companies are individual, so there is no single, right way for them to organise around their customers. The hierarchical military paradigm that historically provided the template for most organisations has been challenged and in some cases usurped by different structural forms, such as matrix, team-oriented, culture-led organisations. Companies survive and thrive by serving not only customers but also stakeholders, including employees. How they organise is an essential element in delivering stakeholder satisfaction. Formal definitions do not describe what it feels like to work in a company, so this paper takes a quick insider's view of Reuters, General Domestic Appliances and Lush to see how they set up and remain customer focused in the 21st century.

Introduction

Companies strive to survive, which for most means generating profits, and even where profits are not the success criteria (for example in charities, public services, religious groups and not-for-profit organisations), there is a need to survive so these organisations can continue serving their causes.

Since the 1950s management gurus, marketing experts and business commentators have argued eloquently that customers are vital to a company's survival and business success. Even in the 1970s, when mass-production techniques prevailed and the focus was on resources, costs and production, Drucker identified that 'it is the mission and purpose of every business to satisfy the customer.'¹ Research now available in an ever-increasing number of management journals, magazines, online publications and websites proves that customer satisfaction is vital to ongoing loyalty and retention.² Therefore it is common sense, not news, that in the 21st century companies need to organise effectively around their customers.

All companies face the organisational challenge of 'integration' because, as Sadler³ wrote, 'companies break tasks down into smaller elements and then tie them back together again'. Depending on how well this 'tying together' is done, companies can deliver something that is more than the sum of the parts, equivalent or very much less. So the way companies structure internally and work together is central to how they will deliver and what it will be like to work there. To manage the many

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All companies have a culture, but what is it?

activities of their employees in relation to the company's common purpose and as a means of influencing external factors positively, companies try to flex core elements of their corporate structure, systems and culture.⁴ A company's chosen organisational design depends on a variety of factors, including people's preferences, customer demand, market maturity, competition and management thinking, as well as economic, technological, cultural and social factors. The structure and relationships that suit one company would not always produce exactly the same effects elsewhere because companies are social institutions, made up of individuals who have individual relationships. This could in part explain why companies change and why a seemingly winning company formula can start losing.

Corporate stakeholders include employees as customers

Every company has 'stakeholders',⁵ who are not just the customers but also employees (including management), supplier partners and shareholders. Satisfying stakeholders and engaging in profitable long-term relationships with them are a means to corporate 'success', and the right organisational design is a vital component in the mix. However, there is no right 'one-size-fits-all' organisational template. Traditionally companies have structured horizontally into hierarchical levels of authority (Figure 1) or into vertical divisions of functions, territories, products, market segments or processes. Many companies organise using a combination of the two, for example a matrix organisation. The relationships between levels and divisions/departments are as varied as the people involved; they are constantly evolving (Figure 2), and will also depend on how different departments are viewed internally, ie whether a company is functionally dominated (by sales, marketing or finance etc), product led or customer focused.

Valuing your 'people asset'

There has been much research around which structures perform best. Bartlett and Ghoshal⁶ studied the pros and cons of divisionalisation internationally, and argued that failure to achieve anticipated results in international operations was a result more of structures than strategies. It has been proven that certain specialisation, especially if it becomes too bureaucratic, can result in dull, routine work, boredom, low job satisfaction and a sense of futility among employees and managers.⁷ New ways of working and modifications to existing models are constantly being created as structures come in and out of fashion. Many companies reorganise to create greater differentiation and more value with their

Figure 1: Traditional functional organisational structure

Figure 2: Marketing's evolution, building on Kotler's 'modern marketing organisation'

**Satisfied employees
increase your bottom
line**

**Intelligent dialogue is
vital in the
workplace**

'employee asset' as much as for any altruistic or humanistic motivation. By satisfying their employees' needs with the right package — pay, conditions, work content, stimulation, company culture and work-life balance — organisations have measured positive increases in customer satisfaction as well as on their financial bottom line.⁸ A company's assets have only residual value without the existence of customers and, as Gallup⁹ recently highlighted in a survey, employees of course have a large impact on a company's relationship with its customers.

To succeed a company needs mutually beneficial relationships with and between all its stakeholders, and both customers and employees are major stakeholders. The author's company has identified that there is an 'employee experience' which is distinct from the 'customer experience' that so many companies focus on. In fact to deliver the promises that companies and their brands make (explicitly and implicitly), it is vital to engage in *intelligent dialogue* with employees as well as customers. Theodore Zeldin encourages us all to have a 'new conversation' within the workplace, saying that 'we could make our work a lot less boring and frustrating if we learned to talk differently'.¹⁰ In fact teamworking, cooperative working and community working are all coming to the fore as higher customer expectations create a demand for employees with additional empowerment. In this way the aims and desires of stakeholders inevitably shape the company, its structure, internal relations, systems, processes, communication and culture.

Juggling the potentially conflicting demands across these shareholder groups is a challenge for all companies. Stakeholders are rarely equal, and some wield more power than others. More often managers have most

Cultural and environmental effects

influence on a company with the tone generally set from the top, although this can also change — for example Richard Branson’s Virgin, Anita Roddick and Body Shop, Bill Gates at Microsoft etc. Whereas in the 1980s Microsoft’s culture encouraged very long working hours, there was a more recent move towards ‘reasonable’ working hours incentivised by ‘Club 17:30’, which donated money to the NSPCC for every Microsoft employee who left the office by 17.30 in summer 2001.¹¹

Organisational environment (as in processes, procedures and rules), communication and culture affect how people work together internally, eg the hierarchical chain of command in the military requires people to follow orders unquestioningly except in extreme circumstances. Technology and communications are enablers, but can become barriers to positive internal working if they are not aligned. If departments are organised functionally it can create specialist areas or it may exacerbate silo mentality. Whether companies are marketing led, customer focused, production focused, sales focused or product led will change the internal relations and balance of power between different areas and create corporate subcultures that can be in competition or even conflict. Since each company is unique it is worthwhile looking at some specific and practical examples. What follows now is an informal review of three companies to see how each one organises around its customers, how it is structured and how it works internally to satisfy customers and stakeholders.

From product to customer focus

Take one company — Reuters

Reuters, the global information services company, is famous for supplying broadcast news to the media, but also delivers real-time market and financial intelligence and systems used by global financial markets and large corporates. It has run a successful business for over 150 years and organised internally around product lines within each country (Figure 3). The P&L responsibility was across product and country until Reuters

Figure 3: How Reuters was organised by product and country

decided to restructure recently. Reuters UKI consulting manager, John Walls, explained that ‘this was not on request from customers but was in pursuit of customer satisfaction’. In today’s more turbulent and changing world the senior management decided that Reuters’ product-focused organisation was not helping their people organise around their customers. Reuters’ customers were becoming global and the communications and sales channels were proliferating and speeding up with the arrival of new technology, so the company chose to organise its customer-facing staff globally around four key market segments: treasury, investment banking and brokerage, asset management and corporates and media (Figure 4).

The restructuring across 40 of the 157 countries in which Reuters operates is multi-functional and large scale. It began two years ago and will cost in excess of £12m. As Walls explains, ‘Our goal is to align sales, customer service centres, business development and marketing and implement systems and processes so that they share core customer data and work cooperatively with the customers.’ In practice this means that customers have a more managed account team who offer the full range of Reuters’ products and services.

The scale of change has posed big challenges to the sales, marketing, product management and customer service work. The customer contact is initially through segment account teams, but obviously marketing and customer service will have ‘conversations’ with customer as well. Walls highlights that the most difficult part of this was getting buy-in and commitment to a significant cultural change — especially from sales.

‘Sharing data, cooperative open communications and teamworking internally is a huge change for people who are used to being functionally and product focused and where information was power.

The challenge of change

The ‘new look’ at Reuters

Figure 4: How Reuters reorganised around their customers

We desperately needed active commitment to give it any chance of working. To illustrate this in internal meetings we used the analogy of the great British breakfast, where we explained that the hen was “involved” but the pig was “committed” — this let everyone know that lip service was not enough!’

Internal marketing is vital

Technology is only an enabler

Internal marketing and communication was a vital component to ensure this culture change embedded. With over 1,000 sales people now aligned with other internal functions around customers this new way of working is only possible with technological support — in Reuters’ case a customer management Siebel system. But Reuters deliberately did not label this change ‘customer relationship management’ (CRM) and Walls stresses that ‘technology, though a vital enabler, was ultimately a very small part of the effort’. The key, he says, ‘is to change your way of working internally before any systems implementation. An old organisation plus new technology equals an expensive old organisation!’ Reuters’ experience is backed up by a recent online survey,¹² which identified that companies do not reap the benefits of becoming customer centric because 29 per cent fail in implementing the necessary organisational change, 22 per cent fail because of company politics and inertia and 20 per cent fail because they lack CRM understanding, whereas only 2 per cent fail because of software problems.

The results of change take time

What can customers expect from Reuters’ new world? ‘More tailored products, more quickly, better customer service and extra value.’ Walls admits that tangible benefits such as 24:7 customer service are only just starting to emerge. As the benefits of the new way of working percolate through the organisation, Walls and Reuters’ management believe that they will be able to add value into every transaction. ‘You can’t know exactly what it will deliver, so it is in part a leap of faith by the management, but one that our staff and customers also believe in.’

Take a second company — General Domestic Appliances

A matrix structure

By contrast, General Domestic Appliances (GDA), jointly owned by General Electric and Marconi, employs 7,000 people and was organised in a matrix structure (Figure 5).

Business groups focused on market use segments such as cooling and sourcing (fridges and freezers), laundry wet and dry (washing machines and tumble dryers) and cooking. The functional areas deliver the expertise in their area for those units: product design, R&D, finance, human resources, manufacturing, sales etc. An internal group also ensure that everyone uses the ‘Six Sigma’ quality methodology in their work.

Six Sigma methodology supports customer focus

Six Sigma is a statistical term that equates to 3.4 defects per million opportunities. Its aim is to improve business performance through a precise understanding of customer requirements and the elimination of defects from existing processes, products, services or plants. As business development director Jane Carr explained: ‘We have a business philosophy to be world class in everything we do and Six Sigma ensures that what we do well we can do consistently well.’ Product quality is obviously important for a company which manufactures many of the

Figure 5: General Domestic Appliances

domestic appliances used throughout people's homes. GDA's initial customer is retail rather than the end user but customer satisfaction has to be delivered to both. GDA runs regular customer contact councils with end users to ensure that products meet their needs, and has close working relationships with its retailers. As in many cases, sales and marketing acts as the 'sensory system for the company'.¹³

Sales structure and regular meetings

In GDA sales are structured by account size, or on small accounts geographically, and produce 'eyes-and-ears reports' to feed back information from retailers. As Carr explains, 'our retailers are more like partners — we have to share information to meet their needs and jointly satisfy the end customers' demands'. GDA and its retail customers are also implementing the same forecasting software so they will have common business planning and can avoid being 'stock constrained' (meaning products are available as needed).

With so many people, departments and structures internal working relations within GDA could be a challenge. To avoid this GDA business groups get together monthly with employee representatives from all areas and, as Carr says, 'We try to avoid unnecessary bureaucracy by having better "processes". Six Sigma is a driving force across all areas and it provides a common "vision and language".'

Despite the customer focus, GDA product designers still have to be visionaries and experts at their job. As Carr says:

Limitations of the customer as king

'We canvass customer needs, but sometimes they express a need without actually saying the words and in many cases they can't know about the new technology and legislation available. It is our job to be product design experts and their role to be customers — if they don't like something they will tell us one way or another;

hopefully we are listening and so we don't produce something that no one wants.'

It is interesting to note how even customer centricity has limits: companies still need to take responsibility for delivering to customer needs. Inevitably customers express 'wants', but these still need to be understood so that companies can deliver to them. Zeldin echoes this discussion when he asks 'Can you have a conversation with a customer if the customer is always right?'¹⁴

Change is constant

Update on GDA

Proof that companies are constantly evolving came again on 15 March 2002 when Marconi sold its 50 per cent share of GDA to Merloni Elettrodomestici and new CEO Marco Milani replaced Graham White. This will inevitably affect the way that GDA organises itself internally and around its customers, though with 50 per cent still owned by General Electric, it is a safe bet that Six Sigma process methodology will still drive their approach to quality. The matrix structure favoured until recently is even now being replaced by a functional and product structure, with marketing now split into trade and customer divisions. What this means internally is being worked out, and what it means to third-party and end-user customers will be judged in the future. The final shape of the new company is still emerging and even then it will doubtless evolve over time.

Balancing the emotional and commercial

Take a third company — Lush

In a further contrast is a company which organises around its customers with a very fluid set-up, more a way of life than a structure or process.

Lush was founded in 1994 by Mark Constantine and a close-knit group of erstwhile colleagues and friends who had already worked together for over 20 years. These five directors form Lush's board and set the overall tone of the company with their strong beliefs in producing ethically sound, hand-made cosmetics using fresh ingredients. This team tends to think of Lush as their 'baby' and not just a means of making money. Nonetheless they still have commercial imperatives, and also need to be rigorous in their production techniques and with QI (qualities and ingredients) listings to achieve consistency without waste, quality and satisfied customers.

Face-to-face communications are most powerful

Shop managers meet directors monthly to keep them abreast of what is going on in the world, and Mark Constantine regularly spends time on the shop floor talking with customers and staff. An extended board tends to meet on an *ad hoc* basis, although they try to have regular planning sessions. These may be quarterly or monthly depending on the needs of the business, but the aim of these meetings is strategic so they will examine Lush's brand performance, new products and messages. Lush does not have a marketing department as such, although responsibilities for their website, in-store point of sale and promotions, the *Lush Times* magazine and PR are all clearly allocated. Instead of classic market research Lush prefers to do customer product testing by making up a

limited batch of a new product and putting them in store to see how they sell and what comments they get back.

Lush has a policy of including its stakeholders in its decision making, so if a customer or factory worker has a new product idea then it is taken seriously by the creative team. Lush also works with its overseas partners to develop suitable products for their needs rather than imposing a global range on the rest of the world. One of the Japanese staff recently spent two months in the UK working to develop products specially for the Japanese market, where bathing habits are different; many of these products will also be brought out in the UK.

Customer as 'fans'

The mail-order catalogue, *Lush Times*, has been created to resemble a 'fanzine' with contributions from Lush customers. 'Every morning I receive a pile of letters, photographs and paintings from customers as young as eight, most of which find their way into the *Lush Times*,' says editor Sarah McCartney. 'Lush must be the only cosmetics company that uses pictures of real people, not airbrushed models, and our customers respond well to this by communicating freely with us. It's great that our customers feel that we're so approachable.' Lush brought out 'I Should Coco', a coconut soap, purely because they had so many people asking for one. This is a company that is in constant 'conversation' with its stakeholders rather than just talking at them. Indeed, the *Lush Times* contains press quotes, good and bad, about the products. One press comment about the 'disgusting' smell of Cynthia Sylvia Stout Shampoo and how using it would lose people all their friends caused sales of this product to rocket to their all-time high. 'Our customers like the way that we print genuine opinions, not just the ones that suit them, and talk to them like reasonable, thinking adults,' says McCartney. Recently Lush's Bath Ballistic 'All That Jas' was discontinued owing to falling sales, and this caused such a revolt among customers that Mo Constantine, creator of all the Bath Ballistics, developed a new product to satisfy the people who complained. This has gone straight to the top of their bestsellers' list, perhaps proving that if you give customers what they want and involve them in the decision making then you have partners, not just customers.

'Warts and all' communications

Lush treats its customers and employees very much as people rather than labels — in fact Lush is not a place where job titles count nor is remuneration the highest within the industry. For employees who want (or expect) a more status-bound or financially rewarding environment it may not be their ideal company culture.

Status and pay are not the only drivers

Lush does have different functional areas responsible for designing, producing, selling, customer service and billing. The bulk of the 400 people employed in the UK work in the retail shops or the factory, and the rest work in management, product creation, accounts, IT support etc. With this less formal structure Lush instead relies on its culture, common beliefs and people's personalities to make things work. This type of organisation is built around relationships in an organic way and is the ultimate 'metanoic' organisation,¹⁵ ie at its heart there is a deep sense of purpose and a vision of a desired future. When this works the resultant level of teamwork is similar to winning sports teams, great orchestras or outstanding theatre companies, and enables the organisation to dispense

Generating a shared sense of purpose

with many traditional structural devices used to achieve control and integration. As a privately owned company whose top directors are lifelong friends, Lush has no external pressures from the City and so is free to play its own game. As with other successful organisations it has created a culture that attracts like-minded people, both employees and customers, who are often extremely loyal because they are emotionally and not just materially satisfied by the relationship.

Conclusion

These case studies have shown three very different companies addressing different markets and using different ways of working internally to organise around their customer

For most companies there is always some hierarchy and bureaucracy. As Hales says, 'bureaucracy tries to legislate away all extraneous, unpredictable human influences on the conduct of work by reducing it to an impersonal, mechanistic thinking'.¹⁶ For over 40 years regular reports on the death of bureaucracy seem to have been greatly exaggerated.¹⁷ Even in the 1990s the author's company saw many organisations re-engineering and down-sizing, which simplified the bureaucracy and took layers out of the hierarchy rather than abandoning the principle. In a 21st-century world the Harvard Business School recommends companies 'think broadly about the challenges their customers' face, rather than narrowly about what you can sell them'. The key themes that one sees emerging across a variety of companies centre around 'conversations' (ie intelligent dialogue) and 'culture'.

No company can claim to be organised perfectly. In fact, companies all need to evolve new ways of working continually. It is now not so much about a company's structure but its culture: the prevailing values, beliefs and assumptions that underpin how a company works together¹⁸ in conjunction with confident leadership. Organising companies so they encourage and harness people's creativity in order to meet customer and shareholder needs is the emerging corporate challenge.

Organisations need a strong, believable and 'lived' culture (not a list¹⁹), and to evolve continually they need frequent dialogue and an excellent support network to ensure that neither the people nor the company performance suffers. For some people — management and employees — this new style of organisation is threatening. Not all employees will be comfortable with the extra 'freedom', and many will still be cynical about what is in it for them. This raises some clear needs for recruiting people who will be able to cope in this type of organisation and for coaching and working with existing employees. Depending on personalities, communication and culture, there may need to be a new 'partnership' for the 21st century between companies and their employees. Just as customers are more demanding and literate so too are employees, and many have seen too many programmes — quality circles, TQM (total quality management), BPR (business process re-engineering), empowered teamworking, CRM etc — not to feel some concerns for the 'real' aims of new ways of working. Since technology and new products and services are becoming so quickly replicable then companies do need to earn their

Companies, like people, are unique and constantly evolving

Conversation and culture make work play

A 'lived' culture, not a list

Towards a 21st century company-employee partnership

employees' trust and begin to live up to the 'societal'²⁰ implications of marketing and business to engage their key 'differentiators'; that is the bit that makes them human, ie their people and their cultures to you and me.

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For more information on the case study companies see:

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