

A HARVARD BUSINESS REVIEW ANALYTIC SERVICES REPORT



**Harvard
Business
Review**

MAKING CUSTOMER- CENTRIC STRATEGIES TAKE HOLD

SPONSOR PERSPECTIVE

Five Strategies for Successful Customer-Centric Execution

The race to stay relevant to customers in this fast-changing business environment is becoming even more intense. Customer centricity is on every organization's top strategic agenda. Yet, companies are established to serve products or solutions and are often designed for *process delivery* efficiencies and not for harmonized *customer-centric delivery*. From training to measurements, those organizations are set to be successful as a product or process-centric company. The customer is merely a by-product of their operation—not the center of it.

The answer is an integrated approach, linking strategy, vision, organizational alignment, and employee training and empowerment with measurements. To succeed in accelerating customer centricity, consider the following five strategies:

- Create a meaningful, human cause.
- Integrate initiatives into a holistic program.
- Design strategies for employee performance.
- Align processes to metrics to accelerate.
- Set the standard at “exceptional” in everything.

Customer centricity needs to be designed for employee execution and ensure that each employee is ready, willing, and capable of delivering on the customer-centric strategy.

At Strativity, we have delivered over 160 transformations for some of the world's most prestigious brands, helping them find their genuine love for customers and design their operation to reflect it. Utilizing a proprietary integrated approach that ranges from assessment through innovation and process redesign to training and sustainable cultural transformation, we provide a center of excellence for companies seeking to accelerate their customer-centric strategy execution.

By following this methodology, we can guide our clients to live their brand promise authentically and profitably—just like a European logistics company that shifted from 3 percent annual organic growth to 44 percent annual organic growth in two years, or a luxury car manufacturer with over 25,000 employees nationwide jumping to the top of a customer satisfaction list in two years.

With diverse experience in health care, financial services, B2B, automotive, and consumer products, we help each client transform its brand promise into differentiated customer experiences that drive exceptional business results. Let us explore together how to unleash the exceptional within your organization.

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MAKING CUSTOMER-CENTRIC STRATEGIES TAKE HOLD

INTRODUCTION

DROPPING THE BATON

To keep pace with rapidly changing business environments, companies are under the gun to put customers at the center of everything. As many products become commoditized, executives realize they have to differentiate them through compelling customer experiences. Global competition demands that businesses meet the needs of customers from vastly different income groups, cultures, industries, and locales. And customers are becoming increasingly demanding as technology rewrites the rules of what is possible.

In response to the pressures, many businesses are implementing customer-centricity strategies at great speed. A survey of 315 business executives conducted by Harvard Business Review Analytic Services, sponsored by Strativity, found that 43 percent of organizations plan to have the strategy in place in a year or less. Another 31 percent expect to be finished within two years. However, the study also found that the implementation of these strategies is likely to falter. In the breakneck relay to drive the strategy from the boardroom to the cubicle, many organizations are dropping batons at every point from creating a meaningful vision to training employees.

The challenges start at the top: The survey found a distinct lack of confidence on the part of respondents in their organizations' ability to clearly articulate a vision and strategy and align senior teams around them. Respondents are even less confident in their companies' ability to cascade the strategy to the front lines by providing sufficient training, empowering employees, and clearly communicating timelines and success metrics.

"Speed and sustainability are about achieving long-term competitive advantage," says Sunil Gupta, a professor at Harvard Business School and chair of the general management program. "Companies may have ad hoc programs in place such as measuring customer satisfaction and are tying incentives to it. But such efforts aren't going to protect them against the customer challenges they are most worried about." In this report, we delve into how companies can build a solid foundation for a sustainable customer-centricity strategy that takes hold across the enterprise and delivers the needed results.

LEADING FROM BEHIND

According to survey, only 20 percent of customer-centricity strategies are led by chief executives. Only 19 percent are led by a C-suite member other than the CEO. Lack of C-suite leadership signals that the endeavor isn't a top concern. And if it isn't a top concern, customer centricity simply becomes another competing priority lost within organizational silos and the needs of existing day-to-day work.

Funding is another top management shortfall. Only 36 percent of respondents say their organizations have both a dedicated team and budget to implement the customer-centricity strategy. Nearly 20 percent have neither. "If top management isn't leading the charge and the effort is not well funded, nothing will happen," comments Gupta.

IT'S THE VISION THING

Lack of C-suite leadership manifests itself early in the process—communicating a clear vision. The vast majority of respondents—84 percent—say a clear vision of the customer-centricity strategy is very important (8-10 on a 10-point scale). However, far fewer respondents report that their organizations do a very good job developing it. [figure 1](#)

The challenge isn't that business leaders don't know how to create a vision statement. Instead, according to Joseph Michelli, author of *The Starbucks Experience*, executives often jump the gun out of fear that competitors will beat them. Feeling intense pressure to do something, many companies will lurch from one initiative and experiment to another, hoping to find what will have the greatest impact. For example, companies may begin by trying to improve customer satisfaction

FIGURE 1

VISIONS ARE FUZZY

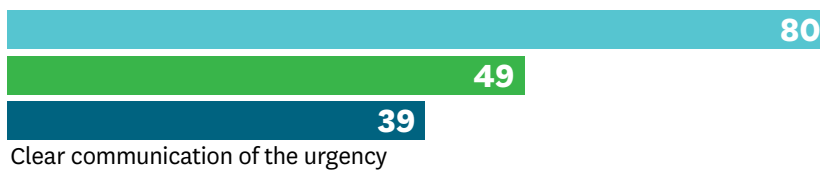
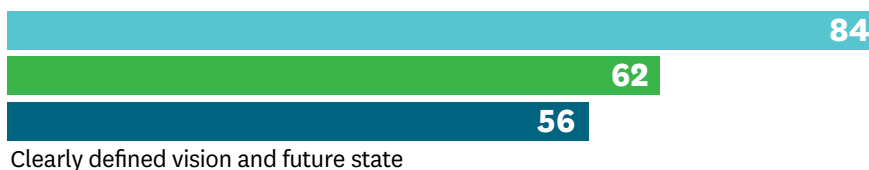
When implementing a customer-centricity strategy, how important are the following?

Those rating 8, 9, or 10 on a 10-point scale where 1 = not at all important and 10 = extremely important.

How well is your organization performing (or will it perform) in these areas?

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● IMPORTANT ● ORGANIZATIONS CURRENTLY IMPLEMENTING ● ORGANIZATIONS PLANNING TO IMPLEMENT



To create a clear vision that rallies the organization, business leaders need to define what it means for their companies to become more customer centric.

at different touch points. Then they might change their focus to shortening response times to customer service requests. As Michelli puts it, “In many cases, the vision is simply: ‘I’ll know it when I see it.’”

To create a clear vision that rallies the organization, business leaders need to define what it means for their companies to become more customer centric. Going out into the field may be the most expedient route to identify the elements of a vision for customer centricity. Despite its current troubles, Gupta points to the UK-based multinational retailer Tesco as an example to emulate. Terry Leahy, former CEO, told his senior management to take jobs in stores for a week. Executives worked side by side with employees doing everything from stocking shelves to working cash registers.

“By spending a week working in stores—not just taking a one-day tour—management could see exactly how and where customer needs weren’t being met,” Gupta observes. “It brought specific customer issues directly into C-suite and boardroom discussions.”

To rally the organization, a clear vision also needs to define the “why,” especially in companies that must mobilize large frontline staffs. “People do think about careers and promotions,” says Michelli. “But they also seek deeper purpose and are highly motivated by helping others. Employees respond when they can see the impact of their efforts in their customers’ eyes or hear it in their voices.”

The Ritz-Carlton Hotel Company is an excellent example of driving frontline staff to make emotional connections, according to Michelli. The company is famous for its motto of ladies and gentlemen serving ladies and gentleman. But it took time to make the vision truly meaningful on a human level. At first, the hotel chain encouraged staff to think about creating a home away from home. However, the vision really took flight when Ritz-Carlton shifted the emotional emphasis to creating the home of a loving parent centered around caring. “Every company must create an emotional deliverable that connects with customers and appeals to the hearts and minds of employees,” Michelli comments. “For Starbucks it is about creating uplifting moments. For Mercedes-Benz, it is about delight. For Ritz-Carlton, it is about creating a caring home.”

Even health care organizations are starting to run the relay well. As an industry, it has been later to adopt, according to Melissa Sturno, vice president of marketing and customer experience at Fresenius Medical Care. Consider Cleveland Clinic. The hospital’s net promoter scores have climbed rapidly in part by tapping deeply into employee desires to help patients. “If you ask janitors at Cleveland Clinic what their job is, they probably won’t say cleaning up,” she observes. “They just might say their role is keeping patients safe.”

STRATEGIES THAT FIRE BEFORE AIMING

If visions are fuzzy, strategies aren't likely to be clear and senior management will struggle to align around them. Of the success drivers examined, a clearly defined strategy and senior management alignment are rated as very important by the largest number of respondents: 85 percent and 90 percent, respectively. However, many respondents don't place much stock in their organizations' ability to create clear strategies that drive alignment. [figure 2](#)

For a strategy to be clear, it needs to take the vision to the next level through a deep understanding of customer expectations, how the company can meet them, and what competitors may do. Gupta argues that a clear strategy should emanate from a very straightforward question: What customer pain point is the company trying to solve?

In research he conducted at Apple, for example, he found that this basic question starts every project discussion from senior management on down. "Engineers don't start by talking about technology," he says. "They start by talking about pain points. Senior executives don't start by discussing ROI and business models. They also start with customer pain points. The customer is at the center of what the business does. Sales and profit are the product of that centrality."

Michelli points to Pandora, the Denmark-based jewelry company, as another example of effective customer-centric strategies. Pandora designs, manufactures, and markets jewelry throughout the world and operates more than 1,400 concept stores. As a retailer, its business model must keep step with relevant service delivery, and Pandora executives are keenly aware of missteps such as JCPenney's attempt to quickly adopt the principles of Apple stores—much to the dismay of its customers.

FIGURE 2

STRATEGIES AREN'T ALIGNING THE ORGANIZATION

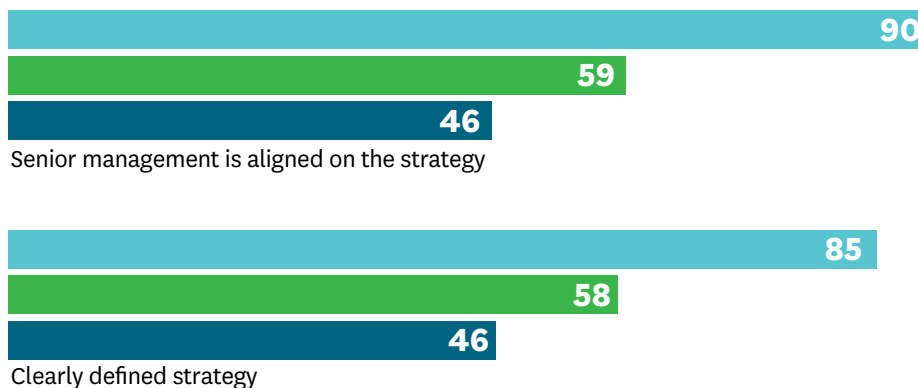
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Training is critical to organizational readiness. It builds awareness, drives buy-in, and provides the needed capabilities for customer centricity efforts to move forward.

Today, Pandora's retail experience is strategically evolving in customer-centric ways. This evolution is guided by a thorough examination of key customer segments to find out what customers expect and how the company can deliver. "To create clear strategies, top organizations take the time to figure out what needs to be done, why and what the impact will be," says Michelli.

Mercedes-Benz is another example of a company making the formula work. Several years ago, the luxury automaker embarked on a comprehensive customer-centricity strategy for its North American dealerships. The strategy was anchored on analysis that found clear correlations between customer satisfaction, loyalty, and dealer profitability. Armed with that knowledge, Mercedes-Benz could confidently create a strategy focused on customer centricity with a clear impact on the bottom line.

Dealers are now measured on customer satisfaction scores and the strategy is reinforced by a new approach to dealer margin pools. Automakers typically hold back some of a dealer's profit on the sale of a car and then redistribute the monies based on dealers' ability to improve factors such as market share. "We changed that equation," says Joseph Agresta, chairman the Mercedes-Benz Dealer Board in North America. "Now the pool is distributed based on the customer satisfaction ratings of each dealer. As a result, we are now among the top-rated dealerships in terms of customer satisfaction. And we have increasing customer loyalty and profitability to show for it."

ORGANIZATIONAL UNREADINESS

In reflecting on Mercedes-Benz's efforts to become more customer centric, Agresta regrets that the company didn't address training earlier in the effort. "Mercedes-Benz was great about listening to customers," he remembers. "But it took us a while to listen to employees, understand what engages them, and provide the necessary training."

Mercedes-Benz is by no means alone. The survey found a significant gap between the importance respondents place on training and the ability of their organizations to provide it—nearly 80 percent believe it is very important, while only approximately 40 percent say their organizations do it well. [figure 3](#)

Training is critical to organizational readiness. It builds awareness, drives buy-in, and provides the needed capabilities for customer centricity efforts to move forward. Mercedes-Benz realized the importance of training and engagement and has implemented a comprehensive, multiyear program. Customer One was the inaugural effort and targeted virtually all North American dealer staff—more than 25,000 employees in 360 independently owned dealerships. The goal was to shift mind-sets and address elements of customer satisfaction that needed to improve.

FIGURE 3

ORGANIZATIONAL UNREADINESS: TRAINING

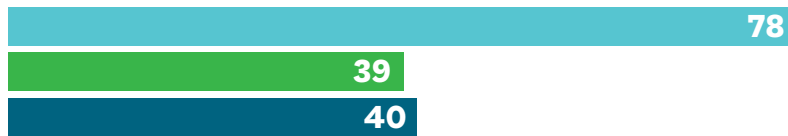
When implementing a customer centricity strategy, how important is providing training and resources to develop needed skills?

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How well is your organization performing (or will it perform) in this area?

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● IMPORTANT ● PERFORMING WELL ● EXPECTS TO PERFORM WELL



Providing training and resources to develop needed skills

Mercedes-Benz also regularly measures employee engagement and will provide training as it discovers needs. For example, engagement surveys found that dealership managers often lacked leadership and employee interaction skills. As is the case in many organizations, Mercedes-Benz's managers often move up the ranks based on technical ability, such as when top-performing sales professionals are promoted to sales director roles. In their climb up the ladder, managers and directors may never have been exposed to management training. To fill the gap, Mercedes-Benz established a leadership academy.

Having addressed the basics, Mercedes-Benz is now focused on creating brand ambassadors at their dealerships to create emotional connections with customers. In surveying employees, Mercedes-Benz discovered that many had limited experience with the cars themselves and thus had little emotional connection to the brand. To pull dealership employees more deeply into the fold, Mercedes-Benz is conducting brand immersion training: Employees visit a plant, drive the car, and learn about the company's distinguished history.

Training is not the only employee focus falling by the wayside, however. Approximately three-quarters of respondents rate communicating a timeline and when results must be achieved by as very important. However, only about 40 percent believe their company effectively articulates the timeline and expected results. Communicating success metrics suffers from a similar gap. [figure 4](#)

Equally important, efforts to empower employees are coming up short. Nearly 80 percent of respondents believe it is very important for everyone in the organization to understand what decisions he or she can make. However, only a minority of respondents say that is the case in their organizations. [figure 5](#)

A major barrier in empowering employees is organizational silos and conflicting incentives. Gupta points to retail as an example. There is significant research demonstrating that consumers prefer a multichannel shopping experience. They may want to start exploring products online but then go to a store to see and purchase them. Conversely, they may start browsing in the store and then order online. However, retailers often have separate online and off-line business units with their

FIGURE 4

ORGANIZATIONAL UNREADINESS: TIMELINE AND METRICS

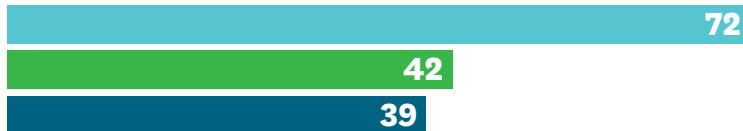
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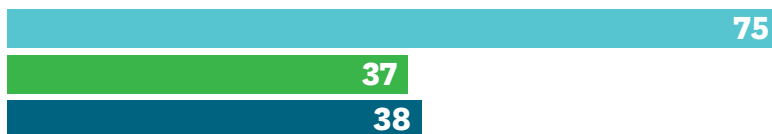
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A clear timeline including when results must be achieved by



Communicating success metrics to all employees

FIGURE 5

ORGANIZATIONAL UNREADINESS: EMPOWERED EMPLOYEES

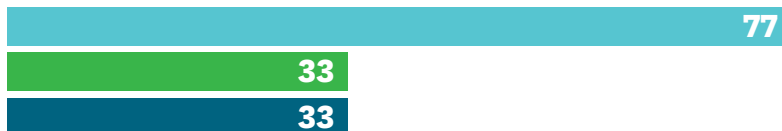
When implementing a customer centricity strategy, how important is it that everyone in the organization understand what decisions they can make?

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How well is your organization performing (or will it perform) in this area?

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● IMPORTANT ● PERFORMING WELL ● EXPECTS TO PERFORM WELL



Everyone in the organization understands what decisions he or she can make

own P&L. The silos thwart what could be a very profitable customer experience. Instead of encouraging customers to explore online and then visit stores, or vice-versa, parts of the organization compete with each other by offering different prices, promotions, messages, and experiences.

MEASURES THAT MATTER

Despite the importance of customer focus as a corporate agenda item, the survey found that business measures take a back seat to customer metrics. Nearly 80 percent of respondents say their organizations use customer satisfaction to measure the success of their customer-centricity strategies. Only 36 percent use profitability as a measure.

Companies do struggle to tie customer centricity directly to business performance. A challenge, according to Michelli, is that many executives feel customer centricity is more of a qualitative measure than a quantitative one and thus doesn't fit easily into existing KPIs. But as Gupta pointed out, if companies are truly focused on solving customer pain points, the results will show up in the business measures.

Michelli suggests that, at a minimum, customer satisfaction metrics should be complemented by measures that reflect emotional engagement and loyalty. Measuring satisfaction at each touch point can help spot problems and address them quickly. "But what is much more important is knowing whether your customers are emotionally connected to your brand and likely to keep coming back," he comments. "To make sure the organization is are a beloved lifestyle brand, it needs to use loyalty and advocacy measures such as net promoter scores."

HANDING OFF THE BATON

The pressure to put customers at the center of business is not likely to abate anytime soon. Although companies are pushing themselves to implement customer-centricity strategies as quickly as possible, the survey found that many managers give their organizations low marks on what ensures that the effort will take hold and deliver results.

As demonstrated in this report, companies can increase the odds of success by making sure each runner in the race is ready to take the baton. Effective handoffs require focus and discipline at each step of the strategy's development and execution. "Customer centricity is more than an idea on PowerPoint slides," comments Sturno. "To make the strategy work requires aligning behaviors of thousands or even hundreds of thousands of employees. That requires a diligent focus on the fundamentals of managing cultural evolution."

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