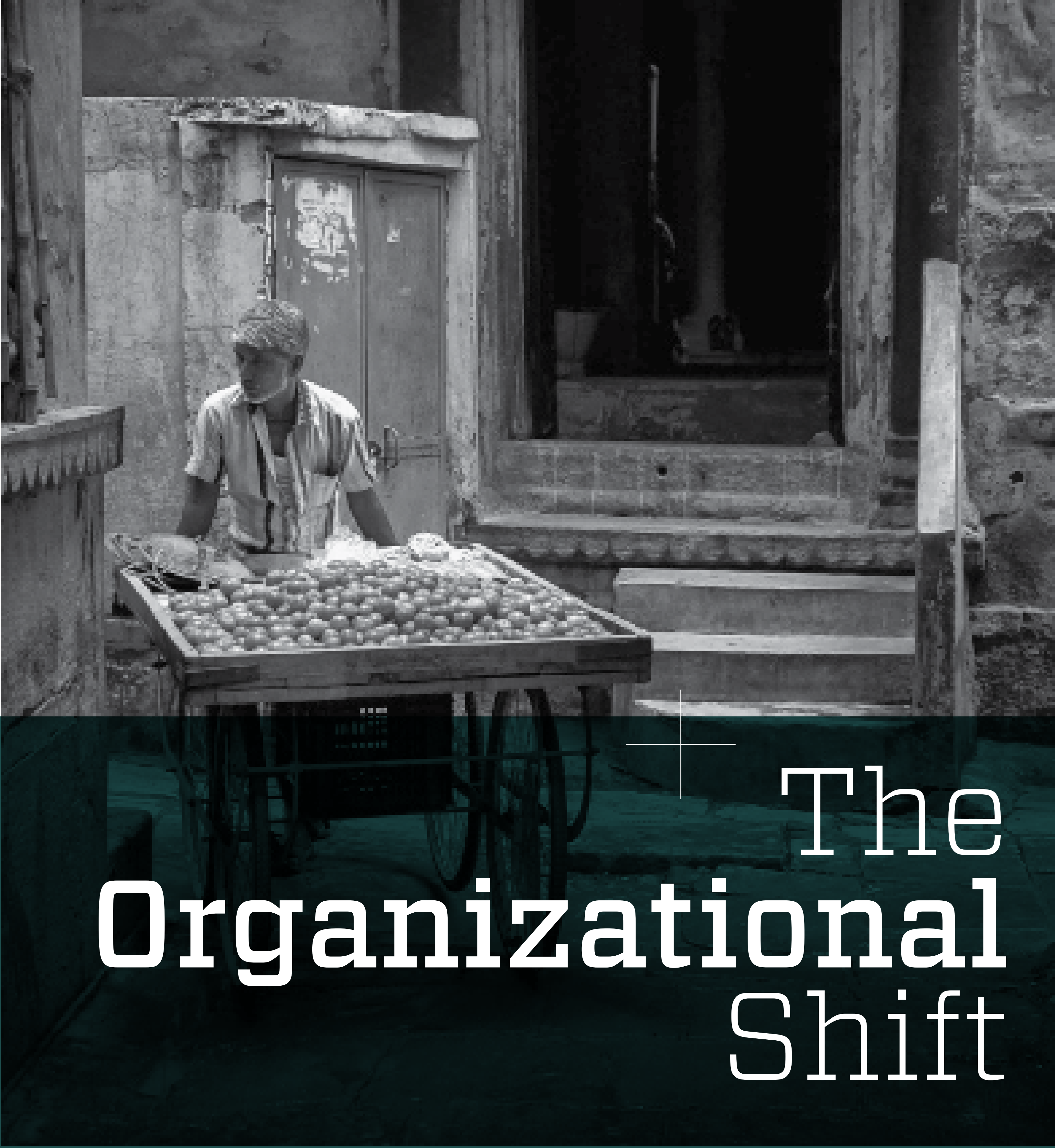


The Organizational Shift

CGAP

Table 1:
The Organizational Shift

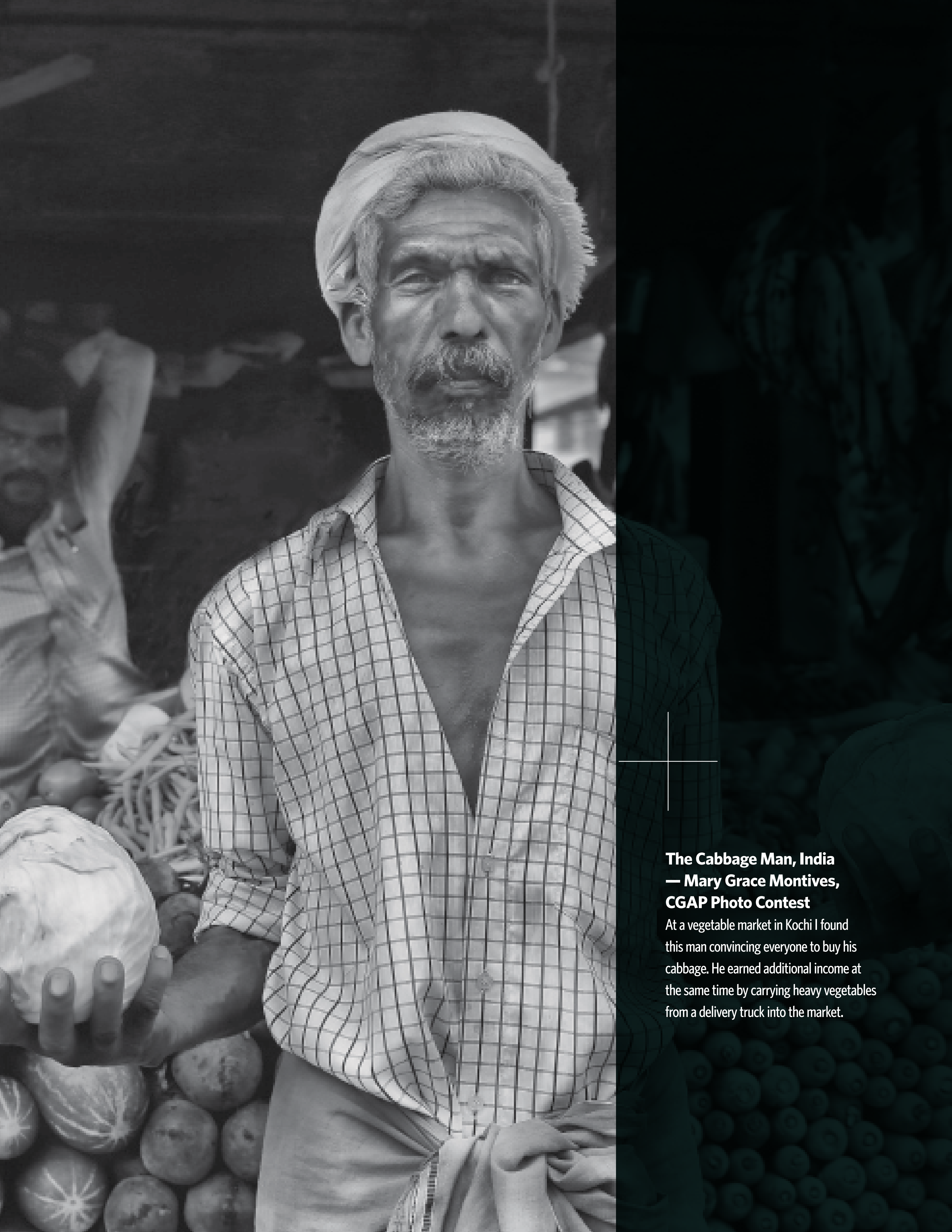
To overcome challenges to acquiring, retaining, and growing customer relationships, many organizations are transforming their business model by placing customers at the center of all decision-making, strategy, and organizational design.

To realize change, it's critical to know what you're aiming for. Table 1 summarizes significant areas for change and outlines what customer-centric organizations strive for as they shift from their existing state to their future state.

CHARACTERISTIC	EXISTING STATE	FUTURE STATE
STRATEGY	A focus on product portfolios and margin to drive incremental growth within existing customer segments. **PUSH MODEL:** *Product focused.* Sells incremental improvements on existing products and lines to the same market. Pushes onto customers what the organization prioritizes, values, and does well.	A focus on customer problems in context and persona development across new market segments to innovate and provide solutions that meet customer needs, price points, and aspirations. Focuses on customer relationship development. **PULL MODEL:** *Customer problem focused.* Starts with what adds value to customers, then organizes the resources needed to innovate around those needs. Customers are drawn toward the value and utility of offerings.

CHARACTERISTIC	EXISTING STATE	FUTURE STATE
CULTURE	Underlying values support and reward product development, increased sales, and product profit margins. • Promotes hierarchy and established power structures • Frowns on failure • Motivates through financial rewards for existing product-focused metrics • Maintains a distance from customers	Underlying values recognize customer satisfaction as a profit driver. Rewards employees for solving customer problems and driving customer-generated value. Employees are seen as internal customers. • Encourages experimentation and celebrates learning • Prioritizes employee well-being • Encourages closeness to customers and builds customer empathy
ORGANIZATIONAL STRUCTURE	• Employees operate in product silos and interact with other functions only to drive silo objectives • Long communication chains for approval to try new things • Sense of common organizational purpose is absent. Organization competes within itself	• Links business units across functions by teams or task forces that rally diverse functions around customer needs and segments • Promotes autonomy and short communication chains for approval to try new things • Structures are flat • A clear purpose that transcends financial metrics is embedded into the organizational psyche, unites and is shared across the organization

CHARACTERISTIC	EXISTING STATE	FUTURE STATE
VALUE PROPOSITIONS	- Offers what it knows and understands rather than what customers want - Often supply (not demand) driven. Repurposes old products for new markets, even where demands are different - Linked to company competencies and comfort	- Creates differentiated customer experience that exceeds competitors', provides a customer solution, and generates value throughout the customer journey - Linked to market needs, wants, and aspirations - Good for the organization, community, and consumers
METRICS	- Focuses on product sales, new product development for existing markets, product profit margins, bottom line, and increased market share - Focuses on margin, bottom line incremental low risk opportunity - Individual measures and rewards	- Focuses on customer experience, retention, customer lifetime value - Measures learning, experimentation, customer satisfaction, and experience - Team-based measures and rewards
EMPLOYEE REWARDS	- Rewards product development, sales, customer acquisition, and profitability - Rewards are purely monetary and follow short-term quarterly reporting cycles	- Rewards behaviors that align with values, quality of customer experience, solving customer problems, increasing revenue per customer by providing value-adding products - Rewards are monetary and behavioral, based on longer-term incentives - Rewards are customized to employee preferences



The Cabbage Man, India — Mary Grace Montives, CGAP Photo Contest

At a vegetable market in Kochi I found this man convincing everyone to buy his cabbage. He earned additional income at the same time by carrying heavy vegetables from a delivery truck into the market.

CHARACTERISTIC	EXISTING STATE	FUTURE STATE
FRONT-LINE EMPLOYEES	• Have low autonomy and low authority to resolve customer issues • Performance is measured by reaching quotas and sales targets	• Have decision-making authority, skills, and information to resolve customer issues • Performance is measured by contribution to differentiated customer experience
PROCESSES	• Creates processes within product silos; duplication across silos sometimes results in inefficiencies • Processes are repetitive and static, methodology is not questioned • “This is the way things are done around here”	• Processes optimized to serve customers; efficiencies can result in expense reduction • Processes are prototyped, repeatedly reviewed, and revised

CHARACTERISTIC	EXISTING STATE	FUTURE STATE
TECHNOLOGY STRATEGY	- Customer data managed independently in organizational silos often limits ability to develop customer insights based on a comprehensive view of customer interactions with the organization - Limits holistic view and management of customers	- Executes an organization-wide strategy that supports capture and analysis of customer information from across touchpoints; enables cross-functional teams - Allows for omni-channel, full, and informed management of customer needs
PARTNERSHIPS	- Little or no interaction with partners once customers are handed off; limited visibility into each other's systems - Insular and internally focused, all in-house development	- Designs join-up processes with partners to create seamless end-to-end customer experience; has access to partner IT systems to monitor performance of shared processes that affect customer experience - Embraces "open innovation" strategies, multiple parties involved in collaborative initiatives to meet customer needs. Understands that collaboration drives ROI

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