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The Six New Management Imperatives

Leadership Skills For A Radically Changed Business Environment

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Introducing The 6 New Management Imperatives

Over the last decade we've seen enormous social, economic, and technological shifts; creating an environment with new opportunities and new challenges for most companies. Despite these significant changes, management practices are still relatively the same as they have been for the past 20 years. As a result, management has become an outdated art.

Interestingly, the Harvard Business School (HBS) was created exactly 100 years ago (in 1908) after the 1907 Banker's Panic, when the stock market fell nearly 50% from the previous year. What was the goal of HBS? To infuse US companies with the management skills needed for the changing US economy.

Well, it's time to modernize corporate management once again. While execs must continue to understand core business disciplines like finance, marketing, and sales, there's a new set of skills they must master. That's why I've defined the following 6 New Management Imperatives:

- 1) Invest in culture as a corporate asset
- 2) Make listening an enterprisewide skill
- 3) Turn innovation into a continuous process
- 4) Provide a clear and compelling purpose
- 5) Extend and enhance the digital fabric
- 6) Practice good social citizenship

THE BOTTOM LINE: IT'S TIME FOR A MANAGEMENT RENAISSANCE.

Management Imperative #1: Invest In Culture As A Corporate Asset

Why do companies create capital expenditure approval processes and develop strict cash management procedures? To manage their corporate assets. But executives often spend little time, if any, focusing on another critical asset, their corporate culture. Leadership guru Arthur F. Carmazzi does a great job of describing the value of corporate culture:

“The ability to do more than expected does not come from influencing others to do something they are not committed to, but rather to nurture a culture that motivates and even excites individuals to do what is required for the benefit of all.”

Think about it: Corporate culture can amplify the value provided by just about every employee. How much is it worth to make employees 1%, 5%, 10%, 25%, or 50% more effective? When you consider this type of impact, it's clear that corporate culture is, in fact, a real corporate asset. While it doesn't show up on the balance sheet like other assets, executives need to treat corporate culture like they do other long-term assets.

Here's how execs can manage their corporate culture assets:

- **Track employee goodwill.** When companies buy other companies, they often account for part of the price as “goodwill;” acknowledging that items like brand name and competitive positioning can be long-term assets. Following this approach, companies should track “employee goodwill.” How? By surveying employees and reporting the results like you report the balance sheet; analyzing quarterly snapshots and changes over time. Think about creating a metric from questions like “How committed are you to helping the company achieve it's mission and objectives?” “How likely are you to recommend this company as a place to work to your family and friends?”
- **Develop a Voice Of The Employee program.** I often write about the importance of a strong Voice of the Customer (VoC) program. Firms need to infuse customer insight throughout all of their activities. Companies should follow the same approach in designing a Voice of the Employee (VoE) program. What are the key elements to a VoC, and therefore also a VoE, program? LIRMinG, which means designing processes for Listening, Intepreting, Reacting, and Monitoring. Companies should listen to employees in many different ways; similar to the five levels of a VoC program.

- **Establish a vocabulary around culture.** Culture is often seen as a “squishy” topic. To make it more tangible, execs need to use a consistent set of terminology and concepts. Edgar Schein’s research can help, especially his work on the three cognitive levels for organizational culture: 1) attributes that can be seen, felt and heard; 2) items that can be depicted by company slogans, mission statements, and different operational creeds; and 3) tacit assumptions that are unseen and not cognitively identified. In my research on customer-centric culture, I identified the 6 C’s of customer-centric DNA: Clear beliefs, Compelling stories, Consistent trade-offs, Collective celebrations, Constant communications, and Commitment to employees.
- **Actively manage it.** Just like with any asset that can gain or lose significant value, companies need to actively manage their corporate culture. This requires execs to spend their time and make investments on it; trying to optimize the ROC (return on culture). In Organization Development and Change, Cummings and Worley provide the following steps for cultural change: Formulate a clear strategic vision, display top-management commitment, model culture change at the highest level, modify the organization to support organizational change, select and socialize newcomers and terminate deviants, and develop ethical and legal sensitivity.

THE BOTTOM LINE: DON’T SQUANDER YOUR CORPORATE CULTURE ASSET.

Management Imperative #2: Make Listening An Enterprisewide Skill

Companies need to operate in environments that are more dynamic than ever before. What's causing all of the changes?

- **Shifting consumer needs:** Increasingly, Baby Boomers are getting closer to retirement while Gen Y are becoming a more important segment of customers and employees. The combination of these demographic shifts and the unique needs of both aging consumers and younger consumers creates a shifting set of demands on companies.
- **Increasing competition:** Across most industries, competition is becoming brutal, thanks in part to the transparency and reach of the Internet that provides instant access to information and alternatives. Even historical monopolies and near monopolies like telephony, TV service providers, and banks are seeing more heated competition.
- **New capabilities:** Technology is enabling new offerings and business models. For instance, Service-oriented architectures and business process management applications allow companies to make faster and broader changes to how they operate. At the same time, Web and mobile applications dramatically increase the opportunity for interacting with both larger and more targeted groups of people.

These changes generate an onslaught of new opportunities and threats that challenge firms' drawn-out planning processes and hierarchical command-and-control structures. To succeed in this fast-paced environment, firms must master a new skill that I'm calling "Enterprise Listening" which is defined as:

"The continuous processing of feedback from key constituents"

Here are some ways that executives can cultivate Enterprise Listening:

- **Listen in a variety of ways.** Companies need to listen to customers in a lot of different ways. To start, execs should identify opportunities across these five areas: Relationship tracking, interaction monitoring, continuous listening, project infusion, and periodic immersion.
- **Listen by example.** Senior executives can't expect their organizations to care about listening if they don't practice it on their own. That's why senior execs need to actively listen themselves. The executive team at Alaska Airlines, for instance, takes turns calling back key customers who have had a service problem.

- **Listen to employees.** In many cases, key insights about the market can come from front-line employees. So companies need to make it easy and rewarding for employees to share their insights. A key reason for Zara becoming the largest clothing retailer in the world is the insight that salespeople provide about shifting fashion demand.
- **Listen for soft voices.** Not all important insights come from volumes of customers or prospects. Sometimes, feedback from a few people represents an important emerging trend. So companies need to examine isolated responses with an open mind.
- **Listen to online communities.** The Internet enables fast, dynamic interactions across groups of people. That's why companies should develop online communities of their key constituents. Kraft, for instance, tapped into an online community to define and launch its successful South Beach Diet product line.
- **Actively encourage listening.** To keep everyone across the company focused on listening to customers, get in the habit of talking about customer feedback. Execs should consider asking these three questions about any project: Who are the target customers? What are their goals? How are we helping them achieve those goals?

THE BOTTOM LINE: ENTERPRISE LISTENING ALLOWS FIRMS
TO EMBRACE CHANGE.

Management Imperative #3: Turn Innovation Into A Continuous Process

As described in management imperative #2, companies operate in an increasingly dynamic environment driven by shifting consumer needs, intense competition, and new enabling capabilities. The result: faster obsolescence of offerings, processes, and business models. To maintain value in these fast-pace conditions, firms need to accelerate their pace of innovation. Why is innovation so important?

“Innovation distinguishes between a leader and a follower.”

-Steve Jobs

“Never before in history has innovation offered promise of so much to so many in so short a time.”

-Bill Gates

But isolated innovation projects aren't good enough. Large initiatives take too long, can't respond to market shifts, and don't provide enough options for an unknown future. Instead of thinking about innovation as a function of an R&D department, companies need to cultivate innovation as an underlying activity across their entire organization.

Here are some ways that execs can turn innovation into a continuous process:

- **Make obsolescence a goal.** Don't wait for other companies to displace your products and services; do it yourself. So establish clear goals for replacing existing revenue or profit; something like “30% of revenue needs to come from products introduced in the previous 2 years.” Don't just have overall corporate goals, translate it into specific goals for each organization.
- **Reward some failures.** One of the 6 laws of customer experience is that employees do what is measured, incented, and celebrated. So companies need to measure, incent, and celebrate behaviors that lead to innovation. Since innovations require trial-and-error, people need to be rewarded taking chances, and in many cases, failing.
- **Allot time for innovation.** You can't just “expect” innovation to happen. Create specific processes for innovation, so that it doesn't get buried in the day-to-day activities. Apple, for instance, holds 2 meetings each week throughout their development processes: one for unconstrained brainstorming and the other for production details.

- **Uncover customer needs.** The best source for innovations often come from customers' needs. But don't expect customers to be able to clearly articulate their requirements, many great opportunities come from meeting customers' latent needs. After ethnographers helped uncover unmet needs of men who view garages as their personal domain, Whirlpool developed its successful Gladiator Garageworks product line.
- **Integrate customer communities.** Rather than just looking to customers for initial requirements, companies should create an ongoing dialogue with customers; getting feedback all along the way from concept to rollout. How? By using online communities. Mattel's online community of moms with small kids, for instance, provides the toymaker with ongoing feedback from this key segment.
- **Seek out innovation partners.** Many of the best innovations cut across the multiple organizations. So companies need to encourage cross-functional collaboration. But don't stop there; engage your suppliers and partners into the innovation activities as well.
- **Manage an innovation pipeline.** Innovation looks a bit different than other ongoing activities. The time to market can be longer and the success rates can be lower. That's why companies need to track innovations across multiple stages of maturity. For example, P&G uses a 4 stage innovation process: 1) Search & Discover; 2) Select & Resource; 3) Design & Qualify; and 4) Launch & Leverage.

THE BOTTOM LINE: INNOVATION IS TOO IMPORTANT TO LEAVE TO CHANCE.

Management Imperative #4: Provide A Clear And Compelling Purpose

Just about every large organization has vision and mission statements floating around their hallways. But when it comes to making decisions on a day-to-day basis, these documents are nowhere to be found. They play NO ROLE in how the company is actually run.

Instead, firms make decisions based on individual goals and objectives, a handful of hard metrics, and by finding compromises across conflicting executive agendas. And that's the best case. Most times decisions aren't coordinated at all.

That's why organizations need to (re)introduce a clear purpose for their organization that is more compelling than just more profits; a *raison d'être* that aligns the myriad of day-to-day decisions of all employees. According to Herb Kelleher, founder of Southwest Airlines:

"If you create an environment where the people truly participate, you don't need control. They know what needs to be done and they do it. And the more that people will devote themselves to your cause on a voluntary basis, a willing basis, the fewer hierarchies and control mechanisms you need."

Here are some ways for executives to provide a clear and compelling purpose:

- **Rediscover your brand.** At some point in time in a company's history, its brand was likely synonymous with its core mission. Over time, though, brands are delegated to corporate marketing departments where they get translated into color palettes and advertising campaigns. Executive teams need to redefine the meaning of their company's brands; reconnecting it with the overall mission of the company.
- **Look for alignment.** While shareholders want growth and profits, these objectives aren't compelling enough to align decisions. So executives must clearly define what makes their company special from the standpoint of customers and employees. Ask yourself: What criteria do we want employees using when they make decisions?
- **Market to employees.** Firms shouldn't just assume that employees understand what's important to the company. They need to maintain internal marketing campaigns to get the message out. Execs should develop plans for touching all employees, from recruiting materials to new hire training to ongoing communications.

- **Make decisions purposefully.** Employees can tell what's really important by looking at what executives say and the decisions they make. So execs need to make sure that they act consistently with what they say is important. Remember, you can't fake it.

THE BOTTOM LINE: WITHOUT A COMPELLING PURPOSE, EMPLOYEES MAKE
A MYRIAD OF UNALIGNED DECISIONS.

Management Imperative #5: Extend And Enhance The Digital Fabric

According to Forrester's Technographics® survey, 76% of US adults have access to the Internet and the number of US households with Broadband access has grown from 21 million in 2003 to 72 million in 2008.

Over the last 10 years, there has been enormous advances in information technology (IT). Yet, most organizations are not taking full advantage of their IT opportunities. Why not? Because it's difficult to change old processes, break through outdated thinking, and overcome parochialism.

But it's time for executives to commit to digitizing their businesses. The advancements in IT, both in improved capabilities and lowered costs, makes a compelling argument for significant investment. What other investments do firms have that can offload customer service to self-service, automate people-intensive processes, enable faster shifts to market changes, and allow the creation of more valuable offerings for customers?

Here are some things for executives to keep in mind as they extend their firms' digital fabric:

- **Understand digital economics.** The only way to justify the right level of investment in IT is to understand its ROI. So execs should get their finance teams to create models that quantify the value to the firm for lowered costs, increased flexibility, and enhanced customer satisfaction from IT investments. This insight will help justify potentially dramatic increases in firms' digital capabilities.
- **Assume increasing adoption.** Whatever level of comfort with technology you see in your customers and employees today, expect it to increase radically in the future. Why? Digital technologies are becoming a more integral component in everyone's lives AND the newer entrants into the customer and employee pool tend to be Gen Yers, who are adept at using (and expect to use) all sorts of technology.
- **Improve usability, a lot.** The increase in technology, particularly the Internet, will lead to many more digital interfaces. But companies will not get the benefit from these online activities if customers and employees can't use the technology. When I examined results from Forrester's usability testing of more than 1,000 Web sites, only 3% passed. So usability is a problem. As a result, executives should plan to increase their focus on, and investment in, usability.

- **Connect online with offline.** The economics of online activities are compelling, but not everything can be (or should be) done online. That's why companies will need to design experiences that tie together online and offline activities. This might mean collaborative browsing with call center agents for service or creating products that integrate online features like Webkinz, Kindle, and T-Mobile's Family Allowances.

THE BOTTOM LINE: IT IS NOT A FUNCTION, IT'S AN ENABLER FOR
THE ENTIRE BUSINESS.

Management Imperative #6: Practice Good Social Citizenship

In a world where companies can control information leaks and quickly hide their mistakes, there's little need to worry about public relations gaffs like exploiting underage workers in developing nations, dumping pollutants in remote settings, or overselling mortgages to needy home buyers. But we don't live in that world anymore.

The Internet has created an enormous spotlight that quickly shines on any corporate malfeasance. Whether it's the uproar of a community of bloggers or an embarrassing video posted on YouTube, corporate executives can expect large numbers of people to learn about their mistakes.

In this environment, where the cost of problems has dramatically increased, companies need to step up their commitment to corporate social responsibility, which is nicely described in Wikipedia:

"Organizations consider the interests of society by taking responsibility for the impact of their activities on customers, suppliers, employees, shareholders, communities and other stakeholders, as well as the environment."

Here are some areas in which executives can practice good social citizenship:

- **Have a clear social mission.** The commitment to good social citizenship needs to be integrated in the firm's overall mission. Tesco, for instance, incorporates its commitment to the community as a core component of its overall strategy steering wheel. Here's an excerpt from its Website: Our commitments under the Community segment of the Steering Wheel are to be fair, responsible and honest in everything we do and to be a good neighbor.
- **Engage employees in community efforts.** Don't view social citizenship as just another top-down executive mandate. Instead, it should be used to engage employees. UMPQUA bank in Oregon, for instance, provides full-time employees with up to 40 hours per year --paid -- to volunteer with youth and community development organizations and schools. The result: Employees really enjoy working at UMPQUA Bank. And engaging employees like this is a pre-requisite for engaging customers.

- **Be as green as you can be.** When it comes to protecting our environment, we all can do a better job. But most shareholders look for companies to deliver ROI, not go green. So executives need to find investments that are both good for the environment and good for their bottom lines. To balance these elements, execs can adjust their funding requirements for "environmentally friendly" projects by factoring in the cost of good/bad press and allowing a longer payback period.
- **Make socially-conscious decisions.** How can executives incorporate the right concern for social citizenship in their decision-making? Assume there aren't any secrets. Don't make any decision that would hurt the company (or your career) if the press, employees, partners, or shareholders happened to find out about it.

THE BOTTOM LINE: MAKE YOUR ORGANIZATION SOCIALLY PROUD;
IT'S GOOD BUSINESS.

Epilogue: It's Time To Reinvent Management

The 6 new imperatives represent management approaches that account for changes in the world over the last century. But they can't fully respond to the ongoing and to some degree accelerating shifts in the social, economic, and technological fabric of our society. So some of these new imperatives will likely become outdated in much less than 100 years. That's why organizations not only need to change their approach to management, but they also must prepare for changes in the future.

Here are some thoughts about how to apply the 6 new management imperatives:

- **New MBA classes.** The changes in management require a revamp of business school curriculums. To keep up with the changing environment, classes should be designed so that students apply these imperatives in current, real-world situations.
- **New corporate education.** Corporate training departments should develop leadership training courses that help executives understand and apply the new imperatives.
- **New management objectives.** Since the new imperatives represent management best practices, companies should restructure their executive scorecards to reflect compliance with these imperatives.

THE BOTTOM LINE: APPLY THE SIX IMPERATIVES, FOR YOUR COMPANY'S SAKE.

About The Author, Bruce Temkin

Bruce Temkin is Customer Experience Transformist & Managing Partner of Temkin Group. He is widely viewed as a leading expert in how organizations build differentiation with customer experience. He has worked with hundreds of large organizations on the strategies, operational processes, organizational structures, leadership, and culture required to sustain superior customer relationships.

Bruce is the author of Customer Experience Matters (experiencematters.wordpress.com), one of the most popular blogs in the space, where he regularly posts insights on topics such as customer experience, branding, and leadership.

Prior to forming Temkin Group, Bruce was Vice President & Principal Analyst with Forrester Research. During his 12 years with Forrester, he led the company's business-to-business, financial services, eBusiness, and customer experience practices. Bruce was Forrester's most-read analyst for 13 consecutive quarters and was one of the most respected analysts in the industry.

Bruce authored several Forrester's most popular research reports on customer experience including "*Experience-Based Differentiation*," "*The Customer Experience Journey*," and "*Voice Of The Customer: The Next Generation*." He created Forrester's Customer Experience Index, which rates more than 100 firms on their overall customer experience. He also led the creation and updates of many of Forrester's customer experience evaluation methodologies and training workshops.

Prior to Forrester, Bruce co-founded and ran a couple of Internet start-ups. He also held management positions with GE, Stratus Computers, and Fidelity Investments.

Bruce has been widely quoted in the press, including media outlets such as New York Times, Wall Street Journal, and Business Week.

Bruce is a highly demanded public speaker who combines deep expertise with an engaging, entertaining style. He has delivered keynote speeches at hundreds of industry and corporate events; often recognized as the top speaker. At Forrester's inaugural Customer Experience Forum in 2009, for instance, his two sessions received the top ratings of the event.

Bruce holds a master's degree from the MIT Sloan School of Management, where he concentrated in business strategy and operations. He also holds an undergraduate degree in mechanical engineering from Union College.

About Temkin Group

Temkin Group is a customer experience research and consulting firm with one simple goal for its clients: increase customer loyalty by becoming more customer-centric. We combine customer experience thought leadership with a deep understanding of the dynamics of large organizations to help senior executives accelerate their results.

Temkin Group was formed based on four core beliefs:

1. **Customer experience drives loyalty.** Our research and work with clients has shown that customers experience influences how much people buy from you, switch away from you, and how often they recommend you.
2. **Improvement requires systemic change.** Companies can improve customer interactions in isolated areas, but they can't develop competitive advantage until customer experience is embedded in their operating fabric.
3. **It's a journey, not a project.** Building the capabilities to consistently delight customers doesn't happen overnight. Companies need to plan for a multi-year corporate change initiative.
4. **We can help you make a difference.** Transformation efforts aren't easy, but leading your company to be more customer-centric is worth the effort. Temkin Group can help organizations accelerate their results and avoid many of the bumps along the way.

Temkin Group Services

Temkin Group services include:

- **Interactive workshops** to instill a common mindset, vocabulary, and approach across an organization.
- **Strategic reviews of customer experience plans** and objectives to identify opportunities for accelerating efforts and avoiding missteps along the way.
- **Assessments of customer experience competencies** to identify and close critical gaps.
- **Senior executive sessions** to ensure appropriate levels of alignment and commitment.
- **Executive coaching** to help executives leading customer experience efforts.
- **Speeches and webinars** to teach customer experience concepts.