

Corporate Amaurosis: Is Customer Value Being Overlooked?

Is your organization's strategy overlooking the most important stakeholder – your customers? With some simple but elegant changes to the strategic planning process, businesses can avoid committing this cardinal sin. By refocusing business strategy on value creation for the end-customers, organizations can avoid business myopia and blind spots that mask the slow erosion of competitive advantage they may have enjoyed in the past. This article addresses the key challenge of keeping the customer in mind when setting strategic and operational goals and offers concrete approaches to accomplishing customer-centric planning from the business and technology leader's perspective.

Background on What's Led To This Problem

The recession put tremendous pressure on virtually all organizations. Although evidence suggests that some growth is now occurring in the economy, leaders of organizations still face the realities of needing cost-cutting measures to take priority in order to reach a bottom-line targets and objectives. As a result, strategy investment towards customer value creation slipped into second place behind overhead reduction plans. For forward-thinking executives, this creates an internal struggle about managing this dichotomy. How is your business or organization managing the conflict within?

The conflict relates to the struggle of maintaining balance between internally focused overhead reduction strategy goals on one side and those related to the creation of customer value on the other. In recent years, corporate planning became overly focused on creating shareholder value, sometimes to the exclusion of customer value. This created a gap which served to allow market share to be taken away by more nimble competitors in your space that focused on creating a better value proposition for their customers and planned accordingly. The gap is a risk we face of a potential loss of competitive advantage.

Does any of this feel familiar to your organization's situation?

To avoid bigger problems down the line, there is a need to find equilibrium between the competing forces now. Let's start by looking at some ways that we can get back to the proper alignment between the enterprise objectives which maximize returns to investors and those designed to the create tangible customer value.

Regaining Balance

How many of us can say that we go to the office each morning focused on customer value creation? Not many! We have so many other pressing priorities that it rarely crosses our minds until we sit through a sales strategy session. This is what we need to change: value creation starts at the strategic level of the organization.

While it is certainly true that creating shareholder value is quite distinct from the creation of customer value, this is true especially true in the short-run. The two goals require strategies and tactics that are often polarized on opposite ends of the spectrum. Strategic actions related to value proposition enhancement simply will not yield instant gratification. It takes time and vertical thinking to see customer-focused initiatives unfold and produce outcomes such as:

- Lower cost of sales,
- Increased revenue, and ultimately
- Higher profitability.

All of this really creates a challenge to executives who feel compelled to show quick results. If not for the need to turn the ship quickly, they might otherwise direct the organization's resources towards initiatives that build stronger market share that is based on a more attractive value proposition surrounding the products and services delivered by the business.

The short-term profit expectations of the shareholder stakeholder group can force management to look at cost cutting strategies (internally focused) to improve the bottom line. This type of strategy can be far quicker to show a result than to try to increase profit through generating higher margin revenue that is based on innovative new value-added services or products. This drift in planning goal focus occurs gradually, to the point where it is almost imperceptible to detect. This is especially true when we are immersed in the middle of this situation. It is also difficult to correct without facing it head-on within our organizations and exploring whether or not we are making this mistake habitually.

To Accomplish Customer Value-centered Planning, What Needs To Be Approached Differently?

So do we invite our customers into the planning process? While not physically sitting at the table during planning, customers must be at the center of goal setting metaphorically speaking. Specifically, leaders from across the business should be mindful of how value will be added through the enactment of strategic goals related to this most important of stakeholder groups.

Start at the Mission Statement

Putting the customer at the forefront of our planning really starts with our organization's mission statement. Mission statements should really be reviewed and updated at least every five years. This is required to keep it current and reflective of the organization as it exists today. The mission statement explains why the business exists (the purpose or need being fulfilled), whose needs are being addressed, and core values of the organization. While the purpose of the business may not have changed per se, the mission statement should at least be refreshed to address growth that may have occurred in the product/service portfolio or markets served. Sometimes only a tweak is needed here or there. Regardless, the mission statement is a foundational input to the strategic planning process and reflects the importance of the customer to our success.

Shift to the Customer "Key Outcome" Mindset

With the corporate mission statement as a guide, the planning process can be adjusted towards viewing strategy and goals in terms of key customer outcomes.

- How can the organization increase the efficiency of customer interactions?
- How can we improve the cost-effectiveness of our product or service?
- How can we develop better customer intimacy and grow customer loyalty?

These are but a few examples of questions that should be triggered when thinking about strategy with a customer key outcome mindset.

Key customer outcomes are measurable results / goals that are oriented to value we can add for our customers. Likewise, operational planning (the more tactical layer of planning below the corporate strategic plan) also takes on the same customer focus.

This is not to suggest that every strategic goal focuses on new product or innovation. For instance, consider the following example. The executive planning team sets the following two planning goals:

- "Reduce production costs by 5%"
- "Increase gross margins by X%".

These are likely to be interpreted as customer value focused goals. However, the goal "**Improve cost competitiveness by 5% throughout a particular offering**" is stated in such a way as to put the customer top of mind. The "key outcome" is customer oriented.

This customer oriented goal might be addressed through a number of related initiatives to drive down costs, such as a supply-chain optimization program where business and technology leaders within the company join forces behind a goal that will help the organizations "cost-effectiveness" value proposition for a product line.



In 1985, Harvard's Michael Porter introduced the value chain framework in his book, "Competitive Advantage". The business ecosystem involves all of the functional areas that are involved with the developing and delivering the offering to the marketplace. Through each segment of the circle, executives choose how they intend to serve their market. From a planning standpoint, it is important to assess how the business ecosystem operates and more specifically, how decisions within one segment of the ecosystem can impact (or have consequences on) the enterprise as a whole or to specific segments of the chain. This is where well-performed operational planning can make the game-changing difference. The ecosystem highlights enterprise alignment and

individual value within the sphere as important components to the organizations overall success.

To center our thinking on this point, picture the enterprise's business ecosystem as the internal functions of the organization, surrounding the customer in the center. The business ecosystem also includes entities external to the actual business enterprise, such as suppliers, partners, resellers, etc. Strategic goals affecting customer value will impact all of these inter-related parts of the organization. The implications to our business ecosystem will likely be broad in scope.

The end-result we seek is to create customer value. Through our planning goals, we translate our value-oriented key outcomes into tangible benefits for our customers.

What Changes From the Perspective of the CEO?

The CEO

Since a quarter of the CEO's job responsibility is strategy, the CEO has the most formative role in planning by setting the direction and the tone. Given that, the CEO who champions a fresh perspective and approach towards customer value-based planning will propel their organization forward faster than the CEO that takes a more passive role. The CEO's primary sphere of influence will be within the strategic layer of planning, but the impact of the direction set will ripple throughout the organization.

The CEO and Culture

If you could, would you choose to create a culture that is almost obsessed with innovation related to customer experience and satisfaction?

The CEO is the primary influencer of the organization's culture, and impacts the performance of a customer-centered planning perspective through the communications and messaging received by employees from their top officer.

Customer value, regardless of the organization's business model and offerings, is based to some degree on intimacy and relationships. CEO's must grapple with the problem that in most organizations, the vast majority of employees do not directly interact or have ever had direct contact with the business's customers. To employees of the organization that are removed from the front lines of customer interaction, "the customer" becomes this anonymous entity that has no particular connection to our day-to-day lives. Hence, another challenge facing the CEO is to turn that culture around and create employee awareness of the customer and customer segments, along with the value we provide to them as a business.

Therefore, it starts with the CEO to create a pervasive awareness of the customer and set in motion a culture of excellence in delivery across all organizational roles.

The CMO

How well do we know our customers? This type of value-based planning requires a thorough understanding of the basic characteristics of the business's primary customers. Of course, customers are rarely homogenous. Based upon the complexity of the product/service portfolio offered in our businesses – analysis of our customer's attributes will likely lead to placing them into distinctive groupings. Each grouping will likely have some unique expectations related to value.

Customer segmentation analysis can be very useful prior to the planning process to determine major customer groups, such as: spending habits, profitability, and loyalty. This analysis is done at the line-of-business level and affords a broad prospective of commonality between the business unit and corporate strategy.

Segmentation analysis, when coupled with more detailed market research, will likely turn up many customer "desires" that can be evaluated aggregately to identify patterns of commonality. These patterns can drive value-focused strategy goals when used as inputs to the strategic planning process.

The COO

The COO affects change towards customer-centric thinking at the operational layer of planning. The COO's role is to drive the tactics that accomplish the strategic goals of the organization.

Working closely with the line-of-business leaders and with the CIO to ensure technology goals in alignment with goal-related programs, the COO takes on a pivotal role in the success of the plan's execution. The COO is at the center of the top-down/bottom-up (bi-directional) planning process that sets in motion tactical initiatives based on realistic input and founded on timelines that do not outstrip the organization's capacity.

The CIO

With so many aspects of our organization dependent upon advanced technology to support the business functions, the CIO's role is already critical. Now consider that new technology or enhancements to existing

technology that factor into virtually 100% of the tactics employed to support and implement new strategic goals.

That said, the CIO must be deeply involved from the beginning of the strategic planning process and remain so through operational planning. Such involvement will help the CIO fully appreciate ways that the technology team can provide support to the enactment of corporate strategy and is central to a bi-directional planning approach.

Can Corporate Amaurosis Be Cured?

If nothing else, customer-centric planning helps counter-balance the tendency to focus on internally-centered spending initiatives. Such pressure will always be applied, as misaligned ideas are presented and campaigned for as strategic goals by operational managers. They may be well intended, but are more focused on their own respective departments/divisions/business units than they are the customers of the business. Until the culture is changed, such behaviors become the norm.

There will always be a push and there will always be a requirement for some aspects of strategy to focus elsewhere than the customer. That is a given and is completely acceptable, but we must lean into the headwinds and avoid giving into the temptation to overlook this critical aspect of strategic planning, otherwise we will be blown into the ditch like a West Texas tumbleweed.

All organizations should certainly strive to create real and measurable value for customers. Few would disagree with that statement, yet we fail to plan effectively so as to ensure that customer value is created, maintained and increased over time. A strong focus on customer value leads to better customer retention and sales growth over the long-term. The upside of customer-focused planning is quantifiable and therefore undeniable.

Conclusion: What Is the Payback?

Good planning leads to improved execution and the achievement of plan results. Organizations that adopt such planning practices thrive in innovation, efficiency and repeatability. They become systematic in their approach to delivering customer value and achieve better results than their competitors who have not adopted the practice.

Among these results are:

- Improved customer retention,
- Higher customer satisfaction,
- Stronger overall market position and
- Increased profitability.

Reiterating the point made earlier, the end-result we seek is to create customer value. Through our planning goals, we translate our value-oriented key outcomes into tangible benefits for our customers.

Avoiding corporate amaurosis and creating a strategic plan that actually delivers results is not easy. But with effective operational planning it can be done! OPTIS Group's clients experience success many times the rate of average because we help organizations link strategy to effective execution. Contact us to discuss your needs and let us share our success stories with you. Better yet, let us make your organization our next success.

About Philip R. Foss - Chairman & CEO of OPTIS Group:



Mr. Foss is known for his creation of a proprietary OPTIS™ business model process used by the consulting company he founded, OPTIS Group, LLC. The process was developed for corporate strategy, operations, and growth initiative planning, and has proven to consistently deliver at least 140% ROI to organizations that follow its powerful formula. Unlike traditional corporate planning processes, Foss devised a process that links strategy and operations to enable corporations to create strategies and resulting operational plans that, when combined, are far more likely to succeed.

As the founder, Chairman and CEO of OPTIS Group, LLC. Philip R. Foss is responsible for running all facets of the business. Phil has a proven executive management track record with over 23 years of mortgage banking origination & management experience. Mr. Foss focuses on enterprise-level business model construction and deployment throughout the country's mid-size mortgage companies, leading the marketing and customer strategy practice, and directing sales within customer service go-to-market issues helping our client partners realize higher return-on-market and CRM investments.

Prior to founding OPTIS Group, LLC. Phil had been on both sides of mortgage banking origination and management with Banc One Mortgage & Washington Mutual Mortgage allowing for a comprehensive view and balanced approach to business development. Mr. Foss has been published in various industry specific periodicals as well as in the Denver Business Journal, Seattle Post Intelligencer, and the Kansas City Star, focusing on topics ranging from "Change Management", "Strategic Growth Management", "Sales Platform Training" and a four part "2008 Leadership Series". Phil holds a Masters of Business Administration from the University of Colorado at Denver and obtained his Bachelor of Science in Business Administration-Strategic Management Planning from the University of Washington, Seattle Washington.

OPTIS Group, LLC is headquartered in picturesque Colorado Springs Colorado at the foot of Pikes Peak, where Phil enjoys his two children, plays golf at high altitude, and participates as a volunteer member of the National Ski Patrol, Winter Park CO.