



Are you a prisoner in a gilded cage? – By Jeremy Cox

Today even business model innovators like Dell are suffering strategic wear out. Business model innovations at the end of the twentieth century, which succeeded by taking time and cost out of the supply chain, have today become yesterday's success story. Microsoft the giant amongst software companies and with an apparently unassailable operating system and productivity tools monopoly, suddenly looks vulnerable to the upstart Google. It wasn't long before, when IBM was the king of the castle, until it lost its crown to the upstart Microsoft; and so history in a sense is repeating itself. Is this roller-coaster ride from fleet of foot innovator to sclerotic monolith inevitable?

Not necessarily.

There are two lessons that emerge:

- 1) Nothing stays the same, nor can it be taken for granted.
- 2) An inside out, 'gut feel' or even entrepreneurial approach to strategy development lacks long term legs. Yes at the time you spotted the patterns etched out by slow witted competitors, changing market circumstances and new technologies, but you couldn't repeat your earlier success when you grew so big!

So what is the lesson for the rest of us? For those whose stars shine less brightly in the firmament today but which are still big businesses in their own right? Is this a sideshow peculiar to the information technology sector? Or are we all affected by such cycles and discontinuities and if so what can we do about it? How do we free ourselves from the gilded cage of our successful past?

But surely the answer is CRM?

CRM has persistently presented itself as the answer to these challenges. Yet we have all seen the metrics on failures. The term has long since been devalued and distorted by too many vested interests. Neither is it the cry of Customer Experience Management, although like CRM, that plays a

part. Nor is it a balanced scorecard, or NPS or ROC or any other metric you care to name. They all have their place, but provide a rear view mirror.

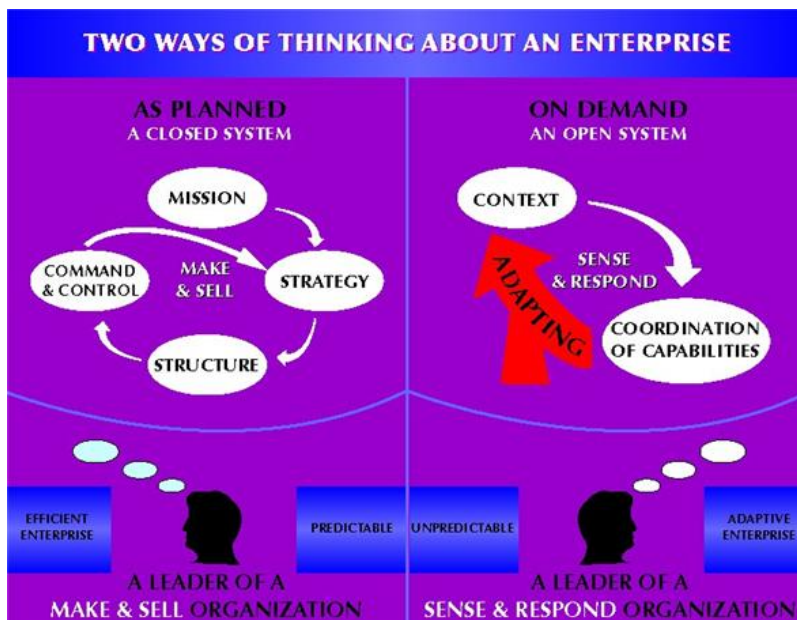
No. Behind this barrage of noise lies a subtler anthem, intimidating in its implications, yet which promises so much more for those leaders willing to face emerging reality and respond.

Sense and Respond (On-Demand)

It is an entirely new kind of organisation that is envisioned. One first postulated by Stephan Haeckel who at the time (1999) led IBM's Advanced Business Institute. His simple premise was that major companies with 20th century business models based on 'make and sell' would be at risk of becoming less relevant to customers over time. This happened to IBM in the early 1990's, and appears to be repeating itself with other major organisations today and within ever more compressed timescales.

Amidst increasing change and uncertainty the only sensible option is to be able to make sense out of the confusing mix of signals and adapt rapidly. Or as Stephan said in his own words: " *To respond on-demand to the unpredicted opportunities of the moment, a business must invest in knowing earlier the meaning of what is happening now, rather than in attempting to forecast better the opportunities of the future.*" (Source: IBM Systems Journal. Vol 42, No 3, 2003)

His view was that the successful 21st century enterprise would be perpetually adaptive – sensing change and reconfiguring itself to respond appropriately to changes in market conditions and customers' needs and behaviours. Not as a hierarchical structure, but a network of reconfigurable capabilities.



(Source: Stephan Haeckel Summary of the Sense & Respond Managerial Framework - <http://senseandrespond.com/SenseandRespondFrame.html>)

Enterprise of the Future

In order to elicit the appropriate response, such firms would need excellent 'sensing' capabilities and a new style of management that would be able to foster innovation. IBM carried out some detailed research into the conditions necessary to foster innovation. The characteristics had an uncanny resemblance to the *sense and respond* organisation advocated by Haeckel.

The distilled wisdom from 750 CEO interviews were presented to businessmen, distinguished thought leaders, academics and government representatives by two senior IBM executives – Nick Donofrio and Ginni Rometty. The findings on the 'Future of the Enterprise' identified the following key attributes:

- The traditional definition of the *enterprise* is being challenged. Ms Rometty asked the audience to think about the possibility that the Enterprise of the Future might be a network of one billion individuals.
- The power of people networks is realized by individuals who know how to leverage such networks
- Innovative businesses organize around "*endeavours*" not around company objectives
- (My favourite) The difficulty of getting horizontal thinking out of vertical silos is a major inhibitor to innovation.
- Today's MBA programs teach you how to think vertically not horizontally
- (source: <http://senseandrespond.com/subpage.html>)

This last point was echoed by Kenichi Ohmae at the European Customer Management World 2007 May 15th when talking about what was needed with 21st century education:

- Constantly changing answers
- Courage to act and achieve is more important than knowing the right answer
- Network rather than Pyramid, hence many more "hero spots"
- Emphasis on creativity, entrepreneurship, leadership, synthesis, initiatives and action, logical thinking, problem solving, fact finding, hypothesis

Executives as architects

Stephan Haeckel also wrote in the IBM Systems journal referred to earlier, "*...designing an on-demand business as a system rather than as a collection of processes linking vertical hierarchies, automatically provides alignment and clarifies roles and accountabilities. It makes teamwork a natural act and promises to enormous reductions in the hidden costs of matrix management.*"

He sees the role of the leader as an architect able to see the bigger picture, clearly articulate it and facilitate an on-demand business. A network of capabilities focused on a common endeavour and able to reconfigure itself based on a high degree of sensitivity to customers' individual and collective needs.

New tools for the Executive Architect Part 1 - Sensing

Over the years I've been following the writings of Stephan Haeckel and his advocacy of the Sense-and-Respond business models. Having been an employee within IBM throughout the 1990's and experiencing firsthand the frustrations and impotence of the late 20th Century 'monster child' matrix

management, the commonsense idea that a major organisation needed to adapt rapidly was extremely appealing. The only issue I had was with the practicalities.

However, last year I interviewed two Voice of the Customer champions - the first was Roger Blumberg of Ariba and the second was Anthony Picnarcik of Honeywell ACS

What both examples demonstrated was an amazing ability to convert customer feedback systematically and through dogged determination, aided by CustomerSat Enterprise feedback management system, into actionable improvements that generated higher customer satisfaction scores and were reflected in increased business. They both had the 'sensing' capabilities and leadership to act on the results. As a result of these two interviews and their compelling stories, I was hooked and subsequently joined CustomerSat as European sales director.

This critical focus on action and closing the loop with the customer was also cited by Gartner at their London conference in February this year, as a 'must have' capability for any major enterprise. Honeywell ACS was once again mentioned as a great example of success.

New tools for the Executive Architect part 2 – Capabilities Planning & Alignment

As an independent CRM consultant, I came across Customer Centricity Director, the capabilities management modelling tool from [Round UK](#) a few years ago. In essence David Rance CEO of Round provides an excellent envisioning tool to help everyone get their heads around what it means to move from a product centric business model to one that is more customer centric. The latter is not completed in one jump but is evolutionary. The journey to a more customer centric future must be fulfilled in stages, such that a focus on the customer creates a consistent customer experience; thence to a higher degree of intimacy which creates insights that are then acted upon and so on.

In addition to this very effective envisioning tool lies a database of capabilities covering:

- Business Leadership
- Customer Strategy
- Organisation Design
- IT/Information Architecture
- Metrics

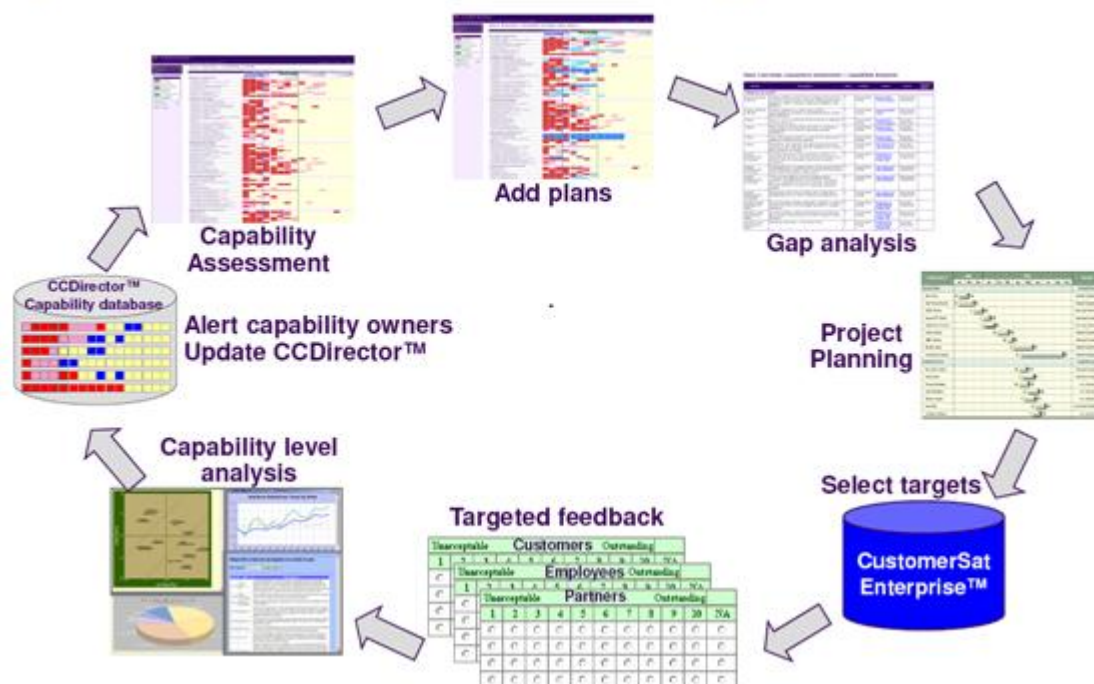
Each of these needs to be in synch and are different depending on the progression from Product Centric – to Customer Focused – to Customer Value and finally to Customer Centric where a considerable amount of co-creation takes place as well as a sense of mutual dependency.

Bringing it together

Round UK and CustomerSat announced an alliance on 15th May 2007. Over time we are aiming to bring together these two very potent tools to provide for the 'Executive Architect'.

The diagram below offers a simple overview of the iterative '*sense and respond*' planning process:

Dynamic 360° customer experience management



For the very first time, senior management can take stock of their myriad customer initiatives, see how far they have travelled along the customer centricity continuum, and validate them with key stakeholders such as Customers, Employees, Partners, Local communities, Investors etc to make sure they are on the right path. In this way they can invest in improving the overall business model in line with what is really important, rather than through hunch.

I'm sure other tools will surface over time, but for now, we believe that those wishing to become 'On-Demand' businesses will find the Round & CustomerSat combination very compelling. If you are held captive in a gilded cage of past successes and legacy systems, then this is an essential toolkit to help you and your organisation escape!

Further reading:

Steve Haeckel is head of Adaptive Business Designs, an executive education and coaching company. He previously was Director of Strategic Studies at IBM's Advanced Business Institute. He is the author of *Adaptive Enterprise: Creating and Leading Sense-and-Respond Organizations*, Harvard Business School Press, 1999. His emphasis on organizational capabilities is an important addition to the growing body of thinking about the corporation as an adaptive system. Further material can be found on his Web site <http://senseandrespond.com>. For book information see <http://www.amazon.com/exec/obidos/ASIN/0875848745/>.

David Rance is CEO of Round UK and further insights into Capabilities Modelling can be found on his Web site: www.round.co.uk

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