



SO YOU THINK YOUR COMPANY IS CUSTOMER-LED?

EXECUTIVES AREN'T PRACTICING WHAT THEY PREACH WHEN IT COMES TO
PUTTING CUSTOMERS FIRST

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Customers matter. No one would argue with that. But so do finance, people, operations, innovation and lots more. What impact do all these competing priorities have on a company's ability to remain true to its customer-led ideals?

We surveyed 454 executives. Almost 63% of them said that understanding customers and acting on that understanding was critical to success. However, when it came to business practice, just 24% told us that they had a customer-led approach to running their company.

So what's going on here? Our survey suggests that, in practice, customers lose out to other more influential stakeholder groups and to other priorities. The executives told us that the top contributors to performance were customer understanding and response, people, operational excellence, and innovation. But when we asked them to identify a description of a business that most closely reflects their own, describing what gets said and what gets done, only 24% of respondents claimed to both prioritize customers *and* run a business model that prioritizes customer value creation, allowing the business to earn an attractive return.

Most respondents (45%) revealed a less decisive approach that covers more bases. They (correctly) believe several factors must be in sync to achieve superior business performance, and they choose to "prioritize" all of them. We think of this as the "Business Excellence perspective". For them customer understanding sits alongside many important capabilities such as product excellence, R&D leadership, scaling, cost-cutting and operational improvement. So their business models were designed with all of these in mind.

Customer focus leads to better performance

We also know from our survey that being customer-led in both theory and practice produces the most competitive performance. This isn't surprising: beliefs matter because when they are genuinely held, they determine everyday actions, priorities, assumptions, policies and procedures. They influence decisions such as who gets promoted, which budgets are cut and how the senior team spends its time.

When we delved further into our data to understand why customer-led companies are more successful, we found that the organizations followed two basic mutually exclusive approaches. One is customer-led; the other efficiency-led.

Customer-led companies are characterized by an increasingly strong employee focus on customers, a shared understanding of key customers, an effort to satisfy customer segments, the ability to bring customer propositions to market, and a high level of employee engagement. On the other hand, efficiency-led companies are characterized by a focus on the numbers and on being lean. They tend to be less adaptive and less responsive than customer-led firms, leading to lower success rates.

Why the gap in what executives say and what they do?

It is rare for any executive to argue that a stakeholder group is unimportant. Yet executives have mental maps of what works for them, which stakeholders are most important, what matters 'in the end' or what they 'know' success looks like and what drives it. They may not express it directly, but through their actions and words they create a body of evidence revealing, sharing and enlisting others in the beliefs of the dominant group.

So perhaps it's time for a rethink. Managers have a tendency to casually claim, and possibly individually believe, that customers are among the most important factors contributing to competitive performance. Yet on closer inspection, nearly twice as many managers follow a more finance- and operations-oriented approach than follow a customer-led approach – and therefore experience less satisfactory competitive performance than those following a customer-led approach. If your company claims that customers matter, it may be worth checking whether that really is the case in practice.

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See the full paper [here](#).