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The factors that enable customer centricity and the changes in the organisation design when moving from a product to a customer centric strategy

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ABSTRACT

Launching new products into the market is considered a means of generating growth; however the growth is often short-lived as competitors copy product innovations. Organisations are learning that customers and not products are the most valuable resource and are the source of competiveness and growth. Consequently, the requirement to change the organisational strategy from product centricity to customer centricity has become a topic of interest. It was identified by numerous authors that to attain customer centricity organisations need to change the design of their entities and related processes by harnessing organisation design competencies.

In exploring this topic, a qualitative research approach was adopted. The research was conducted using a two phase approach. The first phase entailed an analysis of published case studies of four companies that have transitioned from a product centric to a customer centric strategy. The companies were from the financial services, electronics, real estate and information technology industries. The second phase of the research entailed conducting semi-structured interviews at a retail bank that was in the process of transitioning from a product centric to a customer centric strategy. Sixteen semi-structured interviews with the key managers across the retail bank were conducted.

A central finding of this research was that the transition from a product centric to a customer centric strategy entails the understanding of key enabling factors. These are grouped into 3 categories, namely; technological, customer and organisational factors. Another central finding was the evidence in the changes in the organisation design. Changes in the structure, processes, rewards and measurements as well as people practices were noted. The role of leadership, culture and change management was highlighted. An organisation design capability was also cited as assisting in the transition to a customer centric strategy.

KEYWORDS: Customer centricity, product centricity, organisation design

DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Meena Ramanlal Ambaram
11 November 2013

DEDICATION

In loving memory of my dad

Ramanlal Nagin Ambaram

1942 - 2008

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CHAPTER 1: THE RESEARCH PROBLEM

1 Introduction

As the economy emerges from a recession, companies are shifting their focus from cutting costs to stimulating growth. Launching new products into the market is viewed as one way of generating growth; however this source of growth is often short-lived as competitors copy the product innovations (Egol, Hyde, Ribeiro, & Tipping, 2003). Johnson and Schultz (2004) also explain that in a commoditised era, there is a move from the supply of products to the usage and benefits resulting from the product and the after sales services to end customers. Peppers and Rogers (2011) further explain that not products but customers, the scarcest but most valuable resource, are the foundation for competitiveness and growth. Pressures resulting from globalisation, growing competition, maturing markets, demanding customers and industry convergence are forcing businesses to treat customers as a serious source of profitability and sustainable growth (Sen & Sinha, 2011).

The current conditions create a strong opportunity for organisations to centre their business around the customers rather than on products (Egol *et al.,* 2003). Johnson and Schultz (2004) explain that traditional business models have been to organise along product lines. However with the change in focus from products to customers organising around the customer becomes vital in order to maximise customer value (Johnson & Schultz, 2004). Kumar, Sunder & Ramaseshan (2011, p. 1) cite that "organisations should embrace the concept of managing customers rather than products. This takes managers down the path of customer centricity".

The ability to deliver on these related expectations and to build effective stakeholder relationships depends on the extent to which customer-centricity is entrenched within the organisation (Deloitte, 2012). Egol *et al.* (2003) also supports this approach stating that moving from a product centric organisation to building a customer-centric organisation is considered to be the solution for organisations that want to stimulate growth in the long-term.

As a direct consequence, companies are now leaning towards organising their operations around the customer (Galbraith, 2001). Ranjay Gulati (2007) also points out that true customer centricity is unattainable if organisations are not designed to deliver changes to their organisational structures, incentives and relationships. Customer experiences must be translated into new organisational structures that deliver to articulated expectations. Therefore the main challenge that companies face today is shifting from a product centric to a customer centric strategy as this requires a change in the design of the organisation (Bonacchi & Perego, 2011; Galbraith, 2001; Shah, Rust, Parasuraman, Staelin, & Day, 2006).

Therefore by exploring the central theme of customer centricity and its importance this in the quest to remain competitive and the challenge organisations have in effecting the required realignment to deliver on a customer centric strategy; this research study examined the changes in organisation design when moving from a product centric strategy to a customer centric strategy. A case study research was conducted to understand the factors that enable customer centricity as well as the changes in the organisation design when moving from a product to a customer centric strategy.

Two focal points of this staged research study were, firstly, to identify the factors that enable the transition from a product centric strategy to a customer centric strategy. These were singled out by researching academic literature on customer centricity. An in-depth analysis of four published case studies on companies that have moved from a product centric strategy to a customer centric strategy was conducted to understand the relevant parameters. A live case study, conducted through semi-structured interviews within a financial services company was also used to verify and build on the customer centricity factors.

The second focal point of this research was to understand the impact on the organisation design when transitioning to a customer centric strategy. The case studies were used to understand the impact on organisation design and a live case study, conducted through semi-structured interviews within a financial services company was also incorporated to verify the information gathered from the various case studies analysed. Two important questions that this study aimed to answer was:

- What are the factors that enable the transition from a product centric to a customer centric strategy?
- What is the impact on the organisation design when moving from a product centric to a customer centric strategy?

1.1 Background and definition of the research problem

Organisations are realising that customer centricity provides the best medium to cultivate close and profitable interactions with their customers. These relationships are therefore hard for competitors to understand, copy, or displace (Day, 2000). Customer centricity is a necessary condition for 21st century organisations to excel in the marketplace (Shah *et al.,* 2006). Tomlinson (2012) further entrenched this view explaining that operating models were currently designed for the efficient delivery of services through the management of resources in product silos.

The evidence of the importance of customer centricity in the financial services industry is supported by a study conducted by Accenture in 2010 (SAPA, 2010) and is further backed by the results of the 2012 World Banking Report. The study conducted by Accenture in 2010, revealed that 37% of financial services customers in South Africa, switch banks due to poor customer service. The World Retail Banking Report (Capgemini, 2012) conducted by Capgemini and Efma revealed that retail banks are finding it hard to create strong relationships with customers. The World Retail Banking Report was conducted in 35 countries with more than 18000 customers. The World Retail Banking Report also highlighted that 38% of customers are unsure or likely to switch their primary financial services provider (Capgemini, 2012). Accenture (2011) therefore highlighted the need for South African banks to adopt a customer-centric approach to retain and grow the customer base. The World Banking Report (Capgemini, 2012) supported this argument by highlighting that less than 50% of customers are having a positive experience through the different channels available to them. The report indicated that banks need to work much harder to impress the customers in order to strengthen the relationships and to improve loyalty and profitability.

The field of organisation design emerged as a result of the challenges of an industrial age. Organisation design can be defined as the “deliberate process of configuring structures, processes, reward systems and people practices and policies to create an effective organisation capable of achieving the business strategy” (Galbraith, Downey, & Kates, 2002, p. 2). Organisations in the industrial age were configured to meet the demands of high volumes of standardised products (Weick, 2004). Treacy and Wieserma (1997) explain that product centric companies focus on continuously innovating and producing a stream of products and services with high performance levels faster than their market and relying on a decreased level of customer sensitivity to price and with a wide distribution of their products. A study conducted by PwC (McGrath, Bassili, & Adang, 2011, p. 13) in the telecoms industry highlights that traditional product centred organisational structures and systems are no longer effective for companies that want to operate in today’s markets.

Treacy and Wieserma (1997) explain that a customer centric organisation offers individual customers what they require rather than what the market requires as a whole. Products and services are continuously adapted in alignment with defined customer requirements in order to cultivate relationships and focus on meeting the needs of the customers. This therefore results in a different operating model and organisation design as compared to the product centric one. The study conducted by PwC (McGrath *et al.,* 2011, p. 13) details that an “alignment of the customer relationship management programme and supporting organisational structures, processes and technologies” is essential. McGee and Molloy (2003, p. 1) echoed that an important “success factor for organisations is the ability to adapt their structures, systems and processes” in the changing market. Existing organisation designs are inappropriate in situations where there are changes in market conditions, leadership changes as well as process changes and therefore a change in the organisation design is required.

Organisations are therefore now expected to meet customers’ needs at all times, in return for loyalty (Deloitte, 2012). However, organisations still have functional and product based structures which make shifting to customer centric organisational units a challenge (Galbraith, 2001). Gulati (2007) cites that there are very limited number of companies that are structured to deliver products and services in a co-ordinated manner from a customer’s perspective. Each business unit focuses on improving their products and processes rather than connecting with other business units in order to determine how their offerings may be more valuable when paired with other segments' offerings. Gulati (2007) further explains that to build the connections the traditional silos must be abolished and new business units are to be created based on customer segments and needs.

However the theory and practice of organisation design provides little help to organisations that need to move to a customer centric strategy (Davies & Brady, 2000; Yoo, Boland, & Lyytinen, 2006). And therefore the question to be asked is: what are the factors that enable the transition from a product centric to a customer centric strategy and what are the changes in the organisation design when companies move from a product centric to a customer centric strategy?

Based on the competitive landscape, this research aims to understand the factors that enable the transition from a product centric to a customer centric strategy as well as the impact on the organisation design when moving to a customer centric strategy. The relevance of the research topic in terms of understanding the factors that enable customer centricity will assist organisations in understanding the necessary enablers that are required when transitioning to a customer centric strategy. The findings from the impact on organisation design when moving to a customer centric strategy will aid organisations in understanding the alignment between structure, processes, reward and people practices when transitioning to a customer centric strategy.

1.2 Research objectives and motivation

This study was selected due to the pressing need for organisations to move to a customer centric strategy, as well as the lack of comprehensive literature on the transition from a product centric strategy to a customer centric strategy (Kumar, Lemon, & Parasuraman, 2006). An article written by Shah, Rust, Parasuraman, Staelin & Day (2006) on "The Path to Customer Centricity" forms the basis of this research as the article highlights the challenges and barriers to becoming customer centric. The article was written based on the findings from other researchers on the subject of customer centricity and therefore no formal research methodology approach was used and the article does not identify the factors that enable the transition from a product centric to a customer centric strategy.

Therefore based on the importance of customer centricity to organisations, the purpose of this research was to:

- Identify the factors that enable the move from a product centric strategy to a customer centric strategy.
- Understand the impact on the organisation design when an organisation moves from a product to a customer centric strategy.

In summary the purpose of this study was to identify the factors that enable the transition from a product centric strategy to a customer centric strategy and to understand the impact on the organisation design when moving from a strategy that focuses on products to a strategy that has the customer at the heart of its activities.

CHAPTER 2: LITERATURE REVIEW

2 Introduction

This chapter provides a literature review of academic articles analysed with a focus on the main themes of this research study. The literature review starts with the discussion on product centricity and thereafter discusses customer centricity. Customer centricity enablers will also be discussed. The literature review will then discuss organisation design as well as the different organisation design models.

2.1 Change in organisational strategy

The requirement to change the organisational strategy from product centric to customer centric has received considerable attention globally by many companies. Shat *et al.* (2006) explained that although the concept of customer centricity dates back more than 50 years, the importance of customer centricity has only recently been recognised by the business community. Before transitioning to a customer centric strategy, organisations from a macroeconomic perspective, need to understand the national, regional and global economies of the relevant country they would want to operate in order to transition their strategy from a product centric strategy to a customer centric strategy. Organisations have been struggling to fully align themselves to the customer centric paradigm. The lack of understanding in moving from a product to a customer centric strategy formed the basis of the motivation to explore the impact on the organisation design when moving from a product centric to a customer centric strategy.

Empirical studies regarding the shift from product centricity to customer centricity were published by many authors. The Royal Bank of Canada, Best Buy, Jones Lang LaSalle and EMC are typical examples of companies that have transitioned from a product centric strategy to a customer centric strategy. These companies agreed from the outset the need to shift to a customer centric strategy, where product and service silos would be shifted to an organisation where integration and collaboration would be critical across the organisations. Each company used a different approach to shifting the strategy to a customer centric one and therefore the factors that enabled the shifts from the product centric strategy to a customer centric strategy as well as the changes in the organisation design of each organisation will be discussed in chapter 5.

2.2 Product centricity

Levitt (1960) explained that product centric organisations were internally focused with the primary function to manufacture and sell superior products. Products are regarded as assets, and organisations focus on selling more products at the highest possible margins, thereby, increasing profits from each product (Smith & Chang, 2010) rather than customers or services (Raddats & Burton, 2011). In a product centric environment achieving production efficiency is critical.

Product centric companies have tended to be structured around products (Raddats & Burton, 2011) and according to profit centres called product centred business units (Galbraith, 2002b; Raddats & Burton, 2011). Product centric companies have traditionally measured and defined success in terms of product related indicators including product sales (units), product revenues and product market share (Raddats & Burton, 2011). Information was collected around products and business reviews focused discussions around product lines (Galbraith, 2002b).

Fader (2012) also supported this view explaining that product centric organisations have been designed around the demands of products. Departments and teams were in turn organised around products with employees rewarded for their skill to create new products or to sell the products. The long-term objective of a product centric organisation has been to build product portfolios and find new innovative ways to expand the product portfolios. In product centric organisations the brand is greater in importance than the customer (Fader, 2012). Cooper (1994) explained that the most superior of products may not lead to profitability as they do not generate customer value. From the above it is evident that based on the changes in the market there is a need for companies to shift their focus from organising around products but rather to organising around the customer.

2.3 Customer centricity

The customer centric paradigm begins by recognising that the customer is an active and central participant in the value creation process (Shah *et al.,* 2006). Based on the literature reviewed it was evident that companies have evolved from a product centred strategy to a customer centric strategy. In the related literature, it was also observed that customer centricity and customer orientation are interchangeable however customer intimacy forged through customer knowledge facilitated the trust commitment relationship between the customer and the organisation (Brock & Zhou, 2012).

The foundation of customer centricity was laid in the marketing concept that was articulated by Peter Drucker in the mid-1950s as a business philosophy that directs all organisational activities towards filling the customers' needs. Drucker (1954) explained that a customer defines the purpose of an organisation, determines the products the organisation would produce as well as decides whether the organisation would prosper or not. This philosophy was further reiterated by Levitt (1960) who asserted that "management must think of itself not as producing products but as providing custom-creating value satisfactions." Levitt (1960) expounded that organisations that define their business myopically in terms of products can stagnate even if the basic needs of customers are met. Therefore an organisation must be defined in terms of meeting the customers' needs rather than producing and selling the products. Shah *et al.* (2006) further enforce that the true essence of customer centricity lies not in how to sell products but rather on creating value for the customer and in the process creating value for the organisation. Customer centric organisations have an operating and organisation model and strategy that focus on the customer (Barta, 2009). Therefore according to Smith and Chang (2010) the customer centric approach considers the customers of the products as assets and deals with acquiring and retaining customers.

2.4 Customer orientation

Some authors used the term customer orientation to define organisations that are focused primarily on the well-being of customers. This was said to be achieved through paying attention to the voice of the customers and by providing solutions that are founded on the interests and needs of the customers in order to provide superior value and customer satisfaction (Deshpandé, Farley, & Webster Jr, 1993; Deshpande & Webster, Frederick, 1989; Narver & Slater, 1990; Noble, Sinha, & Kumar, 2002; Slater & Narver, 1994). The voice of the customer was used to describe the process of capturing customer requirements (Griffin & Hauser, 1993). The implementation of a customer orientation strategy was alleged to result in greater firm performance and superior perceived quality (Auh & Menguc, 2007; Brady & Cronin, 2001; Jaworski & Kohli, 1993; Narver & Slater, 1990). Brady and Cronin (2001) cited that customer orientation stresses the customer as the focal point of strategic planning and execution.

Day (1994, in Auh & Menguc, 2007) referred to customer orientation as a best practice comprising of recognisable and specific routines and processes. These included "generating information about customers through monitoring and assessing their changing needs and wants, disseminating the information generated throughout the organisation and revising business strategies to enhance customer value" (Auh & Menguc, 2007, p. 1024).

Customer-oriented organisations have aimed to achieve a competitive advantage by assigning the highest importance on the establishment and maintenance of customer value. These organisations focus on the organisation-wide development of and responsiveness to information regarding the voiced and unspoken needs of both current and potential customers (Olson, Slater, & Hult, 2005).

2.4.1 Definitions of customer centricity

There is no agreed definition of customer centricity that is adopted by different authors. Below are some of definitions highlighted in the literature.

Table 1: Definitions of customer centricity

	Definition	**Author**
1	“a strategy that brings together and **integrates products, services and experience**s from within and beyond the firm to **provide solutions** to the complex and multifaceted **needs** of its customers	(Galbraith, 2002b, p. 196)
2	Delivery of the organisations products and services in a way that meets **current and future needs** of the customers in order to increase the financial value of the firm in the long-term.	(Fader, 2012)
3	Another perspective highlighted three dimensions: “(1) customer-oriented **values and beliefs** that guide actions of the organisation from the top (Selden & MacMillan, 2006; Webster, 1988), (2) an organisational structural approach with dedicated customer-facing units (Day, 2006), and (3) being focussed on customer **needs discovery and satisfaction** (Gummesson, 2008; Sheth, Sisodia, & Sharma, 2000).”	(Frankenberger, Weiblen, & Gassmann, 2013, p. 3)
4	Customer orientation was said to be the firm-level ability "to identify, analyse, understand, and answer **user needs**.”	(Zhu & Nakata, 2007, p. 188)
5	“The organisation-wide gathering, sharing, and use of **intelligence** about customers, and coordinated actions based on that intelligence (Deshpande, Farley, and Webster 1993; Kohli and Jaworski 1990; Narver and Slater 1990). When these activities occurred consistently and well, customer orientation was achieved.”	(Zhu & Nakata, 2007, p. 188)
6	Sufficient understanding of one's target buyers to be able to	(Narver & Slater,

	create superior value for them continuously (or, per Levitt 1980, to create continuously an "augmented product").	1990, p. 21)
7	A specific approach to doing business that was focused on the customer. Client centric businesses were those that ensured that the **customer** was at the centre of a business's philosophy, operations or ideas. These businesses believed that their clients are the only reason that they exist and used every means at their disposal to keep the client happy and satisfied.	(Investopedia)
8	A customer's perception of having a very close and valuable relationship with a supplier, characterized by high levels of mutual understanding. Customer intimacy was driven by customer knowledge and facilitated the central **trust commitment relationship**.	(Brock & Zhou, 2012, p. 371)

Galbraith (2002b, p. 196) begins to define customer centricity as a strategy, while Zhu & Nakata (2007) explained that it is a firm level ability and Investopedia poses that customer centricity is an organisational approach. The importance of understanding the current and future needs of customers was highlighted in the definitions (Brock & Zhou, 2012; Fader, 2012; Frankenberger *et al.,* 2013; Galbraith, 2002b; Narver & Slater, 1990; Zhu & Nakata, 2007). The importance of organisation wide, technology based customer information systems as well as the sharing and use of the intelligence about customers was explained (Frankenberger *et al.,* 2013; Zhu & Nakata, 2007). Zhu & Nakata (2007) further explained that customer orientation is achieved when the intelligence is turned into co-ordinated actions and activities that occur consistently. The importance of creating superior value to customers (Narver & Slater, 1990) as well as financial value for the organisation in the long-term was also highlighted (Fader, 2012). The importance of providing integrated solutions to multifaceted needs of customers was highlighted by Galbraith (2002b) and Narver and Slater (1990).

In the definitions of customer intimacy the concept of close and valuable relationships as well as building trust and commitment relationships were explained in the definition (Brock & Zhou, 2012). Since in the definitions of customer centricity and customer orientation, trust commitment relationship was not mentioned, it can be deduced that the efficient and effective utilisation of customer knowledge gathered facilitates the development of a trust commitment relationship between the customer and the organisation.

From the above analysis conducted on the numerous definitions on customer centricity and customer orientation, customer centricity can be defined as a strategy that utilises an organisation wide, technology based customer information system to gather, share and use the intelligence about the customers throughout the organisation in order to understand the current and future needs of customers. The intelligence is translated into actionable strategies and activities in order to develop integrated solutions to meet customers' current and future needs which ultimately results in dual value creation (*i.e.,* customer value for the customer as well as financial value for the organisation). The effective utilisation of the customer knowledge ultimately facilitates a central trust commitment relationship between the customer and the organisation and this can be regarded as achieving customer intimacy.

2.4.2 Customer centricity enablers

This section covers the factors that enable the transition from a product centric to a customer centric strategy. The enablers of customer centricity identified in the literature review as being critical in the transition from a product centric to a customer centric strategy will be discussed in this section. The customer centricity enablers identified were customer relationship management and the analysis of the customer data, customer segmentation, integrated solutions, multi-channel integration and customer value.

2.4.2.1 Customer relationship management (CRM)

An understanding of how to manage customer relationships effectively has been an area of interest for academics (Reinartz, Krafft, & Hoyer, 2004). The management of customer relationships, a key enabler of a customer centric strategy, has been done through customer relationship management implementation (Becker, Greve, & Albers, 2009; Chen & Popovich, 2003; Crosby, 2002; Payne & Frow, 2004). Chen and Popvich (2003, p. 682) defined CRM as an "enterprise-wide customer-centric business model that must be built around the customer". Payne and Frow (2004, p. 527) expanded on the definition stating that customer relationship management was a "management approach that sought to create, develop and enhance relationships with carefully targeted customers to maximise customer value, corporate profitability and ultimately shareholder value." Similarly customer relationship management has been defined as a strategic tool for "managing dual-creation of value, the intelligent use of data and technology, the acquisition of customer knowledge to the appropriate stakeholders, the development of appropriate (long-term) relationships with specific customers and/or customer groups and the integration of processes across the many areas across the network of firms that collaborate to generate customer value" (Boulding, Staelin, Ehret, & Johnston, 2005, p. 157).

Kumar, Sunder and Ramaseshan (2011), Crosby (2002) and Chalmeta (2006) explain however that CRM should be described as a customer focused business strategy rather than a business model (Chen & Popovich, 2003) or a management approach (Payne & Frow, 2004) or a tool or technology (Boulding *et al.,* 2005). Mukerjee (2013) explains that due to the fact that CRM was equated to a technology in most cases, the supporting role that technology plays often gains a higher importance than the need to strategise for CRM. Separately, it was also explained that seeing CRM as a technology only solutions was most likely to result in failed implementation (Chen & Popovich, 2003, p. 672). Crosby (2002, p. 271) cited that CRM was not about an information technology or system but rather a "comprehensive business strategy." Crosby (2002, p. 271) further outlined that the biggest problem was that organisations have been adopting the technology in the "absence of a holistic and coherent business strategy focused on the customer". Chalemeta (2006) pointed out that CRM was required in order to adopt a customer focused form of organisation and the customer information presents an opportunity to develop business strategies.

CRM systems have allowed companies to have an integrated single view of the customer across all channels, manage customer relationships in a consistent manner across all distribution networks and improve the effectiveness and efficiency of customer relationship processes (Chalmeta, 2006; Reinartz *et al.,* 2004). CRM offers improved opportunities to use data and information to understand customers and to generate value for the customer and the organisation (Payne & Frow, 2004). CRM uses information technology in order to direct information across time and contact channels to manage the customer relationship holistically and systematically (Reinartz *et al.,* 2004). Crosby (2002) commented that customer centric strategy deals with enforcing long-term collaborative relationships with customers. CRM has enabled the integration of building and enriching relationships with customers within the systems architecture towards the collection and analysis of data to derive organisation and customer value.

Curry and Kkolou (2004) highlighted that a customer centric business strategy that is designed to retain customers is a starting point for a successful CRM. A cross functional integration of process, people, operations and marketing capabilities that is supported by information, technology and applications is required for CRM (Payne & Frow, 2004). Chen and Popvich (2003) explained that functional organisation design has taken accountability for customer data. However a customer centric model requires the sharing of enterprise wide information and this requires a paradigm shift in terms of the culture of sharing knowledge and information. Payne and Frow (2004, p. 685) supported this view by explaining that "silo-based organisational myopia must be replaced with a customer focus so that departments will collaborate rather than compete with each other". Becker *et al.* (2009) highlighted that with the implementation of CRM, a change in the organisation design was required in order to facilitate the dissemination and integration of information across various business units as well across multiple channels.

2.4.2.2 Customer data

Peltier, Zahay and Lehmann (2012, p. 3) addressed the issue of data quality stating that "customer data are of high quality when the information collected across multiple transactions, touch points, and channels accurately reflects the behaviour and sentiments of customers, both collectively and individually." The customer database is the mechanism from which the organisation generates customer knowledge (Peltier *et al.,* 2012). Both Peltier *et al.* (2012) and Peltier and Zahay (2008) confirm in their studies that data quality should be viewed as a collaborative process beginning from a top-down commitment to customer centricity.

Kumar, *et al.* noted that "at the heart of CRM is the organisation's ability to leverage customer data creatively, effectively and efficiently to design and implement customer focused strategies that increase the breadth, depth, and length of their relationship with the firm" (Kumar *et al.,* 2011, p. 1). Krasnikov, Jayachandran and Kumar cited in Peltier *et al.* (2012) explained that data driven initiatives provide customer centric organisations with relationship building opportunities. Horizontal communication and sharing of information within and across functional lines is critical with data quality forming an important element in achieving superior customer relationship to unlock financial success (Peltier *et al.,* 2012).

Campbell (2003) cautioned that although data is readily generated through CRM databases, such data in isolation does not translate into customer knowledge. For the data to be useful it needed to be transformed into customer information throughout the organisation generating and integrating customer knowledge which allowed the organisation to develop customer specific strategies (A. J. Campbell, 2003).

2.4.2.3 Customer segmentation

Customer segmentation is the aggregation of customers into groups with similar characteristics such as geographical, behavioural or demographic traits (Crosby, 2002). This process of dividing customers into mutually exclusive groupings has been based on the presumption that customers can be segregated into groups that are more similar to each other than to others. Only through the application of segmentation can a large enterprise hope to turn the myriad of records in its customer databases into some sort of coherent picture of its customers" (Ranjan & Agarwal, 2009, p. 1).

In the last decade the concept of segmentation has shifted from market segmentation to customer segmentation. Market segmentation has been viewed from a business strategy perspective while customer segmentation from a customer strategy level in a CRM perspective in order to develop relationships over time (Hultén, 2007).

Yankelovich and Meer (2006) advanced the view that traditional demographic traits such as age, education levels and income are no longer adequate segmentation models however non-demographic traits such as values, preferences and tasters will most likely encourage consumers purchases as compared to demographic traits. Day (2003) endorsed perspective on the issue stating that the more an organisation segments its customers into different groups based on needs and expectations the better positioned the organisation was in rising to serve its customers.

By using the customer insights gained through CRM systems, processes and technologies, organisations can segment customers (Bolton, 2004). Bügel, Verhoef and Buunk (2011) explain that organisations with a customer centric strategy continuously tailor products and services to address a specific group of customers. Ingram, LaForge and Leign (2002) build on to explain that these groups should be prioritised according to their importance to the organisations. Segmentation has been pivotal in building understanding of the lifetime value of specific customers. Customers can be segmented in terms of profitability due to the customer lifetime value calculation. Based on the insights gained from the various customer touch points and behaviour, customers differ in their "needs, preferences and buying behaviour and price sensitivity". Therefore customer segmentation has assisted organisations to adjust products and services to match the customer requirements (Guruau, Ranchhod, & Hackney, 2003, p. 3).

Galbraith (Galbraith, 2002b, p. 6) explains that business units, defined as product profit centres, constitute the structure of a product centric organisation whilst customer centric organisations are "structured around customer segments". However, the transition of the structure to focus on customer segments is a challenge (Bonacchi & Perego, 2011; Galbraith, 2001; Shah *et al.,* 2006).

2.4.2.4 Integrated solutions

Leading organisations that have shifted their strategic focus to customer centricity, no longer offer individual products but rather offer integrated solutions to meet customer needs. Customers have been searching for personalised solutions that address their needs (Brady, Davies, & Gann, 2005).

Solutions are defined as "customised, integrated bundle of goods and services" for meeting the customers' needs (Tuli, Kohli, & Bharadwaj, 2007, p. 2). In order to deliver integrated solutions, organisations needed to combine products and systems with services and ensure the integration throughout the lifecycle (Brady *et al.,* 2005). Integrated solutions added value to the organisation by providing a bundling of products and services that created distinctive benefits for each customer segment or customer (Brady *et al.,* 2005). Products and services are bundled together and tailored according to customer needs. Solutions are designed to fulfil customer needs (Tuli *et al.,* 2007, p. 2). From a microeconomic perspective companies need to understand the behaviour of households in order to understand customer needs and identify the solutions that are suitable for customer considering the income and spending levels of individuals. The supply and demand of goods as well as the pricing required for solutions also needs to be considered.

According to Brady *et al.* (2005) integrated solutions have had major implications for organisations transitioning to a customer centric strategy. Organisations have had to transform every aspect of their business in order to ensure integrated solutions provide customer and shareholder value. In a product centric organisation, a specific product can be designed, created and marketed on an individual basis in one business unit, however with the move to an integrated bundled solution, interfaces with silo based business units as well as joint decision making has been required (Hahn & Morner, 2011). Offering solutions in the form of customer-specific bundles of products and services has required divisions to co-operate intensively (Payne & Frow, 2004). Increasingly, organisational structures and incentive systems have been designed to increase the competitiveness of individual business units and therefore a review of the organisation structure has been required in order to facilitate knowledge sharing and co-creation of integrated solutions (Hahn & Morner, 2011). Therefore the value of the customer does not lie with the single product but in the assurance that the organisations will offer them a variety of products configured for their needs (Payne & Frow, 2004).

2.4.2.5 Multichannel integration

Payne and Frow (2004) explained that customers have a broad range of channels to choose from and therefore organisations transitioning to a customer centric strategy should be positioned to manage customer relationships in a multichannel environment. Most of the customer experiences with organisations have occurred when the customer has interfaced with each of these channels.

Neslin, Grewal, Leghorn (2006, p. 95) defined multichannel customer management as "the design, deployment, coordination, and evaluation of channels through which firms and customers interact, with the goal of enhancing customer value through effective customer acquisition, retention, and development". Payne and Frow (2005) and Boulding *et al.* (2005) concurred with Nesline *et al.* (2006) that the emphasis on multichannel customer integration and management is based on the customer as a strategy for creating value for the organisation. Multichannel integration process plays an important role in creating value adding interactions with the customers (Payne & Frow, 2004).

Organisations need to ensure that the customer experiences positive interactions within the channels as well as ensuring that the customer experience is consistent in the various channels or customer touch points. They further explained that "a seamless and consistent experience" at every client interaction has been noted to create trust which strengthened the relationship (Payne & Frow, 2004, p. 532). Stone, Hobbs & Khaleeli (2002) also supported this view and explained that consistent customer experiences across channels were critical. Wilson (2002) advised that for the successful implementation of a multichannel integration a customer focused structure was most suitable and a product or functions structure created a barrier for multichannel integration. Both Payne and Frow (2004) as well as Stone *et al.* (2002) explained that managing channels separately damages customer relationships and therefore there is a need for multichannel integration.

2.4.2.6 Customer value

Hwang, Jung & Suh (2004) explained that customer value has been researched under the title of lifetime value, customer equity and customer profitability. Rust, Moorman & Bhalla (2010) viewed customer lifetime value, customer equity and customer profitability as key customer metrics. Organisations that wanted to transition to a customer focused organisation have needed to change their focus from product profitability to customer profitability. It was further suggested that such organisations ought to have moved away from strengthening loss leader products to strengthening customer relationships and measuring customer lifetime value rather than current sales.

Customer lifetime value measurements measures the future profits produced from a customer discounted to show the time value of money (Rust *et al.,* 2010). Customer equity according to Rust *et al.* (2010, p. 7) is a measure that has shifted from measuring brand equity in a product centric environment. Customer equity is the “sum of the lifetime values of their customers”.

Holm, Kumar and Rohde (2012) as well as Rust, Kumar and Venkatesan (2011) explain that customer profitability measurement is an important component of customer relationship management and customer databases facilitated the analysis of customer profitability over time. These organisations determined the most important customers by determining their current and historical profitability (Rust *et al.,* 2011). Hwang e*t al.* (2004, p. 188) highlighted that a customer metric must include “past contribution, potential value and customer loyalty.” They demonstrated that current value provided a financial perspective, potential value indicated cross-sell opportunity whilst customer loyalty represented the durability of current and potential value.

From a financial management perspective, the learning regarding the path to customer centricity would be to ensure the customer centric measures in terms of the financial measures are understood. The contributions to the financial management perspective are with regards to the calculation of customer profitability instead of product profitability as well as profit and loss calculations of solutions rather than products.

2.4.3 Summary

The accelerating pace of technology has advanced the difficultly for organisations to remain competitive or to maintain a competitive advantage merely through the individual product attributes or characteristics (Christopher, Payne, & Ballantyne, 2002). Therefore it became necessary that instead of focusing on products organisations needs to shift their focus to customers. The following were identified as factors that enable the transition from a product to a customer centric strategy, customer relationship management system where customer relationships and managed and customer data is analysed and leveraged; customer segmentation; integrated solutions; multi-channel integration and customer value. These customer centric factors identified in the literature review should be evident in both the case study analysis as well as the semi-structured interviews.

Customer relationship management or customer information systems can be viewed as a factor that enables the transition from a product centric to a customer centric strategy. Customer relationship management was cited as a customer information programme that facilitated the integrated single view of the customer, the management of customer relationships as well as the leveraging of customer data into clear business strategies (Chalmeta, 2006; Reinartz *et al.,* 2004). However it was highlighted that in order to enable customer centricity, the implementation of CRM should be based on a customer centric business strategy that is designed to retain customers (Curry & Kkolou, 2004).

Customer segmentation was another factor identified that shifts from the traditional demographic traits such as income to segmentation based on non-demographic traits such as values and preferences (Yankelovich & Meer, 2006). Customers can also be segmented in terms of their profitability to the organisation (Ingram *et al.,* 2002). Another factor that was identified as a factor that enabled the transition from a product centric to a customer centric strategy was integrated solutions. Integrated solutions involved a bundling of products and services that created distinctive benefits for each customer segment or customer (Brady *et al.,* 2005). Products and services are bundled together and tailored according to customer needs. Solutions are designed to fulfil customer needs (Tuli *et al.,* 2007, p. 2). Multi-channel integration and a consistent customer experience across all channels was another factor identified that enables the transition to a customer centric strategy. Customer value the last factor that was identified as an enabler to customer centricity revealed that there is a shift from traditional product measurements to customer profitability, customer lifetime value, customer equity and customer loyalty measurements.

From the above analysis of the literature on the factors that enables the transition to a customer centric strategy it is evident that the factors identified above require the sharing of enterprise wide information, horizontal communication and sharing of information within and across functional lines is critical (Peltier *et al.,* 2012). Hahn & Morner (2011) explain that a review of the organisation has been required in order to facilitate knowledge sharing and co-creation of integrated solutions. It was also highlighted by Galbraith (2001); Bonacchi and Perego (2011); and Shah *et al.* (2006) that the transition from product profit centres to organisations that are structured around customer segments are required when transitioning to a customer centric strategy. Wilson (2002) advised that for the successful implementation of a multichannel integration a customer focused structure was most suitable and a product or functions structure created a barrier for multichannel integration. Therefore a review of the organisation is required when transitioning from a product centric to a customer centric strategy.

2.5 Organisation design models

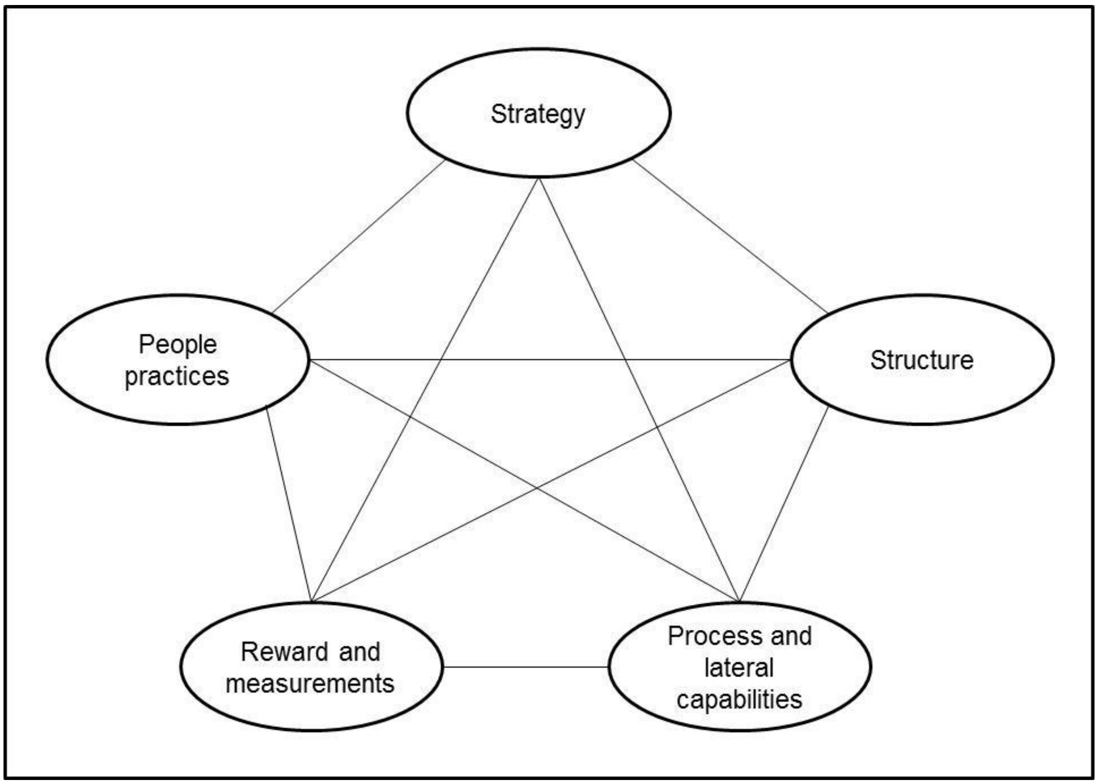
Lawrence and Lorsch (1967) Thompson (1967) and Galbraith (1977) can be regarded as the founders of the study of organisation design at the organisational level, while Hackman and Oldham (1975) at the job design level. These pioneers did not agree with the existing view that universal design principles would result in optimal outcomes across organisations, work groups and jobs. This group of founders proposed the contingency theory of organisation design which was underpinned by the McKinsey 7-S framework (Pascale & Athos, 1981), the Galbraith (1982) information processing model of design, as well as Nadler and Tushman (1999) congruence model (Sinha & Van de Ven, 2005, p. 396).

Organisation design has been defined as the "deliberate process of configuring structures, processes, reward systems, people practices and policies to create an effective organisation capable of achieving the business strategy" (Galbraith *et al.,* 2002, p. 2). Stanford (Stanford, 2012, p. 6) explains that a "conscious organisation design is more important than its structure."

2.5.1 The Galbraith Star model

Jay Galbraith introduced the star model (Figure 1) as a framework which consists of 5 major components of organisation design. These are strategy, structure, processes and lateral capabilities, rewards and people practices. The structure, processes, rewards and people practices support the strategy of the organisation" (Galbraith *et al.*, 2002, p. 2).

Figure 1: The star model



Source: Galbraith, Downey and Kates, 2002, p. 2)

a) Strategy

The strategy in the star model sets the direction of the organisation. Curry and Kkolou (2004) highlighted that a customer centric business strategy that is designed to retain customers is a starting point for a successful CRM. Payne and Frow (2006a, p. 145) defined customer strategy as "determining the appropriate level of segmentation granularity, identifying key customer segments and building strategies to address these customers." Further, they regarded the alignment and integration between the business strategy and customer strategy as critical.

b) Structure

An organisational structure is defined as a formal pattern of how a company groups its organisational activities and functions" (Gebauer & Kowalkowski, 2012, p. 528). Organisations have various structures. An organisational chart can be used to explain an organisation structure. Many organisations are configured as hierarchies, with one manager reporting to another and with one manager at the highest level. Within the hierarchical structure there is significant difference in the number of levels and in the set of activities grouped together (Harris & Raviv, 2002).

The organisation structure defines where formal power and authority resides in the organisation. The structure reflects the hierarchy in the organisation (Galbraith, 2005). Gebauer and Kowalkowski (2012) indicated that organisations have been changing their organisational structures in order to become more receptive to customer demands. However researchers, such as Homburg, Workman and Jensen (2000) and Tuli *et al.* (2007) asserted that although organisations claimed to be customer centric their structures largely still had product centric views. The consideration of whether the product focused and geographic focused structures were still valid for customer centric organisations have remained under debate (Gebauer & Kowalkowski, 2012; Homburg *et al.,* 2000). Galbraith (2002b) and Homburg *et al.* (2000) were two significant contributors in shaping the change in construct when moving from a product centric to a customer centric structure.

Although there is rich literature on organisation structures, there has been little academic contribution regarding the move from product to customer centric organisational structures. The two exemptions are Galbraith (2002b, 2005) who described organisations for delivering solutions and Homburg *et al.* (2000) who introduced the customer focused organisational structure (Gebauer & Kowalkowski, 2012, p. 528). However this study was based on the manufacturing industry and the structure introduced by Gebauer and Kowalkowski (2012) is context specific. There are a number of groupings which will now be discussed.

i. Process structure

The process structure is structured according to the company's end to end processes. Process structures are horizontal designs that "cuts across traditional functions with key decisions made by process rather than functions" (Irwin & Cichocki, 2011, p. 51). The process owner roles are critical in a process structure as "process owners are accountable for processes across geographies and structures" (Kates & Galbraith, 2010, p. 52).

ii. Functional structure

In a functional structure also known as unitary form or U-form, activities dealing with a specific function are organised into activity groups such as human resources, research and development, finance and marketing (Harris & Raviv, 2002; Kates & Galbraith, 2010). The functional structure is based on the segregation of teams based on their "specialities, skills and knowledge" (Irwin & Cichocki, 2011, p. 39). Knowledge sharing, specialisation, removal of duplication and the creation of economies of scale are key to functional structures (Kates & Galbraith, 2010). Kates and Galbraith (2010) cited that functional structures are prevalent to organisations with one product line, however a product structure creates a barrier when the company expands and develops many products, services and channels.

iii. Matrix structure

This encompasses "dual-authority relations" and can have combined divisional and functional structures (Jennergren 1981, p. 43 cited in Harris & Raviv, 2002). The matrix structure is a mixture of any two or more structures, for example, a product and a functional structure. The matrix structure consists of skilled employees from different disciplines and therefore there is a dual authority structure and reporting line (Irwin & Cichocki, 2011). The matrix structure encourages flexibility and effective utilisation of resources (Kates & Galbraith, 2010).

iv. Product focused structure

A product-focused organisational structure uses groups of related products as the main basis for configuring the organisation (Homburg *et al.,* 2000). Kates and Galbraith (2010) explain that once a company has different product lines with different business models a functional structure would evolve into a product structure. Shah *et al.* (2006) proposed that product centric organisations were structured around functional silos and defined by the types of product. Functional silos are typically in a functional structure but can exist in any structure. In the product focused organisational structure, strategic business units focus on different product groups and services are attached to different product functions (Auguste, Harmon, & Pandit, 2006). These product functions require "different organisational capabilities and a different configuration of functional expertise" (Kates & Galbraith, 2010, p. 12).

These organisations have tended to have product managers and sales managers allocated to each product or product group (Shah *et al.,* 2006). Product management entails product marketing, product sales support, and product pricing at the central level (Gebauer & Kowalkowski, 2012, p. 530). In a product-focused organisational structure, sales people are fundamentally product specialists and are typically assigned to a single product-focused strategic business unit (SBU) selling to all customers of that SBU (Homburg *et al.,* 2000). The disadvantages of a product structure is the lack of knowledge and information sharing across product lines as well as the duplication of work by the different functions existing in in each product division (Kates & Galbraith, 2010). Therefore this type of structure has not been favourable for an organisation with a customer centric strategy (Shah *et al.,* 2006).

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v. Geographic focused structure

Geographic focused structures are primarily configured according to the physical location of where the work is carried out namely, regions, countries and territories. Customers are geographically spread. Products and services are produced and sold in one geographic region (Irwin & Cichocki, 2011). According to Gebauer & Kowalkowski (2012) and Gibson, Ivanecevich, Donnelly & Konopaske (2006) geographic focused structures are advantageous and due to the physical disconnection of activities across geographies, creating centralised organisational structures is challenging. A geographic structure is identified to create a local focus which acts as a competitive advantage. Products are customised for the geographic region. A disadvantage of a geographic structure is that power is controlled at a regional level and therefore the global needs are ignored (Kates & Galbraith, 2010).

vi. Customer focused organisational structures

In customer focused organisational structures the customers form the foundation for structuring the entire organisation (Homburg *et al*., 2000). It was explained by Gebauer & Kowalkowski (2012) that the reason for creating customer focused organisational structures has stemmed from increasing importance being placed in attaining customer satisfaction and loyalty. Such organisations have been motivated to find better ways to better serve their customers.

Homburg *et al.* (2000) highlighted that in customer focused structures, there has been huge emphasis on key account management as well as the establishment of customer segment managers. Key account management was defined as “the designation of special personnel and/or performance of special activities directed at an organisations most important customers” (Homburg *et al.,* 2000, p. 463). Shah, (Shah *et al.,* 2006) also cited the importance of key account managers or segment teams to facilitate customer contact activities.

Shah *et al.* (2006) promoted the need for integration and structural alignment across the customer dimension of the organisation. Galbraith (2002b, 2005) also supported this and explained that customer centric organisations are structures around customer segments and that organisations that shift from a product centric strategy to a customer centric strategy shift from profit centres for products and product teams to customer segments, customer teams and customer profit and loss responsibilities. This was in alignment to Shah *et al.* (2006) findings that the customer centric strategy focused on building customer segment teams, customer relationship managers and sales teams for the various customer segments.

c) Reward and measurements

Reward systems are the metrics or measurements that have been used to align individual behaviours to organisation performance (Galbraith, 2002a). Homburg, Grozdanovic & Klarmann (2007) explain that with the shift from a product to a customer centred strategy profitability based reward systems have been difficult for organisations to implement as the majority of accounting systems have not catered for the tracking of customer profitability by segments (Homburg *et al.,* 2007). They also highlighted that the performance measures for the key account managers are difficult to measure as they are dependent on everyone across the value chain. Therefore there has been need to move away from individual based incentives to a more team based recognition in order to allow for integration. Payne and Frow further explain that customer centric processes require a change in financial metrics (Payne & Frow, 2006a).

d) People practices

People practices refer to the human resource practices that need to be aligned to the strategy. Different strategies will require different HR practices in terms of skills and management practices (Galbraith, 2002a, p. 4). The shift towards a customer centric strategy has required a change in skills from a sales and marketing orientation to managing long-term relations that goes further than selling and negotiation skills (Homburg *et al.,* 2007), Another capability highlighted is that of financial understanding for the key account managers as they become accountable for the cost to service as well as the revenue produced. In addition, due to the focus on cross-functional teams organisations have actively recruited employees with various career experiences and that demonstrated teamwork as a competency. Therefore different skills are required for different positions. Organisations adjusted their recruitment and selection strategies and criteria, as well as reassessed the training programs rethinking career paths (Homburg *et al.,* 2007).

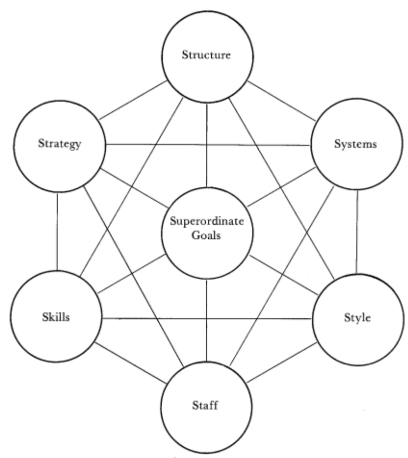
e) Processes and lateral capabilities

Processes and lateral capabilities define the collaboration, information and decision making flow across the structure. Lateral capabilities are the "interpersonal and technological networks, teams and matrix relationships, lateral; process and integrative roles" that function as the glue that brings the organisation together (Galbraith *et al.,* 2002, p. 4). Internal processes have been noted to be extremely different when the focus is on developing and supporting customer relationships compared to processes that are targeted at the executing efficient customer transactions (Shah *et al.,* 2006). From an operations perspective based on the theory of constraints we see that the path to customer centricity assists in highlighting the inefficiencies in processes and guides organisations to streamline processes which eventually impact on the customer experience (Goldratt, Cox, & Whitford, 1992). Based on the literature review conducted on the factors that enable the transition to a customer centric strategy, Peltier *et al.* (2012) explained that horizontal communication and sharing of information within and across functional lines is critical. Hahn & Morner (2011) also explain that knowledge sharing is critical for the co-creation of integrated solutions. Customer centric processes entrench the need for cross functional co-ordination and organisations struggle with this (Payne & Frow, 2005).

2.5.2 McKinsey Seven-S model

Tom Peter and Robert Waterman (1982) introduced the 7-S business model in their book In Search of Excellence. The 7-S model is used by many organisations when conducting organisation wide change and during organisational realignment initiatives (Kaplan, 2005). It was found that in order to reviewing a structure in isolation would not work when co-ordinating and allocating resources and incentives. The 7-S model introduces seven factors that are essential for the execution of strategy (Peter & Waterman, 1982).

Figure 2: The McKinsey 7-S model



Source: (Peter & Waterman, 1982).

- Strategy: the plan and activities undertaken by the organisation in order to gain a competitive advantage against the competitors.
- Structure: the manner in which the organisation is structured in terms of the allocation and co-ordination of duties and resources.
- Systems: the formal and informal nature of the co-ordination and control mechanisms implemented to manage the organisation.
- Shared values: the values that are inherent in the organisation and act as guiding principles.
- Style: the leadership style of top management.
- Staff: the people working in the organisations including their competencies and the people practices adopted in the organisation.
- Skills: the competencies that is prevalent in the organisation (Kaplan, 2005; Peter & Waterman, 1982).

2.5.3 Systems model

The systems model was introduced by Naomi Stanford (2012) who defined the organisation as a system. A system was regarded as a group of inter-related elements where changes to one element affect the other. The systems theory introduced four elements of an organisation. It is explained that the manner in which the four elements interact with each other affects the “productivity, performance and profit” of an organisation (Stanford, 2012, p. 12). The elements are reflected below in the table.

Table 2: Systems model

Element	Description
Work	Work is defined as the basic tasks and its parts including job profiles and content performed by the organisation.
People	The people refer to the characteristics of the employee in the organisation.
Formal organisation	The formal organisation or the organisational architecture refers to the structures, the hierarchy, work-flow processes, systems and methods that are created in order for employees to perform their jobs.
Informal organisation	These are the implicit arrangements that are formed. The culture is considered the informal element as well as social routines that are created.

Source: Stanford, 2012, p.12

2.6 Conclusion

From the literature review conducted it is evident that there is a fundamental shift that organisations have been going through in order to shift focus and strategy from a product centric one to a customer centric one. The research conducted thus far on this topic focused mainly on the CRM journey and did not necessarily discuss holistically from an organisation design perspective the changes that were required to transition to a customer centric strategy. One study conducted by Shah *et al.* (2006) attempted to identify the barriers to the path to customer. This research therefore not only looked at organisation design from a structural lens but also at all the facets of organisation that may be impacted as a result of the shift to customer centricity.

Based on the literature review conducted product centric companies operate in product silos and are structured around products while customer centric companies focus on the needs of the customers. The management of customer relationships through a customer information system or technology platform was viewed as a key enabler of customer centricity. The implementation of a customer information system or technology platform such as CRM must be part of the customer focused strategy the organisation is moving towards (Chalmeta, 2006; Chen & Popovich, 2003; Crosby, 2002; Payne & Frow, 2006a). Kumar, *et al.* (2006) noted that companies should leverage the customer data from the customer information system or technology platform such as CRM as well as the customer touch points in order to design customer focused strategies.

The second enabler identified in the literature review was customer segmentation, which was described as the process of dividing customers into mutually exclusive groups (Ranjan & Agarwal, 2009). A shift from a the traditional demographic segmentation to non-demographic segmentation was cited (Yankelovich & Meer, 2006). It was cited by Ingram et *al.* (2002) that customer centric organisations segment customers based on profitability due to the customer lifetime value calculation. The third enabler identified in the literature review was the shift from individual products to an integrated solution which was viewed as an integrated bundle of products and services that are offered to customers in order to meet customer's needs (Tuli *et al.,* 2007). Multichannel integration was identified as the fourth customer centric enabler where customer relationships need to be managed consistently in a multichannel environment (Payne & Frow, 2006a). Customer value the fifth enabler of customer centricity was cited from a measurement perspective, where customer lifetime value, customer profitability and customer loyalty are considered as customer centric measurements (Holm *et al.,* 2012; Hwang *et al.,* 2004; Rust *et al.,* 2011).

In the literature review three organisation design models were identified, namely; Galbraith star model, McKinsey 7-S model as well as the systems model (Kates & Galbraith, 2010; Peter & Waterman, 1982; Stanford, 2012). The factors from these models would be used in the analysis of the case studies when unpacking the changes in the organisation design when moving from a product centric to a customer centric strategy. In the literature review, it was cited that structures could be classified as product, process, geographic, matrix or customer focused (Gebauer & Kowalkowski, 2012; Harris & Raviv, 2002; Irwin & Cichocki, 2011; Kates & Galbraith, 2010). Homburg *et al.* (2007) highlighted that performance measures changes as a result of the changes in the strategy. It was also cited that changes to the processes and lateral capabilities and people practices would occur based on the move from a product to a customer centric strategy (Galbraith, 2002a).

CHAPTER 3: RESEARCH QUESTIONS AND HYPOTHESES

3 Topic

The aim of this research is to understand the impact on the organisation design when moving from a product centric strategy to a customer centric strategy.

3.1 Problem statement

Competition has been amplified due to the increased transparency on the cost of standardised products. The similarities of products have forced organisations into transitioning to a customer-centric view. However, according to Shah *et al.* (2006) business models and structures are still product centric.

3.2 Objectives of the research

The objectives of this research are to:

1. Identify the factors that enable a transition from a product centric strategy to a customer centric strategy
2. Understand the impact on the organisation design when moving from a product centric strategy to a customer centric strategy

3.3 Research Questions

3.3.1 Research question 1:

What are the factors that enable the transition from a product centric strategy to a customer centric strategy?

3.3.2 Research question 2:

What is the impact on the organisation design when moving from a product centric to a customer centric strategy?

CHAPTER 4: RESEARCH METHODOLOGY AND DESIGN

4 Research overview

This chapter covers the research methodology and approach used for the two phases of the research. The first phase was a case study approach analysing four companies that have transitioned from a product centric to a customer centric strategy. The second phase comprised of semi-structured interviews with 16 interviewees at a management level within a retail bank in South Africa. The retail bank in question was in the process of transitioning from a product centric to a customer centric strategy.

4.1 Research design

Research design is defined as the “outline, plan or strategy specifying the procedure to be used in seeking an answer to the research question.” It outlines the manner in which data is collected and analysed (Christensen, 1997, p. 311). Saunders and Lewis (2012) explained that there are four main strands of research philosophy, namely, positivism, realism, interpretivism and pragmatism. Positivism is a research philosophy where observable and measurable variables are studied in a controlled environment where the reactions of variables are tested by the researcher. Intepretivism is a research philosophy that studies the social phenomena in their natural environment. While pragmatism is “a research philosophy which argues that the most important determinant of the research philosophy adopted are the research question(s) and objectives (Saunders & Lewis, 2012, p. 107). The research conducted was based on the realism strand of research philosophy, where there was a requirement to study not only what was obvious but also what was important.

Riege (2003) explains that the realism paradigm is used to produce rich data instead of soft data. There are a limited number of empirical studies aimed at seeking deeper insights on the impact exerted on the organisation design when moving from a product centric to a customer centric strategy, particularly those that are in the financial services sector. The researcher needed to understand the structures and relationships that were not directly recognisable but were below the surface of the research topic. An inductive reasoning approach was used, whereby observations are used to infer broader generalisations (Saunders & Lewis, 2012).

The research design was conducted using a staged research process. The first stage of the research design entailed case research. Companies that have transitioned from a product centric to a customer centric strategy were analysed in order to investigate the customer centric factors prevalent in these organisations as well as to understand the impact on the organisation design when moving from a product to a customer centric strategy. The second research design stage entailed interviews at a financial services organisation that has experienced the transition from a product to a customer centric strategy. The information regarding the transition to customer centricity was gathered using a semi-structured questionnaire.

4.2 Research method

The research methodology used in this research was exploratory and hence qualitative in nature. Exploratory research is defined by Saunders and Lewis (2012) as well as Zikmund (2003) as a study of a situation or problem in order to describe the relationships between variables. Exploratory studies therefore provide a better understanding of a concept or "crystallize a problem" (Zikmund, 2003, p. 111). Consequently, the exploratory research does provide a precise measurement or a quantification of the problem or concept (Zikmund, 2003). A variety of methods used in exploratory research are case studies, observations, historical data analysis, attitude surveys and statistical surveys (Saunders & Lewis, 2012).

Qualitative research is appropriate when there is a limited understanding of the topic and the researcher is in search of generating new insights (Saunders & Lewis, 2012). Qualitative research is context specific and not aimed at generalising findings across different contexts. Qualitative research provided the opportunity to unpack the "how" and "why" relating to the customer centric enablers as well as how the organisation design has changed based on the shift from a product centric to a customer centric strategy (Blumberg, Cooper, & Schindler, 2005). Campbell and Fiske (1959) introduced the concept of triangulation as the use of different quantitative approaches for assessing data. Triangulation between the case study approach and the semi-structured interview method was used in this research.

Yin (1996) defined a case study as an experiential investigation into an existing phenomena within its actual environment. Yin (2002) explained that the case study research is the preferred method in three instances namely, when asking how or why questions; secondly when the researcher has little or no control over the events and thirdly when the research centres on an existing phenomenon within an actual environment.

Given the limited theory on customer centricity concepts and their impacts on the organisation design an inductive multiple case study approach was employed (Eisenhardt, 1989; R. Yin, 1996). There are three types of case studies. The first is the intrinsic case study where one analyses a specific case to obtain a better understanding of it, the second is instrumental during which a specific case is analysed to obtain information on issues or for the refinement of theory. The third is the collective design of case study. The collective case study as adopted in this research was a joint study of a number of cases in order to inquire into the concept of customer centricity and to understand the impact on the organisation design when moving from a product centric to a customer centric strategy (Stake, 1994).

Case research was an appropriate research method since moving towards a customer centric strategy is a relatively recent development and little academic research has been published on the move from a product centric to a customer centric strategy, especially in the financial services sector (Parkhe, 1993). The case study method is a preferred approach for investigating the proposed research topic as the research required an investigation of a number of customer centric concepts and the understanding of their impact on the organisation design of a company. A defined knowledge or theory of how the customer centric concepts will interplay in the organisations was unknown. The researcher was able to investigate the concept of customer centricity and identify the impact on the design of the organisation when transitioning from a product centric to a customer centric strategy.

4.3 Research setting

The first stage of the research entailed obtaining published case studies as well as public data regarding companies transitioning from a product centric to a customer centric strategy. The case studies were also analysed to understand the factors that were considered to be customer centric. The customer centric factors were thereafter analysed in order to understand their impact on the organisation design.

The second stage of the research was conducted in a financial services organisation. The subject financial services organisation was a multinational emerging-market banking group with head offices in South Africa. The research was conducted in the retail banking sector of the organisation, which had embarked on a customer centric journey.

4.4 Population

The population for the first stage of the research design were consumer facing organisations that have transitioned from a product centric strategy to a customer centric strategy and whose case studies have been academically reviewed. Due to this screening requirement, it was not possible to obtain a list of all companies that have transitioned to a customer centric strategy due to limited availability of the data. The population for the second stage of the research design were once again business-to-consumer organisations that have transitioned to a customer centric strategy. Similarly, it was impossible to determine all such companies.

4.5 Unit of analysis

The unit of analysis for the first stage of the study was companies that have moved from a product to a customer centric strategy. More specifically the analysis pertained to companies for which case studies were written, detailing their transition strategy, processes and experiences. The analysis was based on published cases that were publicly available. Pettigrew (1988 cited in Eisenhardt, 1989, p. 537) expressed that in situations where there are a limited number of case studies available, researchers should choose cases that are of extreme situations and polar types where the process of interest is "transparently observable". In keeping with this, criteria guidelines were developed and used in the selection of the target company that was analysed. One criterion related to the industry the company belonged to, in order to choose cases of extreme situations the companies chosen were from four different industries. Other considerations for the selection of the companies that were analysed was the additional information that was available and obtainable within the public domain as well as targeting companies from different industries and hence not limit focus to one specific industry.

The unit of analysis for the second stage of the study was a financial services company that was moving from a product to a customer centric strategy. The analysis of the company was conducted through public data of the company as well as available archival documents. The detail regarding the customer centric factors as well as the impact on the organisation design when moving from a product to a customer centric strategy was gathered through a semi structured interview.

4.6 Sampling

Since a complete list of business to customer organisations transitioning to a customer centric strategy was unknown and inaccessible, probability sampling was not applicable. Theoretical sampling was hence employed in this research as one of the components of qualitative research. The sample consisted of published case studies that were subjected to a formal analysis (Gerring, 2007).

Glaser (cited in Coyne, 1997, p. 625) defined theoretical sampling as the process of selecting cases to compare with ones that have already been studied. The aim of theoretical sampling is to select cases which can be replicated or to advance emergent theory (Eisenhardt, 1989). The number of cases to be reviewed is dependent on what is considered the most appropriate to be able to answer the research questions (Saunders & Lewis, 2012).

4.7 Data collection

Yin (2002) explained that case study research enables the use of multiple methods of data collection and analysis. Archives, interviews, questionnaires and observations are some of the data collection tools to be used for case studies (Saunders & Lewis, 2012). The first stage of the research entailed extracting published case studies from an academic database or a case study database such as the Harvard Business School or the IBS Centre for Management Research.

Originally thirteen case studies were identified from the case study search conducted on the case study website. Upon review of the available case studies, the researcher ascertained whether the organisations were truly transitioning from a product centric strategy to a customer centric strategy. Once the case studies were analysed, additional public data was sourced regarding the companies. Based on the high-level review of the target case studies as well as on the information sourced from public data, it was concluded that four companies transitioned or were in the process of transitioning from a product centric to a customer centric strategy and therefore these four companies were analysed by the researcher.

Table 3: Selected cases

	Company name	Industry	Country	Period
1	Royal Bank of Canada	Financial Services	Canada	1998-2001
2	Best Buy	Electronics	United States of America	2002-2005
3	Jones Lang-LaSalle	Real estate	United States of America	2001-2012
4	EMC	Information technology	United States of America	1998-2010

Additional information in terms of the industry and company specific information was gathered from the companies' websites or from public databases. The researcher attempted to contact the authors of the case studies but was advised no additional information regarding the transition to a customer centric strategy was available.

The second stage of the research entailed semi-structured interviews with the relevant business owners, project leaders, human resource consultants as well as the organisation design team to understand the factors that enable customer centricity as well as the impact of this on the organisation design. The following table highlights the interviewees as well as their role in the retail banking division:

Table 4: Selected interviewees

		Designation
1	Interviewee 1	Customer Centre of Expertise
2	Interviewee 2	Organisation Design
3	Interviewee 3	Organisation Design
4	Interviewee 4	Retail Banking Human Resources
5	Interviewee 5	Customer Centre of Expertise: Business Architecture
6	Interviewee 6	Operations
7	Interviewee 7	Customer Centre of Expertise: Channel Design and Development
8	Interviewee 8	Business Unit Human Resources
9	Interviewee 9	Business Unit Head
10	Interviewee 10	Distribution Channel Head
11	Interviewee 11	Distribution Channel Planning and Optimisation
12	Interviewee 12	Business Transformation Head
13	Interviewee 13	Business Integrator
14	Interviewee 14	Business Unit Head
15	Interviewee 15	Customer Centre of Expertise
16	Interviewee 16	Business Readiness and Implementation Head

A semi-structured interview guideline was created and the questions were grouped according to three themes with the following questions:

i. Organisation strategy

- Please explain the organisation strategy today?
- Explain the strategy that was prevalent prior to the current one?
- Describe the organisation prior to the strategy change?
- Explain the organisational design of the organisation prior to the change?
- What necessitated the change in the strategy?
- How has the company adjusted to the change in the strategy?

ii. Customer centricity

- How has your organisation design changed from a product centric strategy to a customer centric strategy
- What are the enablers of the change to the organisation design?
- What are the disablers of the change to the organisation design?
- What role does organisation design play in moving the company to a customer centric strategy?

iii. Organisation design

- How has your organisation design changed from a product centric strategy to a customer centric strategy
- What are the enablers of the change to the organisation design?
- What are the disablers of the change to the organisation design?
- What role does organisation design play in moving the company to a customer centric strategy?

4.8 Pre-test

Saunders and Lewis (2012) explain that pilot interviews are important to ensure that the content and timing of the interviews are appropriate and to ensure that any issues can be addressed before engaging with the targeted sample. A pilot interview was conducted with the first interviewee in order to test the length of time of the interview, the functioning of the audio reporting equipment as well as whether the questions were relevant and understandable. From the first two pilot interviews it was noted that all interviewees did not fully understand what organisation design meant and therefore the interview questions were amended slightly.

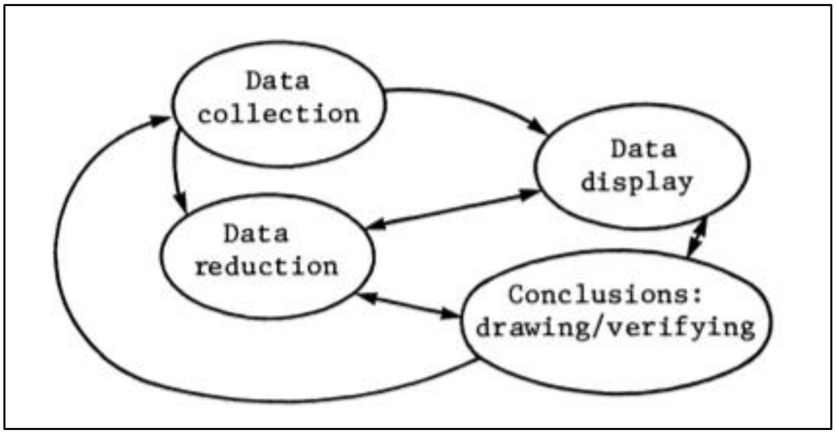
4.9 Data analysis

Data collection and then data analysis were concurrent processes as data acquired from the case studies was extracted for new insights that could lead the research into new directions. Yin (2008) highlighted that theory development before collecting data assists the data analysis phase as the theory is considered to be the guideline for the research study. However the data analysis needs to be structured into themes. Therefore the researcher when conducting the literature review used content analysis to review the literature on customer centricity (Yin, 2008).

Thematic analysis was used when analysing the case studies as well as the interviews. This approach helped to identify, analyse and report patterns within the contents of the case studies (Braun & Clarke, 2006). Thematic analysis comprised of the breakdown of the text from the case studies and public data sourced regarding the companies with themes being generated. Thereafter an exploration of the themes was conducted through the analysis of the case studies as well as the detailed review of the outcomes of the semi structured interviews. As the final analysis, the information from the semi structured interviews was integrated and explored together with the findings from the case studies (Attride-Stirling, 2001).

The flow model explained by Miles and Huberman (1984) was adopted in conducting the analysis of the case studies and the interviews.

Figure 3: The flow model



Source: Miles & Huberman, 1984, p.23

The data collection process was conducted through a case study analysis of four companies that transitioned from a product centric to a customer centric strategy in the first phase of the research. Data was also collected through semi-structured interviews with 16 interviewees from a retail bank that is transitioning from a product centric to a customer centric strategy. The data reduction process ensured that data was selected and simplified from both the case studies as well as the interviews. The data reduction process was conducted on Excel where relevant information based on the themes identified from the case studies as well as the interviews were stripped out and categorised on an excel spreadsheet. The data display process involved categorising and pulling together the information to guide the drawing of conclusions and action-taking. The final step entailed drawing conclusions from the reduced data (Miles & Huberman, 1984).

Qualitative data was in the form of text and non-text. The researcher recorded the data identified through the case studies in the form of text and the data was word processed. The text data were grouped into themes and copies and consolidated using an excel spreadsheet. Two such sheets were created with the same themes for both the case studies and interviews. The themes were tabulated in each excel workbook and thereafter the relevant information from the case studies and the interviews was copied and pasted into the relevant worksheet. This approach enabled cross case patterns to be identified during data analysis.

4.10 Validity and reliability

Validity was defined by Saunders and Lewis (2012, p. 127) as the "extent to which data collection method or methods accurately measure what they were intended to measure and the research findings are really about what they profess to be about". From an internal validity perspective bias from the researcher and the interviewees needed to be addressed. These were considered when conducting the interviews and when analysing the data. Data validity in terms of the bias of the researcher who has preconceived ideas regarding the concepts to be analysed was another possible validity factor that needed to be considered. When conducting the interviews, the researcher had to be cognisant of reflexivity. Reflexivity is defined by England (1994, p. 294) as the "self-critical sympathetic introspection and the self-conscious analytical scrutiny of the self as the researcher." In order to counter the effects of reflexivity the raw data was shared with an external observer.

Representativeness was a key challenge of the case study approach as a few published case studies were accessible and hence the ability to generalise the findings to the bigger population was highly reduced. Triangulation of data is considered a validity process where the data from a number of different sources of information is merged in order to form themes in a study. Denzin (1978 cited in Jick, 1979, p. 602) defines triangulation as "the combination of methodologies in the study of the same phenomenon." It was also cited that there are four kinds of triangulation namely; "across data sources (for example, participants), theories, methods (for example, interview, observations, documents), and among different investigators" (Creswell & Miller, 2000, p. 126). The method form of triangulation was used in both phases of the research as published case studies were used to gather information regarding the four companies analysed in phase one. Semi-structured interviews were used in phase two. The data from both the case studies as well as the interviews were merged to form themes in this research.

Reliability is defined as "the extent to which data collection methods and analysis procedures will produce consistent findings" (Saunders & Lewis, 2012, p. 128). Subjective bias is evident in case research as the researcher's subjectivity and judgment could have impacted the research; however this was addressed by sharing the raw data with an external observer. To ensure the research conducted would produce reliable results, a structured instrument, such as the semi-structured interview questionnaire was used as a guide to ensure consistency in all interviews. Observations, both naturalistic observation and participant observation were not part of the study. Naturalistic observation was not considered for both the first phase and the second phase of the research firstly due to the fact that the case studies were already published and therefor observation was impossible. Based on the second phase, the researcher would have to remain completely unattached in order to record natural phenomenon and this was not possible (Christensen, 1997). Another reason for not adopting observation as a research method was due to the fact that the changes in the organisation design would have to be observed over a time period, which was not feasible for this research. Triangulation of data and a structured approach to the analysis of the data from both the case study and the interviews were conducted in order to ensure the reliability of the study was not compromised. Conducting the research in two phases; namely the case study analysis as well as the semi-structured interviews contributed to improving the reliability and the validity of the study.

4.11 Ethical implications

Each interviewee was provided with an informed consent letter for their signature that explained the research topic as well as the research questions to be answered through the case study analysis as well as through semi-structured interviews. Each interviewee was informed that the interview was confidential with anonymity guaranteed. The company and the interviewee's names and details have not been included in this research report.

4.12 Assumptions of the research

The research assumes that the sample case studies represent the population and that the respondents were providing accurate information during the interview. The research also assumed that the case studies were a true reflection of the organisations transition from a product focused approach to a customer centric approach. The research also assumed that the interviewees understood the background and details of the transition from a product centric to a customer centric strategy within the retail banking environment. Therefore an assumption was made that the interviewees were providing their honest and unbiased views of the transition to a customer centric strategy.

4.13 Limitations of the research

The first limitation is that the sample size of the case studies was small and hence not representative of all organisations involved in the transition to a customer centric strategy. Selecting only interviewees from one company that was transitioning to a customer centric strategy was another limitation. The small sample size meant that the sample could not be representative of all organisations involved in the transition to a customer centric strategy. Another limitation of this research was the non-use of a longitudinal study which could have revealed other insights regarding organisation design and customer centricity that were not evident in the case study research. The interviews that were conducted ranged from business unit heads to project members, human resource as well as the organisation design team and therefore attempted to decrease interview bias. Another limitation is the generalisability of the results. Due to the qualitative nature of the research conducted, the results from the research cannot be generalised to all companies. A limitation was also the inability to use observation as part of the research method. In order to counteract this, a two phased research approach was used.

CHAPTER 5: RESULTS

5 Introduction

Chapter 5 is a presentation of the results attained from the data collection and analysis as per the research methodology explained in chapter 4. The first phase involved a qualitative study of four companies that have transitioned from a product centric strategy to a customer centric strategy.

The second phase of the research entailed conducting interviews within a financial services company that was in the process of transitioning from a product centric strategy to a customer centric strategy. The constructs identified in the first phase were used as a basis to guide the semi-structured interviews in phase 2. The phase one qualitative analysis and results are presented in this chapter. Thereafter the phase two analysis and results are presented.

The data analyses highlighted different perspectives regarding the transition from a product centric to a customer centric strategy. The research questions are rewritten below for ease of reference:

> **Research question 1**: What are the factors that enable the transition from a product centric strategy to a customer centric strategy?
>
> **Research question 2**: What is the impact on the organisation design when moving from a product centric to a customer centric strategy?

5.1 Phase one – case study analysis

5.1.1 Description of the sample

The sample selection was limited to four published case studies of companies moving from a product centric strategy to a customer centric strategy. The published case studies as well as archival information regarding each relevant company and their strategy journey was collected. Below is the list of the companies analysed as well as the information sources:

Table 5: Selected case studies

	Company name	Industry	Country	Period	Published case study author	Archival information
1	Royal Bank of Canada	Financial Services	Canada	1998-2001	Narayanan, V.C.	Dragaon, A. RBC Financial Report (1998-2008) Celent: Example of a customer profitability Olympian: RBC Khirallah, K.
2	Best Buys	Electronics	USA	2002-2005	Lal, R., Knoop, C, & Tarsis, I. Muthukumar, R.	Millstein, M. Smith, S. Wolf, A. Wolf, A. Walden, J.
3	Jones Lang-LaSalle	Real estate	USA	2001-2012	Gulati, R. & Silvestri, L. Gulati, R. & Marshall, L.	

4	EMC	Information technology	USA	1998-2010	Steenburg, T. & Avery, J.	

5.2 Results: Research Question One

What are the factors that enable the transition from a product centric strategy to a customer centric strategy?

The table below lists the customer centric enablers that were identified during the case study analysis. The table also highlights which customer centric enablers were identified in each company.

Table 6: Enablers of customer centricity

	Customer centric enablers/factors	**Royal Bank of Canada**	**Best Buys**	**Jones Lang LaSalle**	**EMC**
1	Customer relationship management	X	X	X	X
2	Integrated solutions	X	X	X	X
3	Customer needs	X	X	X	X
4	Customer segmentation	X	X	X	
5	Customer data and analytics	X	X		
7	Customer loyalty		X		X
8	Customer intimacy	X			
11	Customer value	X	X	X	X

As per table 6, the most common enablers of customer centricity are customer relationship management, integrated solutions, customer needs and customer value. The customer centric enablers can be grouped into three main categories which are: technological factors, customer factors and organisational factors.

5.2.1 Technological factors

Royal Bank of Canada has implemented customer relationship management tools to derive customer value (Narayanan & Brem, 2002). The Royal Bank of Canada is a typical example of not just implementing customer relationship management tools but also gathering the data from CRM and translating the data into knowledge and then into executable wisdom (Grealish, 2006). Gaetane Lefebvre, Vice President of Strategic Marketing Research and Analytics explained that RBC transformed "data into information, knowledge and more importantly wisdom; the fulcrum of customer insight" (Narayanan & Brem, 2002, p. 7). The Royal Bank of Canada also realised the powerful capability of data warehousing to capture millions of daily customer transactions. The Enterprise Data Warehouse served as the central CRM information engine (Teradata, 2004).

RBC thereafter identified the need to have a powerful analytical application in order to score and manage millions of individual customers by value (Teradata, 2004). Kevin Purkiss, manager customer analytics explains that the "realisation of this customer centric strategy is the ability to measure client value accurately, efficiently and on a continuing basis through the use of the CRM technology platform" (Teradata, 2004, p. 2).

Best Buy invested in a point of sale system that provides accurate customer data and analytics (Wolf, 2005b). While at Jones Lang LaSalle, it was believed that "an effective relationship management program – properly designed, resource allocated and grounded in deep knowledge of the customer provides far-reaching outcomes. When relationship management becomes the principal organisational mechanism linking customer real estate function with the corporation's lines of business, each stakeholder benefits" (McCarty, Hunt, & Truhan, 2006, p. 5).

EMC also invested in an information lifecycle management programme in order to store, manage, protect and share customer data. In order to obtain customer input EMC also conducted structured market research as well as unstructured conversation with customers in order to identify customer's needs (Avery & Steenburgh, 2011). In their article

Information Lifecycle Management: The EMC perspective, Reiner, Press, Lenagham, Barta and Urmston explain that information lifecycle management is the “proactive management of information throughout its life, from creation and use to its ultimate disposal”. EMC’s ILM initiative is enhancing our customers’ information management capabilities (Reiner, Press, Lenagham, Berta and Urmston 2004, p. 1).

From the above, it is evident that the four companies analysed, invested in customer information technology platforms in order to not only generate customer information but also to use the information to derive insights that could be translated into actionable items for the companies to implement. Therefore the customer information technology platforms that provide key customer insights can be viewed as a key enabler to customer centricity. As per the literature review conducted the customer relationship management system provided key customer information that can be leveraged and analysed in order to develop business strategies to address the needs of the customers (Kumar *et al.,* 2011, p. 1). Based on the above, it is evident that all four companies invested in the customer information technology platforms to build customer relationships and to generate customer information.

5.2.2 Customer factors

At RBC, Richard McLaughlin explained that “through our CRM tools we know an awful lot about customer preferences and needs” (Narayanan & Brem, 2002, p. 1). Richard McLaughlin also stated that companies need to understand detailed information about customer’s lives and their needs and wants. From the RBC case study Lefebvre revealed “we are working toward building trust into every contact we have with our customers. Loyalty is about reciprocity – creating a win-win for both the customers and the bank” (Narayanan & Brem, 2002, p. 17).

Best Buy also highlights the importance of understanding and meeting customer needs thereby building customer loyalty. Best Buy defines customer centricity as a “concept in which the needs of the customers are placed before that of the company (rather than attempting to maximise the profit of each sale) and the company is expected to grow by building customer loyalty” (Muthukumar, 2005, p. 4).

Jones Lang LaSalle in their customer centric journey identified that there is a need to address the needs of customers across product lines (Marshall & Gulati, 2009). Gulati and Silverstri (2011, p. 1) explain that “Jones Lang La Salle’s approach to look at client needs holistically constituted a true competitive advantage.”

RBC goes beyond understanding customer needs and building customer loyalty and points out that customer intimacy is a crucial enabler to customer centricity. Gaetane Lefebvre, Vice President of Strategic Marketing Research and Analytics described that “what was most important to the customer was customer intimacy. It encompasses issues such as trust, reassurance, a feeling that the bank knows them, understands their needs, recognises who they are and values their business” (Narayanan & Brem, 2002, p. 6).

From the above it is evident that the first customer factor that enables the transition from a product centric strategy to a customer centric strategy would be to understand the customers’ needs. This insight is based on the information gathered from the technology platform as well as through external market research and must be looked at holistically not merely within a single product or service line (Peltier *et al.,* 2012; Reinartz *et al.,* 2004). The second factor is to build customer loyalty with the profitable customer base and thirdly we see the evolution to customer intimacy where trust is created and nurtured by the organisation. This is in support of Brock and Zhou’s (2012, p. 371) definition of customer intimacy as a customer’s perception of having a very close and valuable relationship with a supplier, characterised by high levels of mutual understanding. Customer intimacy was driven by customer knowledge and facilitated the central trust commitment relationship. We see from the case study analysis the Royal Bank of Canada has achieved customer centricity and is now developing customer intimacy.

5.2.3 Organisational factors

The organisational factors that were identified based on the case study analysis were customer segmentation, integrated solutions and customer value. These organisational factors were identified as key factors that enable the transition from a product centric to a customer centric strategy.

a) Customer segmentation

Three of the four companies moved away from the traditional methods of segmenting customers which was based purely on the income or the product or service required. The Royal Bank of Canada and Jones Lang LaSalle employed segmentation based on customers' needs while Best Buy employed customer segmentation based on customer demographics. Best Buy further segmented their stores based on their defined customer segmentation.

Royal Bank of Canada with their data warehousing capability were able to perform broad customer segmentation, assess and manage customer relationships at an individual customer level (Teradata, 2004). Dragoon (2005) commented that many companies claim to be customer centric however RBC is one of the very few companies that were able to segment customers based on the customer needs rather than their own needs. The Royal Bank of Canada segmented their nine million personal retail customers into distinct segments based on "attitudinal and behavioural factors, current and potential profitability, expected purchasing behaviour, vulnerabilities and channel preferences" (Narayanan & Brem, 2002, p. 13).

Similarly Best Buy's five main segments were segmented based on customers behaviours, attitudes, needs and profitability (Knoop, Tarsis, & Lal, 2006; Muthukumar, 2005). Best Buy also identified in their customer centric journey that 20% of their customers contributed to 80% of the sales and this group of customers were referred to as the "Angels" while the "Devils" were high-maintenance bargain shoppers.

Best Buy developed a categorisation scheme and introduced names such as "Buzz -the young tech enthusiast), Jill -the suburban soccer mom, Barry -the wealthy professional guy and Ray -the family man (FICO, 2007, p. 2). Additional segments were created and such that every Best Buy customer was allocated into one of the categorisation schemes and any transaction made by a customer could be recorded against a specific segment. Matt Smith, Best Buy's senior marketing director of customer insights explains that Best Buy gave each customer segment a unique face and then linked attitudinal values and behavioural metrics to each of those faces. Smith clarified that this approach "humanises our segments" (FICO, 2007, p. 2). Jones Lang LaSalle also segmented and managed customer relationships based on the level of complexity of their real estate needs (Silvestri & Gulati, 2013a).

Best Buy went a step further with their segmentation model and based on their segmentation of customers began to segment their stores. The store segmentation was done according to the various customer profiles visiting the stores in certain areas. The segmented stores identified various segments at each store and analysed their lifestyles and shopping needs and thereafter modified the store to service one or more of the dominant customer segments. Best Buy also personalised the type of service offered by store employees, the fixtures, flooring, signage, background music as well as the uniforms of sales staff to accommodate the different customer segments (Muthukumar, 2005).

From the above analysis it is evident that customer segmentation is a critical enabler when transitioning from a product centric to a customer centric strategy. All four companies introduced customer segmentation based on customer needs, behavioural attitudes, profitability, channel preferences, etc.

b) Integrated solutions

The four companies analysed cited the importance of integrated solutions and services as a customer centricity enabler. The four companies analysed have shifted focus from pushing products to providing integrated solutions or services to customers in order to meet their needs at various stages of the customer lifecycle. Instead of selling an individual product or service to a customer, the approach has transitioned to presenting integrated solutions that are defined according to consolidated customer information sourced across all channels and technology platforms to develop a package of services and/or products into a comprehensive solution to meet the customer's needs (Avery & Steenburgh, 2011; Knoop *et al.*, 2006; Marshall & Gulati, 2009; Royal Bank of Canada, 2005; Silvestri & Gulati, 2013a). These companies have focused on integrating the solutions offered to customers across vertical product and service lines to provide a holistic service to customers.

c) Customer value

Delivering customer value was unanimously cited in the analysis. All four companies highlighted the need to understand what customers valued the most and then to source the most cost-effective ways to deliver it. Three companies, namely the Royal Bank of Canada, EMC and Jones Lang LaSalle highlighted the need to be able to measure customer value. Each company used a different metric to measure the current and potential value of customers.

- Kevin Purkiss, Manager, Customer Analytics at the Royal Bank of Canada explains that “central to the realisation of this customer centric strategy was the ability to measure client value accurately, efficiently and on a continuing basis” (Teradata, 2004, p. 2).
- At the Royal Bank of Canada customer value was derived from using the CRM tools and the customer profitability numbers (Narayanan & Brem, 2002).
- Jones Lang LaSalle also used their information warehouse systems to track profitability at a customer level across the business units (Marshall & Gulati, 2009).
- EMC used customer loyalty as a measure of customer value. At EMC monthly surveys were conducted to measure and calculate a customer loyalty index for each customer and a customer was considered to be loyal if three conditions were met:
  i. Satisfaction with EMC’s people, products and service
  ii. Recommendation of EMC products to others
  iii. Repeat purchases of EMC’s products and services again in the future (Avery & Steenburgh, 2011).

However the Royal Bank of Canada also highlighted the importance of differentiating between current and potential value of clients in order to better manage customer relationships by ensuring the correct products are available at the correct times in each customers life (Narayanan & Brem, 2002).

From the above it is evident that customer value through loyalty and profitability measures of customers current and future potential are critical customer centric enablers to assist in the transition from a product centric to a customer centric strategy.

5.2.4 Conclusion

From the above it is evident that the customer centricity enablers can be grouped according to the following factors, technological, customer and organisational.

- Technological factors include a customer information technology platform in order to understand the customer information and build customer relationships. However the customer information extracted from the relevant systems must be analysed and generated into insights that can be used to implement business strategies that meet the customers' needs.
- The second grouping is customer factors and these factors refer to understanding customer needs in order to develop customer loyalty and customer intimacy.
- The third enabler is grouped under organisational factors. The organisational factors are segmentation of customers, offering integrated solutions as well as determining customer value through customer profitability or customer loyalty measures.

5.3 Results: Research Question Two

What are the changes in the organisation design when moving from a product centric to a customer centric strategy?

5.3.1 Introduction

Research question two was unpacked by providing evidence from the four case studies regarding the organisation design factors that were presented as part of the organisation design models in chapter 2.The organisation design factors covered strategy, structure, process and lateral capabilities, reward and measurement, people practices which include skills. Factors that are not covered in the models will be discussed under other factors.

5.3.2 Strategy

It was evident from the four case studies that all four companies management team had made a deliberate decision to change the strategy of the organisation to a customer centric one. Below are two quotations from the case studies highlighting the shift in focus to a customer centric strategy:

Table 7: Strategy quotes

Company	Quotation	Reference
Best Buy	"CEO Brad Anderson, the driving force behind the move to make Best Buy talent powered and customer driven, was convinced that **customer-centricity** was imperative for the company's future."	(Knoop *et al*., 2006, p. 1)
Jones Lang LaSalle	"Peter Roberts, a seasoned company insider, was named CEO of JLL Americas. His mandate was to continue transitioning the firm to a **customer-centric model** and to stimulate higher growth of revenues and profitability throughout the Americas organization."	(Marshall & Gulati, 2009, p. 10)

5.3.3 Structure

Before the onset of the customer centricity journey the four companies were structured around traditional product, geography or function lines. The Royal Bank of Canada had product structures and related silos. Jones Lang LaSalle was structured vertically around service lines.

Table 8 presents quotes of the organisational structures prior to embarking on the customer centric strategy.

Table 8: Organisation structure quotes

Company	Quotation	Reference
Royal Bank of Canada	Royal Bank of Canada had traditional **product** oriented organisational structures.	(Narayanan & Brem, 2002)
Royal Bank of Canada	Richard McLaughlin, vice president of Customer Relationship Marketing and Information Management explains "We had some very **traditional and functional silos** in this organisation…"	(Narayanan & Brem, 2002, p. 8)
Jones Lang LaSalle	"Upon its inception in 1999, Jones Lang LaSalle was structured **vertically around seven service lines."**	(Silvestri & Gulati, 2013a, p. 3)

Based on the implementation of a customer centric strategy across all four companies, it was evident through the case study analysis that structures have changed significantly from product, geographic and functional structures. The historic product structures were seen to hinder the ability to deliver integrated services as well as to penetrate the market (Silvestri & Gulati, 2013b, p. 2). Two companies, namely the Royal Bank of Canada and Best Buy declared that the segment organisation was the newest addition to their structure. The Royal Bank of Canada segment structure reflected the customer life stage and complexity of the customers' needs and therefore was structured based on the customers. A matrix organisation was also evident as the Royal Bank of Canada had segment and project management functions. Jones Lang LaSalle however transitioned from a vertical service line structure to a market structure and was then transitioned to a segment structure. Best Buy and Jones Lang LaSalle also highlighted the need for a matrix organisation in order to encourage collaboration.

a) Functions and roles

Royal Bank of Canada, Best Buy and Jones Lang La Salle cited the introduction of new functions and roles as part of their transition from a product centric strategy to a customer centric strategy.

To transition to a segment organisation, RBC introduced a customer management team that worked closely with the relevant business heads to ensure that customer strategies and tactics were well developed and executed per customer segment. In the team, a Senior Vice President Customer Management and a Customer Manager role for the various segments was created. RBC had nine customer segment managers and many product managers. Therefore the new segment organisation was weaved over the previous product centred one forming a matrix where profit and loss accountabilities were shared by product managers and segment managers (Narayanan & Brem, 2002).

Similar to Royal Bank of Canada, Best Buy introduced the role of a segment leader who worked with the store manager and the team allocated to each segment to implement the customer value proposition. These segment managers were held accountable to deliver incremental growth in store sales per segment and find ways to identify segment needs. Segment managers assumed accountability of the profit and loss per store and focused on the opportunity from the customer perspective (Knoop *et al.,* 2006).

Jones Lang LaSalle instituted the role of the account manager who was the single point of contact for customers. Initially customers dealt with different service lines and with the introduction of the account managers, customers had a single contact point to the company. These incumbents managed their accounts like a business; they brought together teams of specialists who developed solutions for their customers. Account managers were viewed as valued generalists in a company that was previously populated with specialists (Silvestri & Gulati, 2013a).

From the above it is evident that a business area focusing on the customer strategies and value proposition per customer segment is required. Segment, customer or account manager roles are to be created to work with the product managers in order to ensure customer management function with segment managers is required in order to transition to a customer centric strategy. Profit and loss accountability should also be shared amongst the segment, customer or account manager and the product managers.

5.3.4 Process and lateral capabilities

Two companies, namely Royal Bank of Canada and Jones Lang La Salle highlight the need to collaborate and integrate across areas. Peter Roberts, CEO of Jones Lang LaSalle explains that "performance seemed to hinge in the quality of integration within and across offices" (Silvestri & Gulati, 2013c, p. 1). While Kevin Purkiss, senior manager of customer value analytics, explained that "the Bank's collaborative approach allowed it to be more nimble and perhaps change faster than many corporations its size" (Narayanan & Brem, 2002, p. 8). At EMC sales processes were converted from a hard sell into a consultative interaction where customers could share their needs, challenges and goals with the executive who would then work with the customer to design the desired EMC solution for the identified needs (Avery & Steenburgh, 2011).

5.3.5 Reward and measurements

It was cited in the four case studies that there was a power shift from the product managers to the customer segment and account managers which caused friction and hampered the delivery of a customer centric strategy. In order to address the friction of the account managers, Jones Lang LaSallle changed the compensation and bonus for account managers and ensured they directly linked their performance with the client while the service line executives were remunerated in line with the performance of their specific units (Silvestri & Gulati, 2013a). At Best Buy, since the stores, merchants and segments ran their own profit and loss, segment managers were frustrated when their ideas were not accepted by the store and merchant. To address this issue, Best Buy amended the compensation structure to hold both the store and segment managers accountable for the profit and loss (Knoop *et al.,* 2006, p. 13).

5.3.6 People practices

In terms of people practices, all four companies adopted different approaches to dealing with the changes required. Table 9 presents some of changes to specific areas within an employee lifecycle as well as an indication of which company executed the change.

Table 9: Changes in the employee lifecycle

	Royal Bank of Canada	Best Buy	Jones Lang LaSalle	EMC
Recruitment and section				X
Learning and development			X	X
Employee empowerment	X	X		

At EMC, recruitment and selection processes were reviewed, giving practical effect to the move from hard sales push of products to a more consultative approach to selling. Employees were screened during hiring to ensure that they could interact with customers and that they had the necessary skills (Avery & Steenburgh, 2011). EMC employees were trained on being strategic advisors and more consultative (Avery & Steenburgh, 2011); whilst Jones Lang LaSalle invested in training staff how to track return on investment as a key metric within the organisation as explained by Smith (2004). The company also invested in teaching employees the basic financial foundation to the business as well as on focusing on specific customer groups rather than just product types (Knoop *et al.,* 2006).

At Royal Bank of Canada, with the huge focus on system generated information in the interaction with customers, sales staff were empowered to make more informed decision as they now had accurate information at their fingertips (Narayanan & Brem, 2002). At Best Buys due to the transition to customer centricity, stores were empowered to tailor their marketing communications as well as make merchandising decisions. Therefore key decision making processes were driven down to the regional and local levels (Knoop *et al.,* 2006; Wolf, 2005a). From the above it is evident that due to the shift from hard sell to consultative selling as well as the need to understand basic financial solutions, the recruitment and selection as well as the training and development processes are to be reviewed. Staff empowerment as well as lower levels of decision making was encouraged due to the access to relevant information.

5.3.7 Other factors – culture and leadership

5.3.7.1 Culture

From the case study analysis it is evident that in the four companies the culture changed significantly. The Royal Bank of Canada, Kevin Purkins, senior manager of customer value analytics shared that "collaboration, communication and interpersonal skills were highly prized within the organisation.(Narayanan & Brem, 2002, p. 8)

Table 10: Culture descriptors

Company	Culture descriptors
Royal Bank of Canada	• Collaborative • Accountable • Empowerment
Best Buy	• Talent powered • Customer driven • Empowerment • Adaptive operating procedures • Continuous improvement • Owner/operator mentality
Jones Lang LaSalle	• Integration

	• Collaboration • Teamwork • Shared purpose • Empowerment
EMC	• Customer centricity • Teamwork

From the above culture descriptors it is evident that collaboration, team work and empowerment are fundamental changes to the culture of those organisations that used to operate in product or functional silos. Within the functional silos there was limited horizontal integration between the product and service lines and therefore with the shift in strategy to focus on the customer, collaboration, team work and empowerment become critical.

5.3.7.2 Leadership

With regards to leadership, Dunn, the president of Best Buy retail, North America, asserted that "to be a successful store in centricity, you have to have the basics almost flawless. So you've got to have leadership in place, you've got to have talent in place and you have to know your standard operating procedure and be world class in execution" (Knoop *et al*., 2006, p. 11). The HR Vice President, Decker explains that general managers need to lead by example and be engaged on the floor, they need to be talking to employees and customers; introducing and pairing customers with the best associates to meet their needs. At Jones Lang LaSalle Americas CEO, Roberts also explains that there is a need for "leaders who recognise complexity, are comfortable with it and acknowledge that their strength lies in leading not from the front but from behind" (Silvestri & Gulati, 2013c, p. 8). Roberts also explains leaders need to make the effective integration translate into results (Silvestri & Gulati, 2013c). From the analysis conducted, it is evident that effective and efficient leadership is critical in the journey to customer centricity.

5.3.8 Conclusion

The data showed that technology factors, customer factors and the organisational factors are key enablers of the transition from a product centric to a customer centric strategy. The technological factors refer to the customer information technology platform as well as using the customer information to build customer relationships and generate key insights to build business strategies that meet customer needs. Customer factors namely understanding customer needs, building customer loyalty and building customer intimacy in terms of long-term commitments and trust in the employer are seen as enablers to customer centricity. Organisational factors namely segmentation of customers, offering integrated solutions as well as determining customer value through customer profitability or customer loyalty measures were identified as key enablers to customer centricity.

The impact on the organisation design was also discussed in this section. Changes to organisation design factors identified in the literature review (namely; strategy, structure, processes and lateral capabilities, rewards and measurements, people practices including skills as well as other factors identified, for example, leadership and culture) was evident from the analysis. Firstly, the transition to a customer centric strategy was clearly articulated by senior management. The structure shifted from a product, functional or geographic structure to a customer and matrix structure. Key roles such as customer management functions (for example, segment, and customer and account managers) were identified as critical in effecting the change from product to a customer centric strategy. The power shift from the product managers to the customer or segment managers was also cited as an organisation design change. With regards to process and lateral capabilities collaboration and integration across all areas within the organisation was vital. The process to sell also shifted from hard selling to consultative selling.

From a rewards perspective, profit and loss accountability resided with both the customer managers as well as the product managers. Compensation and bonus of employees were also directly linked to the performance of the business unit and the end-to-end service to the customer. The recruitment and selection and the learning and development processes were changed to ensure the focus on customer was integrated in the recruitment and selection process. Training on consultative selling and basic financial skills was required to transition to a customer centric organisation. Employee empowerment was another critical shift where decision making at the lower levels was encouraged due to improved access to relevant information. Changes in leadership and culture were also identified in the transition experiences as affecting the move from a product to a customer centric strategy. A culture of collaboration, teamwork and empowerment as well as effective leadership to drive the customer centric journey are vital in enabling the change from a product centric to a customer centric strategy.

5.4 Phase two - depth interviews

5.4.1 Description of the sample

Sixteen interviews were conducted in a financial services organisation within the retail banking division. The interviewees were all from the retail banking division of a financial services company. This division had made a decision 6 years prior to move from a product centric strategy to a customer centric strategy. The details of the interviews are summarised in Table 11.

Table 11: Interviewee details

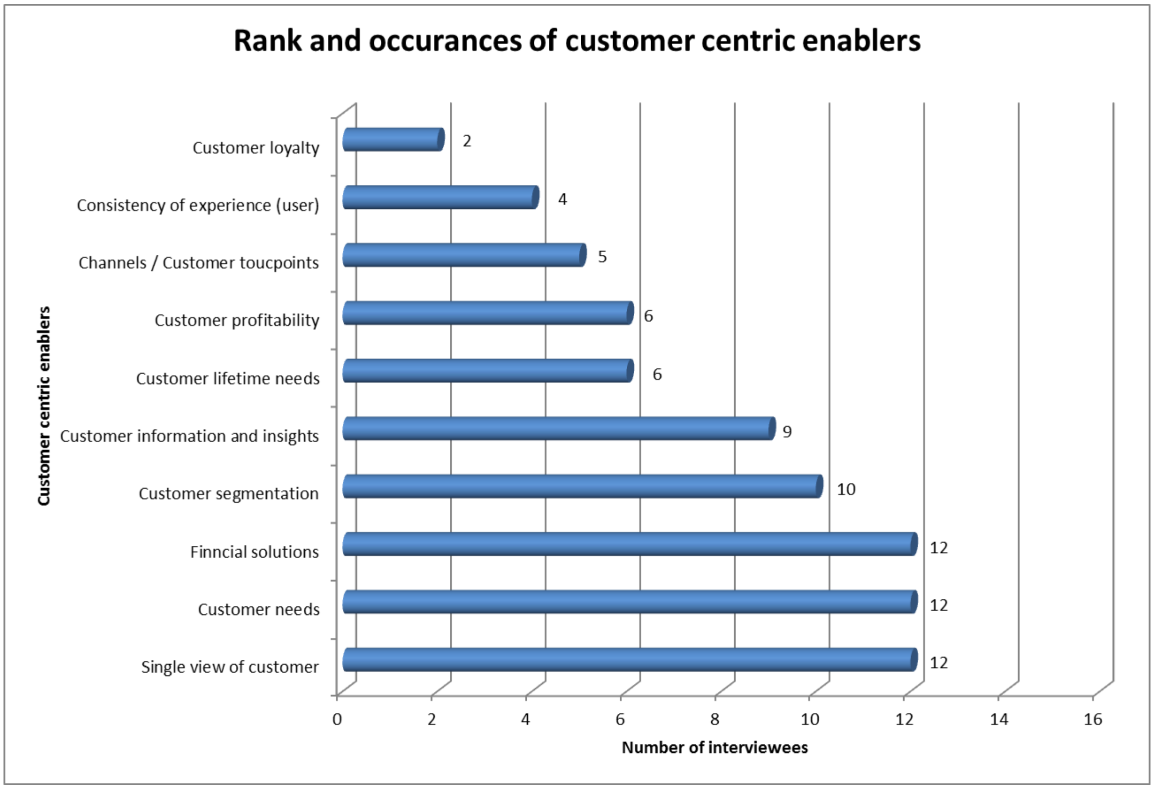
		Designation
1	Interviewee 1	Centre of Expertise
2	Interviewee 2	Organisation Design
3	Interviewee 3	Organisation Design
4	Interviewee 4	Retail Banking Human Resources
5	Interviewee 5	Business Architecture
6	Interviewee 6	Operations
7	Interviewee 7	Centre of Expertise
8	Interviewee 8	Business unit Human Resources
9	Interviewee 9	Business Unit Head
10	Interviewee 10	Distribution Channel Head
11	Interviewee 11	Distribution Channel Planning and Optimisation Head
12	Interviewee 12	Transformation Head
13	Interviewee 13	Business Integrator
14	Interviewee 14	Business Unit Head
15	Interviewee 15	Centre of Expertise
16	Interviewee 16	Business Readiness and Implementation Head

5.5 Results: Research Question One

What are the factors that enable the transition from a product centric to a customer centric strategy?

The information in the figure below highlights the customer centric enablers identified by the interviewees as well as the number of mentions of a specific enabler:

Figure 4: Customer centric enablers



From the graph in Figure 4, it is evident that a single view of the customer; customer needs; financial solutions; as well as customer segmentation are the highest ranked enablers of customer centricity, while customer information and insights, customer profitability and customer lifetime needs are the next highly ranked supporting factors.

5.5.1.1 Technological factors

From the analysis conducted it is evident that a customer relationship management or customer information technology platform is required in order to gather customer information. Once the customer information is generated the information must be analysed and leveraged in order to design solutions to meet customer requirements.

a) Customer relationship management system

Twelve interviewees (interviewees 1, 2, 3, 4, 5, 6, 9, 10, 12, 13, 14 and 16) expressed the need for a technology platform in order to generate a single view of the customer an enabler to customer centricity.

*Interviewee 1 captured it well stating that customer centricity can be enabled by "two small words that are not small but sound small, **systems integration**."*

b) Customer information and insights

Nine respondents (1, 2, 3, 5, 7, 8, 10, 14, and 15) highlighted the importance of customer data and the leveraging of this into insights as an enabler to customer centricity. It is about having the deep knowledge of the customer through the [technology platform] and research. However, it was also highlighted that there is a wealth of information about customers that will not be generated through the [technology platform] but is available through other channels. It is this information that needs to be understood and leveraged in order to trigger the retail banking division to promote the solutions required by the customer to meet specified needs. It was also noted that the information owned by the bank must be leveraged at all stages of a customer's lifecycle to ensure that the data serves the customer better. Below is a quote from an interviewee highlighting the importance of customer data, generating insights and thereafter designing responsive solutions:

*Interviewee 2-"If you want to be customer centric, you need the voice of the customer. How will you do that? Through **insights, research and analytics**."*

5.5.1.2 Customer factors

The following were identified as critical to enable customer centricity:

- Customer needs
    - Customer lifetime needs
- Consistent customer experience

a) Customer needs and customer lifetime needs

Twelve interviewees (interviewees 1, 2, 4, 5, 6, 7, 9, 12, 13, 14, 15, 16) concurred that understanding customer needs was critical to enabling customer centricity while six interviewees (interviewees 7, 8, 10, 12, 15 and 16) highlighted the extension to lifetime needs as important enablers to customer centricity.

- *Interviewee 4 explained that with "**customers' needs** changing, the organisation has started moving away from just a product view to a view around meeting customer needs which potentially starts looking at customers in a different way".*
- *Interviewee 6 explained that due to the fact that customers are now more informed, the retail bank needs to start addressing **customer needs** and providing **solutions** that are tailored to the customer".*
- *Interviewee 8 added on to explain that the retail division needs to understand the **customers' needs** in order to "serve them better".*

With regards to the customer lifetime needs, six interviewees confirmed that it is important to understand the customer's journey.

- *Interviewee 9 explained, "there's a conversation around **customer journeys**."*
- *Interviewee 16 cautioned that the retail bank should not "shove the product down my throat and don't necessarily ask me all the questions because you think I want to buy a house, I might have very different reasons so support me to drive my **lifecycle** rather than try to give me a product that sells a particular thing".*
- *Interviewee 3 expanded that with regards to the voice of the customer, one has to listen to the customer but also accept the **feedback** whether it is good or bad.*

From this commentary, it is evident that the retail banking division needs to not only understand the customers' needs but also to look at the customers' needs across the lifecycles along which their customers traverse and then accept the feedback received whether good or bad.

b) Consistent customer experience

Four interviewees (interviewees 4, 6, 15 and 16) mentioned the importance of not only ensuring a consistent customer experience is provided to customers but also providing a consistent user experience through the new and more technologically advanced distribution networks and channels. The interviewees noted that “consistency of experience through the various life stages is important in terms of customer centricity” as well as “creating a consistent user experience across all channels” (Interviewee 15 and 16).

5.5.1.3 Organisational factors

From an organisational factors perspective the following were highlighted as key enablers to customer centricity and these findings will be discussed further:

- Customer segmentation
- Financial solutions
- Customer touch points
- Customer value

a) Customer segmentation

Ten interviewees (interviewees 1, 2, 3, 4, 5, 6, 8, 9, 13 and 16) cited customer segmentation as an enabler to customer centricity. They explained that the retail banking division needs to shift its focus from income based segmentation to segmentation that is based on needs, value and behaviour. Once the market research is conducted and the customers’ needs are understood, clients should be grouped according to needs similarities. Below are quotations from three interviewees highlighting the needs to change the segmentation model in order to enable a customer centric organisation.

- *Interviewee 2-“You must start looking for **homogeneous segments** of customers that have similarity in terms of their needs and how they behave as customers”.*

- *Interviewee 14-"…by doing market research you will understand what the customer needs are. And then you start* ***categorising customers*** *into this new group that you start. So you form new segmentation. But the segmentation cannot be based just on income solely".*

b) Financial solutions

Twelve interviewees (interviewees 2, 3, 4, 6, 7, 8, 9, 10, 12, 13, 15 and16) mentioned that financial solutions are enablers to customer centricity. The technology platform must now allow the reconfiguration of financial solutions and therefore once the customers' needs are understood, solutions can be packaged to meet the customers' requirements. It was emphasised that homogeneous segments of customers that have similarity in terms of their needs and how they behave as customers are critical to design financial solutions and products for those segments of customers based on their requirements, and at a price that enables profitability. Therefore financial solutions are a grouping of features and products package together to satisfy the needs of the customer. There is a fundamental shift from pushing products to building solutions that fit the customer and are not tantamount to forcing products down customer's throats.

Below are quotations from some interviewees highlighting the importance of financial solutions as enablers of customer centricity.

- *Interviewee 2-"You've got the information, now you must* ***design and build propositions and financial solutions*** *that you take to the customer to deliver. You must start looking for homogeneous segments of customers that have similarity in terms of their needs and how they behave as customers; so that you can design financial solutions and products for segments of customers based on their requirements, and at a price that you can make a profit".*
- *Interviewee 15-"We want to move away from selling products, by first assessing the need of a customer, and then assembling a set of features into a* ***"solution"*** *to meet the need of the customer."*
- *Interviewee 16-"Financial services in a bank are integrated in the eyes of the customer, so don't come to me and try and sell to me your product but come to me and give the* ***solutions*** *that support my* ***life stage****".*

c) Customer touch points

Five interviewees (interviewees 4, 6, 7, 12 and 16) highlighted the importance of customer touch points as an enabler to customer centricity. The commentary suggested the need to "utilise systems, processes, channels, everything at your disposal that the customer would interact with you on in order to meet their needs. A multi-channel architecture could be introduced to enable a customer can choose the channel they wish to interact with.

- *Interviewee 6 believes that there should be **consistency** across all customer touch points with the interfaces being seamless and easy.*
- *Building on from interviewee 6, interviewee 7 stated that the retail banking division ought to be creating "**convenience, accessibility, ease of use**" for the customer regarding the channels customers use.*
- *The important issue facing the retail banking division as pointed out by interviewee 7 is that there are many channels that customers interact with that are not necessarily the retail banking divisions channels, so the question raised would be "do you embed yourself into those channels."*

d) Customer value

Eight interviewees discussed customer value in terms of customer profitability and customer loyalty paving the way for the shift away from product profitability to customer profitability. The long-term profitability view of customers allows the retail banking division to "offer certain things at a discount or not" (interviewee 3). Customer experience and loyalty measures were also identified as key enablers. Interviewee 16 expounded that it is about achieving "the stickiness and the commitment and loyalty to the organisation through the experiences that they have".

5.5.2 Conclusion

From the discussion explored in this research question, it is evident that the organisational, technological and customer factors have enabled the customer centricity journey at the retail banking division. The implementation of a [technology platform] has assisted the retail bank in achieving a single view of the customer as well as ensuring system integration overcoming the disparate systems each product house held. However it was also cited that the customer information from the [technology platform] as well as from the banks customer touch points across those channels that the bank is not directly involved with must be leveraged in order to understand the life stage the customer is at and hence determine the needs to inform the design of relevant financial solutions.

From a customer perspective, the customer life stage needs and consistent customer experiences were identified as key factors that enable the transition from a product centric to a customer centric strategy. It was concluded that the retail bank needs to understand customer needs as well as the life stage needs in order to design and offer suitable financial solutions. A consistent customer experience at all touch points was another customer factor that was identified as an enabler to customer centricity.

From an organisational perspective, the respondents viewed customer segmentation, integrated financial solutions, customer touch points and customer value as key enablers of customer centricity. Segmentation made the necessary shift from being product offer based to one founded on the needs of the customer instead of the income of the customer. Integrated solutions now refer to the packaging of the products and services into financial solutions and therefore there was progression from selling individual products to selling a range of products and services that span across multiple product lines. Customer touch points have been aligned ensuring that there is multi-channel architecture and integration. From a performance management perspective, customer profitability and customer loyalty was positioned as a metric for tracking customer value.

Therefore from the above, key enablers of customer centricity are based on the technological, customer and organisational factors that are identified from the interviews conducted at the retail bank.

5.6 Results: Research Question Two

What are the changes in the organisation design when moving from a product centric to a customer centric strategy?

Research question two will be examined providing evidence from the semi-structured interviews regarding the organisation design factors that were presented as part of the organisation design models in chapter 2.The organisation design factors covered strategy, structure, process and lateral capabilities, reward and measurement, people practices which include skills. Factors that are not covered in the models will be discussed under other factors.

5.6.1 Strategy, operating model and value chain

Three respondents (interviewee 2, 5 and 11) explained that in order to ensure the transition from a product centric organisation to a customer centric organisation, there needs to be an agreement from the bank leadership regarding the investment into establishing a customer centric strategy. One respondent (interviewee 3) believed that the customer centric strategy has been embedded in the organisation and "now what has changed is how the strategy is better supported" through systems, processes, tools and structure.

Two interviewees (interviewees 3 and 12) explain that customer centricity cannot be viewed as an IT system implementation but needs to be understood from a business transformation perspective. The quote below by interviewee 3 and 16 explains the shift to customer centricity should not be seen as an IT system implementation and should be seen as the strategic fabric of the organisational change.

- *Interviewee 3-"So what I think that they've learned with the programme is that, a) you don't just do a system implementation, b) you do need to look at your end-to-end processes, from the customer's perspective. There are other initiatives alongside that need to happen, hence that focus on* ***business transformation****, what we call people architecture that definitely shows you that we're looking at it in a much more* ***holistic and integrated fashion****. …… but I think it is how we are* *doing it, and the systems, processes, tools, that we are putting in place to get there."*

- *Interviewee 12-"……So the context is there, the strategic imperative and the framework is very clearly set, we are not here just to migrate and retire legacy and get on to [technology platform]. That is part of the whole **transformation journey** that's the important part."*

Four interviewees (interviewee 2, 3, 5 and 11) are in agreement that customer centricity begins with an "agreement on a strategy" (Interviewee 2). Once that decision is made a new operating model should be defined that supports customer centricity. Interviewee 2 expanded that "the operating model will give you the factors or the capabilities required to operate as a customer centric organisation." As interviewee 5 explained the strategy must be "customer led and then your value chain must be geared towards producing customer centric outputs" (Interviewee 5).

5.6.2 Structure

Five respondents (interviewee 2, 3, 5, 6 and 14) mentioned the importance of the changes to an organisational structure to enable the customer centricity journey. It is evident from the interviews that once the strategy is defined, the bank must organise itself and its capabilities around the customer in order to respond to customer's needs. Historically the retail bank was broken into silos structurally being organised according to their four main products. Based on the feedback from the interviews regarding the question on "how has the structure changed when moving from a product centric to a customer centric strategy", there were six interviewees (interviewees 1, 4, 8, 12 and 16) who regarded the change in the structure as a natural evolution. The evolution is from a product structure, to a segment structure and thereafter to a customer centric structure.

a) Product structure

Traditionally before the onset of the customer centricity journey the retail banking division was structured according to the products they sold. There were four main divisions and these were structured according to the core product lines; namely; transactional, vehicle and asset finance, home loans and card. Each of these product lines were managed in silos and as an end-to-end business with their own systems, processes, people and technology as well as their own distribution channels. Integration between the four divisions was non-existent and the customer relationship with the retail bank was never viewed from an end-to-end perspective but within the various silos. Due to the four divisions operating in silos, there was much duplication in functions and capabilities. The revenue was based on product performance and reward and measures were based on individual product profitability. There was no cross pollination of skills or even cross-selling of products and therefore economies of scale and scope were non-existent. The customer's product portfolio was never viewed holistically and hence each interaction with the bank at a respective channel posed a different experience for the customer and as a result was inconsistent and fragmented. Below are quotes from the interviewees that reinforce the findings explained above.

- *Interviewee 2-"Each product as a* ***silo*** *was driven as a business, so they designed a structure in a* ***product silo*** *as they define product deficiencies and driving* ***product revenue****, and as they define a customer experience".*
- *Interviewee 4-"So if I look at our strategy or how we were organised historically in the past, we were organised on the bases of the* ***product houses****, and everything we did from an organisational perspective was structured around those product houses, so whether it was your structure and the work people did, how we performed and managed people, how we rewarded people, all of it was on the basis of product house."*

b) Segment structure

Six interviewees (1, 2, 8, 13 and 16) believe that the retail bank has transitioned from a product centric structure to a segment structure. However interviewees 1, 2, 8 and 16 believe that the transition to a segment structure is an evolution towards a customer centric structure. The segment structure as per the interviewees is based on the customer segments that are prevalent in the retail banking division. The interviewees explained that the importance of segments was elevated in the structure in order to shift the focus to a customer centric strategy (interviewee 1).

c) Customer centric structure

The strategy and operating model was defined and thereafter a value chain was created in order to align to the operating model. It is important to note that the retail bank's new structure was developed "based on the value chain approach" (interviewee 12). Therefore from a value chain perspective, "you have an area that designs, you have an area that builds, you have an area that executes; design, build and run" (interviewee 3). This therefore means that the retail bank now has an area that designs financial solutions based on customer requirements which is the new customer solutions team. There is also an area that builds the financial solutions in terms of features and thereafter an area that sells the financial solutions to the customer and this is referred to as the distribution network. The processing areas, as well as credit, risk and compliance structurally do not report to the retail banking head but however form part of the value chain and have been instrumental in shifting the retail bank to the customer centric strategy (interviewee 2).

To transition to a customer centric structure, the retail bank introduced the [customer solutions] team. This team has taken accountability at a customer segment level to define the customer value proposition, the financial solution, and the customer experience, taking into account the customer needs, the products, features, prices as well as the distribution channels to be used to deliver the solution to the customer (interviewee 2, 4, 5). Therefore the [customer solutions] area plans the entire customer offerings end-to-end (interviewee 1).

The [customer solutions] area is about the management of the income statement and the profit and loss accountability. Therefore there is a shift from profit and loss at an individual product level to a customer level and the related accountability resides with the customer solutions team (interviewee 4, 5). Their role is regarded as a critical enabler and driver of customer centricity that understands the customers, identifies their needs and then starts shaping theoretically how to address them and the rest of the value chain responds to that (interviewee 2, 12). Therefore the [customer solutions] team have an aerial view of the entire value chain. The distribution channel executes against the value proposition as defined by the customer solutions team (interviewee 12).

Within [customer solutions] the focus on product has not been totally removed. The product role is still evident in the structure however the [customer solutions] area has been given more prominence as the profit and loss accountability is no longer with product but with the [customer solutions] team. The product roles support the [customer solutions] teams as they are the deep experts and have the expert knowledge of the products (interviewee 14). Below are quotations from interviewees to highlight the themes addressed.

- *Interviewee 4-"So the [**customer solutions]** will **define this value proposition, they will define the experience we need to provide customers, the income statement, to some extent also the different mix of products that customers could have access to**. Then you've got your [distribution] environment that executes against, that actually executes against the experience that we must give to the customer, the products they say we must sell, the solutions we need to provide the customers, so [**distribution] environments executes against what [customer solutions] dictates they need to."***
- *Interviewee 5-"…..we then had to make sure that we move towards the primary driver of revenue, looking at a customer not a product, so the most important business unit is the [**customer solutions**]……..if you don't have that, your departure point is always wrong."*

Another important area that was created to transition to a customer centric structure was the [customer centre of expertise]. The [customer centre of expertise] can be seen as a centralised capability focusing on:

- Measurement and MIS
- Strategy planning and budgeting
- Features engineering
- Processing excellence
- Customer insights
- Custodian of the customer information technology platform

Below is a quotation regarding the function the [customer centre of expertise] plays in the value chain as well as their contribution to transitioning to a customer centric strategy.

- *Interviewee 3-"The fact that you have an area where you've* ***aggregated all the things that enable customer centricity****, like your* ***customer insights****, like the [technology platform] centre of excellence, like the* ***process excellence*** *team, like the area that looks at the entire [retail banking]* ***strategy planning budgeting process****, the fact that you have that independent* ***measurement and MIS****, those are all things that point to the fact that you are keen to enable, the [customer solutions] areas to deliver what they need to."*

An important finding from the interviews is that a structure cannot be adjusted in isolation when transitioning to a customer centric organisation. Strategy, processes, systems, reward, metrics and remuneration need to also be taken into consideration and adjusted to align and support the delivery of the strategy. Below is a quote from interview 6 who highlighted the need for alignment across strategy, people, process, technology and measurements.

- Interviewee 6-"*So firstly you have to define the objective and the* ***strategy****; then you have to take it into consideration, what* ***people and processes*** *you need in order to make sure that you can fulfil that strategy. So that people piece, organisation design have restructured the organisation in terms of their roles and responsibilities in order to fulfil the objectives we want. Now the next leg that we are doing is to make sure that we can define* ***the right processes*** *that people need to follow which can start informing their day-to-day tasks and activities and the right* *__measurements__ that would then go with it. And then on the other hand, what we then have to do is, put together a set of __metrics__ that tells us whether these processes and or even some of the automations are performing accordingly. And that is where we can then hold people accountable to ensure that the __performance__ is exactly where we want it."*

From the commentary it is evident that the retail bank has evolved from being a product siloed organisation to one that is focusing on segment and customers. As per the interviewee's processes, rewards and people practices need to be adjusted in order to support the structure. The next section will discuss the finding regarding the processes.

5.6.3 Processing excellence

Nine respondents (interviewees 2, 3, 4, 5, 7, 9, 14, 15, 16) highlighted the importance of processing excellence to assist in the transition to a customer centric strategy. Respondents also highlighted the need to ensure alignment across process, system, people and distribution. One interviewee (interviewee 14) explained that processes must support the structure that need to deliver customer centricity.

- *Interviewee 1-explained that __process excellence__ is a step towards customer centricity and business process management will provide an end-to end- process time line that can help identify where breakdowns in adherence to service levels is happening.*
- *Interviewee 5-explained that customer centricity also impacts processes as the focus on customer centricity drives __standardisation__ which will drive predictability and consistency of experience.*

However, five interviewees (5, 8, 10, 12 and 13) cited the introduction of a "process excellence team" who will now be responsible for designing, engineering and governing the retail bank processes. The "process excellence" team will own the blueprint for the processes. The key will be to measure continuous process adherence and to ensure process governance is implemented throughout the organisation. Below are records of quotes from the three interviewees regarding the importance of customer centricity as well as the impact customer centricity has on processes.

- *Interviewee 1-"***Process excellence** *can be viewed as a step towards customer centricity."*
- *Interviewee 5-"Yes, it's about how we* **standardise processes***, obviously there is a selfish incentive in that the more you standardise the better efficiency you get internally, and you will save on cost long-term, but there's predictability and a consistency of experience that that drives. If you don't standardise the process you can't guarantee that if I walk into Sandton branch I would have the same* ***experiences*** *if I walked into Cape Town branch, and that's why customer centricity also impacts on processes."*
- *Interviewee 13-"So if you look at, the fact that we are* **redesigning our offerings***, means that we will have to* **redesign the process***s."*

5.6.4 Rewards and measurements

Interviewee 2 explained that since the structures are built around the customer and new jobs have been designed, a measurement capability has been built and new measures have been put in place. It was also cited by the interviewees that performance measurements would need to change when transitioning to the customer centric strategy especially since measurements drive change in behaviours. The measures are also a direct outcome of the new organisation design and the new roles and job descriptions defined.

The importance of aligning the measures as well as holding all the participants accountable across the value chain as integration across the value chain was highlighted by interviewee 5 and interviewee 14 as a fundamental driver of change in behaviour towards a customer centric strategy. It is important to hold everyone in the value chain accountable. Interviewee 10 believes that the measurement is still very subjective and should rather be more concrete. It was also highlighted by interviewee 2 that team level reward and remuneration should be introduced as a team of employees work together to serve a customer.

5.6.5 People practices

Based on the question posed to the interviewees regarding the impact on the people practices when transitioning from a product centric strategy to a customer centric strategy, one interviewee (interviewee 3) believed that to meet the demands of the transition to a customer centric strategy, human resources will also need to review their operating model, systems, and processes.

- *"….human resource's got its own hard work to do, and all these things, operating model, systems, processes, it would be seriously lagging behind if it doesn't get its own act together. You know one thing is to say you are customer centric, and then don't even have one **single view of an employee**, you know we can't manage our employee data, yet we are expecting to manage customer data, so it's ironic that here we have a very controllable set of information and we still can't get it right, and yet we are expecting business to get all its customer data, **customer processes**, in the right condition".*

Recruitment and selection, including the assessments of employees were cited as requiring changes (interviewees 8, 13 and 8). Competencies and skills that were identified as critical for the transition to a customer centric strategy was basic financial skills for employees in the [customer solutions] team as well as service orientation (interviewees 2 and 4). Identifying personal, interpersonal and knowledge competencies for the new roles and implementing changes to the training curriculum were also cited as critical to the transition from a product centric to a customer centric strategy. Interviewee 5 explained that the staff profile in a customer centric organisation is different to one in a product centric organisation. The staff profile required to transition to a customer centric strategy is "somebody who is technologically astute who is not fazed by the pace of change and can absorb changes on a frequent basis, they are adaptable, they are resilient, and they are able to apply principles in an empathetic manner when engaging with the customer." Interviewees 3, 4 and 12 also cited the importance of employee empowerment in order to enforce decision making in the transition to a customer centric strategy.

5.6.6 Other factors

a) **Culture**

All interviewees except interviewees 2 and 15 believe that the culture is in a process of change due to the change in the strategy from a product centric one to a customer centric one. One interviewee (interviewee 2) explained that it is difficult to state at this stage whether the culture has changed while one interview (interviewee 15) believes that the culture has not changed but is required to change in order to transition to a customer centric strategy. However, as cited by fourteen interviewees, the culture is shifting towards accountability, empowerment and to a customer focused process led culture. It was also cited in the interviews that due to the change in the retail banking chief executive, there is a bigger focus on driving accountability. Below are quotations from the interviewees regarding the culture shift:

- *Interviewee 4-"So we want to build a* ***culture of engagement, a culture of empowerment****. We want people to take more* ***accountability*** *for the jobs that they have to do so that ultimately we are able to give what the customer wants and what the customer needs."*
- *Interviewee 15-"It is unfortunately still the same. So we have got a culture, and I loosely call it a culture of meetings and no accountability and of accepting mediocrity. We have to change the culture and to what I loosely call a* ***"process led culture"*** *that underpins leadership engagements style."*

b) Leadership

It was cited by the interviewees (interviewees 3, 4, 5, 8, 12) that leadership plays a key role in driving the change as well as being the ambassador of the change. Interviewee 14 ventured that "if you don't get leadership buy-in it's never going to work. Their role is to ensure that they believe in it. Firstly they must believe in it because they are going to drive it. Everybody else follows from their direction." It was cited that leadership buy-in from an executive as well as a middle management level is imperative in the alignment to the value chain. "See anything in any corporate setup in the world, works only because leadership buys into it. And the more senior the leadership the faster the change actually happens." (interviewee15).

Interviewee 5 and 15 highlighted that the disconnect regarding the implementation of the customer centric strategy lies with the middle management layer. Interviewee 5 and 15 cited that the middle management level are “overwhelmed and bombarded by running the operational stuff” and are therefore less effective in connecting with their employees” (interviewee 5). The middle management is the glue that holds strategy and delivery together. Therefore targeted initiatives specifically in the middle management levels were implemented as well as new measures were introduced in order to ensure the change filters down to the middle management levels and below.

More than 50% of the interviewees expressed the view that “leadership must ultimately own and drive the change, you can’t give that to communications or change department area, I mean that is flawed” (interviewee12). Leadership need to be the facilitators of change (Interviewee 10). It was highlighted in the interviews that the change must be owned and driven at a chief executive level. Leaders need to embrace the change as well as live the change and set a leading example for the rest of the organisation to follow. Therefore as interviewee 7 concluded regarding leadership’s role in the journey “it's that if the C level gets it and drives it, then it happens. If C level gets it and they buy into it, then it happens.”

c) Change and communications management

Since the importance of change and communications was highlighted by interviewee 3, subsequent interviewees were asked a question regarding the role of change and communications in the journey to becoming customer centric. Therefore 12 interviewees (interviewees 3, 4, 6, 7, 8, 10, 11, 12, 13, 14, 15 and 16) highlighted the importance of change and communications in this journey. Based on the interviews conducted it is evident that the move to a customer centric strategy is a big change for the retail division. Interviewee 7 summarised the changes “It's a big, big, big, big change program. It's really trying to re-wire the entire DNA of your entire organisation.” Interviewee 3 was convinced that change management should be managed and executed by an internal stakeholder rather than an external consultant. “Using change people who don’t know the bank, who don’t know the internal stakeholders, who don’t know what the particular challenges are about communicating in that part of the business doesn’t work, so I think it’s still very fragmented, it’s still too inwardly focused on the programme as opposed to reaching into the business, as I said it's mostly external consultants, who don't know the bank as well as an internal person would."

Interviewee 4 expressed that the communication needs to be simple and should articulate what the end picture should look like instead of just talking about what work is currently happening to get to the end state. "We don't simplify it for individuals to say to them ultimately this is what the end picture would look like. But we constantly talk about the work we are doing, and people are finding it today very difficult to connect the dots." Interviewee 16 also highlighted that change is not only about communications where "we tend to think that change is communication that the more we tell people and keep them informed the better the change goes and yet it's much more than that. In actual fact we can reduce our communication significantly if we lead change rather than drive change".

According to interviewee 6 the change must be "structured and you need to make sure that you take each and every staff member through the journey. The sense that one has on this is that, you have to work as a collective with the leadership, you can't leave it entirely up to the leader or the single head of the area." From a change management perspective the retail banking division implemented a "team alignment programme" where the goals are understood from an individual level as well as a team and management level (interviewee 6). The roll-up of the goals is understood by all. The change is dependent on people. "Sometimes we underestimate or sometimes we overestimate the propensity of people to accept and deal with change. And I think sometimes, you've got to pause and actually allow people not to procrastinate, not to be paralysed. Allow for them to absorb the change properly so that you actually get the efficiencies you want." (Interviewee 10)

Interviewee 15 and 7 cautioned that change adoption is critical in this journey. …..how do we make sure these things get adopted not only by our people but by our customers as well (interviewee 15). "So, we spent enough on the tag. We haven't spent anything around adoption and pushing both staff and customers to adopt. And how are we doing that, we say we're putting it on the scorecard" (interviewee 7).

From the above it is evident that when transitioning from a product centric strategy to a customer centric strategy and not just from a "systems implementation" (interviewee 3) perspective but shaping a bigger business transformation journey, change and communication becomes imperative and change adoption allows the move to a customer centric strategy.

d) Organisation design capability

Eleven interviewees (1, 3, 8, 9, 10, 11, 12, 13, 14, 15 and 16) highlighted the importance of an internal organisation design capability in order to assist the retail bank in the transition from a product centric to a customer centric strategy. It was critical for the organisation design team to understand the vision and strategy in order to shape the future state and act as the catalyst for change (interviewee 12 and 14). Interviewee 16 cited that the organisation design team played a consultative role and therefore shaped discussions regarding structures however the ultimate decision regarding a structure resided with the business unit manager. Interviewee 14 explained that the organisation design team were critical in defining the new jobs and updating and changing existing jobs and this resulted in clearly articulated job descriptions which were used to hold employees accountable for their role. Governance of the structures was viewed as a downfall of the organisation design as currently there is no governance regarding changes to the structures (interviewee 16).

5.6.7 Conclusion

From the analysis of the interviews conducted in a retail banking division it is evident that the organisational design factors play a critical role in the transition to a customer centric strategy. It was cited that customer centricity begins with an agreement on a customer centric strategy. Thereafter a new operating model is to be created in order to define the capabilities required to operate as a customer centric organisation. From a structure perspective it was evident that the structure had evolved from a product structure, to a segment structure and finally to a customer centric structure. The customer centric structure saw the introduction of two critical areas the [customer solutions] team as well as the [customer centre of expertise]. The [customer solutions] team is responsible for the end-to-end delivery of the offerings to the customer and is held accountable for the profit and loss for a particular segment. This can be viewed as a fundamental shift as product teams were previously accountable for product profit and loss accountability. The second business area is the centralisation of all the functions that enable customer centricity and is referred to as [customer centre of expertise].

The changes to processes based on the changes in the structure were cited as critical for the transition to a customer centric strategy. Process excellence, process adherence and process governance were viewed as key steps towards customer centricity. It was cited by interviewees that performance measurements of employees would change when transitioning to a customer centric strategy especially in order to drive changes in behaviour across the value chain. Team level reward was also highlighted as important for customer centricity. People practices in terms of recruitment and selection and training were cited as changes that are required based on the transition to a customer centric strategy. Identifying personal, interpersonal and knowledge competencies as well as skills based on the roles required in a customer centric organisation were cited as critical to the transition to a customer centric strategy. Staff profiles of technologically astute and change aversive employees were cited as important. Employee empowerment was another key change which enabled decision making.

A shift in culture to a customer focused process led culture where engagement, accountability and empowerment are critical for the transition to a customer centric strategy. Leadership was also viewed as critical in the transition to a customer centric strategy. It was cited that leaders need to act as the ambassadors of change and drive and own the change. Middle management need to be engaged regarding the change in order to filter the change to the rest of the organisation. Change management led by leaders rather than external consultants and constant communication was also critical in the transition. Another change that was highlighted in the interviewees but was not highlighted in the case study analysis was the introduction of an organisation design capability in order to ensure the transition to a customer centric strategy. The organisation design capability was viewed as catalyst for the change.

5.7 Chapter summary and conclusion

From the insights gathered from the case study and interview analysis it is evident that the customer centricity enablers can be grouped according to the following factors, technological, customer and organisational.

The technological factors refer to the customer information technology platform as well as analysing the key customer information to generate key insights to build business strategies that meet customer needs. The implementation of the customer information technology platform provides a single view of the customer which assists in managing and building customer relationships. Customer information from the technology platform as well as from the customer touch points across all channels must be leveraged in order to understand the life stage the customer is at and hence determine the customer needs to inform the design of relevant financial solutions.

Customer factors namely understanding customer needs, building customer loyalty and building customer intimacy in terms of long-term commitments and trust are seen as enablers to customer centricity. From a customer perspective, the customer life stage needs and consistent customer experiences were also identified as key factors that enable the transition from a product centric to a customer centric strategy. Organisations need to understand customer needs as well as the life stage needs in order to design and offer suitable financial solutions. A consistent customer experience is another customer factor that was identified as an enabler to customer centricity. Customers required consistent experiences across all customer touch points.

The third enabler is grouped under organisational factors. The organisational factors are segmentation of customers, offering integrated solutions as well as determining customer value through customer profitability or customer loyalty measures. Organisational factors namely customer segmentation, integrated solutions, customer touch points and customer value were identified as key enablers of customer centricity. A shift from the traditional income segmentation to customer needs, behaviours or values were cited as means of segmentation. A progression from selling individual products to selling a range of products and services that span across multiple product lines was viewed as integrated solutions. Customer touch points have been aligned ensuring that there is multi-channel architecture and integration. From a performance management perspective, customer profitability and customer loyalty was positioned as a metric for tracking customer value.

With regards to the changes in the organisation design, it is evident that the starting point for the transition to a customer centric strategy is the agreement on a customer centric strategy. Thereafter a new operating model is to be created in order to define the capabilities required to operate as a customer centric organisation. From a structure perspective, it was evident that the structures shifted from a product, functional or geographic structure to a segment structure and thereafter a customer and matrix structure. The introduction of the customer management functions as well as the [customer centre of expertise] was identified as critical changes in the organisation design. The power shift from product managers to segment managers was also cited as a change in the organisation design. The [customer solutions] team was responsible for the end-to-end delivery of the offerings to the customer and was held accountable for the profit and loss for a particular segment. This can be viewed as a fundamental shift as product teams were previously accountable for product profit and loss accountability. The [customer centre of expertise] can be viewed as providing the [customer solutions] team with the necessary processes in order to allow the [customer solutions] team to deliver on the customer centricity objectives.

With regards to process and lateral capabilities collaboration and integration across all areas within the organisation was vital. The process to sell also shifted from hard selling to consultative selling. Process excellence, process adherence and process governance were viewed as key steps towards customer centricity. It was cited by that performance measurements of employees would change when transitioning to a customer centric strategy especially in order to drive changes in behaviour. Team level reward was also highlighted as important for customer centricity. Compensation and bonus of employees were also directly linked to the performance of the business unit and the end-to-end service to the customer. From a people practices perspective, the recruitment and selection and the learning and development processes were changed to ensure the focus on customer was integrated in the recruitment and selection as well as the training process. Training on consultative selling and basic financial skills was required to transition to a customer centric organisation. Identifying personal, interpersonal and knowledge competencies as well as skills based on the roles required in a customer centric organisation and staff profiles of technologically astute and change aversive employees were cited as important. Employee empowerment was another critical shift where decision making at the lower levels was encouraged due to the access to relevant information.

Changes in leadership and culture were also identified in the transition experiences affecting the move from a product to a customer centric strategy. A customer focused process led culture of collaboration, accountability, teamwork and empowerment was cited as changes to the culture when transitioning to a customer centric strategy. Leadership was also viewed as critical in the transition to a customer centric strategy. It was cited that leaders need to drive and own the customer centric journey even at a middle management level. Change management led by leaders and constant communication is also critical in the transition. The introduction of an organisation design capability was cited as a change due to the transition from a product to a customer centric strategy. The organisation design capability was viewed as catalyst for the change.

In the next chapter the integration of the case study analysis as well as the interviews conducted will be discussed.

CHAPTER 6: DISCUSSION OF RESULTS

6 Introduction

The previous chapter presented findings to provide insights into the enablers of customer centricity when transitioning from a product to a customer centric strategy as well as to provide an understanding of the impact on the organisation design when transitioning from a product to a customer centric strategy. The results described in Chapter 5 were obtained through two phases, an analysis of four companies that have transitioned from a product centric strategy to a customer centric strategy as phase one. Then in phase two, sixteen semi-structured interviews were conducted at a financial services company whose retail banking division is transitioning from a product centric to a customer centric strategy. Chapter 6 presents discussion and analysis of the results from Chapter 5 by answering the research questions suggested in Chapter 3. The results are interpreted in the light of the literature review in Chapter 2.

6.1 Research Question One: enablers of customer centricity

Research question one compares the findings of the enablers of customer centricity from the four case study analysis conducted with the findings from the sixteen semi-structured interviews conducted in the retail division of a financial services company. The constructs identified in chapter five were grouped and each grouping and construct will be discussed in this section. The first factor was technological factors which addresses the system or technology platform, including customer relationship management as well as customer data and analytics. The second factor is the customer factor which includes customer needs as well as customer lifetime needs, customer loyalty, customer intimacy and consistent customer experience. The organisational factors include customer segmentation, integrated solutions, customer value and customer touch points.

Limited research has been conducted regarding the factors that enable customer centricity. Research as cited in the literature review has been based on certain individual factors such as customer segmentation (Bügel *et al.,* 2011; Hultén, 2007; Ranjan & Agarwal, 2009), integrated solutions (Brady *et al.,* 2005; Hahn & Morner, 2011; Tuli *et al.,* 2007) as well as multi-channel integration (Neslin *et al.,* 2006; Payne & Frow, 2004).

6.1.1 Technological factors

a) Customer information technology platform

Within the four companies analysed as well as in the retail division of the financial services company, it was noted that each company used a customer information technology platform such as CRM to gather customer data and build customer relationships. Mukerjee (2013), Crosby (2002) and Chalmeta (2006) in the literature review cited that organisations often tend to consider CRM as a technology implementation rather than a strategic proposition. For the four companies analysed as well as the interviews conducted in the retail division of the financial services, it was noted that there was an investment made regarding the customer centric strategy. The journey was not just to replace legacy systems but was also part of a holistic and integrated transformation journey where systems, processes, tools, rewards and people practices were reviewed in order to support and enable the transition from a product centric strategy to a customer centric strategy. (Reinartz *et al.,* 2004) advises that the CRM process entails the building of a single view of the customer. From the interviews conducted at the retail banking division it is evident that the CRM platform will provide a single view of a customer.

b) Customer data and analytics

Campbell (2003) observes that data is readily generated through the CRM database and then needs to be transformed into customer information throughout the organisation in order to generate and integrate customer knowledge which will allow the organisation to develop customer specific strategies. The Royal Bank of Canada, EMC, Best Buy as well as the retail banking division confirmed that the customer information technology platform (such as CRM or the point of sale system used by Best Buy) was not only to provide a single view of customer but it was also to gather the data from CRM and translate the data into knowledge and thereafter into executable actions.

As advised by *Reinartz et al.* (2004, p. 294), CRM processes entail the building of a single view of the customer across all channels and the distribution of customer intelligence to all customer-facing functions. In support of this all the companies acknowledged the importance of analytics in generating customer insights and knowledge in order to understand customer needs and to translate the insights into actionable strategies to meet customer needs.

However RBC has taken the analytical capability a step further from the other companies and has used the analytical application to score individual customers by value and this is in alignment with the definition of CRM by Payne and Frow (2006a) as well as Boulding *et al.* (2005) that CRM is used for maximising customer value and for managing dual creation of value.

From the above it is evident that firstly a strategy to be a customer centric organisation is essential before implementing a customer information technology platform that generates customer information, such as CRM. It is also evident that the customer data needs to be translated into customer knowledge and insights in order to develop business strategies to meet customer's needs. Therefore a customer information system as well as the translation of customer data into knowledge and wisdom is vital in enabling the customer centricity within an organisation.

6.1.2 Customer factors

The four case studies as well as the interviewees reveal that understanding customer needs is an enabler to customer centricity. Interviewees from the financial services also expressed the need to understand the voice of the customer. Based on the literature review the importance of understanding customers' needs dates back to 1954 where Drucker (1954) cautioned that businesses that define themselves in terms of product will stagnate and therefore organisations should define themselves by fulfilling the customers' needs and creating value for the customer and for the organisation in the process. This view was later echoed by Levitt (1960) and more recently by Shah *et al.* (2006).

Based on the interviews held, understanding and meeting customer life stage needs was seen as an enabler to customer centricity. In contrast however, the literature reviewed suggested that customer life stage needs were not identified as an enabler to customer centricity. The rationale for this construct not being identified could be due to the fact that integrated solutions is a fairly new concept and customer life stage needs can only be addressed once companies move away from siloed products to integrated solutions. More research into customer life stage needs is a further research topic.

The Royal Bank of Canada cited that customer intimacy is extremely important to customers and as an enabler to customer centricity. Parameters such as trust are important to customers. Brock & Zhou (2012) explain that customer intimacy facilitates the central trust commitment relationship; however we see that the Royal Bank of Canada was the only company that cited customer intimacy as an enabler to customer centricity.

6.1.3 Organisational factors

a) Customer segmentation

Hultén explains that there is a shift from market segmentation to customer segmentation (Hultén, 2007). From a strategic CRM perspective customer segmentation at a customer strategy level is vital in order to develop long-term relationships. Based on the analysis of the case studies as well as the interviews it is evident that each company is moving towards a customer segmentation approach. All five companies saw the need to change their method of segmenting their customers. All five companies confirmed the requirement for needs based segmentation including value and behaviour. Therefore customer segmentation can be viewed as a critical enabler of customer centricity. The approach taken by the five companies is also supportive of the findings by Yankelovich and Meer (2006) who declared that traditional demographic traits are no longer adequate segmentation models however non-demographic traits are more adequate segmentation models.

b) Integrated solutions

Brady, Davies and Gann (2005) and Tuli *et al.* (2007) detailed that organisations with a customer centric strategy no longer offer individual products but rather offer integrated solutions or a bundle of products and services for each customer segment to meet the customer's needs. From the analysis conducted of the five companies it is evident that these companies shifted their focus from selling individual siloed products to offering integrated solutions and services to customers to meet the customers life stage needs. Based on the literature reviewed as discussed above the meeting of life stage needs were not identified in the literature review.

It was also highlighted in the Royal Bank of Canada case study, Jones Lang LaSalle as well as in the interviews conducted that in order to generate integrated solutions integration across the value chain or other business units is important. This is in support of the findings from the literature review by Hahn and Morner (2011) who commented that with the move to an integrated bundled solution, interfaces with silo based business units as well as joint decision making is required. The interviewees highlighted that the technology platform implemented will allow for the reconfiguration of financial solutions.

c) Customer value

All five companies cited the need to generate customer value while four of the five included the importance of a customer metric to measure customer value. The Royal Bank of Canada, Jones Lang LaSalle and interviewees from the financial services highlighted the use of the customer information technology platform to measure customer profitability as a measure of the value of customers. This supports the argument made by Rust *et al.* (2011) explaining that customer databases assist organisations in analysing customer profitability over time. The interviewees from the financial services pointed out that moving from product profitability to customer profitability is a key enabler of customer centricity and this was supported by Rust, Moorman & Bhalla (2010) who cited that organisations need to change their focus from product profitability to customer profitability when transitioning to a customer centric strategy.

EMC as well as one interviewee from the financial services raised the issue that customer loyalty should be a customer measure supporting the findings by Hwang *et al.* (2004) who made the comment that customer loyalty must be included as a customer metric. Hwang *et al.* (2004) similarly pointed out that past contribution, potential value and customer loyalty should also be used as customer metrics. With the Royal Bank of Canada it was evident that they differentiated between current and potential value of their customers. It is important to note that none of the companies analysed and interviewed discussed the customer lifetime measurement or customer equity as a measure of customer value.

d) Customer touch points

For the Royal Bank of Canada as well as five interviewees the importance of customer touch points as an enabler of customer centricity was essential. Royal Bank of Canada highlighted the need to enable one-to-one CRM dialogues across all customer touch points while the interviewees in the financial services added in the importance of ensuring consistency across all customer touch points. Payne and Frow (2004) as well as Stone *et al.* (2002) mentioned that consistent customer experiences are critical for multichannel integration and management and within the retail division of the financial service it was endorsed by interviewee 2 who advised that the retail division had adopted a multichannel integration approach where all distribution channels were centralised into one area. In support of Payne and Frow (Payne & Frow, 2005), Boulding *et al.* (2005) and Neslin *et al.* (2006) who explain that multichannel customer integration is based on the customer as a strategy and in the financial services it is evident that the financial services have adopted customer centricity as their strategy and they are moving away from a product structure to a customer focused structure (Wilson, 2002).

6.1.4 Conclusion

Based on the above discussion of the results, it is evident that in order to transition from a product to a customer centric strategy an organisation first needs to define and invest in a customer focused strategy. The customer information technology platform (for example, customer relationship management) becomes an enabler to transition to a customer centric strategy as the customer information systems provide a wealth of customer knowledge that is required to be analysed and translated into insights and analytics. Organisations can then develop business related strategies in order to meet customer needs and build long-term relationships. Also apparent is the fact that customer factors of understanding customer needs through the customer information systems as well as market and industry research are important. However based on the results it is also essential for companies to understand customer lifecycle needs and look to facilitate a central trust and commitment relationship with customers.

Organisational factors that enable the transition to a customer centric strategy would be for organisations to review their segmentation model and segment customers according to behaviours, needs and values. Another enabling factor organisations need to consider is whether they are providing customers with integrated solutions. However the integrated solutions need to match the life stage needs of the customers and generate value for both the customer and the organisations. Another key enabler is customer value which is measured through customer profitability. Although not mentioned in the case studies or in the interviews other customer metrics that could be implemented are customer lifetime value, and customer equity.

6.2 Research Question Two: Impact on Organisation Design

6.2.1 Strategy, operating model and value chain

Based on the analysis conducted it was evident that the five companies made a conscious decision to change their strategy to a customer centric strategy and believed that the strategy to shift to a customer centric one was critical for the organisation to move forward. It is important to note based on the feedback of the interviews, that customer centricity cannot be viewed as an IT system implementation but needs to be understood from a holistic business transformation strategy perspective. When implementing a CRM system a customer strategy must be developed (Payne & Frow, 2006a).

It was also cited in the interviews conducted that an operating model as well a value chain should be defined once the strategy is developed. The operating model is seen as the guideline to determine the capabilities required in the organisation to operate as a customer centric organisation while the value chain should be geared to produce customer centric outputs. This finding has not been supported by any literary findings and this may be due to confidentiality issues and the lack of disclosing all the information in a published case study.

6.2.2 Structure

Traditionally the organisations analysed where structured along product lines or the service they offered; however Best Buy had a geographic structure. From the interviews conducted at the financial service it is evident that the structure there was product driven. Each product area ran their area like a business and therefore there was no horizontal integration. Each product silo had its own systems, processes, people, technology and distribution channels. Therefore customer relationships within the retail bank were never viewed from an end-to-end perspective but viewed in the product silos. This led to inconsistent and fragmented customer experience for the customer.

The interviewees also mentioned that once the strategy was defined it was important to identify the capabilities required and then to structure themselves around the customers. It is apparent that at the bank as well as the three cases analysed prominence was given to those areas that focused on the customer and ensured the transition to a customer centric strategy.

The Royal Bank of Canada, Best Buy and the retail bank suggested a shift from a product structure to a segment structure. Based on the findings it can be concluded that the changes in a structure are an evolution and an organisation does not transition immediately into a customer centric or customer focused structure. As per the findings of the case studies as well as the interviews conducted the companies' first transition to a segment structure with an overlap of a product structure. However the prominence will have shifted from product to segment. The role of the account manager or segment manager is critical in the segment structure to assist in the shift from the focus of product to customer.

A matrix structure was also highlighted in Royal Bank of Canada as well as Jones Lang LaSalle to ensure collaboration and to integrate the vertical business units and the horizontal customer functions.

a) Segment structure

Segment structure was defined by the interviewees as organising the company around the customer segments in the organisation. The literature review conducted did not highlight the need to transition to various other organisation forms before transitioning to the customer centric structure. Most of the research conducted in terms of customer centricity and organisational forms was based on the customer focused structure and not the transition to get to a customer focused structure (Gebauer & Kowalkowski, 2012; Homburg *et al.,* 2007; Shah *et al.,* 2006). From the case study analysis as well as the interviews conducted it is important to note that when transitioning from a product centric to a customer centric structure, an organisation's structure will evolve before it is fully aligned to the customer centric strategy.

It was noted that the retail bank opted for the value chain approach when designing their structure. Therefore the suggested steps in this evolution to a customer centric structure would be to first centralise those functions that occur in the different parts of the value chain. Thereafter the transition to a segment structure which could have a matrix structure embedded can be made. In this segment structure the need for product roles and/or teams as well as vertical customer units with horizontal business units is still required. From the analysis conducted it is evident that these organisations created a segment focus by introducing segment teams in Best Buy, Royal Bank of Canada and in the retail bank. The segment leader were all organised according to the customer segments and were accountable for identifying customer needs for a particular customer segment.

An important finding is that when transitioning to a segment structure, power, accountability and decision making shift from the product managers to the segment managers and hence empowering staff in their job is critical. Although not mentioned in the other case studies, the retail bank segment teams are also accountable for identifying suitable financial solutions for customers which shifts the structure to a customer centric structure.

b) Customer centric structure

The customer management roles in the Royal Bank of Canada as well as the [customer solutions] roles in the retail bank can be considered the first step in transitioning to a customer centric structure. The [customer solutions] team is responsible for the end-to-end delivery of the offerings to the customer and is held accountable for the profit and loss for a particular segment. This can be viewed as a fundamental shift as product teams were previously accountable for product profit and loss accountability. The introduction of the [customer centre of expertise] in the retail bank can be regarded as another step to entrench the customer centric structure. The [customer centre of expertise] are the custodians of the customer outputs and will pull all the customer factors and outputs into an integrated unit. This introduction of the [customer centre of expertise] can be viewed as a step within the evolution of the structure to become customer centric. The other companies analysed did not cite such a function in their structure.

6.2.3 Reward and measurements

From the analysis conducted it was evident that remuneration and reward should be aligned to the requirements of the job across the value chain. For segment managers for example remuneration and rewards ought to be linked to the performance and the profit and loss of the segment and financial solutions per segment. Also, due to the huge emphasis now on collaboration and integration across the value chain, a team based incentive is ideal to introduce. This is in support of the study conducted by Homburg *et al.* (2000) however no study has been conducted to define the individual or team metric required to enable the transition to a customer centric strategy.

6.2.4 Process and lateral capabilities

Shah *et al.* (2006) explain that organisational processes are different for product centric companies versus customer centric companies. From the analysis conducted, it was noted that processing excellence, as a key capability, is required in order to transition to a customer centric organisation where all processes are defined end-to-end. For example sales processes should be transformed from hard selling to consultative processes where solutions are discussed rather than pushing products to the customer. It was also found that processes should deliver consistent customer experiences and therefore the focus is on reengineering the banks processes to engineer the consistent experience.

Another key finding was the requirement to ensure that processes are managed end to end by a processing excellence team who also monitors the adherence to processes and introduces governance regarding non-adherence. The move into a value chain perspective on the standardisation of process is inevitable and this drives consistency of customer experience. Performance of the processes should also be introduced, monitored and managed. In terms of lateral capabilities findings suggest that there is a shift from limited or non-collaboration across product / function silos to becoming more collaborative in order to meet customer's needs.

6.2.5 People practices

Based on the findings it is also important for HR to review their operating model, systems and processes. Homburg *et al.* (2000) discussed that the shift towards a customer centric strategy requires a change in skills from a sales and marketing orientation to managing long term relations that goes further than selling and negotiation skills. Another skill highlighted is that of financial understanding for the key account managers as they are accountable for the cost to service as well as the revenue produced (Homburg *et al.,* 2007). Based on the analysis conducted it is evident that there is a shift in skills from sales to managing customer interactions as well as long-term relationships. Financial and business acumen skills are other key skills for segment managers. From the analysis it is also evident that when transitioning to a customer centric strategy, reviewing and updating the recruitment and selection, including assessments, training and development is critical to enable the transition.

An important finding was that the retail bank was able to understand the assessments required and the training and development required due to the job descriptions and role profiles created for each job. These were used as inputs into the competencies required for the job as well as the assessment. Employee empowerment was a key construct that was identified in order to transition to a customer centric strategy.

6.2.6 Culture and leadership

A central finding regarding the culture of customer centric organisations is that of collaboration and team work. Empowerment and accountability were also key factors in driving a change in the culture. Further, it was positioned that the culture should be driven by the senior leaders. Shah *et al.* (2006) endorsed the importance of leadership commitment in the path to customer centricity however based on the interview findings it is more than the leadership commitment but rather the adoption of behaviour that is critical. It is also critical that leadership buy-in is secured for the transition. The change initiative needs to be filtered down to the lowest level within the organisation and if this is not occurring it was suggested to change the measures for managers to effect the necessary impact on the rest of the organisation.

6.2.7 Change and communications

The importance of an internal change and communications capability was highlighted by interviewees from the retail bank. It was believed that the CEO should be the champion for the change with leadership, including middle management, driving the change. Communications need to cover what the end goal looks like versus just communicating regarding the new system changes. A team alignment is a good example of assisting with the change adoption.

6.2.8 Organisation design capability

Another key finding was the introduction of internal organisation design capability in order to transition from a product to a customer centric strategy. The organisation design capability played a very important change catalyst role, by unpacking how an intent perspective and an operating business model, translate in terms of a business transformation journey and how structures needed to be evolved and changed. The finding suggested that the organisation design capability should be an internal function that facilitates the business transformation processes and provides the business with tools to think about how they are structured, how the jobs are designed as well as guiding the weighting of authority to certain jobs.

Another key finding related to the organisation design capability stemming from the feedback from the interviews is for organisations to determine whether the governance of structures, jobs and roles reside with the organisation design team or the business as well as whether the OD team plays a consultative role versus a dictatorial role of prescribing an organisation structure to business. It was evident that a consultative role has worked well when transitioning from a product centric to a customer centric strategy however once the design is embedded the changes to structures should be governed by the organisation design team.

6.2.9 Conclusion

Limited research has been conducted regarding the factors that enable customer centricity. Research as highlighted in the literature review has been based on certain individual factors such as customer segmentation (Bügel *et al*., 2011; Hultén, 2007; Ranjan & Agarwal, 2009), integrated solutions (Brady *et al.,* 2005; Hahn & Morner, 2011; Tuli *et al.,* 2007) as well as multi-channel integration (Neslin *et al*., 2006; Payne & Frow, 2004). Based on the findings, it is evident that the enablers of customer centricity can be grouped into three main factors namely; technological, customer and organisational factors.

Technology factors include the customer information technology platform as well as analysing the key customer information to generate key insights to build business strategies that meet customer needs. A single view of customer allows the generation of customer data as well as facilitates the building of long-term customer relationship between the customer and the organisation. The importance of sourcing information from all customer touch points was highlighted. Based on the literature reviewed, it was explained by Reinartz *et al.* (2004) that CRM uses information technology in order to direct information across time and contact channels to manage the customer relationship holistically and systematically. This is in alignment with the findings from the case study analysis as well as the interviews conducted.

Customer factors namely understanding customer needs, building customer loyalty and building customer intimacy in terms of long-term commitments and trust are seen as enablers to customer centricity. From a customer perspective, the customer life stage needs and consistent customer experiences were also identified as key factors that enable the transition from a product centric to a customer centric strategy. Understanding customer needs and building customer intimacy was cited in the literature as part of the definition of customer centricity and therefore this research highlights that understanding customer needs and building customer intimacy are key enablers to customer centricity.

The literature review conducted did not reveal any information regarding customer life stage needs and based on the analysis conducted, understanding not just the needs of customers but understanding customers life stage needs is a critical enabler of customer centricity. Measuring customer loyalty and profitability in the literature reviewed was viewed from a customer value measurement perspective and therefore this research highlights that building customer loyalty is an enabler to customer centricity.

The third enabler is grouped under organisational factors. The organisational factors are segmentation of customers, offering integrated solutions as well as determining customer value through customer profitability or customer loyalty measures. Yankelovich and Meer (2006) explained that traditional demographic traits such as age, education levels and income are no longer adequate segmentation models however non-demographic traits such as values and preferences are customer segmentation models to be used. Based on the findings from the case study and the interviews there is support that segmentation is shifting from income based segmentation and that customer segmentation is an enabler to customer centricity.

Brady, Davies and Gann (2005) explain that organisations that have shifted their strategic focus to customer centricity, no longer offer individual products but rather offer integrated solutions to meet customer needs. This is in support of the findings from both the case study analysis as well as the interviews conducted. It is important to note that based on the interviews conducted and not supported by literature integrated solutions for the various stages of customer’s life cycles is critical when devising solutions in order to meet customer needs.

Customer profitability measures and customer loyalty measures as a measure of customer value was cited in the case studies as well as the interviews conducted as enablers to customer centricity. This is in support of the studies conducted by Holm, Kumar and Rohde (2012) as well as Rust, Kumar and Venkatesan (2011). In the literature review, customer lifetime value and customer equity were also mentioned as measures of customer value but were however not cited in both the case study analysis as well as the interviews. The rationale for not citing these measures may be due to the fact that these companies are still transitioning to a customer centric strategy.

Based on the literature conducted on the impact on the changes in the organisation design when moving from a product centric to a customer centric strategy, it was noted in the literature review on CRM that a customer strategy is vital for CRM to be successful. Researchers have questioned whether the classical product focused and geographically focused organisational structures are still valid in today's environment (Homburg *et al.,* 2000). Based on the research conducted it is evident that the changes in the structure are viewed as a natural evolution from a product structure to a segment structure and thereafter to a customer centric structure. Homburg *et al.* (2000) introduced the customer focused organisational structure within a manufacturing industry and based on the analysis conducted in this research it is evident that a customer focused organisational structure is also evident in a retail banking industry. Galbraith (2002b, 2005) and Homburg *et al.* (2000) explained that customer centric organisations are structured around customer segments and that organisations that shift from a product centric strategy to a customer centric strategy shift from product teams to customer segments, customer teams and customer profit and loss responsibilities and therefore this is in support of the findings from the case study analysis and the interviews conducted.

With regards to process and lateral capabilities collaboration and integration across all areas within the organisation was vital and this is support of the studies conducted by Peltier *et al.* (2012), Hahn & Morner (2011) and Payne and Frow (2005) who explain the importance of cross functional co-ordination and horizontal communication and information sharing across all functional lines. The shift from hard sell to consultative selling was not mentioned in the literature. Process excellence and process adherence were also not cited in the literature as key steps towards customer centricity. This could be due to the fact that detailed empirical research has not been conducted on the customer centric processes.

It was cited by interviewees that performance measurements of employees would change when transitioning to a customer centric strategy especially in order to drive changes in behaviour and this is in support of the findings by Homburg *et al.* (2007) and Payne and Frow (2006b) who explain that customer centric processes require change in financial metrics. From a people practices perspective, the change in recruitment and selection as well as the learning and development processes were identified by Homburg *et al.* (2007). However the need to empower employees in order to encourage decision making was not highlighted in the literature but was cited in both the case study analysis and the interviews conducted.

The importance of the changes to the culture as well as the importance of leadership and change management was cited by Shah *et al.* (2006), however the need for an organisation design capability was not mentioned in the literature review but was mentioned in the interviews conducted. The rationale for not citing it in the literature review or in the case study analysis could be due to confidentiality issues or maybe the CEO played an important role in shaping the structure of the organisation.

Based on the analysis conducted, the next chapter will provide recommendations for organisations and managers wanting to transition from a product centric to a customer centric strategy. A model will be provided to guide leaders through the findings of this research.

CHAPTER 7: CONCLUSION

7 Introduction

The current economic conditions are forcing organisations to centre their business on the customer rather than to focus on pushing products to customers. This takes organisations down the path of customer centricity where there is a shift in the strategy from a product centric strategy to a customer centric strategy. In order to understand the changes that are required in the organisation it is important to first understand the factors that enable the transition to a customer centric strategy and thereafter to understand the changes in the organisation design when transitioning from a product centric to a customer centric strategy. This chapter provides a summary of the findings from the research as well as provides recommendations for organisations and managers.

7.1 Major findings

Organisations transitioning from a product centric to a customer centric strategy need to consider the factors that enable the transition from a product centric to a customer centric strategy. Based on the research conducted the factors can be grouped into technological, customer and organisational factors. The technological factors refer to the system or technology platform, namely customer relationship management which is used to generate a single view of the customer. Customer data generated through the system or technology platform as well as data obtained across all customer touch points are to be leveraged in order to develop business strategies to address the customer needs.

The customer factors refer to understanding the lifetime needs of customers in order to generate customer loyalty and customer intimacy. In order to transition to a customer centric strategy a consistent customer experience across all customer touch points are required. From an organisational perspective, it was evident that there is a shift from income segmentation to customer segmentation based on needs, behaviours, values or preferences. Customers are also not sold products but rather integrated solutions which are a bundle of products and services that meet the customer’s life stage needs. Customer value another enabler is measured through customer profitability and customer loyalty. Therefore there is a shift from product profitability to customer profitability. A multi-channel architecture is required to enable customer centricity.

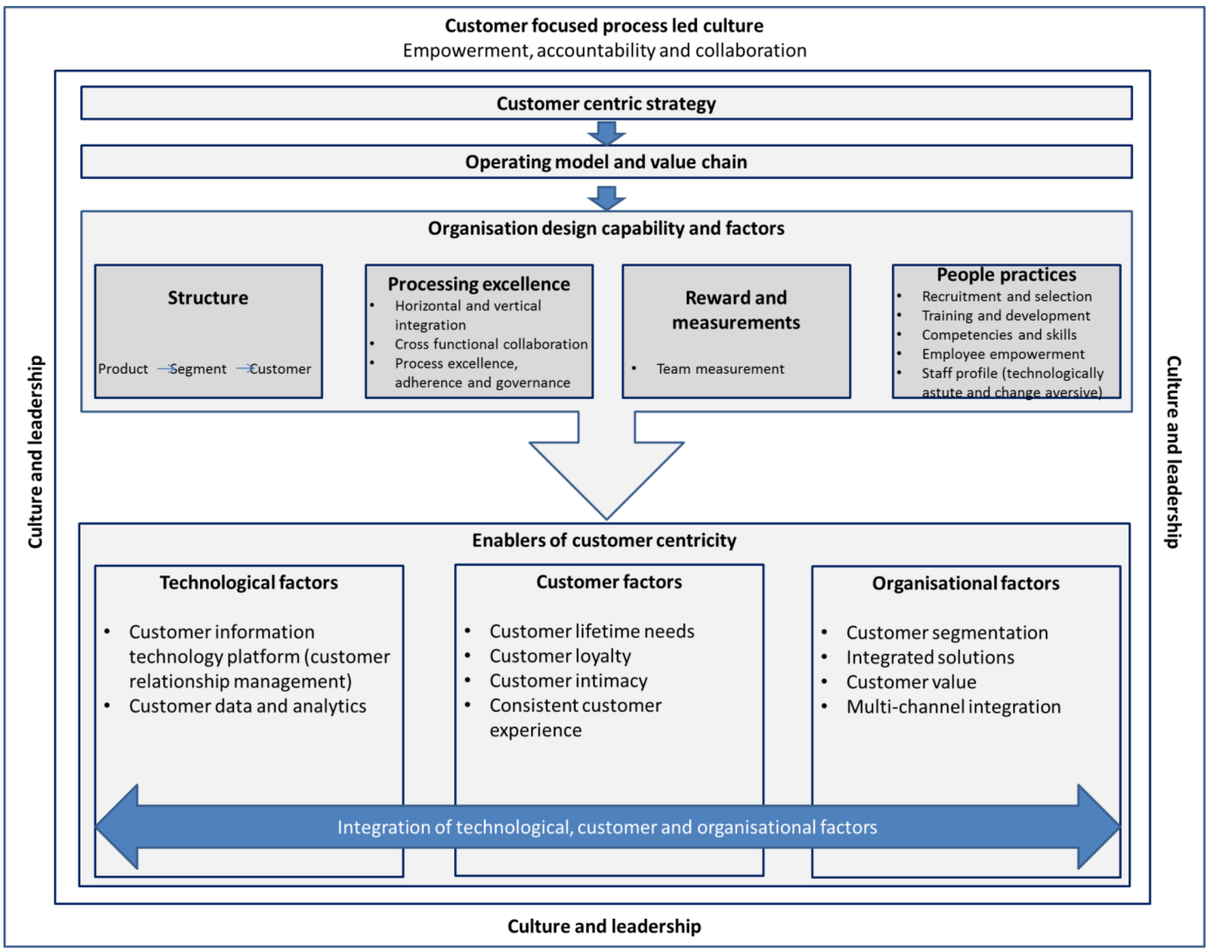
From an organisation design perspective, it is evident that a customer centric strategy is the starting point for the transition from a product centric to a customer centric strategy. Once the strategy is defined, the operating model and the equivalent capabilities and value chain should be developed. From a structure perspective it was evident that there is a shift from a product structure to a segment structure and thereafter a customer centric or customer focused structure. Therefore structural changes become an evolution in the customer centric journey. From a process and lateral capability perspective, there was a need for horizontal and vertical integration across the organisation. Cross functional co-ordination, process excellence and adherence are essential in the transition to a customer centric strategy. The shift from hard selling processes to consultative selling processes was noted.

The shift from individual performance measurements to incorporate team performance measurements were cited as critical for organisations transitioning to a customer centric strategy. From a people practices perspective, the change in recruitment and selection and the learning and development processes as well as the need to empower employees in order to encourage decision making is critical for organisations transitioning to a customer centric strategy. Staff profiles of technologically astute and change aversive employees were cited as well as the identification of competencies and skills based on the new roles were identified as critical in the transition to a customer centric strategy.

A customer focused process led culture focusing on empowerment and accountability was cited as the changes required when transitioning to a customer centric strategy. The commitment of leadership, including middle management, to lead by example and set the pace of the change is critical in enabling the changes when transitioning from a product to customer centric organisations. The organisation design capability was cited as critical in ensuring the transition to a customer centric organisation. The organisation design capability was viewed as a catalyst for the change as well as ensuring governance of structures.

Below is a diagram depicting a model that an organisation could use when wanting to transition from a product centric to a customer centric strategy. The model highlights the enablers of customer centricity as well as the changes in the organisation design that is required in order to transition from a product to a customer centric strategy.

Figure 5: Customer centricity model



7.2 Recommendations for organisations

The most important observation for organisations wanting to shift from a product centric to a customer centric strategy is to first ensure that the customer centric journey is not viewed from a systems or technology implementation perspective but rather from a business transformation perspective where the customer centric strategy is defined and communicated. Organisations need to understand that the transition from a product centric to a customer centric strategy requires a change in the organisation design and cannot be dealt but only implementing a new structure. A change in processes, reward and measurements as well as people practices are required. A key insight from this research is that an organisation design capability is required to act as a catalyst for the change steering the discussions in the correct directions as well as assisting business to define the correct path to take aligned to the strategy and operating model. The organisation design capability must have a holistic view of the organisation in order to effectively deliver the changes in the organisation design. However the change is not done in isolation by the organisation design capability, the leadership needs to drive the change and act as the champions of the change in order to drive behaviour change within employees. Middle management also needs to play a critical role in the change and communications of the change in strategy. The change in culture was also cited as important. A customer led process culture focusing on empowerment, accountability and collaboration is required.

7.3 Recommendations for management

To enable the success of the transition from a product to a customer centric strategy, chief executive officer needs to drive the change together with the executive committee. The executive committee need to act as the champions of the change and need to own the change in order to drive behaviour change. However middle management also needs to play an important role in ensuring the adoption of the change through communications as well as performance measurement of employees. Constant and consistent communications also plays an important role in ensuring the success of the transition from a product to a customer centric strategy.

7.4 Recommendations for future research

Due to the nature of the research being a qualitative research approach, the customer centricity enablers identified through this research could be tested in an organisation that has already transitioned to a customer centric strategy in order to verify the findings from this research. A longitudinal study of an organisation prior to implementing a customer centric strategy and post implementation of the customer centric strategy can also be considered for recommendation for future research. Customer life stage needs were identified as a key enabler of customer centricity which was not supported by literature and therefore is a recommendation for future research. Based on the changes required in the people practices, it is also important to understand how customer centricity impacts the internal human resource capability and this could be considered a recommendation for future research. It was observed from this research a strong internal change and communications capability is required to enable the transition from a product centric to a customer centric strategy and based on this finding a recommendation for future research could be to develop a change and communications model for leadership. Another recommendation for future research would be to understand the role of the organisation design capability in the transition from a product to a customer centric strategy.

7.5 Conclusion

With the move from a product to a customer centric strategy, organisations need to ensure that the factors that enable the transition from a product to a customer centric strategy is understood. The enablers of customer centricity are to be considered in the path to customer centricity. The changes in the organisation design need to be viewed beyond structural changes to process, reward and people practices changes. The customer focused process led culture of empowerment, accountability and collaboration should be entrenched in the organisation. Leaders need to ensure they own the change and provide consistent communications regarding the change. An organisation design capability to assist in the transition to a customer centric strategy will be required.

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APPENDICIES

APPENDIX A: CONSENT LETTER

The changes in organisation design when moving from a product centric to a customer centric strategy

I am an MBA student, at the Gordon Institute of Business Science, conducting research on the impact on organisation design when organisations move from a product to a customer centric strategy.

The research aims to establish the following:

(a) To understand the customer centric concepts; and

(b) To understand the impact of the customer centric concepts on the organisation design when moving from a product to a customer centric strategy.

Your participation is voluntary and you can withdraw at any time without penalty. Neither the company name nor the individual's name will be recorded. Please note all data will be kept confidential.

If you have any concerns or queries, kindly contact:

Researcher	Meena Ambaram	082 888 9563	meena.ambaram12@gmail.com
Research Supervisor	Alan Maram	076 186 2472	ajmaram@gmail.com

Signature of interviewer: ___________________________

Date: ____

Signature of participant: ___________________________

Date: ____

APPENDIX B: INTERVIEW GUIDELINE FOR PHASE 2

Explain the purpose of the research and the importance of the research to organisations today that want to move to a customer centric strategy. Explain that research has been conducted also through an in-depth analysis of case studies of companies who have transitioned to a customer centric strategy.

Request the interviewee to sign a consent form to authorise the interview and the use of the research findings. Explain that the interview will be recorded and used in the research and will be available to the company once completed. Determine the interviewee's level of comfort with the interview.

Interview key prompts

- Organisation strategy
    - Please explain the organisation strategy today?
    - Explain the strategy that was prevalent prior to the current one?
    - Describe the organisation prior to the strategy change?
    - Explain the organisation design of the organisation prior to the change?
    - What necessitated the change in the strategy?
    - How has the company adjusted to the change in the strategy?

- Customer centricity
    - What is your definition of customer centricity?
    - What are the organisational factors that enable customer centricity?
    - What does the company perceive as the biggest challenge regarding the implementation of a customer centric strategy?
    - If there was one factor that you could change today in terms of moving to a customer centric strategy, what is that?

- Organisation design
    - How has your organisation design changed from a product centric strategy to a customer centric strategy
    - What are the enablers of the change to the organisation design?
    - What are the disablers of the change to the organisation design?
    - What role does organisation design play in moving the company to a customer centric strategy?

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