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BUILDING CUSTOMER TRUST AND LOYALTY

BOTH SELLING AND influencing suffer from the similar misconception that success requires you to aggressively or cleverly push a product or idea. This misunderstanding leads to inappropriate behaviors. For example, people can become evasive, “pushy,” and aggressive, or overly talkative and agreeable. Selling and influencing depends on getting behavior right, on moderating openness and assertiveness with warmth and competence. Combined with a great product or brand, this goes a long way to building customer loyalty.

The idea

Harley-Davidson overcame a turbulent past by building customer loyalty—one of its most enduring assets. It was one of America’s foremost motorbike manufacturers but, by the 1980s, sales fell dramatically following tough competition from affordable, high-quality Japanese machines. Harley-Davidson improved quality using the production techniques of Dr. W. Edwards Deming. The next challenge was to win back, and maintain, market share (it now enjoys a customer loyalty rate of 90 percent).

Knowledge of customers’ needs and appealing to customers’ emotions helped Harley-Davidson to build trust and bond with customers. Their managers meet customers regularly at rallies, where new models are demonstrated. Advertising reinforces the brand image, to promote customer loyalty. The Harley Owner’s Group (HOG) is a membership club that entrenches customer loyalty, with two-thirds of customers renewing membership.

Significantly, Harley-Davidson ensures customers receive benefits they value.

The result is that customers trust Harley-Davidson; this trust is used to develop stronger bonds and greater profits in a virtuous circle. Rich Teerlink, former chair, commented, “perhaps the most significant program was—and continues to be—the Harley Owner’s Group (HOG) . . . Dealers regained confidence that Harley could and would be a dependable partner . . . [And] capturing the ideas of our people—all the people at Harley—was critical to our future success.”

In practice

- Deliver customers a consistent (and ideally a “branded”) experience each time they deal with your business.
- Be clear about the value proposition—what you are offering customers.
- Provide incentives for new customers to return and reorder.
- Reward loyalty for established customers.
- Be competitive—what seems like a good deal to you may not match your competitors.
- Make the customer’s experience as easy and enjoyable as possible.
- Reassure customers with a reliable service and product offer.
- Continuously improve the process, based on customer feedback.
- Deliver reliability by working with partners and investing in resources.

second place in the industry's profitability league table. It knew which governments to lobby, how to approach them, where to diversify, and what action to take with each OPEC member.

Scenario planning enables leaders to manage uncertainty and risk. Above all, scenarios help firms to understand the dynamics of the business environment, recognize new opportunities, assess strategic options, and take long-term decisions.

In practice

- Scenarios are not predictions: they are used to understand the forces shaping the future. What matters is not knowing exactly what the future will look like, but understanding the general direction in which it is moving—and why.
- Plan and structure the scenario process: for example, by agreeing who will be involved.
- Discuss possible futures (usually by working back from a possible view of the future).
- Develop the scenarios in greater detail.
- Analyze the scenarios: why they might occur, what you would do if they did.
- Use the scenarios to shape decisions and priorities.



FRANCHISING

By selling a brand, a business plan, and expertise to regional business owners, corporations can increase profits and gain a global reach without significantly increasing risk.

The idea

The number and variety of franchises is large, and it is a technique employed by companies ranging from McDonald's fast food outlets to the Hyatt luxury hotel chain. There are two key elements of any franchise—a franchiser and a franchisee. The franchiser sells its reputable brand and expertise to the franchisee, who then establishes and manages the business. The benefit for the franchiser is the ability to increase profit and become a nationally (or globally) known and trusted brand.

The benefit to the franchisee is, many believe, a reduced level of risk. It also provides increased ease, as the franchisee does not have to create a new business plan or develop an unknown brand.

Although the idea of franchising is an old one, it was invigorated in the late twentieth century, with an increased desire for decentralized business structures. By 1999, statistics indicated that there were 540,000 franchises in America, with a new one opening every 6.5 minutes of each business day.

Starbucks is a well-known franchise success story. Founded in 1971 with a single store in Seattle's Pike Place Market, it embraced franchising and, by 2006, had 8,000 locations in over 37 countries and profits nearing \$3 billion.

of supplies received too early and the inventory produced too early. This also reduced the space required for manufacturing, which liberated additional space to increase production.

Caterpillar, a leading manufacturer of agricultural and construction machinery, had a similar experience. During the 1980s, Caterpillar's cost structure was significantly higher than that of its principal competitor—the Japanese firm Komatsu. Caterpillar concluded that Komatsu's "flow" process was more efficient than Caterpillar's method of moving parts and partially finished products through the production process. It undertook a significant plant rearrangement initiative called PWAF (Put With a Future). The new flow process reduced the distances between operations, which improved material handling expenses, inventory levels, and cycle time to make each product. In some cases, cycle time was reduced by as much as 80 percent.

In practice

- Analyze your production process for inefficiency and wastage. Ask the people who run the processes how they could be improved. This applies to service businesses as well as manufacturing and process industries.
- Create a clear, workable plan for reducing areas of inefficiency and replacing them with streamlined operations.
- Decide what success will look like, how it will be measured, and when it will be assessed.
- Be cautious when introducing the new plan. Changes to any process can have unforeseen consequences—be aware of these possible problems and be ready to make adjustments to compensate for them.



CUSTOMER BONDING

AS BUSINESS COMPETITION becomes increasingly fierce, firms should not only focus on attracting new customers, they should also use rewards to retain existing clients and get more out of them, which will also attract more clients.

The idea

Many industries are characterized by the fight not only to attract customers but also to retain their continuing support once captured. An example of using information to enhance customer bonding and improve competitiveness is customer loyalty schemes. These schemes have long been a feature of marketing programs, with a recent example being Air Miles. There has been a large growth in the number and type of firms offering loyalty programs. These range from bookstores, such as WH Smith in Britain, which has a sophisticated database of millions of customers, through to credit card companies and telephone operators such as MCI in the USA, which pioneered the friends and family discount. For MCI, this single measure, undertaken with relatively modest advertising expenditure (5 percent of the market leader, AT&T), resulted in its market share growing by 4 percent despite fierce competition.

The inventiveness of loyalty programs is constantly surprising, revealing the brand values of the companies and the threat they pose to competitors. For example, Virgin Atlantic introduced an ingenious loyalty scheme for customer bonding, to reduce the time that it takes to get new customers. Virgin offers privileges to those involved in competitors' loyalty schemes, offering a free companion ticket to

any British Airways frequent flyer who has accumulated 10,000 miles. This has the added advantage of reinforcing perceptions of the Virgin brand as being dynamic and flexible.

In practice

- Create customer loyalty schemes to encourage repeat business and build up a positive brand image among your client base.
- Focus on your competitors when creating a loyalty program. What are they offering, and what can you offer that is better and more enticing for the customer?
- Be creative with loyalty programs and other methods of customer bonding. It is an area with many possibilities for innovation—take advantage of them.
- Ask customer-facing employees how best to enhance customer loyalty.

there is a demand among migrant workers for bank accounts and loans, even among people without a credit history in Britain, and immigrants also want to send remittances back to their families. This was not an isolated incident but a major new market segment, and HSBC developed and marketed (in several languages) a product that did just that.

The twentieth century saw unparalleled demographic changes. Global population nearly quadrupled (from 1.6 billion in 1900 to 6.1 billion in 2000); there was the highest population growth rate (2 percent in 1969) and the shortest time for the global population to double, which I did between the administrations of American Presidents Kennedy and Clinton. This was combined with unprecedented declines in mortality and fertility, significant international migration, and increased urbanization—resulting in the emergence of mega-cities.

Clearly, demographic developments are changing the world around us. The fastest-growing populations are in India, China, Pakistan, Nigeria, Indonesia, and Bangladesh. For example:

- Japan expects its population to decline by 50 percent by 2100, the result of a low birth rate and a very low level of immigration.
- Within ten years, Italy will have more than 1 million people aged over 90. Within Europe, Italy's population strength is in fast decline, as are those of Russia and Germany.
- America is the only major developed country with a population that is increasing, largely due to migration. By 2050, America will have a population of 400 million. Despite this, population growth is concentrated almost entirely in "developing" regions.
- Demographic developments are changing family composition in the developing world, with the result that the influence of women is increasing.

selling concrete as a product by the yard, to selling timely delivery of a commodity. Delivery was what mattered to customers: getting the right amount, in the right place at the right time, without workers waiting or the concrete spoiling. Using methods employed by Federal Express and ambulance crews, Cemex developed digital technology to manage the location and dispatch of its trucks. Now, Cemex uses GPS technology to guarantee delivery of ready-mix cement within a 20-minute window.

In practice

For Cemex, success was based on a cultural change across the business. This required a proactive approach to meeting commitments, developing new ways of serving customers, and ensuring efficient operations. Using the following techniques can achieve breakthrough growth:

- *Transform the customer's experience* and find new ways to meet their needs—eg Microsoft developed Office software, and whatever you think of their business it's definitely got the edge over typewriting!
- *Transform the product or service offered to customers* so it reflects what they value. One approach is to compare your offer with competitors' by sorting product attributes into three categories: basic, differentiated, and exceptional. Then consider how to develop new advantages and strengthen existing ones to make your product exceptional.
- *Change your performance metrics* so you can monitor and improve your customer offer.
- *Redefine your business*, possibly by altering the fundamental unit that customers are charged for, or by revising key metrics used to measure how well you are selling. For example, some lawyers



DEEP-DIVE PROTOTYPING

A DEEP-DIVE PROCESS is a focused, team approach to developing solutions to specific problems or challenges. It is intended to harness the ideas of everyone in a team in a creative, stimulating, focused, energetic, fun, and useful way.

The idea

A deep dive is a combination of brainstorming and prototyping (where an initial potential solution is explored and developed). This is an approach that anyone leading a change initiative can use to identify actions that can move a business forward. A deep dive can be completed in an hour, a day, or a week.

The main stages in the deep-dive process are:

- Building a varied team.
- Defining the design challenge.
- Visiting experts.
- Sharing ideas.
- Brainstorming and voting.
- Developing a fast prototype.
- Testing and refining the prototype.
- Focusing on the prototype and producing a final solution.

In practice

IDEO, a prominent American design company, believes that there are several stages in deep-dive prototyping (for further information see *The Art of Innovation: Lessons in creativity from IDEO, America's leading design firm* by Tom Kelley and Jonathan Littman).

- Understand your market, customers, technology, and perceived constraints.
- Observe people in real-life situations.
- Synthesize and organize the key themes from the first two phases.
- Visualize: this often involves intensive brainstorming and discussion. Imagine new concepts and ideas around the main themes of the design.
- Prototyping is next, and this involves building ideas and physical brainstorming.
- Refine and streamline your ideas. Again, brainstorm ways to improve the prototype and overcome obstacles, and narrow and focus your concepts. Evaluate and prioritize your ideas, and decide how they will be implemented.

Other valuable aspects of creative problem solving that may be applied when time is tight include:

- Trying first (and asking for forgiveness later).
- Test marketing.
- Ensuring that teams are as varied and diverse as possible.
- Seeking external input.



CLUSTERING

By **SETTING UP** in “industry centers” where similar businesses are clustered together, firms gain instant access to a large and varied range of benefits.

The idea

The idea of clustering seems counterintuitive. It suggests that firms should pay high real estate prices to be positioned close to their competitors. Although there are many businesses that prefer cheaper real estate further from the threat of competitors, clustering is surprisingly common in many industries. From the shops of Oxford Street in London to the technology companies of Silicon Valley, clustering has a far-reaching appeal.

The benefits of clustering are particularly relevant to new businesses. It affords easy access to an already established network of customers, suppliers, and information. It can also help build reputation—it encourages customers to associate your organization with the other respected and long-established businesses in the area.

Clustering is also a blessing for the firm in a highly competitive industry, like selling cars. While it remains easier for customers to choose your rival over you when it is positioned next-door, a company with a truly superior, competitive offering has little to fear from this.

One of the most famous examples of clustering is the entertainment industry of Hollywood, where freelancers and small firms prospered

limited knowledge of cars and a desire to project a certain image of themselves in society.

Constant striving for USPs is what drives an industry forward, prevents stagnation, and benefits both consumers and the profits of successfully differentiated organizations.

In practice

- Recognize that your USP may well have to be dynamic and quickly changing. If it is successful, it is likely that competitors will begin to mimic it, motivate to find new USPs and remain ahead of the competition.
- Find out what it is that your customers value most, currently lack, and will pay for—and develop this as your USP. This may be the product's benefits to them, its price, or the service they receive.
- Offer the highest quality: this can ensure your product gains both a practical USP and an emotional, status-oriented USP.
- Offer the widest choice—this can involve specializing and segmenting your market.

THE EMPLOYEE– CUSTOMER–PROFIT CHAIN

SEARS PROVIDES ONE of the best examples of employee practices connecting directly with organizational performance. The employee–customer–profit chain (a variation on the service profit chain) makes explicit the link between cause and effect. By enabling employees to see the implications of their actions, it can change the way people think and the results they achieve.

The idea

Traditionally, managers focus on results. However, this data is historical. What is really required for market leadership is an emphasis on managing value drivers (the aspects of the business that make the greatest difference and provide most benefit to customers). Of these value drivers, employee retention, employee satisfaction, and employee productivity significantly affect customer satisfaction, revenue growth, and profitability. This is highlighted in the diagram of the service profit chain opposite.

In the early 1990s, senior executives at American retailer Sears realized that future performance was not going to improve simply by developing a different strategy or adjusting marketing plans. Following significant losses, executives focused on three issues:

- How employees felt about working at Sears.
- How employee behavior affected customers' shopping experience.

CREATING PLACES WHERE people want to be—whether to socialize, relax, or simply carry out everyday activities such as reading or working—can become a profitable product.

The idea

At first glance, this concept appears similar to “third spaces.” However, there is a crucial difference: “being spaces” make the idea of a desirable social setting the chief selling point and core product—a fundamental aspect of the business.

Being spaces are particularly popular in cities where cramped apartments, claustrophobic offices, and sometimes unsafe public areas prompt people to seek a more relaxing change of scene. Trend Watching, an organization documenting consumer trends, described the concept of being spaces as “. . . urban dwellers trading their lonely, cramped living rooms for the real-life buzz of commercial living-room-like settings, where catering and entertainment aren’t just the main attraction, but are there to facilitate small office/living room activities like watching a movie, reading a book, meeting friends and colleagues, or doing your admin.”

While many successful businesses, such as coffee house franchise Starbucks and book retailers Borders, blend the idea of a being space with other products, there is an increasing number of businesses devoted to providing customers with nothing other than simply a place to be. Paragraph NY is one such company. With monthly memberships from \$100, it provides a 2,500 square foot loft space near Union Square divided into a writing room and a lounge area.



REDEFINE YOUR AUDIENCE

FINDING NEW AUDIENCES for your product can allow you to broaden your sales potential and escape crowded markets.

The idea

Do you think you know who the best people are to target with your marketing? Think again. Reconsidering who may be interested in your products opens up a new world of potential customers, for the company intrepid enough to find a new audience for its advertising.

The Polish division of the brewing firm Carlsberg decided to create a beer to be marketed primarily to women. Karmin, a beer with a low alcohol content and high emphasis on flavor, was colorfully packaged and launched on International Women's Day. This was a bold move in an industry that typically focuses on selling to a male clientele, with advertising campaigns usually centering around sports sponsorship deals and scantily clad models.

This strategy of redefining your audience was also followed by British clothing retailer Marks & Spencer, after its reputation for catering to older female clientele became insufficient to sustain its business. Marks & Spencer decided to expand into a younger, more style-focused market, and launched Per Una, a new range of clothes designed to appeal to women in their twenties and thirties. While it had traditionally emphasized comfort over style, the decision to present a fashion-forward image helped Marks & Spencer broaden its appeal—and turn around its flagging sales.

TURNING THE SUPPLY CHAIN INTO A REVENUE CHAIN

AGREEING TO SHARE sales revenue with suppliers allows companies to purchase goods for a lower price, increase revenue, and cope with fluctuations in customer demand.

The idea

In the 1990s, the leader of the video rental market, Blockbuster, found itself frustrated by never having enough copies of popular movies in stock to satisfy demand at peak times. The problem was that Hollywood studios charged \$60 per video, while demand typically fell sharply a few weeks after release. Consequently, Blockbuster could not justify purchasing more than ten copies of a movie, leaving many customers frustrated at being unable to rent the latest videos.

To solve this dilemma, Blockbuster proposed giving movie companies a share of the revenue from rental sales to secure a lower upfront price for videos. Blockbuster was able to break even on a video more quickly, and able to purchase more copies to satisfy demand—ensuring high standards of convenience for customers. The movie studios also benefited from increased tape sales and added revenue streams. By turning a supply chain into a revenue chain, Blockbuster had satisfied the movie companies, the customer base, and its own bottom line.

the Fortune 1000. When customers buy Quiksilver apparel, they are buying a lifestyle of sun, sea, and surf, without the worry of having to brave any killer waves. Your product need not be sold just for its functional use: it can be marketed as an entry fee to the life your customers desire.

In practice

- Provide sponsorship deals, to show you are aligned with the culture you wish your brand to embody.
- Placement of marketing is vital. Make your brand's presence known at appropriate festivals, tournaments, meetings, parties, and cultural hotspots.
- Sell a range of products involved with the culture—this will broaden your appeal and increase credibility.
- Subcultures are a good target for lifestyle brands, as they often feel a strong need to assert their group identity.
- Elite cultures are also suited to lifestyle brands.
- One factor is often overlooked when creating a lifestyle brand: ensure your product offering is compatible with the “lifestyle” you are promoting. If you want to market your organization as an elite sporting brand, remember to actually sell quality sporting equipment that matches the needs and perceptions of the target market.

In practice

- Work hard constantly to understand as much as possible about your customers; take great care if you are reducing their views to a few simple truths.
- Talk with customers and take every opportunity to engage with them.
- Look at the nature and history of your company: by understanding your brand and product, it is possible to gain new insight into your prospective customer base.
- Use trial launches before significant changes to your product; this reveals potential customer complaints.



MANAGING A TURNAROUND

UNDERGOING A CORPORATE transformation is fraught with danger, but guidelines can be used to make sure that it goes to plan and your organization gets the most out of the change.

The idea

Robert Reisner, former vice president of strategic planning for the US Postal Service, is well placed to talk about the pitfalls of managing organizational change. Amid soaring profits in 1999, the US Postal Service made an attempt to revolutionize its business technologically to allow it to compete in a new “wired” era. Although this effort to better integrate into a technologically advanced society was met with initial optimism, it soon began to stall. In 2001, the company was facing a \$3 billion loss, motivation was falling, and the General Accounting Office described the turnaround as having a “high chance of failing.”

Reisner identified key steps that led to the transition stalling, which provide important lessons for corporate transformation:

1. *Not missing your moment.* Time your change initiatives to coincide with market opportunities and high morale among employees.
2. *Connecting the transformation with the core of your business.* Make sure employees understand how the changes are relevant to the mainstream operations of the company.
3. *Telling the difference between incremental improvements and strategic transformation.* Don't let temporary business success distract from the need for a strategic reinvention.

CROSS-SELLING AND UP-SELLING

CROSS-SELLING MEANS SELLING additional products to a customer who has already purchased (or signaled their intention to purchase) a product. Cross-selling helps to increase the customer's reliance on the company and to decrease the likelihood of the customer switching to a competitor.

The idea

An idea that first gained momentum in the 1980s, cross-selling involves firms offering a variety of products and services to customers, then using an integrated selling process to market this range to existing clients. For example, if customers trust a firm to provide them with health insurance, they may also trust it to provide car insurance. The company can take advantage of this trust by offering both services, and targeting existing customers with marketing schemes.

Internet-based travel agent Expedia offers an impressively seamless and effective example of cross-selling. When customers complete an online order for a hotel or plane ticket, they are presented with a webpage offering them the opportunity to purchase car hire. Low-cost European airline easyJet uses cross-selling on its website, for example, by offering travel insurance to customers in the process of purchasing a ticket.

However, smaller businesses and offline companies needn't be put off; cross-selling does not need to be a technologically advanced process. Simple integrated sales pitches can be just as effective.

discussions and using other forms of communication, members of the guiding coalition should act as role models for the type of behaviors and decisions that are needed.

5. *Empower others to act on the vision.* If old procedures and obstacles remain in place during change, it will be demotivating for employees involved in the effort. So, encourage and support people to make the right changes, ideally without always referring upwards.
6. *Plan for and create short-term victories.* Find ways to start the process and work hard to generate momentum, even in small ways. Motivate employees by continuously emphasizing milestones and successes. Accentuate the positive aspects of the transition.
7. *Consolidate improvements and maintain momentum.* Rather than growing complacent as the process develops, use the credibility gained to reinvigorate and expand the changes to all areas of the company.
8. *Institutionalize the new approaches.* Anchor the changes firmly in the culture of the organization. When changes become entrenched, they are most effective.

When planning a change process with these steps in mind, it is important to allow enough time for the full sequence of events and to carry them out in the correct order. Kotter discovered that following the change plan sequentially and patiently was fundamental to success: "Skipping steps creates only the illusion of speed and never produces satisfactory results. Making critical mistakes in any of the phases can have a devastating impact, slowing momentum and negating hard-won gains."

- Distribution advantages. An established brand can ensure manufacturers get the best distributors. Distributors are more receptive to a new product from an established brand.
- Brand identity or image reinforces the product's appeal. The Rolls-Royce brand has a stately identity and is associated with values of craftsmanship, tradition, and prestige; Volvo has a different brand identity, with associated values of safety, functionality and family orientation. The brand values of different products reinforce their appeal to specific market segments.
- Brands help to build customer loyalty, because of the trust and affection they generate.
- Brands make it easier to introduce new products by exploiting "brand equity."
- Brands provide opportunities to open up new market segments. For example, food manufacturers create sub-brands with diet versions of products.
- A strong brand enables products to overflow from one geographic market into another. This is particularly the case in industries affected by fashions.
- Brands can extend the life of a product. As brands combine trust and respect, careful marketing can exploit these qualities and inject new life into a stagnating product. For example, Danish toy maker Lego produces toys linked with movies.
- Brands provide a valuable, market-oriented focus around which firms can organize themselves. The brand manager is often directly responsible for what the product offers, as well as how it appears to the customer.



EMPOWERMENT

WHEN EMPLOYEES AT all levels of a company are empowered to make the decisions they feel are necessary, individual job satisfaction, corporate efficiency, and productivity soar.

The idea

Rosabeth Moss Kanter, Harvard Business School professor, argues that companies can improve performance by allowing employees to make decisions without constantly consulting superiors. Such empowerment releases the creative power of a team; given the right work environment and level of responsibility, people will make a much greater positive contribution.

When empowering team members you are letting them get on with the job entirely: they are both responsible and accountable, within certain agreed boundaries. Leaders need to set a clear, unambiguous direction and to ensure that people remain on course, by offering support without taking over. Empowerment involves:

- Letting each member of the team get on with their job.
- Letting those team members closest to customers take decisions themselves.
- Removing obstacles and unnecessary bureaucracy.
- Encouraging and enabling people to put their ideas for improvement into practice.

By using empowerment, the Ritz-Carlton hotel chain improved customer service and differentiated itself from competitors.



THE BUYER'S CYCLE

TO UNDERSTAND HOW to influence someone or to sell an idea, it is essential to know how people buy. The buyer's cycle provides a clear picture of the stages that need to be influenced to make a successful sale.

The idea

One of the factors behind the success of businesses such as Dell is their ability to understand their customers. This firm (and others) ensures that its approach is as flexible as possible and as informed as it can be. Understanding buyers' attitudes will enable you to influence behavior more easily and effectively.

Buying attitudes are determined by the buyer's perception of the immediate business situation, how your proposal is likely to change that situation, and the extent to which that change will close a gap between the current reality and future goal.

In practice

Focus on each of the stages in the buyer's cycle. Consider what you can do to influence your customers at each stage:

1. *Increase awareness.* The first challenge is to develop awareness of your business or new product among potential clients. This provides a feeling of familiarity, comfort, or intrigue. This awareness can then be used to lead customers into the next stage: information. The potential market size at this stage is 100 percent.
2. *Provide information.* This stage is when specific details are provided to the customer. Their interest may vary from a passing

Camaraderie. Employees like to have warm, interesting, and cooperative relations with others in the workplace. The most significant aspects of camaraderie are:

- Relationships with coworkers.
- Teamwork within a worker's business unit.
- Teamwork across departments in a specific location.
- Teamwork and cooperation across the entire organization.

Equity is the most important factor in shaping employee engagement. When equity is rated low, even if achievement and camaraderie are rated high, overall enthusiasm can be two-thirds lower.

Employee morale is a function of the way an organization is led, and the way that leadership is translated into daily management practices. Employee enthusiasm results in significant competitive advantage, as it impacts on all aspects of business success, including customer satisfaction. Finally, success breeds success, as morale drives performance and performance enhances morale in a virtuous cycle.

from the *takaful* fund for the defined losses incurred by any members of the scheme, all the members of the scheme essentially protect each other.

In practice

Takaful insurance is growing rapidly in the Muslim world, as financial service firms recognize that sound financial management and religion are compatible, and possibly even complementary. Although it only launched in 2007, the future for SABB *Takaful*—a well-run, ethical business—is promising. The question is, why is it taking so long for firms to realize the opportunities here? Businesses not only make a profit but help people in a positive, socially responsible way as well—by supporting their personal faith.

One question that is increasingly significant, and I suspect unusual, is how can your business support people of faith?

1. *Consciousness*. Each person knows the goals of the organization and believes they can play a part in achieving them.
2. *Multiplicity*. Teams and groups contain a wide and creative mix of skills, experiences, backgrounds, and ideas.
3. *Connectivity*. Relationships are strong and trusting, and are actively encouraged and supported within and across teams and functions.
4. *Accessibility*. Doors and minds are open; everyone in the organization has access to resources, time, and decision makers.
5. *Consistency*. Commitment to innovation runs throughout the organization and is built into processes and leadership style.

could be trained to make repairs. Canon's approach meant Xerox failed to sustain its competitive advantage.

Business success is determined by whether resources strengthen or decline, complement or undermine each other, take from or are eroded by competitors.

In practice

Three basic issues need to be addressed: why performance is following its current path, where current policies and strategy will lead, and how the future can be altered for the better. Several steps will help address these issues:

1. Identify resources and understand how they behave. You do not have to possess a resource for it to be useful. Consider the following questions:
 - What are the most significant resources in your organization?
 - How many of these resources do you have?
 - How do they interact and affect each other? In particular, how do they affect the quantity and quality of other resources?
2. Consider the impact that people have on this system:
 - Do you use people to build, develop, retain, and use resources?
 - Do you ensure that people enhance the quality of your resources?
3. Understand how resources affect performance.
4. Develop new resources in your business.

Two of the highest-profile and most successful examples of the balanced scorecard at work are provided by Mobil Oil (now Exxon Mobil) and CIGNA Insurance. Exxon moved from last to first in profitability within its industry from 1993 to 1995—a position it maintained for four years. CIGNA Insurance was losing \$1 million a day in 1993, but within two years it was in the top quartile of profitability in its industry. Both organizations attribute a significant element of their success to the balanced scorecard.

In practice

The type, size and structure of an organization will determine the detail of the implementation process. However, the main stages involved are as follows:

1. *Preparing and defining the strategy.* The first requirement is to clearly define and communicate the strategy, ensuring that people have an understanding of the strategic objectives or goals, and the three or four critical success factors that are fundamental to achieving each objective or goal.
2. *Deciding what to measure.* Goals and measures should be determined for each of the four perspectives: financial, customers, internal processes, and innovation and learning perspective. Examples for each are shown opposite.
3. *Finalizing and implementing the plan.* Further discussions are necessary to agree the detail of the goals and activities to be measured, and what precise measures should be used. This is the real value in the approach: deciding what action to take to achieve the goal.
4. *Communicating and implementing.* Delegate balanced scorecards throughout the organization.



DEVELOPING A SALES CULTURE

“PUTTING CUSTOMERS FIRST” is a frequently heard business mantra, but what does it mean and how can it be achieved in practice?

The idea

The argument is simple. If you can get everyone in your organization to view their work from the point of view of the consumer, your business will be more effective and likely to succeed. This sounds obvious but can be hard to achieve. The challenge is to overcome the inertia of previous attitudes and to instill a new sense of energy and a focus on the customer.

In practice

HSBC is a financial services business that since 1992 has achieved a compound annual growth rate of 17 percent. It has become one of the world's 20 largest corporations, and since 2004 has been striving to achieve organic growth, largely by focusing on current and potential customers (rather than through acquisitions or improving business processes). Shifting the approach of a large, venerable, and long-standing bank that employs over 300,000 people in 80 countries is no mean feat. Several factors are prominent in its move to a greater sales focus:

- *Proactively manage performance.* Get the right people working at their best, and make sure everyone knows that success is determined by the customer. Help individuals to achieve their potential; if you need to change the people you have in the business, do so.

How do you instill a bold, adventurous approach in employees? The most successful businesses are often those that are prepared to go further and take careful, calculated risks. This spirit of audacity can be developed, with insightful leadership.

The idea

“As South Africans, we weren’t really frightened of emerging markets compared to the things that we were going through at home,” commented Graham Mackay, SABMiller’s chief executive. Difficult trading and environmental conditions instilled determination and resilience in managers at SABMiller, one of the world’s largest brewers. Having built SAB in their domestic market, they were keen to compete and succeed abroad following the end of apartheid. They were ingenious, flexible, determined, and prepared not to follow convention. For example, SAB entered markets that (in the mid-1990s) were unfashionable, in Latin America, China, and Central Europe. Although these developing economies represent attractive growth markets now, the fact that SAB had a culture of taking on challenges meant that it could go there first and achieve considerable success.

SABMiller has a bold approach to business and has become a global giant in little over ten years.

In practice

- *Find the dangerous edge.* This is the point where the greatest risks lie. Understanding where this point is will increase confidence

- *Implement new performance measures and metrics centered on customers.* Metrics encourage customer-focused decisions. If these metrics are linked with rewards, they can be a powerful way to change behavior.
- *Develop cooperation by changing the structure and approach of specific teams.* This can be challenging, and may include changing reporting arrangements and revising processes so that people closest to the customers are the ones making more of the key decisions.
- *Build cross-business skills and capabilities.* Silo busting requires generalists—people capable of operating across divisions. These people should be developed and programs implemented to help them gain and develop their cross-business expertise.
- *Build relationships and connect with people.* There is no substitute for the “soft” skills of rapport, understanding, and trust. Involvement, communication, and support are valuable ways to build relationships, and these will help ensure success.



TALENT MANAGEMENT

WHATEVER YOUR BUSINESS, having the right people in the right roles is essential for success. Talent management ensures that you have a steady supply of one of the scarcest, most expensive, and important resources: the right people.

The idea

Good people are hard to find, and during times of declining population, notably in developed Western countries, it is becoming harder and more competitive to find talented people. The solution is talent management: attracting, developing, and retaining the right people.

Nurturing, developing, and retaining the most talented people requires specific, in-depth skills and expertise. The importance of an explicit focus on talent management was evident in the experience of Mellon Financial, which developed through the 1990s from a traditional bank into a strong financial services business. The challenge was to develop new products and services, cross-sell to clients, and expand into new markets. This required new skills and a different approach, so Mellon, under CEO Marty McGuinn, took several important steps to manage talent within the organization. Centers of excellence were introduced, where experts devised leadership development tools and programs, which were taken into each business unit to provide training and development to individuals. The leadership development program involved senior management frequently meeting with emerging leaders one-on-one. The skills that emerging leaders would need were explained and individuals were helped to develop those skills. The focus on talent management was an important aspect of Mellon's development.

In practice

Addressing questions in several key areas will help you focus on talent management within your organization:

- *Corporate culture.* What are your priorities? Does your organization have the desired identity and culture? Do all of your employees understand your vision and core values? What keeps your employees coming to work each day? What affects their attitudes and behavior with your customers and with one another?
- *Recruitment and selection.* How do you identify and select the right people? Do you clearly understand the skills and experience required now and in the future, and do you get the best available people?
- *Managing performance.* Are you actively managing performance, giving feedback, and coaching employees to improve?
- *Employee development.* Do you have adequate resources, processes, and tools to develop your employees? Do all employees have a personal development plan to improve their skills and maximize their potential?
- *Remuneration.* Are you properly rewarding your employees? Do your bonus schemes encourage and reward the desired behaviors?
- *Succession planning and leadership development.* Do you have succession plans for key roles?
- *Diversity, compliance, and procedures.* Does your workforce reflect the customers and markets you serve? Are you meeting your legal obligations? Are you engaging with key stakeholders and handling employee relations?

In practice

Ten factors exert a significant—often decisive—impact on the success of an organization's online activities. Clearly, some will be more important than others. Some factors are constantly important—notably capability and convenience—whereas other issues assume a greater significance at certain times (for example competitiveness, while always in the background, may assume a sudden and striking importance).

1. *Content*: the need to develop compelling, credible, and customer-focused information. Content needs to be appropriate, add value, stimulate and capture interest, entertain or inform, be accessible and appropriate to the target audience, embody the brand, and, above all, engage the customer—ensure that the customer is impressed enough to want to return.
2. *Communication*: the need to engage customers. Customers like to be listened to, and online they expect dialog and interaction.
3. *Customer care*: providing customers with support and confidence. Federal Express took the issue of customer support and turned it into a major source of competitive advantage online. FedEx empowers its customers to find out the status and location of their packages by logging onto its website. This provides support, confidentiality, and ease of use. It also engages customers, by meeting their needs.
4. *Community and culture*: the need for contact and interaction. People like people: they like to interact, and they are essentially social beings, sharing interests and valuing what they have in common.
5. *Convenience and ease*: the need to make things easier for current and potential customers.



COACHING AND SUPERVISION

COACHING IS A vital leadership skill, and an area of business that has grown dramatically in recent years. The challenge, however, is to ensure that coaches inside and outside the organization are as effective as possible. Supervision provides an important part of the answer.

The idea

Executive coaching is highly effective, increasingly popular, and expensive. The business has grown fast, and inevitably has attracted people who are less than qualified. The challenge, therefore, is to select a coach with the right level of expertise, who will provide a return on the investment. One key element in making this decision is whether the coach is supervised. This involves an experienced expert providing objective and confidential support to the coach.

Supervision is often neglected, yet it is vital for several reasons. If someone supports the coach another perspective is brought to bear, so clients receive two experts for the price of one—especially valuable when faced with complex, intractable issues or difficult choices. Also, by providing feedback, supervision helps ensure quality: an important issue in an industry without regulation where anyone can call themselves an executive coach. In fact, supervision is fast becoming the standard for coaching. The Association for Professional Executive Coaching and Supervision (APECS) highlights the fact that an increasing number of major corporations now require coaches to be supervised.

In practice

Good ideas can come from anywhere, and the six Rs approach is especially valuable for identifying opportunities for improvement. Identify something you want to improve, and use the list below to generate ideas.

- *Research*: what can you learn from people or organizations that do this activity well?
- *Reframe*: what is a completely different way of thinking about this?
- *Relate*: what ideas can you borrow from another activity or field?
- *Remove*: what can you eliminate?
- *Redesign*: what can you do to improve this activity, process, or procedure?
- *Rehearse*: what can you do to be certain you have a good idea?

Consider the following actions to identify areas for improvement:

- Talk to people in other areas who deal with similar issues.
- Talk to other companies. Explore how things are done in another industry or country, and think about ideas you can borrow, adapt, or combine.
- Talk to creative people who know nothing about the area but who may have different perspectives.
- Gather a group together to brainstorm ideas.

Finally, it is important to provide a clear focus, otherwise innovation can drift or move in circles. Ensure that innovations are realistic, and plan the implementation of new ideas; innovations often fail because of poor planning or execution.



DEVELOPING KNOWLEDGE AND INTELLECTUAL CAPITAL

DEVELOPING INTELLECTUAL CAPITAL is imperative, as knowledge is an asset and a source of power. As Lerry Platt, former CEO of Hewlett-Packard, says: "If HP knew what it knows, we would be three times as profitable."

The idea

Knowledge is the intellectual capital that an organization possesses. Technological developments and the internet have promoted an explosion in the scope and depth of available knowledge. As there is so much information and knowledge available, it is important for organizations to know how to creatively develop and use information.

Intellectual capital is an asset that is created from knowledge. As writer Thomas Stewart argues, "Intelligence becomes an asset when some useful order is created out of free-flowing brainpower . . . organizational intellect becomes intellectual capital only when it can be deployed to do something that could not be done if it remained scattered round like so many coins in the gutter."

Knowledge and information have to be collected, protected, and effectively managed if they are to be valuable resources. Appointed in 1991 as the world's first director of intellectual capital at Skandia (Sweden's largest financial services corporation), Leif Edvinsson divided intellectual capital into three types: