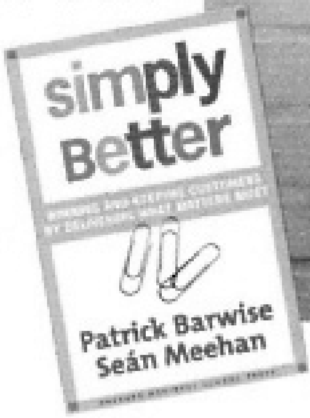
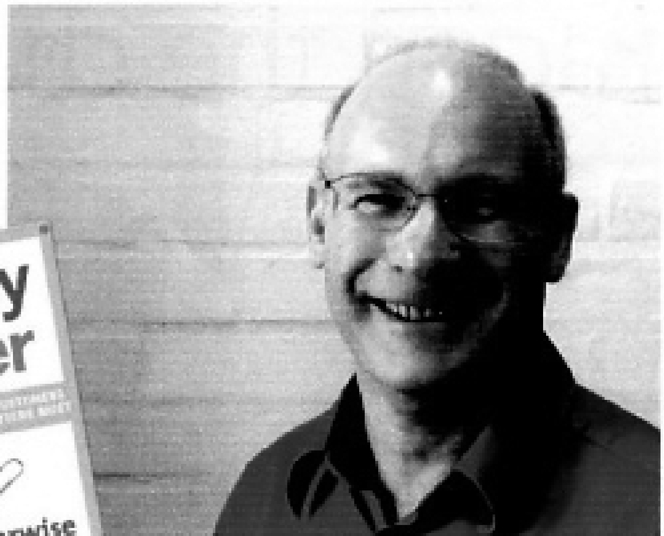
simply better:

thinking inside the box

In Ireland last month for the MBA Association of Ireland's Guest Speaker series, Patrick Barwise, co-author of the best-selling Simply Better, told Senior Managers and CEOs: forget outside the box thinking, it's the inside that could be key......





Companies are not as customer-focused as they think. Everyday experience and customer surveys bear this out. At the root of the problem are two assumptions, both wrong.

First, companies assume that they need to offer something unique to attract business. Second, they assume that years of competition have turned the underlying product or service into a commodity. In reality, what customers care most about is that companies reliably deliver the generic category benefits, but, far too often, that does not happen. Therefore, most businesses have a big opportunity to beat the competition, not by doing anything radical and certainly not by obsessing about trivial unique features or benefits, but instead by getting closer to their customers, understanding what matters most to them, and providing it simply better than the competition.

"Simply taking care of the business had somehow become passé."

Think inside, not outside, the box

The alarm bell went off when, a few years ago, a senior executive (let's call him "Jim") at a major consumer-goods company congratulated one of us on our counterintuitive thinking. Having spent the day explaining how customer value orientation works to enhance business performance, we were surprised by his reaction.

Jim's business, it turned out, was the cash cow of his organisation. In his five years in charge, he had consistently delivered on-target earnings. His market share was high and stable, and customer satisfaction ratings were so high that other business unit heads had ceased to benchmark against him. Colleagues, however, suggested that the business's success was attributable not to Jim's management but rather to the colossal brand he had inherited. They would regularly ask, "What has Jim done with the business? Where are his innovations? Doesn't he realise that if he continues with the old model, the competition will overtake him?"

"Managers had increasingly become thrill-seekers who had lost sight of the fundamental economics of risks"

A management generation of thrill seekers?

Jim believed that managers had increasingly become thrill-seekers who had lost sight of the fundamental economics of risk. Executives from all disciplines multitasked, coordinated, visioned, and strategised. Simply taking care of the business had somehow become passé. With no meaningful acceptance of the downside inherent in risk, Jim argued, the trend-conscious executive was addicted to novelty. Between exploring web opportunities, sizing up the next acquisition, restructuring the balance sheet, partnering, venturing, and outsourcing what they once thought was their core activity, managers had taken their eyes off the ball. They had been encouraged to do so and were often rewarded irrespective of outcome. They were excited. They were learning lots in their exploration of the new futures they would fashion. Who could blame them? They had, after all, been endlessly encouraged to think creatively, out of the box. They had repeatedly been urged to break the rules.

All this made Jim feel like a dinosaur. What excited him was creating value for his customers, one at a time. Although the revenues of Jim's division exceeded $2 billion, he knew all his major customers (large retailers), their businesses, and their issues. His knowledge of consumer trends, and his ability to understand how and why they evolved as they did were legendary. He was intimately involved in product development and, with his team, had created an operations and fulfilment capability that was the envy of the industry. He was, simply, a profit-and-loss man, a complete business manager. He knew how to build and nourish a mature business, getting everyone enthused about creating customer value. "Simple blocking and tackling" is how he put it to us. What is counterintuitive about that?

We urge you to think twice before breaking too many rules. Just as most clichés are clichés because they are usually true, rules are there for a reason and generally make some sense. Instead, redirect your creativity. Look at how your customers really make buying decisions and what matters most to them. Be realistic and frank when discussing worthy competitors. Confront disappointment with confidence that you can and will improve. Do not get distracted from monitoring the performance of your businesses and all your competitors' businesses on the generic category benefits.

Is it not about time managers spent more effort thinking about the basics of their business, more effort thinking about real customers? Is it not about time they saw that we—the customers—are easy to please? We simply expect companies to deliver on their promises. Too many managers have spent so much time outside the box now that they have forgotten how good it can really be when they strive to be simply better.

Eye

Patrick Barwise is Professor of Marketing Management at London Business School, and co-author, with Sean Meehan of Simply Better (Harvard Business School Press, 2004) www.simply-better.biz. He was in Ireland early March to address 150 Managers and CEOs at the MBA Association of Ireland's Guest Speaker event. www.mbaassociation.ie