Cook & Company Commentary

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Our Mission

To help individuals, teams and organizations reach their potential through strategic planning, innovative coaching, development of team effectiveness and management consulting.

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Ethical Performance

A New Wave in Strategy and Marketing

Normally I don't get too excited about "new" breakthroughs in management

But when our famous "weak signals" (see our newsletters of Summer 2003 and Winter 2003 on Highly Reliable Organizations) triangulate the possible appearance of a different management approach, it is definitely worth paying attention. And when it involves the heart and soul of most businesses – strategy and marketing – it is particularly important to take notice.

Recent signs of a different way of developing strategies and marketing approaches

- "My Customer, My Co-Innovator" -- title of a recent article in Strategy+Business on how companies as diverse as Cisco and Procter & Gamble are sharing tools with customers that they heretofore have kept "secret." Why? Because they are finding that sharing helps build stronger relationships, and even in some cases helps them refine the tools themselves, for the benefit of both parties.

- "Do Customer Communities Pay Off?" – title of a research note in the most recent Harvard Business Review on how two marketing researchers collaborated with eBay Germany's business unit to run a controlled experiment involving over 140,000 customers. The result? The 70,000 or so who participated in eBay online communities (after being given small gifts to do so) outperformed the 70,000 control group customers (who weren't asked to join these customer communities). They:
  - bid twice as much as members of the control group
  - won 25% more auctions
  - paid final prices as much as 24% higher
  - spent up to 54% more money

- Outside Innovation, by Patricia Seybold (Collins, 2006), postulates that it is customers who will best help you innovate (hence the "outside-in" notion), and uses a wide variety of examples, both business-to-business and business-to-consumer, to make the point.

Why are organizations taking these new approaches?

First, more and more organizations are finding it difficult to develop innovative and executable strategies as the "pace of play" in business continues to speed up. And it is not just coming up with those strategies, it is also testing to see if they work. While real option theory and the idea of placing small bets is helpful, it still seems to many of my clients that they are always behind the curve when it comes to strategic thinking.

Second, a revolution in thinking about the customer/organization interface is taking place. Consider:

- It used to be that strategy was jealously guarded, it being thought that if someone found out your strategy, you were dead. Time has shown that execution is much more important than virtually any strategy especially if the latter is disconnected from your customers. Plus, first movers often don't win out in the end. And with the pace of play increasing, by the time someone obtains your strategy, if you have executed effectively, the strategy itself may well be obsolete.

- It has been thought for some time that the best way for an individual to "own" a particular outcome was for them to figure it out for themselves, sometimes with an outside "guide on the side" providing the right questions. Now research is confirming that this idea is

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contact@ cookcompany.com

Cook & Company

170 Marion St., Suite 200
Denver, CO 80218
Voice (303) 733-7893
Fax (303) 698-0364

contact@cookcompany.com
www.cookcompany.com

supported by evidence that the human brain opens up new pathways and keeps them in play more so if the brain itself is involved in that discovery process (see "The Neuroscience of Leadership" in Strategy + Business, Summer 2006). Thus, no wonder customers and their vendors alike develop a symbiotic relationship when they are engaged in a process of mutual discovery.

How does one take advantage of the convergence of these ideas?

Perhaps the first step is the easiest: *Ask your customers what is on their minds!* Or, as the CEO of one my client firms does, ask of customers, "What keeps you up at night?"

Here is a good example of the power of "The Ask:" Between 1975 and 1990, Hill-Rom grew its share of the hospital bed market from 30 to 90 percent, all in what looks like a commodity market. How did they do it? The company learned that nurses, who account for a significant share of a hospital's operating costs and whose interactions with patients strongly influenced perceptions of the quality of care, were spending inordinate time on tasks unrelated to nursing—picking up things from the floor that patients had dropped and fixing television problems, for example. By adding features and functions to their beds that took care of many of these non-nursing tasks, Hill-Rom differentiated its beds in ways that helped hospitals make more money. Hospitals readily paid premium prices to get those improvements.

I believe asking questions is the easiest step, but it is not without its own complexities:

- You can't ask the question unless your underlying performance with the customer is close to flawless. Nothing will aggravate you as a customer more than to be confronted by a C-level executive from a vendor who wants to know what your strategic issues are, while *they* want you to talk about their most recent screw-up. If you don't deal with those first, the rest of the interchange may be negative rather than positive.

  On the other hand, as many of you know, a foul-up may, if resolved promptly and with appropriate humility, provide a golden opportunity to dig deeper into your customer's real needs.

- You shouldn't ask the question unless you have done your own homework beforehand. It is okay to end a conversation with "That's a really challenging issue, let me get back to you with our thoughts." However, if that line is preceded by some interchange that demonstrates you have thought in advance about your customer's value proposition, their strengths, and most importantly, their challenges, you are much more likely to have started a potentially valuable dialogue.

The second step is to weigh the consequences of saying too much against the rewards of saying enough. Customers (like children) are good at sensing when you are holding something back. And as stated above, many times if a strategic direction does get to one of your competitors through a customer, the impact may be negligible. On the other hand, if you are in a slow-moving, long cycle-time business (think nuclear power plant construction), your competitors may have plenty of time to catch up.

The third step is to make sure you do something with the results. It is not nearly as important to actually solve an issue for a customer as it is to make a good-faith effort and invest modest resources in thinking about their problem or problems.

The fourth step is to think about being really adventurous and bringing together a number of your customers to see what the synergy of that interaction brings. The new notion of "crowdcasting" builds on that idea: a company pays for an independent facilitator to engage a group of customers in thinking about your business. If carefully enough constructed and facilitated, the results appear to be promising (see www.innocentive.com and www.ideacross.com for two such facilitators). But you can also do this yourself, by starting with a couple of customers or clients with whom you are comfortable. Suggest a meeting with some of your other customers and yourselves (best if they are *not* competitors), and ask what they might like to talk about. If you get one or two ideas that resonate with all of the potential attendees, you will be off and running.

In summary, whether it is to help on strategy or marketing (or innovation or something else), focusing more on customer viewpoints seems to be a powerful tool, and one that may be of increasing importance as business cycle times decrease and pressure on developing true customer intimacy continues to increase.