Designing a Digitally Enabled Prototype— a Customer-Centric Design

Sharon Butler (Magellan Health); Caroline Missen (Shell); and Chris Worley (USC)

INNOVATION RESOURCE CENTER for HUMAN RESOURCES

SPRING NETWORK

USCMarshall School of Business *Center for Effective Organizations*

Center for Creative Leadership®

Designing a Digitally Enabled Prototype a Customer-Centric Design[1,2]

Sharon Butler (Magellan Health); Caroline Missen (Shell); and Chris Worley (USC)[3]

High Level Framing of the Customer Centric Design Challenge

In the past, growth in the population, markets, customer segments, and customer preferences as well as relatively linear technological advancement meant that a product-centric organization could be successful. Digital technologies allow us to quickly generate insights into customer/consumer behavior, expectations, and valued outcomes, and to build the customer facing part of the organization quite differently than we have in the past. There will be greater emphasis on bundling the product/service/ support solutions demanded by customers, developing customized solutions for and individualized approaches to customers, increased customer relationship management and use of customer profit centers, and on building front-end ecosystem connections and platforms to support the delivery of greater value. This will only be possible if the business model pursued through changes in the front end of the organization is closely linked to the evolution of the operating organization capabilities.

The Design Task

Design a high-level prototype of an "extreme" customer-centric organization. It should optimally embody new digital capabilities and reflect a business model that provides and evolves platforms for customer centricity and simultaneously enables efficiency and agility.

1) Provide a high-level, generic structure depicting the front end/customer facing units of a future organization and how it juxtaposes with strategic, operating, and innovative units in the company. How does the front end link with operating and strategic functions and with business units.

---

[3] Authorship of this document is listed alphabetically.

2) What are the key governance and management processes (e.g., goal setting, review, decision making) required to drive the customer focus?

3) What role do digital technologies play in supporting the capabilities and groups in the customer centric front end? How do the connections to customers need to change?

4) What other elements of the organization's design (e.g., leadership development, rewards/recognition) will have to change and in what ways will digitalization contribute to the effective operation of the customer centric capability while assuring the overall success of the system?

The group developed three assumptions that guided their work: (1) the proposed design should be a sustainable, on-going operation, not a project organization; (2) the organization could be viewed as either B2B and B2C; and (3) the organization should be considered global in scale and size to admit a high level of complexity in the design.

The model presented here incorporates feedback from colleagues on an initial prototype. A high level description of the design is shown in Figure 1.

Input: Themes from Previous Research about Customer Centric Designs

From Product Centric	→	To Customer Centric
Build the best product for the customer	→	Find the best solution with the customer
Prioritize new product development	→	Develop bundles of products, services, & support
Product P&L's	→	Customer P&L's
Internally focused innovation process	→	Customer involvement in finding solutions
Technical capabilities valued	→	Customer knowledge and satisfaction valued

Substantially influenced by digital technologies, the customer has been gaining power in the relationship with organizations. As a result, several important shifts are taking place inside organizations.

Figure 1.

Operations Units (BACK)	Front-Back Connections	Customer Facing Units (FRONT)
• Customer fulfillment • Manufacturing & distribution • Product development	• Business services • Product planning • Capital planning • Supply chain • Functional support	• Relationship management • Solution development • Customer insight • Services
EFFICIENT	INTEGRATIVE	FLEXIBLE

Customer centric structures must account for conflicting demands. Customer facing units must be designed for flexibility; operations and support units must be designed for efficiency; and complex prioritization and budgeting processes must integrate the front and the back. These characteristics reflect important dimensions of agile organizations.

<u>Input:</u> New Assumptions and Polarities

Based on prior work by the community, a list of "go-forward assumptions" and prioritized polarities to be addressed were given as inputs and assumptions to the task.

Go Forward Assumptions

- Continuous learning for adaptation drives long-term value
- Organizational structure is less about hierarchy and more about the work that needs to be done
- Digitalization can drive higher impact business outcomes with lower risk
- Collective insights that can be executed will drive value
- Organizational models cannot be a one size fits all, but needs to flex across business units/teams.
- Vision and purpose are the new long term planning

Incorporating digital capabilities into the way organizations operate requires changes in fundamental assumptions that fit with old ways of operating and hold these old ways in place. STARLab participants identified six critical "Go-Forward Assumptions" that will be required to inform new designs and will be required to unleash new capabilities and behaviors.

Critical Polarities

- Responsiveness ⟷ Efficiency
- Replacing Talent ⟷ Augmenting Talent
- Value Creation (Change/Impact on Global Outcomes) ⟷ Value Extraction (Benefits to my Organization)
- Personal Orientation ⟷ Collective Orientation
- Intuitive Decision-Making → Measured Decision-Making
- Not Either/Or — Requires Being Adaptable/Dynamic

All organizations have to create the right balance of some key polarities/tensions (such as between short and long term performance focuses) in order to perform effectively. STARLab participants identified six polarities that are strong tensions that have to be addressed to design to incorporate of digital capabilities into their business models and organizational logics.

Digitalization and Customer Centric Design Principles Generated by the Group

Strategy: An "extremely" customer centric organization would commit to a vision of customer obsession, which was defined in terms of speed and convenience. The organization would respond quickly to customer requests, aggressively bring innovations to market, and allocate significant resources to build relationships and focus on the ease of doing business.

The business model is driven by a clear, long-term focus on loyalty over satisfaction. Customer obsession would create personalized customer experiences (convenience) and a partnership from the "top of the house" and "on the ground." Customers are partners, not buyers they may be referred to as "family."
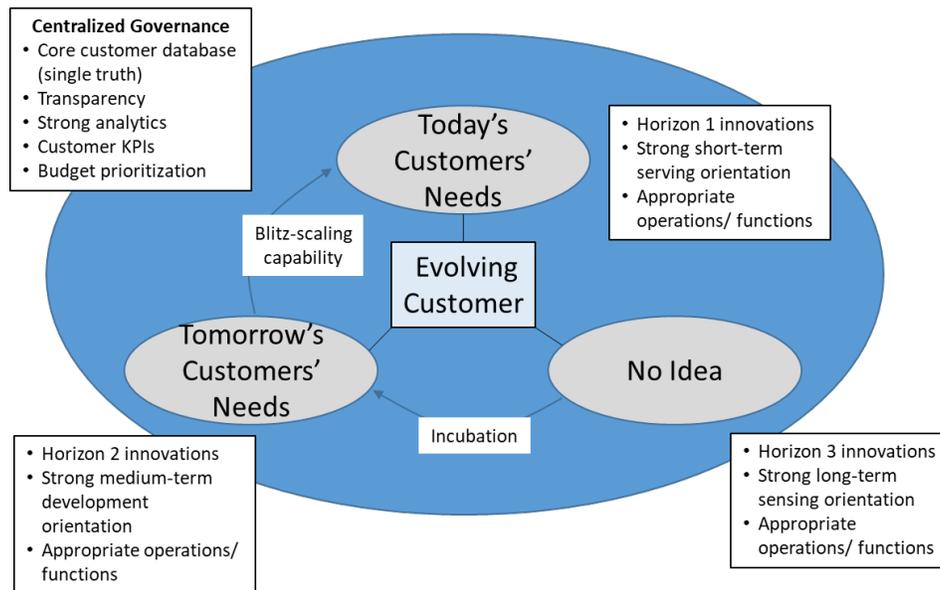
Work Processes: The core work process of a customer centric organization recognizes that there are multiple customer journeys and that each journey is to some extent unique. Digitally enabled and agile ways of working support the flexibility and rapid response required by these journeys. All work processes begin with the customer voice, customer insights, and the supporting analytics processes which feed into an iterative and interdependent experience design – product design loop. The design phase explicitly involves the customer. As an inherently innovative process, it includes both incubation and scaling processes (especially in the Go to Market) phase.

Voice/ Insight → Experience Design → Go to Market

The model acknowledges the need for and dependence on a consistent, repeatable, high quality, and efficient service/product delivery process as part of the Go to Market phase. Together, the innovation and delivery processes must be designed for a fully-digitalized, omni-channel "bricks and clicks" distribution model.

Structure: The group considered several alternative structural choices, including one focused on customer segments or sets, one acknowledging the varying and unique customer journeys and organized around a process or experience, and one that concentrated on the evolution in customer needs, including today's customers' needs, tomorrow's customers' needs, and a future set of unknowable customer needs that were labelled "no idea." Each of these structural choices implies different tensions in terms of understanding, innovating, and serving the customer.

As an example, the imperatives implied by the three types of the customer needs are depicted below:

Centralized Governance
- Core customer database (single truth)
- Transparency
- Strong analytics
- Customer KPIs
- Budget prioritization

Today's Customers' Needs

- Horizon 1 innovations
- Strong short-term serving orientation
- Appropriate operations/ functions

Blitz-scaling capability

Evolving Customer

Tomorrow's Customers' Needs

No Idea

Incubation

- Horizon 2 innovations
- Strong medium-term development orientation
- Appropriate operations/ functions

- Horizon 3 innovations
- Strong long-term sensing orientation
- Appropriate operations/ functions

A centralized governance unit ensures a single, transparent customer database that supports "blue sky" thinking and growth in all three customer need areas. It also allocates budget in alignment with customer insights along all three horizons (short, medium, long-term) opportunities and does so frequently.

The chosen structure is deliberately customer sensing. The work process described above – insight, experience/product design loop, and go to market – allows the organization to stay with customers over the life cycle and to iterate constantly. It understands the different customer journeys/experiences, devotes resources to an efficient "back end" delivery process, always extends "around customers," and includes customers within it. Customers partner with the three organizations to address multi-faceted needs over time.

Management Processes and Rewards: Customer KPIs form the backbone of the management/reward/ control system. Customer value measurements correspond to the steps of the customer journey/experience and provide the data for monitoring KPI achievement. Non-customer facing departments (e.g., procurement, manufacturing) may consider department related metrics, but the underlying commitment is that everyone embraces the customer-facing metrics. P&Ls are customer based and aligned to customer metrics. This creates a customer-facing mindset focused on customer impact. The organization monitors the customer's journey today, tomorrow, and into the unpredictable future.

The reward system is also linked to customer (not financial) metrics. The logic and belief built into the business model is that if the values and products are right, the customer needs are met, then the money will follow. This metric system is hard wired and is driven by customer KPI's, which need to be aligned with internal partners as well as end customers.

People: Service orientation, authenticity, and learning/curiosity/self-motivation were seen as core values for the organization and a focus of talent development. In turn, several types of skills seemed important, including, passion-based talents over skill based talents, empathetic and emotional intelligent skills, and ethnographic-anthropological skills. Finally, there was a strong belief that an organization's talent profile had to reflect the diversity of the customers served.

Strategy

Vision
• Customer obsession in terms of speed & convenience
Strategy
• Loyalty over satisfaction
• Customer selection might be an issues
• Partnering to create a personalized experience
• Customer involvement from top to bottom

• Recognizes multiple customer journeys
• Incubation, innovation and scaling - Highly responsive and agile processes
• Customer voice/insights and a experience/product design loop
• Insight obsessed and curious – Data and Analytics on steroids
• Acknowledges a very different, always on, fulfillment/ logistics process oriented toward efficiency

Capabilities/ Work Processes

People

Core and Lateral Structure

• Customer centric, design driven, constantly iterated, and customer-sensing
• Understands the different customer journeys/experiences
• Devotes resources to an efficient "back end"
• Always extends "around customers" and includes customers within structure; Customer board at every step/stage
• Centralized data
• Organization with three parts – today's customers, tomorrow's customers, and "no idea"

• Passion based talents vs. skill based talent
• Empathetic, emotionally intelligent staff
• Diversity to reflect customer
• Learning/curious/self-activated
• Ethnographic-anthropological skills
• Services-oriented

Rewards

Management Processes

• Reward for channel partners aligned to end-customer metrics
• Risk & innovation rewards benefit customer experience
• One set of customer KPIs drive performance management for all
• Utilizes customer stories/experience (above and beyond expectations)

Star Model™ adapted from J. Galbraith

• Customer based P&Ls – based on needs/sets
• Budgets flex to customer insights
• Customer value measurements correspond to customer journeys/experiences
• Data transparency inspires ideas for blue sky growth in all three customer need areas
• Customers partner with talent to address multi-faceted needs
• Customer KPIs form backbone of measurement/reward/control system e.g., CX metrics; CST, NPS, loyalty

STARLab Alliance, Inc.

2297 Oberlin Street
Palo Alto, CA – 94396

1.443.845.3903
https://starlab-alliance.com

The STARLab Alliance is a non-profit learning consortium focused on creating next generation organization design and leadership models

The **Digital Organization Design STARLab** is a year long learning experience that allows participants and subject matter experts to collectively explore and prototype practical and innovative responses to digitalization. STARLab Participants include 3-6 senior leaders from 10 companies, well into the digital transition of their business models, who will partner with leadership and organization experts.   The STARLab accelerates learning and creates organization design solutions that optimize the application of advanced technologies and human capital approaches to achieve agility and sustainable effectiveness.

STARLab Alliance Sponsoring Partners & Leadership

The Center for Effective Organizations Marshall School of Business University of Southern California	Sue Mohrman, Senior Research Scientist smohrman@marshall.usc.edu Chris Worley, Senior Research Scientist cworley@marshall.usc.edu
The Center for Creative Leadership	Bill Pasmore, Senior Vice President CCL and Professor Teacher's College Columbia University pasmoreb@CCL.org
SPRING Network – A Silicon Valley Design Firm	Stu Winby, CEO SPRING Network stu.winby@spring-network.biz

INNOVATION RESOURCE CENTER for HUMAN RESOURCES

Our partner, IRC4HR®, has provided funding to help make the STARLab Alliance program and research possible. Innovation Resource Center for Human Resources (IRC4HR®) is a 501(c)(3) private research foundation that seeks to make organizations more competitive, productive, and effective through improved people management practices and to serve the mutually beneficial interests of organizations, workers, and society.

https://irc4hr.org/