

# Customer-orientation as Core Competency and Undisputed Mantra for Corporate Success

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## About the author

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## Abstract

*The present article is an attempt to focus on the conceptual framework of customer orientation. The paper further tries to examine the link between customer-orientation and corporate success on the basis of review of past research studies concentrating on the subject under study. The modus operandi for developing customer as a core competency is also discussed in it. The study emphasizes the customer as a core competency and a mean to achieve company success.*

*Keywords: Customer orientation, core-competency, corporate excellence and marketing concept.*

## Backdrop

**M**arket is a place where reward and punishment are cast on the markets. It is at the market place that the validity of marketing effort is tested. The customer is known as the King in a market economy and it is the customer who ultimately acts as a judge in market place. It is for this reason that the strategy of customer orientation is the prime driver of marketing process and finally the marketing success. Drucker (1973) and Levitt (1983) said that customer is the fundamental reason for the existence of business.

If any company appraises itself, the most important functional area is marketing as it is a bread winner for the company. The other areas are cost inculcating functions. The marketer's arguments for embracing the marketing concept is simple to understand--

- ◆ The company's assets have little value without the existence of the customer.
- ◆ The key company task is, therefore, to attract and retain customers.
- ◆ Customers are attracted through

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competitively superior offers and retained through satisfaction.

- Marketing's focus is to develop a superior offer and deliver customer-satisfaction.
- Customer-satisfaction is affected by the performance of the other departments.
- Marketing needs to influence these other departments to co-operate in delivering customer-satisfaction.

In spite of this argument, marketing is still resisted in many quarters, some company departments (often, manufacturing, finance and R & D) do not like to see marketing build-up because they believe that a stronger marketing function threatens their power in organizations. A few marketing enthusiasts go further and say marketing is the major function of enterprise, for without customers there could be no company.

The companies embracing the marketing concepts is mainly focused on customer (satisfaction, value delivery) with marketing working as an integrating function. Some of the lapses may occur if the companies resort to a slow learning process of marketing. The company president establishes a marketing department. Marketing talent is hired; key managers attend marketing seminars; the marketers' budget is substantially increased; market planning and computer systems are introduced. Even after marketing has been installed, management must fight strongly tendency to forget basic marketing principles, especially in the wake of marketing sources.

#### Concept of customer-orientation

The concept of customer-orientation has become quite popular among companies in both developed and emerging economies of the world. They have realized from their own experience that customer-oriented companies perform better. Globalization, technical advances and deregulation have intensified pressure on today's organizations to be better, faster and more competitive with a

focus on meeting customer expectations. Understandably, in today's competitive business environment, seeking to deliver superior customer satisfaction appears to have become most viable strategy for many organizations (Chasten 1993). Therefore, to retain customers and stay competitive in this environment, organizations in manufacturing as well as service sector, need to consider customer as a core competency for success of their business.

This is what researchers like Slater and Narver (1994), Peter Drucker (1973), Kolhi and Jaworski (1990) and Radha Krishna (2000) believe that the success of companies depends on satisfied customer and moreover it depends to a great extent on how well the company can develop the methods to monitor and scan the customer dynamism to attract and retain customers and to improve customer popularity.

According to Slater and Narver (1994), customer-orientation refers to a company's culture or philosophy that characterises an organisation's disposition to deliver superior value to its customers continuously. During the period from 1950 to 1980, most of the companies practiced the high production, high profits paradigm, which has now, become ineffective and out-dated. For example, in 1980, Ford Company and General Motors suffered heavy loss (Hema, 2000). This was on account of increased competition, expanding world together with technological development. It implies that market competition and technological development will create the culture of customer-orientation. However, from about 1950s, Japanese manufacturers have been practicing a customer-driven philosophy, known as 'Kaizan' that refers to listening to the voice of the customer, designing products which meet customer expectations, and continually improving all organizational processes that lead to customer satisfaction (Hema et al., 2000).

Presently we find enough evidence that the overall performance of a firm is linked with



customer satisfaction (Anderson, Fornell and Lehmann, 1992). Both marketing academics and practitioners observed more than four decades back that a business, which adopts a customer-orientation, would improve its market performance (Narver and Slater, 1990 ; Kohli and Jaworski, 1990; Avionintis and Spiros, 1997). Theodore Levitt (1960) aptly expressed that the purpose of an enterprise is to create and keep a customer. All other truths on this subject are merely derivative.

Roland Whitehurst (1999) expressed that in today's global market environment, companies are to evolve into organizations which are customer-focused. The sales driven businesses are no longer the avenues to, profitability they once were. From upper management down to the employee on the front line, customer value, satisfaction and loyalty are central to the corporation's strategy. By increasing responsiveness to the customer's wants and needs, organizations are benefited in the areas they value most, namely market share, competitive advantage and profitability.

Brown (1993) and Kotler (2000) suggested that placing the customer, at the center of the business decision strategy is much important. Therefore, the ideal organization model would look very different so that each function would have direct links to highly visible customer, and decision-making is based on both customer and functional criteria. Deshpande et al. (1993) and Slater and Narver (1995) pointed out that, the customer-orientation could be effective only when the firms design the necessary structures, processes, and incentives to operationalize the firm's customer-oriented values. It is evident by Kotler (2000) view of the marketing concept which describes that the key to achieving organizational goals consists of the company being more effective than competitors in creating, delivering, and communication customer value to its chosen target markets. Similarly, the customer-oriented philosophy plays an important role in a service firm rather than in any other firm. It is, because of the intangibility, heterogeneity, and inseparability of services.

The customer-oriented philosophy of marketing was emphasised by Drucker (1954) to American manufactures almost half a century ago by stating that the sole purpose of a company was to create and keep customer. It means that in order to be successful, an organization must ascertain the customer needs and wants and then produce the product and service that will satisfy these needs and wants (Berthon et al., 1999). Similarly, Felton (1959) has viewed marketing concept as: a corporate state of mind that insists on the integration and coordination of all of the marketing functions' which in turn are moulded with all long range corporate profits. King (1965) defined the marketing concepts as: managerial philosophy concerned with mobilization, utilization and control of total corporate effort for the purpose of helping consumers solve selected problems in ways compatible with planned enhancement of the profit positions of the firm.

Kohli and Jaworski (1990) offered a formal definition of customer orientation as the organization wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization wide responsiveness to it. In other words, It is a process of generation and dissemination market intelligence for the purpose of creating superior buyer value. Three components approach of market orientation (generation, dissemination and responsiveness to market intelligence) help in diagnosing an organisation's level of customer orientation. They further distinguish the three behavioural components of a market orientation as a customer orientation, competitor orientation, and inter-functional coordination and considered all three components equally important. In this definition three core themes are identified: customer focus, coordinated marketing and profitability (Barksdale and Darden, 1971). Their study expressed that a customer focus is the central element of a market orientation.

Deshpande et al. (1993) describes customer-orientation as the set of beliefs that puts the



customer's interest first, while not excluding those of other stake-holders such as owners, managers, and employees, in order to develop a long-term profitable enterprise. They view customer-orientation as being a part of and over all, but much more fundamental, corporate culture.

The above review offers that customer-orientation is an organizational culture. The total system of the organization is to be designed based on the customer-orientation. Slater and Narver (1994) also describe the customer-orientation as a corporate culture and characterizes an organization's disposition to deliver superior value to its customers continuously.

#### Customer orientation and organisational performance

Kolhi and Jaworski (1990) hypothesized that market environment might influence on the relationship between customer-orientation and organizational performance. The study found a positive relationship between these two and suggested that a customer-orientation may or may not be very desirable for business depending on the nature of its supply and demand side factors. Further, identified organizational factors (senior management factors, inter department dynamics, and organizational system) are expected to foster a customer-orientation.

Regarding customer-orientation and organization performance, Narvar and Slater (1990) suggest the positive relationship between customer-orientation and organization performance. The study of Avionitis and Gounaris, (1997) reveal that marketing orientation has a significant impact on company's performance. Similarly, there are many other studies conducted to measure the relationship between customer-orientation and organization performance. To measure the performance, subjective and objective measures are utilized. The findings of the majority of these studies as quoted in Verma and Kajendra (2001) on customer orientation reveals that either there is a positive relationship (Deshpande et al., 1993; Deng and

Dart, 1994; Pitt et al., 1996 etc.) between customer orientation and organizational performance or there is no, relation between them (Tse, 1998).

#### Consumer as a core competency and its modus operandi

After the foregoing discussion, we must not have any dispute in accepting customer-orientation as a core competency for enjoying the edge over the other competitors in the market and secure success. Core competencies are the most significant "Value-creating" skills with the corporation. These skills can often be extended to products on markets beyond those in which they were originally developed (Prahalad and Hamel, 1990).

The core of the corporation must change to focus, for the first time ever in. India, on the customer. And to stop chasing revenues, profits and market shares which only form the new customer competence of companies that realised a license to manufacture, a production line performing at more than 100% capacity, or a brand name that generations are familiar with are passports to profits no more. None of these make for competitive advantage any more. For, none of them offer a way to captivate today's and tomorrow's customer. That's why the *raison d'être* of enterprise is no longer production. It's not profits. It's not even market shares. It's the customer.

#### Steps to develop customers as a core competency

In order to develop customer as a core competency, the companies should initiate the following steps:

- (a) Identify new realities
- (b) Focus on customer
- (c) Reengineering to compete
- (d) Ensure competitiveness

#### *Identify new realities*

The companies should see and monitor the



new realities. The new realities are as follows:

The continuous entry of new competitors is exploding choice for the consumer.

- ◆ Competitors are making enormous investments for long-term market shares.
- ◆ Fast-falling margins are cutting into the profitability of many marketers.
- ◆ Global quality standards are forcing companies to deliver better products.
- ◆ Both high-spenders and budget-shoppers are demanding value for their money.

#### *Focus on customer*

- ◆ Companies must promote the customer to dictate specifications and quality standards.
- ◆ All marketing efforts must be directed at meeting customer needs, not market shares.
- ◆ Marketers must track customer needs continuously and respond to them instantly.
- ◆ Corporate marketing strategy as well as overall strategy must be aimed at delivering greater customer value than rivals.
- ◆ All planning, processes, and people must be reconfigured around the customer.

#### *Reengineering to compete*

As stated earlier focusing on the customer will force you to put your house in order. From the search for quality to cutting costs, from discovering new competencies to streamlining, your process, delivering value to the customer will make your company leaner and lighter. Quality as perceived by the customer will lead you to re-benchmark all your product services and processes. The following real life cases would help us in understanding the reengineering process to compete (Business Today, 1997):

Timex at Noida focused on three dimensions that help to add value for the customer—cost, quality and speed of implementation. For

instance, Timex crashed the tune in time for watch repairs to 96 hours from 7 days to improve dealer's perception of Timex Quality. Today Timex implements random field-checks to gauge consumer's perception of its performance, based on feedback; Timex is building new competencies targeted at the customer by expanding its capabilities and getting into the commercial tool-making and injection moulding business. Citi Bank created 24 hr banking service because of his philosophy of adding value to customer to offer services on his terms. This service was evolved far long ago and research showed that people want to do billing at their convenience.

Likewise, NIIT developed a mode that focuses on the customer, individual excellence and team and possess excellence that helps to get the competitive advantage.

#### *Ensure competitiveness*

The following are certainly going to ensure competitiveness in the market place:

- ◆ New competencies must be identified and grown to serve the customer better.
- ◆ Costs must be cut in order to deliver greater value at lower prices.
- ◆ Total quality management must be introduced to raise productivity.
- ◆ Cycle times must be reduced to reduce time to market and book responsiveness.
- ◆ Brands must be developed to generate long term value, not short-term margins.

Here we may give the following as quoted in "Business Today", January, 1997. "To add value to the customer, you have to offer him services on his terms. That lead to the creation of many of our services" [Ashoka Dutt, CEO (Consumer Banking), CITI Bank].

#### *Epilogue*

The philosophy of customer-orientation contributes to making a business successful. Sound



strategy, dedicated employees and good information systems are the imperative factors for inculcating customer orientation as a corporate culture. But these factors have one thing in common: they are strongly 'customer focused' and heavily committed to 'marketing'. The success of companies depends on satisfied customer and moreover it all depends how well the company retrospects continuously on the following basic questions: or introspects

- What are the methods of monitoring and scanning the customer dynamism (marketing intelligence systems)?
- How to attract and retain customers' relationship? (Integrated marketing tools).
- How can companies improve customer popularity?
- How can company practice total quality management?

In the present fast changing internal and external environment, the successful companies are

those which overcome the 'corporate myopia' and are able to refocus their core competency in the perspective of consumer as a predominant player by absolute dedication to sense, service and satisfy the needs of customer in well understood market.

Beside others, the strategy for consumer adoption as core competency must include the following elements:

- ♦ Recognising the consumer need, gains insight and then manufacturing the product;
- ♦ Being more entrepreneurial so as to reduce lead time from idea generation to production;
- ♦ Brand authority should not come from its technology or from its ownership pattern, insight specially is a far superior platform; and
- ♦ Realisation that competition may better you.



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