

## **ENVIRONMENT CHANGE, CUSTOMER ORIENTATION AND MANAGEMENT'S CONCERN**

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With progressive liberalisation, globalisation and structural economic reforms, the rules of game have changed for the Indian businessmen. In the new competitive environment, marketing and customer orientation hold the key to survival of a firm. Although top management should strive to build customer oriented culture and constantly signal this to customers, this study reveals that often speeches of Chairmen of the Indian companies do not reflect concern for customer as an important strategic issue.

Quite often organisations and their managements are concerned more with efficiency (doing things rightly) than effectiveness (doing right things). They come out with cost effective and quality products that provide little satisfaction to customers. According to the author, this tendency occurs due to lack of customer orientation and reactive approach. In order to be effective, organisations and managements should look at from the viewpoint of customers. They should be proactive concerning the impact of environmental changes on marketing policies and practices. After reviewing speeches of company chairmen, the author opines that this tool has not been effectively used to communicate customer commitment to various policies of a company.

Many companies in India that have been consistently exhibiting excellent financial performance are suddenly waking up to the new realities of the marketing environment. The way of doing business which yielded brilliant results on the corporate performance charts are becoming sterile. The debate over the success strategies to cope with the new emerging environment is now the most frequently taken up theme. Among the plethoras of changes that are responsible for the current debate are blurring lines of boundaries, between countries, information explosion and flow, rapid shifts in the technology, rise and fall of ventures, vanishing era of government control and protection, mosaic of customer groups and profiles, killing inter product and intra product category competition. This shifting sand is creating an imperative on corporate managers to take a fresh look both inside and outside the company to work out solutions to the confronting problems.

Often a situation is confronted by companies that their factories are fully geared to produce products at jet pace and there is an army of sales people

to deliver them, but to their dismay there are no customers to buy them. As the competence to produce a product increases, the buyers often resist the product. This kind of phenomenon is fast becoming an observation in Indian industry also. As the companies scale high on competences of different types in a product manufacturing which has been their bread winner for long periods of time, their performance tends to become dismal. This is essentially due to an error of judgement. It is often a failure to view the business in the right perspective. Managers' obsession with what they are doing and doing it better often overshadows the essence of business i.e. whether they are doing the right thing. This is what Peter F. Drucker first said about four decades ago. The inner directedness of managers with their tools, techniques, analysis, planning, plants and personnel causes them to miss the end of business-the customer. 'Business is a contribution of economic value in the market place. The purpose of business is to create a customer'.<sup>1</sup> This myopic orientation of business-managers leads them to gather competences that could efficiently be translated into products and services which in management's definition is the hallmark of efficiency. But these offerings may provide little or no satisfaction to the customers. The willingness of customers to exchange this purchasing power for the product is ultimate test of survival. The companies which are now experiencing evaporating customer loyalty and market bases are typically prey to this myopia. They are victims of ill tuning of products and services with customer preferences but could be produced with great production and managerial ease. These products are company compatibles but customer incompatibles. High rates of product and corporate failures of current decade provide a testimony to increasing ill tuning of product-customer fit.

### **TROUBLE IN THE MARKET PLACE AND SEARCH FOR PANACEA**

The previous decade has been full of ups and downs for business in Indian corporate scene. The initial pro-business announcements unleashing an era of decontrol and liberalisation brought smiles to many businessmen and entrepreneurs, conditioned to think along the line of limited competition and easy and quick success in the marketplace, for them it was the beginning of big and bigger business. And then came a series of mergers, diversification, new ventures and collaborations. These pilots of Indian economic machine in the jubilation on pro-business policy initiatives forgot to take cognizance of the subtle change that these announcements brought with it in the battlefield of all companies - that is the marketplace. The big Dad who ensured survival of one and all - both efficient and inefficient ones by blocking the working of marketing forces was making a retreat. It was now the consumer who was empowered with the power to decide the destiny of the companies and products. The shift was subtle but old learning was too strong to be unlearned. Therefore, for the inner directed managers it was a new reality posing a big but invisible threat to the applicability of old ways of doing things. It was a new setting but they wielded obsolete paraphernalia. On the other hand for the outer directed manager the scene unfolded new opportunities. For them it was a new battleground and the search was

on for new effective warheads. It was the time to do homework and work out new solutions in the light of new market realities which characterised a major but subtle power shift.

The growing inapplicability of old tools and techniques in new business environment and failure of managers to recognize emergent shifts is evident in the initial spate of new product launches and their failures. The dismissal of new products by the customers was a stark new corporate phenomenon for the same managers who thought legitimacy of a product comes from the government and not customer. The products that epitomized a misfit between what customer wanted and what and how they delivered include *contessa*, *Lamby Polo*, *Kelvinator scooter*, *Gold Seal*, *Marvel Chips*, *Paloma*, *Vespa PL 270*, *Yezdi*, *Explorer*, *BSA Bond*, *Murphy Televisions*, *Standard 2000*, *Chesterfield*, *Vespa XE*, *Hostess Chips*, *Cheetos*, *Double Cola*, *Ponds toothpaste*, *Philips Refrigerator*, *Montage*, *Aramusk*, *Super fresh* and *Godrej Milkshakes*. These failures do not solely belong to the new entrepreneurs who may be blamed for these disasters for their lack of experience with the working of markets. On the contrary, the majority of these bombed products belonged to the companies with large scale experience and familiarity with the Indian marketplace. These include *Boroughs Welcome*, *Kelvinator*, *Hindustan Motors*, *Godrej*, *Ponds India*, *Nestle*, *Hindustan Lever*, *Scooters India*, and *Pieco*. What, then, did these happenings indicate? It was an obvious case of old tools and new realities in which the managers suddenly found themselves trapped. The need of the hour was to do a little soul searching and view the entire way of doing things from the customers' point of view. Turning to customer became an imperative and a new God was born.

In response to challenges posed by the new market realities corporate decision makers looked for a new orientation to doing things that could ensure success in the marketplace. That is how marketing from being a dormant division in the corporate ranks and file received renewed attention. The search for new panacea ended with the rediscovery of marketing as a guiding mechanism of doing business. The index of rise of marketing function and the need for marketing input by the decision makers is that many business journals and magazines introduced marketing columns to cater to their needs. Now the corporate magazines like *Business India*, *Business World*, *Business Today*, *Technocrat*, *Fortune India*, regularly carry a column of Marketing. In addition to this a full fledged magazine 'Advertising & Marketing' has the market which is a success story in magazine business. The country's most circulated economic daily, the *Economic Times*, now carry an exclusive supplement on marketing issues called 'Brand Equity'. These are some indicators of increased importance that began to be given to marketing area in late eighties. Truly, eighties could be termed as the decade of rediscovery of marketing in India. The companies, with the exception of a few, until then, paid either lip service to marketing or kept it in the confines of a small department manned by the people with their training and expertise in off loading products in the market and generating cash. The growing failure in marketplace needed some introspection. Was it a case of wrong identification of a function as

marketing? The bottle was right but the wine was not, for globally successful companies acknowledge their success to their ability to maintain a continued pro-market focus.

Most often a very fundamental question is raised by so called marketers: What is marketing really about? A common sense answer would clearly be that marketing is about customers for our products and services, and in particular about providing a degree of customer satisfaction so that organisation's objectives are achieved. This follows the really quite self evident logic that the things desired by the companies — sales, market share, profit, survival or anything else — flow from creating customer satisfaction, not viceversa.<sup>2</sup> Eighties also marked the coming of the most outstanding works on the theme of corporate excellence. The theme of these books was to explore the characteristics of companies which consistently delivered superior financial performance in the times when a majority of the companies was struggling to keep themselves alive. Two most widely acclaimed works were *In Search of Excellence*<sup>3</sup> and *Passion for Excellence*.<sup>4</sup> One of the major findings of these works has been that excellent companies own their success to their ability to deliver customer satisfaction. They are being close to customer, which is to the extent of an obsession. They are customer oriented in that they excel in delivering what customer desires, and just not what they are good at doing. The closeness to customer according to their model, means being obsessed with customer service, quality, nichemanship, driven by customer closeness (not technology or cost) and perpetually listening to users. In another work 'Thriving on Chaos',<sup>5</sup> the author proposes 'Total customer responsiveness' as key to success in the chaotic marketplace. The essence of this total customer responsiveness is providing top quality in the customer perception, providing superior service, achieving extraordinary responsiveness to customer, becoming an internationalist, and creating uniqueness in customer's mind. Thus there is growing consensus over the emergent imperative to build company wide commitment to customer. A need to break away from product, technology or selling mode to customer oriented mode of doing business is being realised. Therefore the real challenge facing managers is how to generate customer mindedness across the whole company from top to bottom cutting across different compartments and divisions of the structure.

### **CUSTOMER ORIENTATION AND THE ROLE OF TOP MANAGEMENT**

Many companies profess themselves to be customer oriented but their customer concerns never go beyond the golden bound rule book. It is pseudo marketing practiced by paying just lip service to customer. On the other hand, companies make all efforts to fix customer perspective in their employees' mind. Customer mindedness is a human construct. It's a way of thinking which has a profound impact on the way things are done in a setting. Developing such orientation is far from easy. However, top management, through a number of ways can communicate the kind of importance that is to be given to customer. The perception of the things that

are important depends on the policies, rules, procedures, structure and other circulated stories, folklore, rituals. For example Stew Leonard, a Connecticut based super market boldly displays a stone carved with company philosophy which very powerfully states the whole focus of the store. It reads : 'Rule No. 1: The customer is always right', Rule No. 2: If the customer is ever wrong, read the rule No. 1'. Similarly, the mechanism that top management evolves for the disposal and redressal of customer complaints could communicate the philosophy of the company. Brilliant marketers give personal attention to customer grievances as for them satisfying every customer is of paramount importance. On the other hand short sighted marketers, misplaced in their priority tend to view customer complaints as burden and cost head on their company and thus deliberately ignore customer dissatisfaction and discomfort. J. Williard Marriott, Sr. the founder of Marriott chain of hotels continued for fifteen years to personally read guest complaints cards. For him it was an opportunity to perfect his Marriott hotel's service to his guests.

The formal organisation structure has enormous potential in communicating as to what its management feels is important/critical for its survival in the long run. Besides, the leader and his style also communicate his concern and priorities. Industry leaders like Frank Perdue (Perdue Farms), Stew Leonard (Stew Leonard Store), Steve Jobs (founder Apple Computers), John Scully (Pepsi), Sir Watson (IBM), J. Williard Marriott (Marriott Hotels) have had a lasting impact on shaping and evolving the intangible side of the companies they belonged to. The corporate values which are invisible, by very profound driving force of behaviour, have been greatly influenced by their very personal style. It is their very personal attentiveness to customer side that has become the dominant value around which their cultures, beliefs and value systems are evolved. Thus the top manager, his very personal style of functioning is subject to an on going interpretation by the lower echelons in his organisation. The style implicitly sends subtle messages about the concern that Chief executive has for customer which plays a very powerful role in shaping employee values and beliefs. These values and beliefs become the context in the light of which all future decisions are made. Hence the Chief executive's leadership and commitment to customer orientation is key. The chief must always make attempts to convince managers with critical positions that customer is the hub of all marketing efforts. The chief officer must give frequent speeches, engage in group discussions and personal communication with employees, suppliers and distributors about the importance of delivery quality and value to customers. The CEO must personally exemplify strong customer commitment and reward those who do likewise.<sup>6</sup> The communication - speeches, notes, discussions, brief talks - may be loaded with certain subtle messages which may gradually be indicating the top management's priorities and concerns. It is therefore very important for top managers to use communication both formal and informal to propagate customer-centredness in the minds of the personnel who ultimately own responsibility to make things happen.

## **THE STUDY: DOES CHAIRMAN'S SPEECH COMMUNICATE CUSTOMER MINDEDNESS**

Developing customer mindedness and commitment is the responsibility of top management and very clearly that of the CEO. It is not unreasonable to expect that a CEO would utilize every opportunity to express customer commitment. There are a number of vehicles and occasions available to communicate the same, including the speech at the annual general meeting. The Chairmen's address at the AGM is later incorporated into the annual report.<sup>7</sup> The annual report is a potential vehicle for (deliberately) communicating with important publics of the business such as existing and potential customers, investors, share holders, banks, employees, suppliers, government. It is because of potential reach and cost free communication, the annual reports have become recognized as sophisticated, powerful marketing tools.<sup>8</sup> It is hoped that CEO's address in the annual report extends beyond being the mandatory ritual performed at annual general meeting. And the CEO should make use of this opportunity to signal strategic concerns including customer orientation.

This is intended to be exploratory in nature. It focuses on uncovering the important concerns of the company chief as embedded in the annual speech. We begin with the assumption that the annual ritual of Chairman's speech is a good opportunity to communicate strategic concerns including customer mindedness. The need to use this occasion strategically is further enhanced in the light of current transition of Indian business from being in a controlled and protected regime to a more open and competitive. The methodology for the study involved collection of twenty five chairman's speeches appearing in the business publications like the Economic Times, Business Today, Business World and Business India. This was done on non-random convenience basis of sampling. No distinction was made between an industrial or consumer goods company. The reason for such a blanket treatment was that both consumer and industrial sector of economy are subject to same kind of environmental developments. It is assumed that the need to be customer oriented is not unique to either consumer or industrial goods company. The customer focus allows a company superior value creation for the customer and thereby glues them to company. This accords greater possibility of insulation of a company from threats emanating from environment shifts. This is not an industry specific issue.

### **THE FINDINGS : THE CHAIRMAN'S CONCERNS :**

1. Most of the Chairman's speeches followed a uniform pattern of presentation. There were two types of presentation. One type involved dividing the speech in different sections with specific headings or titles. While the other presented the speech in running format without titles, but the contents could easily be divided in different sub sections. The major parts of the report included : the environment's impact of industry, industry scenario, performance highlights, initiatives undertaken, or concerns in the light of environmental develop-

ments, acknowledgements and thank yous.

2. All Chairman speeches opened with a comment on the business and political environment. The environmental developments appear to be of critical nature. These shifts seem to have altered the business scenario in a considerable way that all top executives have discussed their company's positions in the new evolving economic and industry specific environments. The major issues that have attracted the attention of the business are liberalisation, devaluation, globalisation, decontrol, convertibility, foreign competition, and rationalisation of business regulations. These financial and economic reforms, it appears, have greatly altered the business scenario for most companies. However, most chief officers seem to welcome the new open policies of the government which provide freer business environment.
3. Another theme that was visible in most chairman's statements was the threats and opportunities resulting from the new economic policies on the industry to which the company belonged. There appears to be a realisation that the government's policies have created new business environment with new challenges. This warrants a re-examination of existing business techniques, practices and methods. The new agenda of priorities will have to be chalked out in the wake of new emerging competition, coming of multinationals, export imperative.
4. All Chairman's speeches reported operating and financial performance. This included discussion of performance indicators such as turnover, profits, dividend. Also, diversification, new ventures, alliances, modernisation programmes that the company undertook in the year as a part of operative game plan.
5. In responses to the new challenging business environment, theoretically it is expected that a company's top manager ought to initiate programmes that enhance company's competence to equip it for the future. The theoretical competitive model suggests that in the view of the new interlinked globalised business environment quality, efficiency, innovation, technology and human resources based competence would be source of survival. Therefore, these should be the concerns of the chief executives in the current Indian transient phase.

In consonance with the logical propositions, the above issues did figure in many companies' chairman's address. That is, there appears to be awareness about putting emphasis on initiatives that would enhance competitiveness in the descending business environment. Product quality is the recognised imperative. Thirty two per cent of the statements analyzed reflected concern for quality and the need for its improvement: The buzzwords like total quality management, quality first, ISO 9000 and ISO 9002 were mentioned in the address. Quality is the new thrust area for the Indian companies. They seem to be waking up to the quality mantra which hitherto has been a non-issue for a majority of Indian companies. The need for efficient business operations is the second issue that found place in the chairman's statements. About twenty five per cent of the companies

appear to be concerned about efficiency of their operations. Companies are revamping their organisational structures with a view to improving efficiency. It is widely recognised that productivity gains can come through excellence in personnel. Enhancing human competence is also important. One fourth of the companies have concern for building competent work force. The same percentage of companies find R&D and technology another thrust area for gaining competence in the marketplace. The need to seek growth abroad through exports is recognised by one fourth of the total companies sampled in the study:

6. Thirty six per cent of the chairman speeches included some mention about customer. But only twenty five per cent of the total statements sampled showed concern for customer as important strategic issue. These recognised the importance of satisfying customer needs and wants as essential condition to be a part of marketing game. "The future will be secure only for those who act decisively and urgently to understand and respond to the needs of the consumer by providing him with quality goods at competitive prices", "... is the bridge between the consumer whose needs must be identified and served and the former who must produce what is required by the consumer." "... market friendly policies where speed of response and customer friendliness will be of the essence." Rest of the few who mentioned customers in their address gave just customary vote of thanks along with other public like employees, government, stockholders, suppliers, financiers.

### CONCLUDING REMARKS

The policy initiatives of government towards liberalisation, globalisation, and structural economic reforms mark the beginning of a new era of business environment. These developments have transformed the business environment from being protected, stable and controlled to open, volatile and competitive. This strategic shift has both opportunities and threats in store for the entrepreneurs and businessmen. The structural changes are so profound that they require recasting of old methods of doing business. The players of the game remain old but the rules have changed. In such a situation, like the other competitive markets of the world, marketing and customer orientation hold the key to survival. Building customer oriented culture is the prime responsibility of the management. And top managers must ceaselessly send signals of their commitment to their customers. This exploratory study revealed that most companies are aware of the new evolving business environment. The companies are responding to meet the new challenges by embarking upon programmes of quality, efficiency, technological upgradation and manpower development. However, a majority of chairmen do not seem to use their speeches to communicate and develop customer commitment to different people. The study showed that only one fourth of the chairmen are committed to marketing as the essential rule of survival.

NOTES AND REFERENCES

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