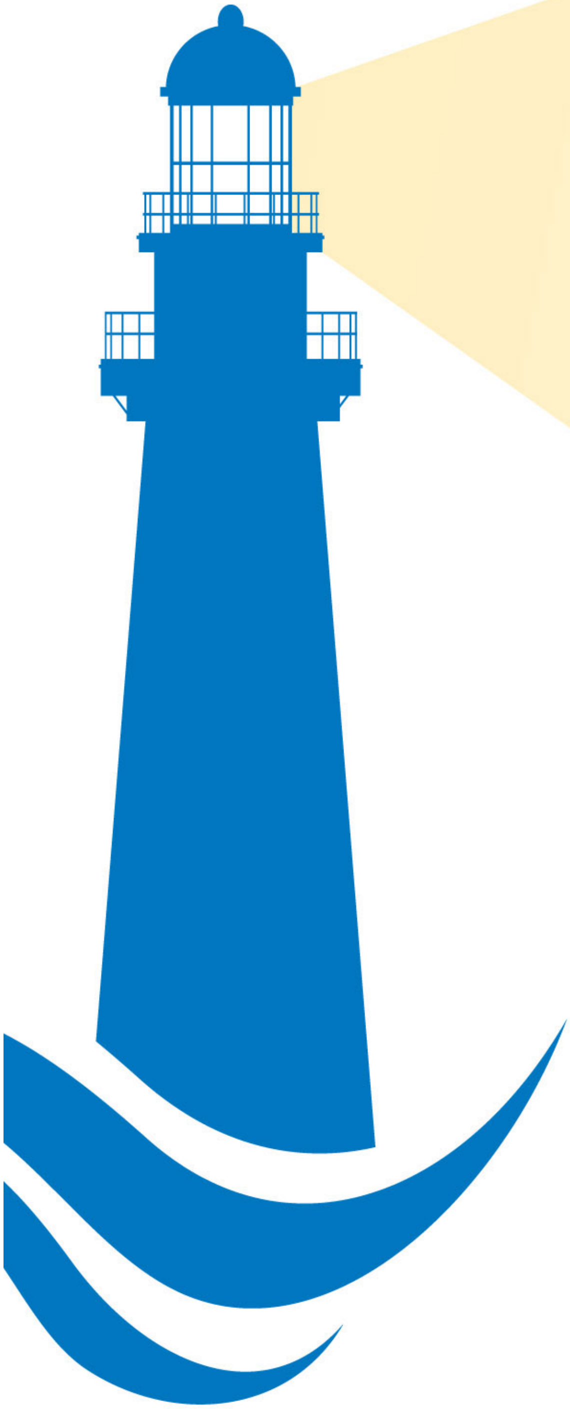
When Do You Need a Chief Customer Officer?

by Curtis N. Bingham



CHIEF CUSTOMER OFFICER COUNCIL

When Do You Need a Chief Customer Officer?

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Curtis Bingham is the recognized authority on chief customer officers and the first to promote this role as a catalyst for competitive advantage. He is the creator of the CCO Roadmap, a groundbreaking work containing 100+ critical strategies essential for customer centricity. As an international speaker, author, and consultant, Curtis is passionate about creating customer strategy to sustainably grow revenue, profit, and loyalty.

As Executive Director for the CCO Council, I am often approached by senior level executives and asked if their company really needs a chief customer officer. Their thought process often revolves around the idea that there are those companies that have a need and require a CCO and those that do not. My answer is often in the form of a correction, as they are asking the wrong question. The right question is "*When* do you need a CCO?" because hiring a chief customer officer is not an issue of *if*, but of *when*.

A decade ago, I postulated that the CCO was a catalyst, galvanizing organizations to change. Leading the way towards organizational customer centricity they could plan their own obsolescence. However, just because a recently hired CFO has implemented fiscal controls doesn't mean that he or she is no longer necessary. Tax rules, markets, instruments, and customers change, ensuring the continued need for the CFO. The same logic holds true for the CCO. Customers, competition, and market conditions change, and increasingly, customer centricity is at the core of competitive advantage, making the CCO a critical component of the C-Suite.

Every company needs a CCO, but the timing is essential for it to be a success for the company and the chief customer officer. The following are six key criteria to help answer the question, *When?*

Is there an appetite at the top for customer centricity?

Does top leadership have an appetite for developing customer centricity? I have seen numerous chief customer officers hired because it was the "right thing to do", or "competitors are doing it so therefore we have to do so as well." Unfortunately, most of these CCOs failed miserably. The moment the company hits a revenue road bump the CCO is asked to leave. The average tenure of the CCO is a mere 29.4 months, the lowest of any member of the C-Suite. The most prevalent reason is that these executives are out of alignment with company strategy and don't have explicit support of the CEO. This criterion trumps all the rest.

There are three types of CCO authority, starting first with either positional authority or authority borrowed from the CEO and quickly earning such authority on their own. Without such clear authority, cultural resistance to change, conflicting priorities, and a host of other obstacles prevent CCO success.

Will the CEO and other members of the C-Suite provide this "borrowed authority" to initiate and ensure success?

Is there a recognized *strategic business imperative* for the CCO?

Customer centricity is often viewed as a "nice to have" rather than a strategic business imperative. In many organizations, the CCO contribution to this imperative is poorly defined. As a result, a commonly heard concern of CCOs is the need to continuously explain and defend their value to the organization. Many CCOs spend between 20% and 50% of their time defending their position. This is clearly time wasted because it is not time spent with customers.

What is your burning platform that will galvanize people to action? The CCO is going to be tasked with making huge changes in the organization, and entrenched cultures resist such change unless faced by a greater threat of upset.

In working with over 150 CCOs during the past decade, I've identified three key reasons why CCOs are hired:

- Chronic customer issues that need to be made to "go away"
- Reduce severe customer churn
- Desire to establish competitive advantage

Software/hardware defects, unfulfilled customer commitments, product recalls, etc. resulting in bad press, threats of lawsuits, decreased sales/renewals are all examples of longstanding customer issues that have not been resolved despite the company's best efforts and all are catalysts for hiring a CCO.

Many growth companies are surprised to find that they are losing customers out the back door as fast as they are bringing new ones in the front. They typically hire a CCO to curtail this churn and stabilize long-term revenue.

Yet other companies recognize that given the intense competitive landscape and demanding customer base there must be universal agreement to achieve their goals; they must do whatever it takes to become customer centric as a competitive advantage.

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The CEO and Board must recognize the growing body of proof that customer-centricity is the new basis for competitive advantage with demonstrable business results. What is your business imperative? How is the CCO part of this strategic imperative?

Can strategy be driven across the highest levels to systematize change?

An army of one does not win the war, nor does it bring about customer centricity. In the last decade, many CCOs have failed because they were the only customer advocate, sometimes spending as much as 50% of their time justifying their existence.

One defining characteristic that sets the CCO apart from other functional executives is the ability to drive strategy at the highest levels of the company. Executives and employees cannot abdicate their shared responsibility for customers to the CCO. The successful CCO will cultivate strategic allies across every function, driving process change across the company that enhances profitability of the broadest customer segments.

Is your company mature enough to temper reactionary management in favor of a more considered, strategic process that addresses endemic issues and drives strategy at the highest levels of the company?

Is there a willingness to create, capture, and act upon customer data?

When faced with the Board's suggestion of doing a customer satisfaction survey, one mid-size company executive resisted furiously, saying, "We're so proud of our operational efficiency, we won't invest in improvement regardless of the outcome! Why bother?"

Resources are always scarce and allocated according to priority. The way to win this priority battle is with hard customer data. You need data to move from realm of "touchy feely" to solid business decisions with quantifiable results. The organization needs to be willing to initiate customer data collection activities (surveys, transactions, behavior), turn these data into actionable insights, and ensure people are held accountable for taking action.

Do the CEO and Board have realistic expectations of the resources required for a CCO to be successful and are they willing to make a commitment to supply those resources? Are they willing to allow decisions to be driven by customer data?

Can metrics be created that tie customer activities to revenue?

Revenue, profitability, ROI—these are all hard metrics by which priority decisions are made within the C-suite. Without the ability to correlate customer-centric activities to tangible business results, the CCO

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will be hamstrung. Jeb Dasteel, SVP and CCO of Oracle and 2009 CCO of the Year found that highly engaged customers generated 33% greater revenue than those similar but disengaged.

How can you create a clear line of sight from customer-centric activities to the hard metrics that the CEO cares about?

Does the individual culture desire to serve customers?

Even though Oracle is known to have an extremely aggressive sales culture, the individual employees desperately want to better serve customers; they simply need to know what to do! Conversely, if the Boston Public Transit Authority were to hire a CCO and attempt to effect change, they'd have to fire 95% of all toll collectors. Regardless of the level of executive support, culture can sometimes squash change.

Implementing change is challenging for most organizations and resistance to change is human nature. CCOs find that resistance to change is their greatest challenge requiring a significant amount of time and effort. A company with a mature workforce that has "always done things in the same way" is going to be more resistant.

Do your front line employees truly desire to serve customers? Can they be convinced to do so?

Conclusion

Given the intense competition and increasingly educated and demanding customers, the question is not IF you need a chief customer officer, but WHEN. Buzzwords like Customer Centricity and Customer Experience can be entrancing and many companies are starting to jump on the chief customer officer bandwagon. The problem that too many companies encounter is that they can just as easily fall off the bandwagon if they hire a CCO at the wrong time. To ensure success, you need to make sure your company is prepared to make the CCO a core strategic imperative rather than merely a figurehead. Do your homework, decide on the right time to hire your CCO and put him or her in the optimal position for success. Your customers will quickly reward you for your due diligence instead of punishing you for a knee jerk reaction.

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About THE CHIEF CUSTOMER OFFICER COUNCIL

The Chief Customer Officer Council is the first of its kind; a member-led peer-advisory network offering unparalleled insight into the critical issues facing CCOs. It was created to provide a safe environment where CCOs can share ideas, concerns, and build best practices that well help them, their companies, and especially their customers succeed. The Council includes CCOs from diverse industries, purposefully cross-pollinated with the most forward-thinking companies, large and small. For more information, visit www.ccocouncil.org, email info@ccocouncil.org or call 978-226-8675.

Are You Experimenting at Your Customer's Expense? – In this article by Curtis N. Bingham, you'll learn seven ways to drive more profitable customer behavior, while minimizing the risk of negative consequences for your customers and their loyalty to your brand.

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For more resources from Curtis Bingham and the CCO Council, including articles, videos, and *The Bingham Advisory*, visit www.ccocouncil.org.

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