

Entrepreneurial Management – The Modern Way of Doing Business

PART 3

Firm design – a customer-centered approach



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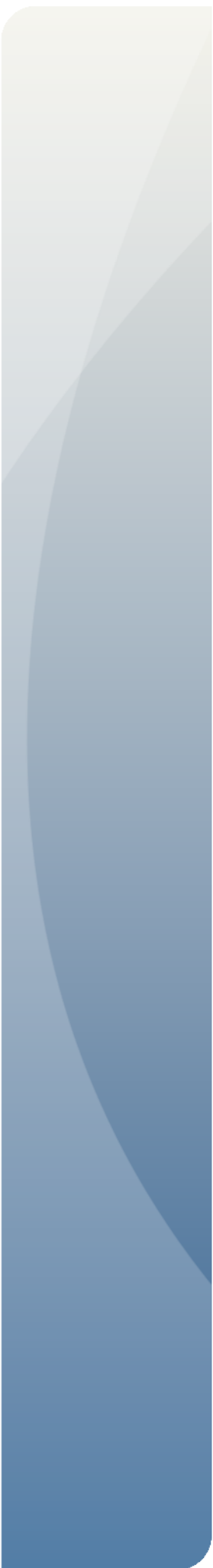
Efficiency, achieving economies of scale and scope, securing rare and valuable resources, those are the main goals for many organizations. They are the keywords that should be mentioned in the quarterly reports in order to please the shareholders. Producing premium products for less and less costs has become an obsession for many enterprises. However, many of those traditional thinking organizations have seen their profits slide and clientele base diminish. The reason for that is that the modern customer has to be approached in a different way than before. The rise of the Internet and modern technologies allows the consumers to quickly compare offerings online, make use of e-commerce, or find a more suitable product that exactly fits their needs.

Focus on benefits instead of on attributes

“Customers don’t need quarter-inch drills, they need quarter-inch holes.” Despite being more than 50 years old,

this famous quote from a 1960 Harvard Business Review captures exactly this new way of thinking that needs to be implemented in order to meet the demands of the modern customer. A product is just means to an end. Therefore, firms should place more focus on the benefits it brings to the consumer instead of the product’s attributes. Entrepreneurial management takes this notion even further. The EM organization structures itself and all of its function with one goal in mind – serving the customer. In this way it can deliver superior value to its clients, something that the traditional organization lags behind in.

This outside-in customer centered approach is one of the core characteristics of the entrepreneurial organization. It involves having clear answers to questions such as who are our customers, how and why are they changing, what needs do they have, how can we solve their problems, and how can we help them develop themselves.



By having a concrete answer to those issues the EM organization could structure itself in such a way that ultimately results in fulfilling the customer requirements by delivering products or services that are much closer to their needs and therefore provide them with a superior value. The outside-in approach allows the EM organization to have something the traditional organization often lacks – a customer focus. This could prove to be a valuable advantage in the dynamic modern market where the customer could quickly see online which product or service best fits his needs and switch to it.

Why is outside-in thinking not the market norm?

By formulating the customer centered approach in such a way it seems logical that companies should employ it in their operations. It will provide them with a competitive advantage and help them gain an edge over the competition. So why are not most companies structured in such a way? Indeed, the norm in most traditional corporations is to focus on what is practical for them, and then expect the customer to adapt to that. This might have worked in the old world but the modern customer has the power of unlimited information on his side which makes this inside-out approach outdated and no longer functional. There are several possible explanations that might answer the question as to why companies continue to place more focus on efficiency, process optimization, and product attributes than rather using the customer as a guiding principle in designing their firm. One possibility is that this “we have been doing this for years” way of thinking is the current social norm and companies are afraid to go against the majority in the market. Another explanation might be that organizations resist creative destruction, which is necessary in order to implement the outside-in approach.

The managers of the entrepreneurial organization recognize the importance of fulfilling the needs of its customers. They are not afraid of creative destruction but embrace it as a tool to progress and move closer to their future vision. The customer is the key to achieving that. The EM organization makes use of modern day tools such as social media in order to bring itself closer to its customer and understand his demands better. In this way the company can become a customer value leader and later capitalize on that to achieve a sustained competitive advantage over its rivals.

The outside-in approach lies at the heart of the EM organization. Thanks to putting the customer in the center it is able to attract new consumers and create new value for the existing ones. Furthermore, having a strong customer focus contributes to its other core characteristics – innovation and proactiveness. By having a deeper understanding of the customer needs the EM organization could foresee any future changes in them and come up with innovative new ways to satisfy them.

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Further in the series...



Part 1 – Thinking like an entrepreneur

What exactly is entrepreneurship? This first installment of the series examines the main building blocks of the entrepreneurial organization and discusses its applicability in different organizational contexts and structures.



Part 2 – Innovation and its place in the modern organization

In this part the importance of innovation and proactiveness is discussed. Both are an inseparable part of the modern organization. However, successfully achieving and sustaining them could be tricky.



Part 4 – Social media and its important role in the EM organization

The final installment in the series discusses the role social media plays in the EM organization. Many companies fail to realize the impact social media could have on their day-to-day operations as well as on their strategy.