

Editorial: *Strategic Thinking, Value Creation, Ecosystem Revolution, Growth Strategies, CX*

Value Chain and CX Policies

A year ago we wrote about how important it is in business to understand what is expected, prioritizing activities, delivering on the promise, and adapting to the future by reskilling. While two years ago we underlined the real need of investing for the future, and getting real value on the basis of a long-term road map. At the beginning of Autumn last year (nine years after what was signaled how increasingly dangerous is customer dissatisfaction because of customers' empowerment) we read that we are just at the beginning of uncovering a profound relationship, that between emotion and revenue. Which made us recall the wise words of the famous Romanian sculptor Constantin Brancusi: *"To see far is one thing, going there is another."*

In Spring this year we find out, thanks to the European Business Review, that the new unit of analysis for strategic thinking is represented by the business ecosystems offering fertile grounds for innovation, managers being challenged to map, analyse and take advantage of them.ⁱ In order to transform companies' value proposition, their business models and secure new competitive advantages within the current continuously changing business landscape, reconfiguration of each ecosystem of clients, suppliers and partners (by identifying, testing and selecting the proper options, and forming new hypotheses and defining how they can be tested and implemented) is key.

A McKinsey Global Survey from March 2017 that explored the finer points of linking resource allocation to value creation, identified five practices which correlate closely with outperformance: tying budgets to corporate strategy, making evidence-based decisions, setting bottom-up performance goals, formally ranking investments, and correlating portfolio composition and performance.ⁱⁱ The survey findings revealed that the easiest step for managers (challenged to approach all the above mentioned five factors) to implement in the short term the improvement of their resource allocation and investment decision making is to collaborate to set performance targets, to ensure comparable project valuation, and to explicitly review financial characteristics. While other McKinsey's representatives highlighted in April 2017 that in order to craft a better strategy, and forge a brighter future, is important – as the oldest adage in investing ("The trend is your friend") it applies to corporate performance, too – to confront the new dynamics: the shifting growth, the accelerating disruption, and the rising societal tensions.ⁱⁱⁱ Within this approach, it was underlined among other aspects, that: technological advances (advances in analytics, automation, the Internet of Things, along with innovations in areas such as materials science; the transformation of the resource production by the technology; the combined in new ways technologies with potential to dramatically reduce resource intensity) change the resource equation in a variety of ways; technological solutions are coming, of course, with external consequences, but companies working through the implications of resource constraints for their business models will generate new ideas (by creating less resource-intensive

processes, turning waste into raw materials, and building a more circular economy), being expected an accelerating resource-innovation cycle; one of the factors differentiating winners and losers appears to be ensuring alignment between a company's digital and its corporate strategy; digitization is enabling competition that pressures revenue and profit growth, customers have more choices, while companies have more decisions to make (about their business models and how they create value), and we are in full "ecosystem revolution" (from the old linear value chains, and horizontal platforms cutting across value chains, to the emergent "any-to-any" ecosystems which are at the center of platform-based ecosystems, being distinctly asset-light).

The founder of the innovation consulting firm Strategyn, pioneer of Jobs-to-be-Done Theory, and creator of Outcome-Driven Innovation, Tony Ulwick,^{iv} argued that by helping customers get a job done better and/or more cheaply, companies can create new products and services which will win in the marketplace, five distinct strategies being identified (addressing all the situations a company can face as it contemplates a product or service strategy), which were introduced in the so-called "jobs-to-be-done growth strategy matrix":

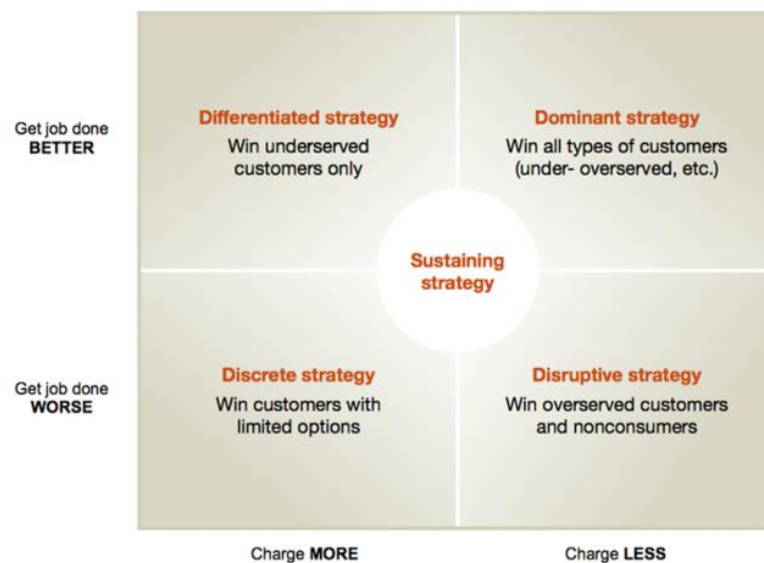


Figure 1: The Jobs-To-Be-Done Growth Strategy Matrix

Source: Ulwick, T., *The Jobs-to-be-Done Growth Strategy Matrix*, Jan 5, 2017

This approach (introduced by Ulwick and illustrating when and how growth strategies can be adopted by companies in the quest to win in a market) began by categorizing the different possibilities for products and services (better and more expensive, better and less expensive, worse and less expensive, and worse and more expensive), and by considering what types of customers might be targeted with a product or service offering (five situations warranting its own distinct strategy: a better-performing, more expensive product will only appeal to underserved customers; a better-performing, less expensive product will appeal to all customers; a worse-performing, less expensive product will appeal to overserved customers; a worse-performing,

more expensive product will only appeal to customers for whom limited or no alternatives are available; products so-called by Michael Porter “stuck in the middle).

And this reference to Michael Porter made us think to his well-recognized “Value Chain Framework” (1985), and to correlate this article’s approach with the recently Michael Hinshaw’s “Customer Experience Value Chain” (describing the eight activities companies should undertake in order to drive value through CX, and the interrelationships and dependencies between them)^v inspired by Porter’s framework, as shown in the figure below:

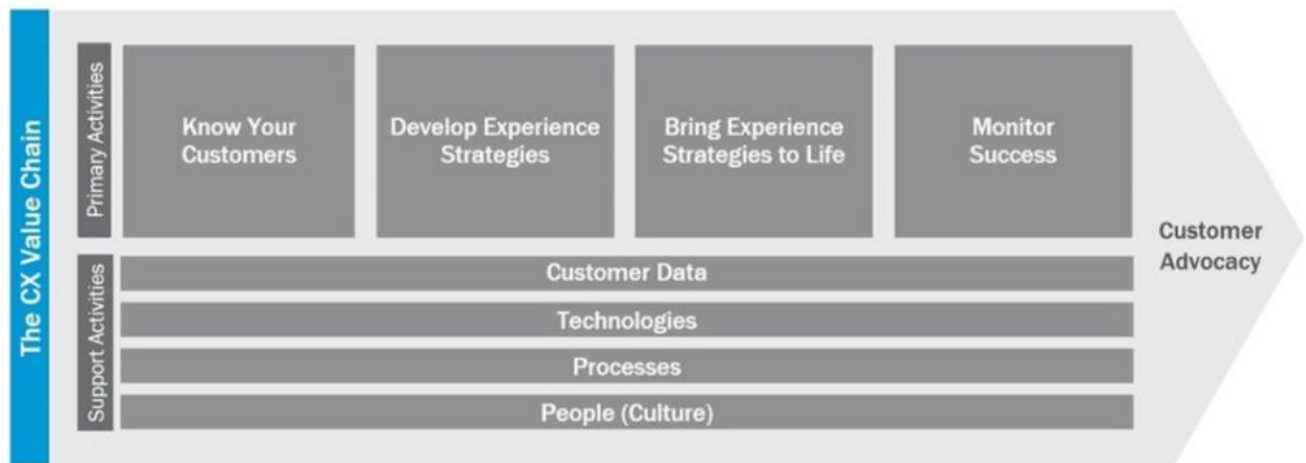


Figure 2: The Customer Experience Value Chain

Source: Michael Hinshaw, *How Best-In-Class CX Leaders Get There: The Customer Experience Value Chain*, CustomerThink, Mar 6, 2017

And this because as highlighted by the above mentioned president/CEO of McorpCX, who is also a mentor and teaching fellow at UC Berkeley’s Haas School of Business, improving customer experience (CX) has been rightfully viewed for the last several years as one of the most important things any organization can do to drive value.

Creating focused processes and environments on the customers’ journey’s quality is part of designing CX, and by appealing to customers’ human instinct companies can craft the adequate CX.^{vi} As revealed by a Forrester’s empowered customer research, 40% of customers (segmented in types of emotional buyers: progressive pioneers, savvy seekers, convenience conformers, settled survivors, reserved resisters) have a high willingness and ability to shift rapidly their spending habits after an inadequate (poor experience) with a brand.^{vii} That is why, as shown by Forrester’s 2017 Predictions,^{viii} a vital ingredient for business success is understanding (as a descriptive and predictive measure guiding experience design and governing operations) and influencing emotion. And in order to implement capabilities that engender positive emotions (and, of course, to repair operations that provoke negative emotions) companies can use Forrester’s Customer Emotion Matrix,^{ix} which allows examining the nature of

the emotion (negative through positive), and the intensity of the emotion (the two primary factors determining if and how customers may alter behavior):

Forrester's Customer Emotion Matrix



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Figure 3: Forrester's Customer Emotion Matrix

Source: Milligan, V., *A Closer Look at the Monetary Value of Emotion*, September 21, 2016, retrieved from: http://blogs.forrester.com/victor_milligan/16-09-20-a_closer_look_at_the_monetary_value_of_emotion

As revealed by the above mentioned Forrester's representative: if the experience does not meet customers' (ever-increasing) expectations, for example, users can abandon digital sites and purchase paths within 50 milliseconds; we are just at the beginning of uncovering this profound relationship between emotion and revenue. And this after many years (2007) when in the prestigious Harvard Business Review^x there was a focus, among others, on the following aspects: until CX will become a top priority and a company's work processes, systems, and structure change to reflect this kind of approach, it will not be possible to improve CX; customer satisfaction is more a slogan than an attainable goal, unless companies will know more about customer's subjective experiences (the thoughts, emotions, and states of mind induced by the interactions of customers with products, services, and brands) and the role every function plays in shaping them.

Not coincidentally, at the beginning of June this year, Lynn Hunsaker (who led CX & marketing at Applied Materials & Sonoco, and leads ClearAction, Marketing Operations Partners & the Marketing Future Forum to build your cross-functional collaboration and strategic value)^{xi} pledged for company's rules and practices having a direct- or ripple-effect on customers' realities and perceptions, in other words CX policies (considered to be the degree of ease for employees to do their jobs well), underlying that the company's organic growth is empowered by creating ease for its customers.

Of course, creating ease for company's customers does not come from doing easy work, being well-known that only: *"To find fault is easy; to do better may be difficult"* (to cite Plutarch). But we all know that: *"Nothing worth having comes easy"* (to cite Theodore Roosevelt); *"Nothing is easy, but who wants nothing?"* (to cite Donald Trump).

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