

# CTAM THINK

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New York City



**Dr. Frances Frei, Senior Associate Dean & UPS Foundation Professor of Service Management, Harvard Business School: How to Win by Putting Customers at the Core of Your Business**

Dr. Frei shared some of the more persistent obstacles facing today's organization and four types of courage that leaders must demonstrate to win in the marketplace:

1. **The courage to be bad at things.** The difference between thriving organizations and those with "exhaustive mediocrity" is that successful ones do not try to be great at everything.
  - Understand where the hard-coded tradeoffs are...and get the organization to make their choices. Design to be bad in the service of being great. Whether targeting the high-end or the low-end consumer, organizations can find their focus.
  - Use a continuum of what's most important to least important to your target market. Be best in class in those things most important and worst in class in what's least important. Don't apologize for being bad at things your target market isn't prioritizing.
2. **The courage to be paid.** Create more value than we capture. Value creation first order of business... and value capture comes second. Be a beloved organization for its associated benefits (create a virtuous cycle) and resist temptation to begrudged for nickel and diming customers.
3. **The courage to champion employees.** Give them the tools to navigate operational complexity and never blame them for not being engaged. Design jobs for the employees we can attract and retain. How to reduce complexity for front-line employees? Partition the amount of complexity any one person experiences; divide up the job so that no one employee needs the sophistication to navigate too much complexity.
4. **The courage to manage and train customers.** Customers will unwittingly put us out of business...the customer is not always right. We must manage their expectations and train them accordingly (e.g. Starbuck's ordering process).

Leadership is about making others better as a result of your presence. And making it last in your absence. **"Understand things deeply and describe them simply."**

**Dr. Frei gave numerous serious examples (with plenty of humor) of best in class companies...**

- Steve Jobs decided to be excellent at light-weight laptop vs. physical features. He didn't choose to be mediocre at everything (had he decided to do so, he once said, he would have to stamp "Dell" on his product).
- Southwest Airlines chooses to be best in class on price, friendliness, and on time arrival, and deliberately performs lowest in on-board amenities.
- Walmart prioritizes low prices and selection across categories and is worst at sales help. Moment of truth – imagine that a customer demanding excellent service shows up at Walmart, complains and takes their business elsewhere. Senior executives have to resist apology and maintain constancy of purpose or risk losing their differentiation.
- Zappos – competes on free overnight delivery, and 365 days to return goods; the emphasis on exceptional service means it needs no advertising budget...and customers pay more.