On a Consumer Watershed

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Over the past few years a major shift in customer behavior has reshaped the nature of many markets and is leading to profound changes in how companies attempt to serve those markets. More and more business customers have quit buying stand-alone products and have started buying integrated solutions. This trend means that leaders of successful organizations will need to develop different organizational structures, systems, and skills in order to meet these new customer requirements.

Several factors have helped accelerate the move to integrated solutions. Many technologies, such as computers, copiers, fax machines, and other office equipment are rapidly converging. Companies in these industries are responding in surprising ways. A growing percentage of IBM's business, for example, now involves customized solutions incorporating non-IBM products and services. Who would have imagined, even in 1990, that IBM would be largely in the service business!

While the idea of IBM selling non-IBM products was almost unheard of in the recent past, it is now becoming commonplace-to the benefit of customers and, in the long run, IBM itself. Likewise, leading telecommunications and other equipment providers now have to compete by offering "network solutions" involving many products formerly sold separately.

Pitney Bowes is moving toward "Pitney One". An organization that is designed to meet many of the customer's needs without having the customer to deal with multiple (and often confusing) interface points. This initiative is so critical that it has become "top priority" for the executives of the corporation!

And, in a very different industry, Royal Bank Financial Group's Dominion Securities is developing financial service super stores that combine investment, savings, and insurance solutions for the group's clients.

As the world becomes more complex, customers' need to "keep it simple" increases. However, making things simple for customers may not be simple for providers. Integrating processes from autonomous units (or even separate companies) poses political and organizational challenges often greater than the technical challenges.

Leading an organization that provides integrated multi-product solutions is very different from leading an organization that sells a single line of products.

The new challenges faced by leaders create a need for different priorities and skills. These new challenges include:

Moving from a more hierarchical organization toward a more "networked" organization. In a hierarchical organization, leaders can more easily give orders and expect people to respond. In a network organization, leaders need to effectively influence people without

line authority. Johnson & Johnson's worldwide franchise managers, for instance, may have to get country managers, whom they do not directly supervise, to commit to a strategic marketing or purchasing plan. People throughout the organization will be expected to routinely make decisions once reserved for managers. Skills in developing partnerships that cross boundaries are critical. The leader's ability to develop long- term "win-win" relationships is becoming a key differentiator in the organization's competitive success.

Recognizing the shifting roles of customers, competitors, and partners. AT&T and BellSouth, AOL and Microsoft, Glaxo SmithKline and Merck are all examples of companies that deal with one another at various times as customers, competitors, and partners. In a world where today's competitors become tomorrow's customers, simply "beating the other guy" is not always the answer. Leaders will need to ensure that even competitors view the organization as tough but fair and as a good potential partner. Leaders must not underestimate the value of diplomacy, reputation, and goodwill in today's interconnected world.

Truly understanding the customer's business. Tomorrow's organization is more likely to be structured around customer segment, such as Accenture Consulting's Telecommunications Practice, than product or geography. Leaders will have to ensure that organizational members spend sufficient time on the continuous learning needed to keep up with rapidly changing customer environments. Rather than learn just the basic skills required to sell and support a product, employees will need to develop the ability to solve complex problems and maintain diverse relationships.

Making complex, multi-business deals. Effective leaders will have to be much more skilled in making complex deals involving multiple businesses-and in a shorter period of time. The old bureaucratic model involving huge written contracts and countless sign-offs will not work in a more competitive, rapidly changing environment.

As the "information age" kicks in, many more businesses will come to resemble consulting organizations. However, the consulting organization is generally quite different from the sales or manufacturing organization.

Top consultants generally have a low need to manage others but a high need not to be managed by others. Increasingly, providing opportunities to work on meaningful projects will be more important than providing promotion opportunities, and hiring on an "as needed" basis will often make more sense for employers and enterprising employees than traditional salaried arrangements.

The demand by customers in widely diverse industries for integrated solutions rather than stand-alone products is not a fluke or a fad. It is a powerful response to a more complex, more global, more competitive landscape. It is, in short, a watershed event. Leaders who can master the skills called for in this new environment stand to reap tremendous advantages for their organizations; those who cling instead to what has worked in the past do so at their own peril.