



# Change Management Toolkit



[customersguide.cgap.org/resources](http://customersguide.cgap.org/resources)

### **CGAP Change Management Toolkit**

The Change Management Toolkit offers guidance, tools, and case studies that empower your organization to shift the dial on financial inclusion toward customer centricity. By employing these resources, you'll come to understand the customer-centric change process – guided by the experience of leaders, employees, and change experts; awareness of the processes and mindsets essential to delivering stakeholder value; and links to CGAP resources for implementing customer centricity.

### **CGAP Customer-Centric Guide**

The CGAP Customer-Centric Guide offers hands-on tools and direction for financial service providers on the journey toward customer centricity. This digital collection of toolkits, case studies, and experiments teaches providers exactly how to deliver products and services designed specifically for low-income customers. Providers will also discover how to transform business challenges into strong opportunities to engage and retain customers – now and in the future.

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Woman in the wind,  
Vietnam  
- Thao Vu Xuan,  
CGAP Photo Contest



# Introduction to the Change Management Toolkit

## WHAT'S THE BUSINESS OPPORTUNITY IN CUSTOMER CENTRICITY?

Does your organization struggle with dormant accounts, stagnant revenues, or loss of its best customers to other providers? Are you standing on the sidelines as competitors take valuable market share in new and underserved market segments? Are customer acquisition costs spiraling to compensate for customer defection? Do you have disappointed customers that voice their dissatisfaction in the market?

The root of the problem may be negative **customer experience** that originates from products that do not meet customer needs or are difficult to activate and use. In organizations that target vulnerable, low-income, or financially excluded customers, costly offerings that are irrelevant or difficult to use may have profoundly negative consequences on the firm's financial health. Negative customer experience may also demoralize employees and effect the financial, physical, and emotional well-being of those they aspire to serve.

To overcome the challenges of acquiring, retaining, and growing customer relationships, many organizations are transforming their business model by placing customers at the center of all decision-making, strategy, and organizational design (Fader, 2012); in other words, they're becoming more **customer-centric**. Organizations showcased in the CGAP Change Management Toolkit have one thing in common: whether part of a competitive growth strategy or following from a deep-seated organizational mission, their goal is to implement a customer-centric business model that attracts and serves financially excluded individuals with value propositions and experiences that deliver customer and firm value.

CGAP has identified six business opportunities that we hope will motivate you to explore and invest in **customer centrality** within your organization:

1. Increase customer uptake and use
2. Improve market position in a competitive environment
3. Tailor products for specific segments
4. Drive down costs
5. Protect consumers as required by regulations
6. Achieve social impact

## WHY DOES CUSTOMER CENTRICITY REQUIRE “CHANGE MANAGEMENT”?

✚ The transformation required to become more customer-centric calls for deep-seated organizational change and proactive development of the new systems, processes, and mindsets to sustain customer centrality.

A journey toward a new and uncertain future is, by definition, difficult – in part because organizations are often trapped by legacy systems and processes. While these systems may have worked well in the past, they may no longer be relevant to the needs of today’s markets and customers.

At the heart of any organization is its people, so motivating employees to participate in a change process requires a mindset shift. Like systems and organizational routines, mindsets are often locked in old ways of doing business and in past experiences. Together and over time, legacy systems, behaviors, and beliefs result in an entrenched, often intractable corporate culture. However, even when change looks compelling, embracing it and adopting new mental models can generate feelings of anxiety, confusion, and fear – particularly in the risk-averse.



**Change management** is a discipline that can support you and your organization in moving from an existing state that does not allow you to achieve your organizational mission to an envisioned future state that does. Change management can help you prepare, equip, and support employees to successfully adopt change. This structured approach enables leadership to systematically plan and develop the organizational systems and enablers that break with old ways of doing and behaving in order to pursue new pathways, ultimately leading to sustainable growth and value creation.

## WHAT'S THE PURPOSE OF THE CHANGE MANAGEMENT TOOLKIT?

CGAP created this toolkit to help organizations understand the customer-centric change process and navigate the change journey. However, change does not happen overnight; in fact, for most organizations it's a multi-year undertaking.

The good news is that we're learning from others how to successfully navigate the change process. This toolkit offers guidance, tools, and case studies to assist in creating a customer-centric organization that's empowered to shift the dial on financial inclusion. We may not have all the answers, but we hope this toolkit helps you to:

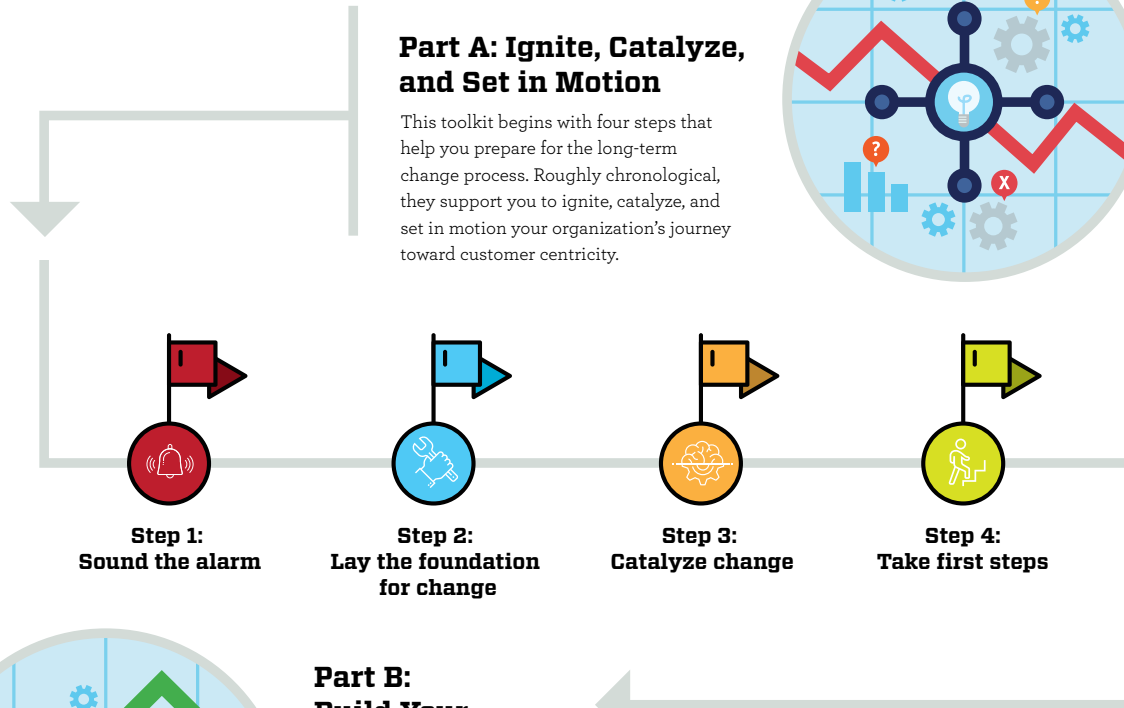
- Gain an overview of the change journey and understand phases of the process
- Learn through the experience of leaders, managers, front line employees, and change experts
- Foster an awareness of the systems, processes, and mindsets essential to building an organization and culture that delivers value to all stakeholders: customers, employees, shareholders, and the communities in which your organization operates
- Link to other CGAP toolkits and resources that help implement customer centricity

## HOW DO I SHIFT MY ORGANIZATION TOWARD A CUSTOMER-CENTRIC APPROACH?

This toolkit takes you through the stages of the change journey, as well as the development of organizational systems and enablers to implement a customer-centric business model. The following infographic illustrates the change journey.

## Part A: Ignite, Catalyze, and Set in Motion

This toolkit begins with four steps that help you prepare for the long-term change process. Roughly chronological, they support you to ignite, catalyze, and set in motion your organization's journey toward customer centricity.



**Step 1:**  
Sound the alarm

**Step 2:**  
Lay the foundation  
for change

**Step 3:**  
Catalyze change

**Step 4:**  
Take first steps

## Part B: Build Your Customer-centric Architecture

Next, learn how to build a customer-centric architecture of new systems and processes that deliver differentiated customer experience, and embed enablers that accelerate and sustain your customer-centric transformation.



### Workstream 2: Build New Systems

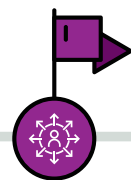
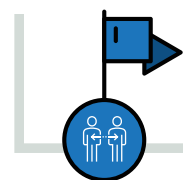
System 1: Innovation Management System  
System 2: Talent Management System  
System 3: Performance Measurement System  
System 4: Partner Engagement System

### Workstream 1: Break Silos and Work Cross-functionally

Drive Awareness and Communication  
Evolve Cross-Functional Teams from Temporary to Permanent  
Build Teams and Trust  
Manage Conflict and Decision-Making Rights

### Workstream 3: Embed Key Enablers

Supportive Corporate Culture  
Effective Storytelling  
Employees Rewards and Incentives  
Digital Technology



**Value  
Creation**

## PART A: IGNITE, CATALYZE, AND SET IN MOTION

*Part A takes you through **four roughly chronological steps** to ignite and catalyze the journey.*

- Step 1:** Sound the alarm and signal the need for change
- Step 2:** Lay the foundation for an organizational “reset” by aligning vision, values, and strategy
- Step 3:** Catalyze the change process and plan for change
- Step 4:** Begin experimenting with change and prepare employees for a long-term change process

## PART B: BUILD YOUR CUSTOMER-CENTRIC ARCHITECTURE

*Part B helps you build a customer-centric architecture by focusing on **three key workstreams** as part of an ongoing, multi-year change process:*

**Workstream 1** Break silos and cross-functionally integrate teams to focus on customers. Integrated and cross-functional ways of working organized around customers overlay the new systems you’ll build in Workstream 2.

**Workstream 2** Build the four systems that will enable your organization to deliver and evolve superior customer experience and value propositions:

- System 1:** An **Innovation Management System** enables you to create and improve customer solutions as well as business processes that enable delivery
- System 2:** A **Talent Management System** enables you to source, align, and empower human resources to be more customer-focused
- System 3:** A **Performance Measurement System** facilitates customer, employee, and company value creation objectives
- System 4:** A **Partner Engagement System** helps you effectively partner with external organizations to create and deliver innovative customer solutions

**Workstream 3** Embed key enablers that accelerate and sustain your customer-centric transformation:

- Supportive corporate culture
- Effective storytelling
- Employee rewards and incentives
- Digital technology

## WHAT DOES THE ORGANIZATIONAL SHIFT LOOK LIKE?

To realize change, it’s critical to know what you’re aiming for. Table 1, The Organizational Shift, summarizes significant areas for change and outlines what customer-centric organizations strive for as they shift from their existing state to an optimal future state.



Throughout this toolkit, **Question boxes** like this one will help you reflect on each section. Keep in mind the following questions as you explore the Organizational Shift table below:

- Questions**
- Can you identify characteristics in common with your organization’s?
  - Do these future states align with your organization’s objectives?

### The Organizational Shift

CHARACTERISTIC	EXISTING STATE	OPTIMAL FUTURE STATE
Strategy	<p>Focuses on product portfolios and margin to drive incremental growth within existing customer segments.</p> <p><b>THE “PUSH” MODEL</b></p> <p>Product focused. Sells incremental improvements on existing products to the same market. Pushes onto customers what the organization prioritizes, values, and does well.</p>	<p>Focuses on customer problems in context. Uses <b>persona</b> development (representations of primary users and their key behaviors) across new market segments to innovate and provide solutions that meet customer needs, price points, and aspirations. Emphasizes customer relationship development.</p> <p><b>THE “PULL” MODEL</b></p> <p>Customer problem focused. Starts with what adds value for customers, then organizes the resources needed to innovate around those needs. Customers are drawn (or “pulled”) toward the value and utility of offerings.</p>



CHARACTERISTIC	EXISTING STATE	OPTIMAL FUTURE STATE
<b>Culture</b>	<p>Underlying values support and reward product development, increased sales, and product profit margins.</p> <ul style="list-style-type: none"> <li>▪ Promotes hierarchy and established power structures</li> <li>▪ Sees failure as a negative</li> <li>▪ Motivates through financial rewards for existing product-focused metrics</li> <li>▪ Maintains a distance from customers</li> </ul>	<p>Underlying values recognize customer satisfaction as a profit driver. Rewards employees for solving customer problems and driving customer-generated value. Employees are seen as "internal customers."</p> <ul style="list-style-type: none"> <li>▪ Encourages experimentation and celebrates learning – even from failures</li> <li>▪ Prioritizes employee well-being</li> <li>▪ Encourages closeness to customers and builds customer empathy</li> </ul>
<b>Organizational Structure</b>	<ul style="list-style-type: none"> <li>▪ Employees operate in product silos and interact with other functions only to drive silo objectives</li> <li>▪ Long communication chains for approval to try new things</li> <li>▪ A sense of common organizational purpose is absent. The organization competes within itself</li> </ul>	<ul style="list-style-type: none"> <li>▪ Teams link business units across functions that rally diverse functions around customer needs and segments</li> <li>▪ Promotes autonomy and short communication chains for approval to try new things</li> <li>▪ Structures are flat</li> <li>▪ A clear purpose that transcends financial metrics is embedded into the organizational psyche, which unites and is shared across the organization</li> </ul>
<b>Value Propositions</b>	<ul style="list-style-type: none"> <li>▪ Offer what the organization knows and understands rather than what customers want</li> <li>▪ Often supply (not demand) driven. Repurposes old products for new markets, even when demand is different</li> <li>▪ Linked to the organization's competencies and comfort</li> </ul>	<ul style="list-style-type: none"> <li>▪ Creates differentiated customer experience that exceeds the competition, provides customer solutions, and generates value throughout the customer journey</li> <li>▪ Linked to market needs, wants, and aspirations</li> <li>▪ Good for the organization, the community, and consumers</li> </ul>
<b>Metrics</b>	<ul style="list-style-type: none"> <li>▪ Focuses on product sales and new product development for existing markets</li> <li>▪ Focuses on bottom line profit margin and incremental low-risk opportunity</li> <li>▪ Individual measures and rewards</li> </ul>	<ul style="list-style-type: none"> <li>▪ Focuses on customer experience, retention, and customer lifetime value</li> <li>▪ Measures learning, experimentation, customer satisfaction, and customer experience</li> <li>▪ Team-based measures and rewards</li> </ul>

CHARACTERISTIC	EXISTING STATE	OPTIMAL FUTURE STATE
Employee Rewards	<ul style="list-style-type: none"> <li>▪ Rewards product development, sales, customer acquisition, and profitability</li> <li>▪ Rewards are purely monetary and follow short-term quarterly reporting cycles</li> </ul>	<ul style="list-style-type: none"> <li>▪ Rewards behaviors that align with values, quality of customer experience, solving customer problems, and increasing revenue per customer by providing value-adding services</li> <li>▪ Rewards are monetary and behavioral, based on longer-term incentives</li> <li>▪ Rewards are customized to employee preferences</li> </ul>
Front Line Employees	<ul style="list-style-type: none"> <li>▪ Have low autonomy and low authority to resolve customer issues</li> <li>▪ Performance is measured by reaching quotas and sales targets</li> </ul>	<ul style="list-style-type: none"> <li>▪ Have decision-making authority, skills, and information to resolve customer issues</li> <li>▪ Performance is measured by contribution to differentiated customer experience</li> </ul>
Processes	<ul style="list-style-type: none"> <li>▪ Creates processes within product silos; duplication across silos sometimes results in inefficiency</li> <li>▪ Processes are repetitive and static; methodology is not questioned</li> <li>▪ "This is the way things are done around here"</li> </ul>	<ul style="list-style-type: none"> <li>▪ Processes are optimized to serve customers; efficiencies can result in expense reduction</li> <li>▪ Processes are prototyped, repeatedly reviewed, and revised</li> </ul>
Technology Strategy	<ul style="list-style-type: none"> <li>▪ Customer data is independently managed in silos, limiting ability to develop customer insights based on a comprehensive view of customer interactions with the organization</li> <li>▪ Limits holistic view and management of customers</li> </ul>	<ul style="list-style-type: none"> <li>▪ Executes an organization-wide strategy that supports capture and analysis of customer information across touchpoints; enables cross-functional teams</li> <li>▪ Allows for full and informed management of customer needs across channels</li> </ul>
Partnerships	<ul style="list-style-type: none"> <li>▪ Little or no interaction with partners once customers are handed off; limited visibility into each other's systems</li> <li>▪ Insular and internally focused, all in-house development</li> </ul>	<ul style="list-style-type: none"> <li>▪ Designs joined-up processes with partners to create seamless end-to-end customer experience; has access to shared IT systems to monitor performance of shared processes that affect customer experience</li> <li>▪ Embraces "open innovation" strategies, multiple parties involved in collaborative initiatives to meet customer needs; understands that collaboration drives ROI</li> </ul>

## WHERE DO I START THE CHANGE JOURNEY?

First, take a moment to reflect on your organization's current state with the easy-to-use [CGAP Customer Centricity Maturity Assessment](http://customersguide.cgap.org/assessment)<sup>1</sup> as you consider embarking on a journey to customer centricity.

The assessment has been designed to assess your organization against best practices in a customer-centric transformation. It is based on a maturity journey that describes the **four levels of development** of an organization as it progresses to customer-centric maturity.

### The Four Levels of the Maturity Journey



The Customer Centricity Maturity Assessment can assist your organization in determining its level of customer-centric development, demonstrating best practices and assessing agreement about the state of customer centricity in the organization.

The assessment assigns a maturity rating specific to your organization and identifies required actions to progress toward the next level of the development scale. Assemble your team and reflect together – or complete the assessment individually.

1. <http://customersguide.cgap.org/assessment>



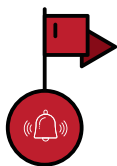
Pioneer Group president  
engages with a customer,  
Philippines





# Part A: **Ignite, Catalyze, and Set In Motion**

This toolkit begins with four steps that help you prepare for the long-term change process. Roughly chronological, these steps support you to ignite, catalyze, and set in motion your organization's journey toward customer centricity.



## STEP 1: SOUND THE ALARM

An organization's decision to embrace change is usually triggered by:

- A pressing problem or external threat, e.g., rapidly decreasing market share, defecting customers
- Negative public opinion associated with a brand
- Progressively deteriorating performance
- Innovative or potentially ground-breaking ideas that demonstrate opportunity

**An alarm bell serves as a wake-up call and signals the need for change.** Spend some time thinking through the triggers noted above and consider whether it's time to sound the alarm within your organization.

### MAKE THE HEART AND MIND CONNECTION

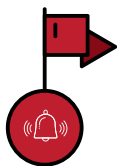
Unless leadership connects with the need for change on 1) a **rational, analytical level** and 2) an **emotional, empathy-based level**, it will be difficult to harness the energy for a transformational change journey.

**Level 1:** The rational, analytical level that appeals through data, measures, and metrics.

Facts and figures make people aware of deteriorating business performance and the impact that rapidly evolving markets can have on performance. Metrics and proof points can also demonstrate hard evidence around the business benefits of customer centricity and how a shift toward customer centricity can translate into real benefits.

Leaders must convince employees that intended results will benefit both the organization and those who take part in the change process. They need to show hard evidence, such as the following:

- A 2 percent increase in customer retention leads to a **10 percent decrease in costs** (Murphy and Murphy, as cited in Stahl, Magnoni, and Coetzee, 2017)
- A 1 percent increase in customer satisfaction leads to a **2.37 percent increase in return on investment (ROI)** (Gupta and Zeithaml, as cited in Stahl, Magnoni, and Coetzee, 2017)
- Conversely, a 1 percent decrease in satisfaction leads to a **5.08 percent decrease in ROI** (Gupta and Zeithaml, as cited in Stahl, Magnoni, and Coetzee, 2017)



**Level 2:** The important emotional and empathy-based level, brought to life by experiences, stories, and immersion into customers' realities.

To be motivated to act, employees must connect emotionally to why customer-focused change is necessary. Leaders and employees who step into customers' shoes and travel their journeys better understand how an organization's failures can negatively impact customers and how positive experiences can transform their lives. By sharing stories about the realities of customers' lives, you'll advocate for change in powerful ways.

The need for customer-focused change must also connect to employee values. Employees can be motivated for change when they experience the disappointment of a customer who's been let down by an organization or powerfully rewarded when new and improved offerings are celebrated by customers and the wider market.

According to the *Gallup 2014 State of the American Consumer* report, it's been shown that firms demonstrate better performance when managers engage directly with customer experience:

- 30 percent higher customer retention
- 55 percent increase in revenue
- 96 percent improvement in response to queries

Consider how you'll use these two levels to connect hearts and minds to a customer-focused change process within your organization.





Coffee worker,  
Uganda  
- Wim Opmeer,  
CGAP Photo Contest





## Metropolitan: The Awakening

**Metropolitan**, the retail division of Momentum Metropolitan Insurance (MMI), is an African insurance provider operating in low- and middle-income markets in South Africa, Namibia, Botswana, Kenya, Ghana, Nigeria, Swaziland, and Lesotho. Its shift to customer centricity grew out of brutal but honest soul searching.

Berniece Hieckmann, an executive at Metropolitan's Rapid Application Design and Delivery group (R.A.D.D.), describes how the organization awakened to the need for change, noting that the firm was "a business slowly going out of business." It had significant legacy market share in earnings but new market share had declined by close to 50 percent over a 15-year period and margins were becoming increasingly smaller. Metropolitan had the largest sales force in the industry but was the least productive. Performance metrics told a very clear story of an organization in decline – and ripe for change if it were to survive.

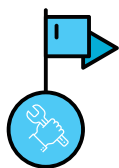
A deeper dive revealed other troubling trends. Claims ratios were also alarmingly low, so leadership began to dig for answers. As Hieckmann observes, "When you see massive profits from credit life insurance (a policy designed to pay off a borrower's debt if they die) and realize it's because claims ratios are non-existent, it doesn't make you feel very good. You've sold insurance to people who, when they are deceased, don't have a voice and can't tell anybody that they were covered." Metropolitan redesigned processes to ensure that policy holders appointed a "trusted one" who would give voice to their requests when it mattered the most.

She goes on to note that "part of our catalyst for change was that people in Metropolitan work with heart. When you see those that you serve struggle for financial stability, you realize that you can't spill their money. These people work hard to pay their premiums; to spill and waste it is a travesty....that was a part of our awakening – the responsibility of who we serve placed great onus on us."



### Questions

- Are you satisfied with performance related to growth, profitability, and customer retention?
- If not, has your organization sounded the alarm?
- Is there a collective understanding of the need for change?
- Do you regularly listen to your customers' stories to understand if you're satisfying them?



## STEP 2: LAY THE FOUNDATION FOR CHANGE

### LINK CHANGE TO STRATEGY

Once you've identified a compelling "why" for customer-focused change (the problems to be solved and opportunities to pursue), it's important to link the change process to your **market strategy**: how you'll compete, perform, and grow your business. Brainstorm potential benefits your organization would gain by adopting a customer-centric approach. While not an exhaustive list, some benefits may include reducing your cost to serve customers, improving operational effectiveness, earning customer loyalty, improving brand value, or differentiating your offer from competitors. Determine which benefits resonate with your existing strategy. Learning more about the [business benefits of customer centricity](http://www.cgap.org/publications/business-case-customer-centricity)<sup>2</sup> may influence your strategic direction. By linking transformational change to strategy and objectives, you'll be better positioned to rally people around the change process. A clear link also helps disarm fear and anxiety by giving employees permission to change.

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2. <http://www.cgap.org/publications/business-case-customer-centricity>



# Commercial Bank of Africa Links Customer Centricity and Strategy

About five years ago, **Commercial Bank of Africa (CBA)**, Kenya, decided to shift strategic direction as it looked ahead to 2018.

Why did CBA seek change? Grace Obuya, Head of Strategy and Change at the bank, explains that customer expectations were shifting, the types of products available in the market were rapidly changing, and competitive influences from outside the traditional banking sector were being felt. Financial inclusion and reaching new and/or underserved markets quickly emerged as key components of a new strategic focus.

CBA's leadership also recognized that the new Generation Y professionals entering its workforce had high expectations of CBA as an employer. In addition to financial benefits, they were seeking non-financial benefits including recognition, meaningful engagement with colleagues, and career development.

In a strategy exercise, CBA set out four pillars: Service Excellence, Growth, Effective Engagements, and Innovation. Initiatives central to achieving those objectives included:

- Building customer-centric systems to learn from underserved growth markets and innovate for them
- Delivering a differentiated customer experience
- Cultivating highly motivated employees
- Engaging strategic partners

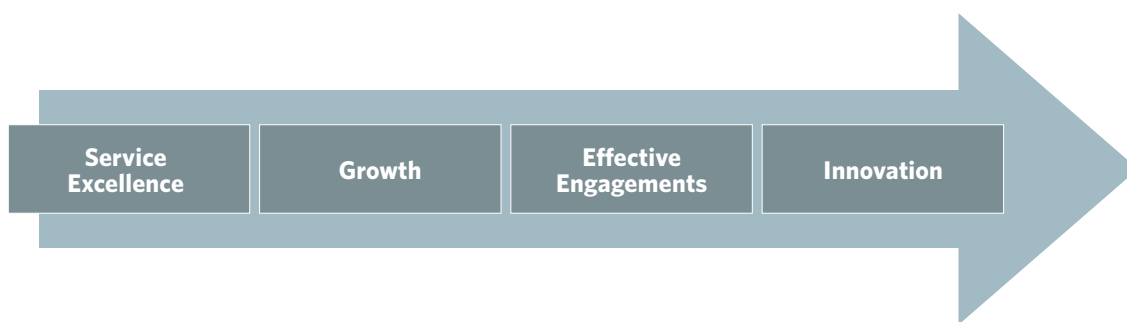


**Cultivating Employees.** CBA provides staff with Free to Grow engagement training. This training helps leaders build self-awareness so they can more effectively guide and support employees to cultivate self-purpose. The Managers as Mentors program provides managers with skills that promote a coaching style of leadership, which supports employees to more effectively realize their potential and contribute more effectively to institutional performance.

To further encourage and motivate employees, CBA runs a series of annual awards that reward and incentivize. Awards in the following categories reinforce the customer-centric culture and are a fun, engaging way to motivate employees:

- **Sparkle Awards** embed customer service
- **Raise the Bar Awards** drive accountability for results in the community
- **Live It Awards** build brand strategy

**Engaging Strategic Partners.** CBA partnered with Kenyan mobile network operator, Safaricom, to create M-Shwari – the first mobile phone-based saving and loan account in Africa. As a result of this partnership, a digital solution emerged that would solve customer liquidity problems and alter the financial services industry in Kenya. This partnership-led innovation has rolled out into four other African markets serving 30 million users.

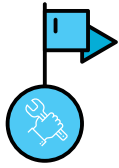






Flower seller,  
India  
- Aniket Mazumder,  
CGAP Photo Contest





## CLARIFY VISION AND VALUES

To drive the change process, organizations must articulate a clear **vision** of the future that communicates a consistently delivered **customer promise**. Your organization's vision and values, the drivers of aspiration and intention, support your underlying change narrative and are communicated and reinforced throughout the organization. These **values** explicitly recognize the value of customers, advocate for them, reward customer-focused behaviors, and cultivate highly engaged employees.



### PEP ARTICULATES A CUSTOMER PROMISE

**PEP**, South Africa's single largest retailer with more than 1,800 urban and rural locations, offers clothing, home supplies, mobile phones, and financial services to low-income populations. PEP describes its customers as "remarkable people who, on a very small budget, make it possible for their families to live with dignity and pride." The PEP customer promise is to provide "the most up-to-date and durable products at the best prices." To ensure it delivers on this promise, PEP constantly assesses whether products are offered at the lowest prices, are always in stock, and are carried in bulk so customers can rely on their availability at any PEP store for the same price. To further deliver on this promise, PEP **gives back to customers by lowering prices** when it sees an increase in margins.

Consider carrying out an organization-wide exercise that defines and clarifies the values that will support your organizational transformation over time. To codify its values and guide the future, e-commerce giant **Zappos** conducted a year-long assessment where employees defined what they loved about the company. The 37 values identified turned into its 10 core values.



## Guiding *Isms* at Quicken Loans and ZoonA



ZoonA agent at his outlet, Zambia

**Quicken Loans** grew from a small team in 1985 to the largest online retail mortgage lender in the United States. Core values are built around 19 decision-making *isms*, each of which describes a distinct practice or ideal that Quicken team members are expected to live by.

Finding a better way is one core *ism*. According to Quicken's *isms* handbook, "Our mission is a never-ending quest to find a better way for every process and everything we touch. If it's good, let's make

it great. If it's great, let's take it to an even higher level. Don't settle for less. In fact, don't settle at all. 'Finding a better way' is not something we do on the side or when we get time. Rather, it's a key responsibility for every one of our team members. It's our passion...our way of living...our obsession."

Inspired by these clearly articulated *isms*, CGAP's Capetown-based partner **ZoonA** – a payments, savings, and lending service provider operating in Zambia, Malawi, Mozambique, and soon the Democratic Republic of the Congo – created its own [Founder Isms](https://issuu.com/zoonatransactionsafrica/docs/zoon_isms)<sup>3</sup> to articulate the key values that drive behavior toward its vision.

3. [https://issuu.com/zoonatransactionsafrica/docs/zoon\\_isms](https://issuu.com/zoonatransactionsafrica/docs/zoon_isms)

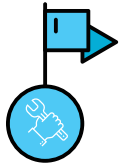


## Setting Up Vision and Values at Standard Bank

Motlatsi Mkalala, Senior Manager of Customer Financial Solutions at the Pan-African **Standard Bank**, relates how the organization's Chief Executive of Personal and Business Banking, Funeka Montjane, engaged employees and leadership.

Montjane tirelessly traveled across the bank's 20-country footprint, communicating a message of change and new ways of engaging customers to its hierarchies and geographies. Mkalala explains, "[Montjane] went on roadshows, with some venues hosting up to 600 employees at a time, sharing the company's vision with everyone – every employee, including the branch consultant. She talks a strategy, she talks a passion, so you feel it."

Montjane offers employees motivational stories that transform the bank's customers into thinking, feeling human beings with problems to be solved. In her own words, "When people visit the bank, they don't come looking for a home loan. They come because they have a desire for a dream house. Our job is to enable that dream."



## LINK TO A HIGHER PURPOSE

Organizations and employees are naturally resistant to change. To overcome resistance, ensure that your new vision and values link to a **higher purpose** – one that provides meaning and encourages participation in the change process. Leadership plays a key role in focusing on this common purpose. As change management expert Randy Pennington notes in *Making Change Work: Staying Nimble, Relevant and Engaged in a World of Change*, “Crisis pushes us to change; opportunity pulls us to change.”

### ZOONA'S HIGHER PURPOSE

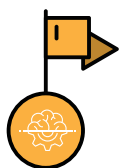
“Money and bottom lines (and, perhaps, the occasional golf day) – that’s what drives most larger corporates. Good for them – may they reap whatever rewards they seek. However, we at Zoono do things differently. Instead of driving our decision-making, we view revenue as an output. What informs our choices and strategies are customers and people. We know if we get that right, the rest follows. And intrinsic to our people-centered approach is purpose: the chance to make a difference in Africa. **Our purpose is to help communities thrive.** Knowing you’re coming to work to make that difference provides meaning, motivation, and empowerment. People connect to purpose, not to revenue graphs.” – **Zoono** Founder *Isms*

Linking transformational change to your organization’s strategy, vision, and values is essential for encouraging buy-in and securing the financial and human resources required to support the customer-focused change process.



#### Questions

- Does your organization have clear strategic objectives to differentiate from the competition?
- Have you assessed the value of implementing a customer-centric strategy to achieve strategic objectives?
- Does your organization have a clearly articulated future vision that connects employees to a higher purpose?
- Have you defined organizational values that drive employee motivation and behaviors? Do they align with your strategy?



## STEP 3: CATALYZE CHANGE

### LEADERSHIP COMMITS AND MODELS

“Founders are the heart and soul of a company and set the cues for how everyone else should behave. Behaviors become habits, habits become culture, and culture is what drives impact and performance. Zoono has been successful because we have been purposeful about following this process...” – **Zoono** Founder *Isms*

If leadership is not committed and passionate about creating a customer-centric organization, it's unlikely to happen. Leadership creates a sense of urgency around the need for change and commits significant human and financial resources to the process.

Leadership teams continuously remind employees of their common vision and the results they will achieve by sticking to the change process. Senior leadership can **inspire employees through storytelling** and by humanizing customer problems. Since anxiety is a natural part of the change process, leadership must regularly address employee questions and concerns. There will be resistance to change; leaders must work together to take the pulse of the organization during the change process – knowing when to push and when to pull back.

Leaders should expect the change journey to come with significant challenges, even hostility, from key stakeholder groups: peers, employees, and even sometimes the organization's highest governing bodies. Leaders will require strategies to maintain emotional and physical resilience during the long, challenging process.



## + ZOONA'S "FRANK CHAT"

"Every Wednesday morning at **Zoona**, we have a 'Frank Chat' with our founders Brad Magrath and Brett Magrath. This is an opportunity for employees to have candid conversations with our leaders about anything that they wish to discuss. This transparency and candor builds trust, and creates alignment to our larger goals and purpose. People who feel connected in this way are more likely to embrace change. These chats also help our leaders to keep an ear to the ground and to support, help, and reassure where required." – Meg Viljoen, Explorer, Zoona

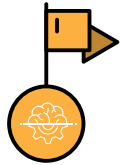
*A Survival Guide for Leaders* (Heifetz and Linsky, 2002) offers **key strategies for maintaining leadership resilience**:

- **Anchor yourself.** Create a safe space to manage the psychological impact of daily challenges, renew emotional resources, and recalibrate direction. It may be a physical place where you go to regroup or even a new routine, like a daily walk to reflect on challenges and achievements.
- **Seek the support of confidants.** A confidant or mentor outside the organization can help you to process your thoughts and emotions with a neutral party and provide moral support when the going gets tough.
- **Manage stress.** Understand potential attacks as reactions to change and your role as a leader rather than as personal assaults. Create structures for conflict resolution and problem solving rather than doing it all yourself. Cultivate employee resilience during times of change.



### Questions

- Is leadership committed and ready to live the change?
- Does leadership have a strategy to communicate your organization's change message, vision, and values?
- Does leadership have coping strategies to support the long-term change process – despite setbacks and difficulties?



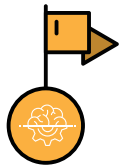
## BUILD A COALITION OF CHANGE AGENTS

+ “The executive team at **Standard Bank** [Africa] visited Silicon Valley [USA] to understand design thinking, customer-centric design, and to listen to thought leaders and learn about the latest ideas in this space. They came back on a mission to make this happen.” – Kabelo Makeke, Standard Bank

While leaders are critical in setting a change agenda and driving the vision, it takes a **team of change champions** who co-own the vision to catalyze the process and drive transformation. These internal change agents embed the message and incessantly lobby for buy-in.

Change agents may include external advisors brought in to diffuse the message through technical skills and resources. They bring credibility and a breath of fresh air from the outside. Standard Bank, for example, used the UK-based design firm, Vanguard, to train employees in design thinking methodology and practices that would create new ways of working through customer problems.

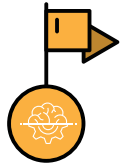
There are many ways to build and grow your change coalition. Immersing employees in the places where customers live, struggle, and work connects them to customer realities and helps them understand the problems that must be solved. Some organizations bring employees into call centers to hear customer stories and to learn how business failures are often pushed back onto customers. Change agents may embark on internal road shows, humanize data by tying it to customer stories, or generate support by bringing customer-focused initiatives into the boardroom.



The diagram below explains how change agents and innovation champions are selected – and the roles they play.

### Catalyzing Transformational Change with a Network of Change Champions





## SUCCESSFULLY IMMERSE EMPLOYEES

**Immersion programs** usually involve leaving the comfort and predictability of the office and stepping out into the communities where your customers live and work. By connecting employees with the people they serve, *deep dives* are a powerful way to break old patterns of thinking and resistance to new ideas. When employees gain empathy for customers and their problems, they can imagine relevant solutions and are motivated by the personal and social impact new offerings can have. Employees may draw inspiration from actual events in customers' lives, which creates authentic visual memories to draw on when working to improve customer experience. Leadership immersions also send a powerful message about the importance of building a customer-focused organization and culture.

Immersion programs can take various forms:

- **Community Immersions.** Immersing employees in communities can challenge perceptions of who your customers are, the challenges they face in their lives, and how effectively your organization's solutions resolve their problems.
- **Call Center Immersions.** Immersing employees in call centers is another powerful way to motivate change. Employees can be dramatically affected by the raw emotion of a disappointed customer.
- **Mystery Shopping.** By "shopping" for products and services like a new or existing customer would, employees gain first-hand knowledge of your organization's customer experience.
- **Front Line Immersions.** Immersing back office employees into front line roles allows them to better understand customers and how even their less visible roles impact customer experience.





## Zoona CEO Goes on the Road



**Zoona founder meets customers, Zambia**

On a journey across Malawi, Zambia, Mozambique, and the Democratic Republic of the Congo, **Zoona** CEO Mike Quinn immersed himself in the lives of agents and tellers – the African fintech’s internal customers. For five weeks, he spent time getting to know them in their places of work and in their homes.

Quinn’s goal was to get closer to these important internal customers so Zoona could better serve and assist them in achieving their goals and dreams. He captured and shared their stories to inspire new and existing employees and other stakeholders. The energy harnessed in the field also recharged his batteries as the organization embarked on a new growth phase.

View a short video on [Mike Quinn’s immersion](https://www.youtube.com/watch?time_continue=5&v=3klmZTpvDSk).<sup>4</sup>

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4. [https://www.youtube.com/watch?time\\_continue=5&v=3klmZTpvDSk](https://www.youtube.com/watch?time_continue=5&v=3klmZTpvDSk)



## Janalakshmi and the Power of Empathy

To ensure customer understanding across the organization, the Bangalore-based Indian microfinance firm **Janalakshmi** (now a licensed small bank), convened a cross-functional team from various branches to visit customer households, shadow field officers, hold group discussions with borrowers, and interview customers who'd stopped using specific products. Employee involvement across business functions led to the discovery of customer pain points that were not previously visible to those who work in the branches every day.

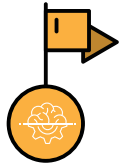
+ “When you go and actually visit the customers, you are able to empathize much more with them. They are going through various things in their lives and you get to see it for yourself. It is very real. The other thing that struck me in the immersions was that people in this socioeconomic class are extremely busy.... If you don't visit them, you don't realize just how packed their days are. Anything that we deliver in terms of financial services has to take this into account. We take our customers and their time for granted. Change has to take place – and quickly.”

– Rahul Mallick, Head of Retail Financial Services, Janalakshmi



### Questions

- Do you have an internal change coalition that buys into and diffuses the change agenda throughout the organization?
- Do you immerse employees, including management teams, into the communities of customers you serve or want to serve?
- Do you know which types of customer stories resonate within your organization?



## INTRODUCE NEW FUNCTIONS AND STRATEGIC INITIATIVES

Sometimes new functions that support and sustain the customer-centric change process must be introduced.

**Chief customer officer** (CCO) is often one such appointment at the executive level. The CCO is responsible for introducing strategic initiatives that catalyze change and for bringing together business units to align around customers in new ways.

Special initiatives that gather knowledge and examine best practices from leading customer-centric firms may be established to support organizational learning and buy-in. Global insurance provider **MetLife**, for example, initiated a highly visible customer-centric transformation process in response to customer retention challenges, its key value driver. MetLife created a six-month task force to study organizations that lead in customer loyalty and retention. The task force hired a design firm to explore, along with employees, what the ideal insurance experience would look like. They also established a center of excellence that carried out **voice of the customer** analysis to understand key customer satisfiers, identify new organizational capabilities required to satisfy them, and examine existing organizational barriers to customer satisfaction.

Governance structures may also be adjusted to ensure that your customer mandate is fulfilled by creating, for example, board-level customer committees or a coordinating function – a center of excellence – that carries out research, provides training, and and shares best practices across the organization linked to your customer-centric transformation.



# The Role of the Chief Customer Officer and the Center of Excellence at Nedbank

Poovi Pillay, a consumer banking executive at South Africa-based **Nedbank**, describes the importance of the role of chief customer officer and the center of excellence (COE) in driving the pan-African bank's customer mandate:

“At the heart of our strategy, it is clearly stated, we need to be great at listening, understanding, and responding to client needs and delivering on time. Strategically, we have always had a clear intent to be customer-centric. However, you need to have a structure which enables this in practice. Many organizations have a chief financial officer, a chief operating officer, a chief digital officer, and so on...but often you will not find chief customer officer.”

Many organizations have product teams operating as standalone divisions. In the case of Nedbank, Pillay notes that “historically, Home Loans had one view of who the customer is, Vehicle and Asset Finance had a different view, Transactional Programs had a third view and so on. This confuses the message on priorities, who you are serving and how.”

Employees recognized the importance of making customer needs a strategic priority across divisions and attaining a global view of target customers. Nedbank sought to change the mindset so *customers* would lead – rather than products. In late 2016, a retail and business banking center of excellence was set up with an all-encompassing customer mandate. COE core governance now revolves around three principles tied to customer offerings: desirability, feasibility, and viability. A chief customer officer was also appointed.

The COE customer focus runs vertically and horizontally, cutting across silos that hampered responsiveness in the past. According to Pillay, “We imagined what it would be like to have one blueprint of the target segments that everyone organizes around for the next five years, one goal across the organization that everybody is aligning with and designing collaboratively around. The chief customer officer is the center – the happy center – of this process.”





Busy Phnom Penh  
marketplace,  
Cambodia  
© 17 Triggers



## AMK's Social Performance Committee

CGAP partner **AMK**, a Cambodian microfinance institution with a significant rural focus serving more than 500,000 customers, has always invested heavily in customer research and continues to evolve its customer-centric model. To ensure that research was effectively used and central to the organization's evolving strategy, a customer-focused, board-level committee became a key innovation.

This social performance committee shapes the direction of research, ensures its quality, translates results to the board, and brings the customer perspective into board decision-making. Committee gatherings supposedly only involve committee members, the head of research, and the CEO. However, the entire management team and board members frequently attend because they value the different perspectives found in discussions on AMK's work and the opportunity to critically reflect on what the organization is doing.

[Case Study: Leadership and Organizational Culture in Customer Centricity: The Journey of AMK Cambodia<sup>5</sup>](#)

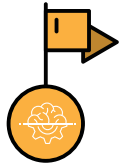


### Questions

- How willing is your organization to introduce a chief customer officer or similar function to executive leadership?
- Has your organization drawn on external expertise to support the introduction of new ideas?
- Does your governance structure prioritize a customer focus?

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5. <http://customersguide.cgap.org/sites/default/files/resource/2018/06/CGAP-AMK-Leadership-Case-Study.pdf>



## PLAN AND RESOURCE FOR CHANGE

Preparing a **change management strategy** and **plan** will help you to:

- Demonstrate alignment with strategic objectives
- Envision your future state and identify a starting point for your change journey
- Prioritize strategic initiatives to catalyze the change process
- Plan longer-term initiatives to build customer-centric systems and capabilities
- Inform an activity plan to unlock a pool of human and financial resources
- Measure performance to show that change is working

The following **five activities and tools** will help you create your strategy and plan for change:

**1) Carry out a diagnostic.** A diagnostic tool can help your organization understand the extent to which customer-centric practices and behaviors are already in place. The outcome allows you to prioritize development of customer-centric capabilities and systems. The [Customer Centricity Maturity Assessment](http://customersguide.cgap.org/assessment)<sup>6</sup> supports the process and shares best practices for customer-centric organizations.

**2) Map internal stakeholders and create a stakeholder management strategy.** Creating an internal stakeholders map will help you understand how individuals and employee groups may be affected by the change process.

The simple **Stakeholder Mapping Tool** that follows allows you to segment employees across the following dimensions (DFID Source Book Organizational Diagnosis [Tools and Techniques], 2003):

What is stakeholder management?

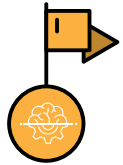
Stakeholder management is central to managing change. It involves:

- Identifying the individuals or groups who will be affected by change or those with the ability to impact the change process
- Developing a strategy to manage these stakeholders

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6. <http://customersguide.cgap.org/assessment>





How is stakeholder management carried out?

**Step 1:** Identify and gather information on key stakeholders through interviews, surveys, change readiness workshops, and relevant documents such as organizational charts. Be sure to protect sensitive information gathered during stakeholder analysis.

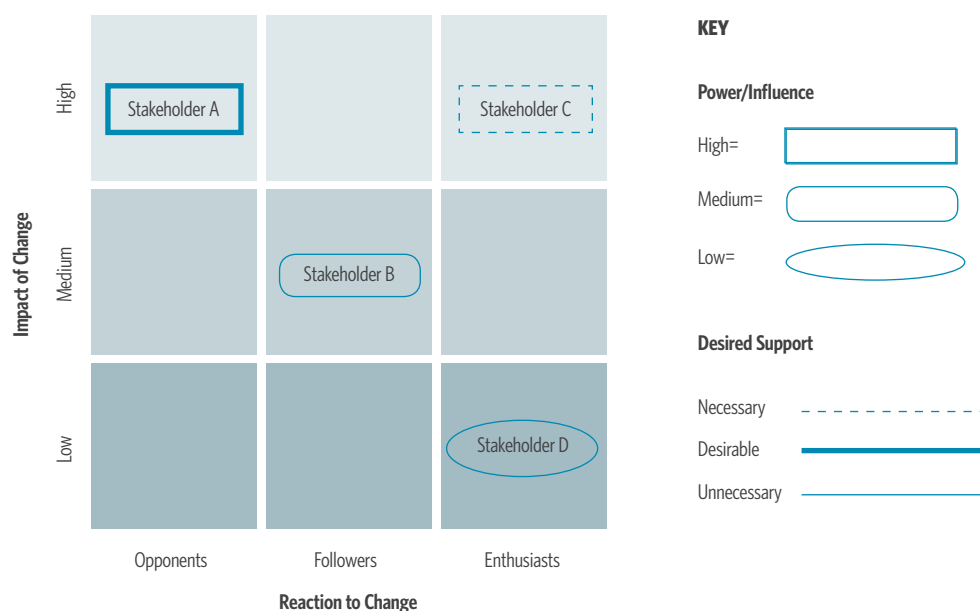
**Step 2:** Analyze information gathered along **four dimensions**:

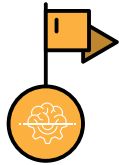
1. Impact of change: What level of impact will change have on stakeholders – high, medium, or low?
2. Reaction to change: How will stakeholders react to change – as opponents, followers, or enthusiasts?
3. Level of power and influence: What is the individual stakeholder's level of power and influence – high, medium, or low?
4. Desired support: What level of support is required of the individual stakeholder – necessary, desirable, or unnecessary?

**Step 3:** Use the information gathered from these four dimensions as follows:

- Plot dimensions 1 and 2 on the matrix below.
- Use the symbols noted in the Key below to illustrate dimensions 3 and 4.

### Stakeholder Mapping Tool





Creating a simple table that plots groupings of individuals with respect to the impact of change and their likely reaction to it can be a useful tool. Stakeholder analysis will enable you to categorize stakeholders as champions, sponsors, or change agents.

**Step 4:** Next, develop a stakeholder management plan that includes:

- Leadership, coaching, and mentoring activities for sponsors
- Project management skills and training for change agents
- Facilitation skills for those seeking to achieve consensus

Consider using the MindTools 10-Minute Guide, [Stakeholder Management: Winning Support for Your Project](https://www.mindtools.com/blog/corporate/wp-content/uploads/sites/2/2015/07/Stakeholder-Management-10-Minute-Guide.pdf),<sup>7</sup> to inform a stakeholder management plan that includes proactively crafting messages for each stakeholder group, based on the way change is likely to affect them or how they will likely react to it. Allocate resources to support managers in developing the capabilities they need to guide employees and teams through the change process. Skilful, informed facilitation supports constructive participation and can help employees overcome resistance.

**3) Plan catalytic initiatives.** Plan activities early on that move your initiative along: form a change coalition, develop new roles and functions, and communicate the vision for change. Step 4 of this toolkit, Take First Steps, highlights the early steps required to shift mindsets, motivate people, learn from customers, and incubate and test new approaches.

**4) Plan for long-term investment.** Part B of this toolkit, Build Your Customer-Centric Architecture, identifies the systems and capabilities essential to a customer-centric business model. Change management requires planning for the long-term investments required to develop these systems.

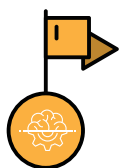
**5) Phase change.** Because the change journey is likely to be a multi-year effort, focus resources early on to demonstrate that change is happening. Consider framing your transformation as a series of distinct initiatives and measurable goals for employees to manage.

While planning is important, leave room to evolve plans since external environments may shift, unexpected opportunities may emerge, and unintended consequences of change must be considered (Nadler and Tushman, 1989).

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7. <https://www.mindtools.com/blog/corporate/wp-content/uploads/sites/2/2015/07/Stakeholder-Management-10-Minute-Guide.pdf>





## METROPOLITAN: SEGMENTING EMPLOYEES TO MANAGE THEIR REACTION TO CHANGE

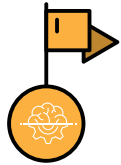
Metropolitan's Berniece Hieckmann explains how her team created a four-quadrant model to manage front line employees throughout the change process. First, they identified four employee segments: Superstars, Rising Stars, Potential Stars, and DisaStars.

### The Metropolitan Front-Line Segmentation Model



**Superstars.** According to Hieckmann, “You give Superstars the enablers and they get going. The way they respond to change is first to assess and process it; if it’s in their favor, they will get on with their job. I made sure that my Superstars were very happy.”

**Rising Stars.** “Rising Stars also assess and process. Then they check in with the Superstars to make sure that their assessment is correct. They’re your marketers. They’re going to say whether this model is good or whether this model is not good because they cannot resist having an opinion and getting on a podium about it. I calibrate for Rising Stars to make them very happy as well so that they will be the advocates of change.”



**Potential Stars.** “Potential Stars have talent. Either they follow the Rising Stars and the Superstars...or they become the rescuers of the downtrodden (the DisaStars), their advocates. This is why it is important to ensure your Rising Stars are positive, as they are vocal and create a guiding force for Potential Stars looking for direction. It’s quite dangerous when Potential Stars become the advocates of the under-performers because they don’t see their own position anymore. They’re going to absorb the change impact either downwards or upwards and you have to work carefully with them.”

**DisaStars.** “When this quadrant screams, it sounds like the world is on fire. They never use ‘I’ language as they seek ratification and justification of their views. ‘We’ the people are really disturbed. The ‘we’ language can create a sense in the organization that a problem is bigger than it actually is. They are usually not prepared to make the changes required to grow with the organization.”

Next, Metropolitan used the model to influence positive behavior. Hieckmann notes, “When I gave [the model] to our channel executives I said to them, when your staff react you need to check your quadrant model. If it’s your Superstar, you drop everything and you listen to what he or she has to say. If it’s your Rising Star, you ensure he or she understands the context for the change so that you script him or her beautifully and you provide reinforcing encouragement. If it’s your Potential Star, you help him pick a camp and you help him pick wisely and you center him in his own circumstance. If it’s your DisaStars, you put your earplugs in and ensure their protests are seen in the context of their position.”

As Metropolitan moved through the change process, most DisaStars left the organization since they could not adapt. Metropolitan coached other employees to move toward the Superstar quadrant.



#### Questions

- Has your organization identified the resources required to implement change initiatives?
- Have you segmented internal stakeholders to effectively manage their participation in the change process?
- Have you divided your change plan into manageable goals and objectives?
- Have you established measureable goals to determine if initiatives are successful and if they showcase success?



## STEP 4: TAKE FIRST STEPS

Building a customer-centric organization is a multi-stage process. This section describes some of the **first steps** your organization can take to prepare for ongoing change.

### SHIFT MINDSETS AND MOTIVATE PEOPLE

“At Zoono, our customers come first right from the start. They are the reason we come to work. They’re first in the queue, not at the back waiting to be heard. As a company that drives customer centricity as part of our culture, this doesn’t mean just listening to customers – it’s about empathizing and knowing them, immersing ourselves in their worlds. It’s about truly believing that our customers hold the answers and embracing that their insights drive our strategy.” – **Zoono** Founder *Isms*

A willingness to embrace change with uncertain outcomes, transform the way you do business away from the status quo to focus on the customer, and learning to connect with customers requires a **mindset shift**.

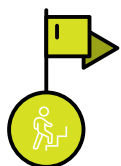
#### *Connecting with Customers*

Creating relevant solutions requires employees to embrace customers’ lives by using listening skills and **empathy**. This helps them explore and relate to customer motivations, aspirations, and needs ([see the FINCA Empathy Tool](#)).<sup>8</sup> Empathy enables employees to holistically engage with customers, create meaningful relationships, and innovate solutions that respond to their short-term needs and long-term goals.

It’s helpful to contrast **transactional** and **relational customer engagement**. Engaging with customers in a series of quick fix, task-based transactions limits the ability to create value for customers and, ultimately, your organization. A mindset shift that enables employees to relate to customers’ hopes and dreams expands value creation opportunities through offerings that have the potential to transform customer lives. Relational customer engagement grows value for the organization by expanding relationships with customers over their lifetime, attracting more customers, and incentivizing loyalty.

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8. <http://customersguide.cgap.org/sites/default/files/resource/2018/06/CGAP-Empathy-Experiment.pdf>



Various tactics drive the mindset shift that enables employees to embrace change, adopt a customer focused approach, and connect with customers:

- **Immersion programs** described in Step 3: Catalyze Change, provide opportunities for employees to make the heart and mind connection required to accept that change is necessary. Immersions help employees connect with customers – and a higher purpose.
- Developing customer **personas**<sup>9</sup> that employees can relate to and making them visually accessible reminds employees where value lies. At Nedbank, personas for each target segment populate the walls in branches so employees never forget who their customers are and who they serve.<sup>10</sup>
- **Storytelling** powerfully reinforces the language of change, communicates how failure is pushed back on customers, and applauds the success of new approaches (see Workstream 3, Effective Storytelling).
- **Role-playing** exercises help employees develop listening and empathy skills and relate to each other by sharing their own needs, wants, goals, and ambitions.



### **METROPOLITAN EMPLOYEES ROLE-PLAY TO CONNECT WITH CUSTOMERS**

The power of role-playing exercises as highlighted by **Metropolitan's** Berniece Hieckmann:

“We’ve taught our advisors to stop talking and start listening. We give them tools to capture a client’s life event and ask them to practice with each other. When they realize that their colleague – who they thought was very much the same as them – has very different ideas, the penny drops and they realize the individuality of people with their own wants, dreams, goals, and aspirations. If you can just create the stimulus for clients, they are prepared to introspect and speak about what matters to them. We’ve changed our brand personality to being a financial wellness coach or mentor.”

9. <https://customersguide.cgap.org/sites/default/files/resource/2018/05/Tool1-Persona-Profile.pdf>

10. Amy Underwood, behavioral economist at Nedbank and Old Mutual.



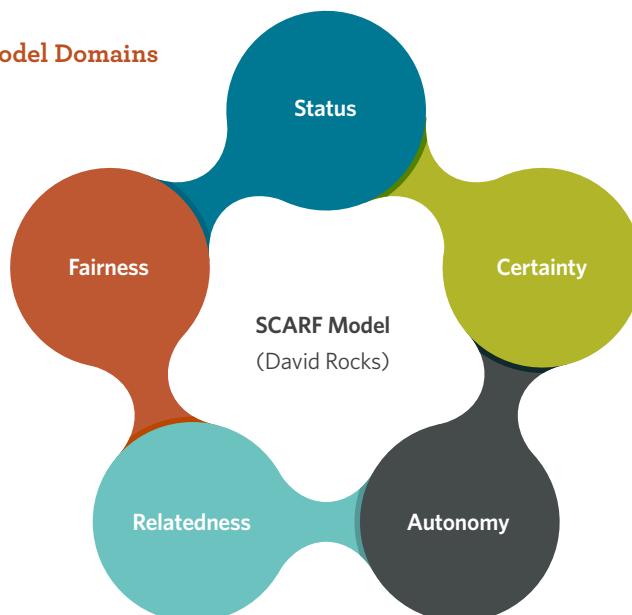
### *Manage Anxiety and Maximize Potential Rewards of Change*

People often resist change because they're afraid of failure and how its negative consequences may personally affect them. Organizations use numerous strategies to overcome resistance, including:

- Creating **safe spaces** that nurture and reward new ideas and experimentation. They may be physical places like internal incubators or “playrooms” where employees can experiment with techniques that allow them to better serve customers.
- Giving employees permission to change by linking change to strategic objectives and giving them the **freedom to experiment and fail**.
- Providing **new forums** where employees can challenge prevailing ideas and communications platforms where they can share new ideas that convert to action.
- Developing **rewards and incentives** aligned to customer-centric change behaviors are also powerful motivators (see Workstream 3, Employee Rewards and Incentives).

Change may also lead to anxiety and fear. Employees may feel excluded, unprepared, or insecure in their abilities or their role in a new structure. David Rock, a neuroscientist who studies the motivations that drive social behavior, created the **SCARF model** to explain the five domains of social experience that influence an employee's ability to minimize the threat and reap the potential rewards of change. Leaders and managers can shape these domains so employees are motivated to participate productively in the change process. Employee reward response is linked to positive social experience in your organization.

### **The Five SCARF Model Domains**





**Status = *Relative importance to others.***

Employees are likely to experience a threat response if they fear change will potentially degrade their status in their work environment or result in negative feedback. The reward response is not synonymous with money. In fact, research shows that maintaining or improving status is more important to people than monetary reward.

The CGAP Employee and Agent Empowerment Toolkit<sup>11</sup> provides guidance on empowering employees to develop the resources required to trigger a reward response to change. Resources include information and knowledge that enable employees to commit to and practice customer-centric behaviors, as well as communication and learning tools to make delivering positive customer experience easier and more effective. The Employee and Agent Empowerment Toolkit also provides diagnostic tools to develop preparedness plans for employees.

**Certainty = *Being able to predict the future.***

People are threatened by change when they lack an understanding of the envisioned future state. Managers must continuously reinforce the vision and rewards offered by a shift toward customer centricity.

**Autonomy = *A sense of control over events.***

People are threatened by change when they lack the autonomy to deliver on its stated objectives, but managers and leaders can create an environment and processes that provide employees with decision-making autonomy and accountability. The Employee and Agent Empowerment Toolkit provides guidance on how employees can expand their degree of influence to control and manage potential risk.

**Relatedness = *A sense of safety with others.***

People may feel threatened in a team environment when their ideas are not constructively considered or rewarded. Managers are responsible for creating a trust-based environment where people can effectively work together in cross-functional teams. Workstream 1: Break Silos and Work Cross Functionally highlights approaches to effective team building. The Employee and Agent Empowerment Toolkit provides guidance on generating dialogue and support.

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11. <https://customersguide.cgap.org/sites/default/files/resource/2018/07/CGAP-Employee-Agent-Empowerment-Toolkit.pdf>



**Fairness** = A perception of fair exchange.

Performance measurement systems recognize and reward employees for performance related to change goals. These include team-based goals that enable team members to equally benefit from success and share responsibility for failures. Employees are given access to dashboards for monitoring their own performance and benchmarking against the performance of others.

The short video, [Influencing Others with Dr. David Rock](#),<sup>12</sup> succinctly unpacks the SCARF model.

For additional insight into how your organization relates to the five SCARF domains, try the [free SCARF self-assessment tool](#),<sup>13</sup> created by and available from the NeuroLeadership Group (India and South Asia).



#### Questions

- Do managers understand how to motivate employees to reap the rewards of successful change?
- Do employees have the skills and opportunities to deliver valuable customer experience?
- Are there “safe spaces” in your organization where employees feel comfortable challenging prevailing assumptions and ways of doing things?

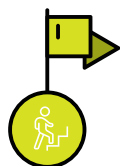
## LEARN FROM CUSTOMERS

+ “In the past, we focused on ‘giving access to financial services’ but we never focused on ‘are we relevant’ for those customers. That’s where the customer centricity journey becomes important because all we did in the past was take a legacy financial product and push it onto the consumer without understanding its relevance to those consumers. And then we were surprised to see accounts being abandoned at high rates.”

– Kabelo Makeke, **Standard Bank**

12. <https://www.youtube.com/watch?v=isiSOeMVJQk>

13. <https://neuroleadership.com/scarf-assessment/>



When an organization decides to put customers at the center, an important first step is to invest in understanding who those customers are. This is the starting point for creating relevant offerings and differentiated customer experience. Specific [quantitative and qualitative research methods](#)<sup>14</sup> can help you understand customers' lives, motivations, and aspirations.

The **CGAP Customer-Centric Guide** aggregates tools, templates, and case studies to help you learn from customers and generate [customer insights](#),<sup>15</sup> including:

- How to [collect customer information](#),<sup>16</sup> and which type of research best fits your organization
- What [insights](#)<sup>17</sup> say about the financial lives of low-income customers, customer value drivers, and how to translate insights into design principles
- [Methods for analyzing](#)<sup>18</sup> internal transactional data to generate customer insights and segment customers to better target products that fit their needs

Other highlighted resources from the [CGAP Customer-Centric Guide](#):<sup>19</sup>

#### [What Human-Centered Design Means for Financial Inclusion](#)<sup>20</sup>

Learn how human-centered financial services work for the poor.

[How the Poor Manage Their Money \(Video\) and How the Poor Organize Their Money \(Brochure\)](#)<sup>21</sup> Insight into the money management practices of low-income people.

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14. <https://customersguide.cgap.org/learn-from-customers/collect>

15. <https://customersguide.cgap.org/design-solutions/start>

16. <https://customersguide.cgap.org/learn-from-customers/collect>

17. <https://customersguide.cgap.org/learn-from-customers/analyze>

18. <https://customersguide.cgap.org/learn-from-customers/generate>

19. <https://customersguide.cgap.org/>

20. <http://www.cgap.org/publications/what-human-centered-design-means-financial-inclusion>

21. <http://www.cgap.org/publications/how-poor-manage-their-money>



## Standard Bank Immersion Into the Reality of Farmers' Lives

When **Standard Bank** learned that farmers and farmworkers were frustrated with the payday process, they sent out a team to investigate. On-site interviews helped bank employees realize how their legacy account management systems were at odds with the financial cycles of this customer group.

Interviews uncovered the inconvenience, fear, and anxiety farmers experienced when carrying around large sums of payroll cash. These farmers were hungry for a digital solution. Farmworkers, too, worried about carrying cash; they were also frustrated when the bank inexplicably closed their accounts.

Income for these farmworkers is at its highest during the planting and harvest seasons, while their accounts often lay dormant during the growing season. The bank's rule book did not recognize this cycle; inactive accounts were viewed as costly and were often closed by the bank before the next income cycle.

By immersing a bank team into the annual journey taken by farmworkers, a pre-paid card and an innovative low-cost, pre-paid account were born. The services only activate once a transaction is performed. These innovations would have been impossible to identify if employees were seated at their desks all day. With the success of this immersion, bank employees were given permission (and expected) to spend time in the field conversing with customers.





Working in the field,  
Philippines





A **customer journey map** is a tool that can help you understand what customers do, how they think, and what they feel when they interact with your services. CGAP has created a [customer journey mapping tool](#)<sup>22</sup> and has supported [customer journey mapping initiatives](#)<sup>23</sup> that you can learn from.

**Voice of the customer (VOC)** is a process that supports organizations in systematically listening to, interpreting, and responding to customer expectations, preferences, and experiences throughout the customer journey. Immersing employees in your call center to listen to customer feedback is a good place to start with VOC. Over time, more ambitious programs can support two-way communication across a range of channels. CGAP has created the following VOC resource that you can learn from: [Voice of the Customers: A Two-way Dialogue in Digital Finance](#).<sup>24</sup>

By institutionalizing the process of learning from customers and generating insights, innovation management systems can lead to customer solutions and positive customer experience (see System 1: Innovation Management System).



#### Questions

- Do you have a deep understanding of who your customers are?
- Do you learn from customers in a systematic way?
- How do you transform what you've learned into customer insights to be acted upon?

22. <https://customersguide.cgap.org/sites/default/files/resource/2017/12/Customer-Journey-Map.pdf>

23. <https://customersguide.cgap.org/sites/default/files/resource/2018/05/Lessons-Learned-Janalakshmi-Customer-Journey.pdf>

24. <http://www.cgap.org/blog/voice-customers-two-way-dialogue-digital-finance>



## Lessons Learned: CPMI Establishes a Voice of the Customer Initiative

Pioneer Microinsurance (PMI) is part of the Pioneer Group, a family-owned commercial insurance provider in the Philippines. In 2017, Pioneer covered more than 16 million low-income Filipinos and held 60 percent of the microinsurance market in the country. In 2008, Pioneer created the joint venture [Card Pioneer Microinsurance](https://www.cardmri.com/cpmi/)<sup>25</sup> (CPMI), a network of more than a dozen institutions that provide microfinance and community development programs. Seventy percent of PMI's revenue comes from this partnership.

CPMI created a VOC instrument to more systematically facilitate a dialogue between its customers, staff, and distribution partners. The objective was to create a channel for customers to give their feedback and develop a measurement for customer satisfaction.

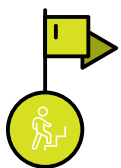
In partnership with CGAP and Consulta, CPMI developed a survey instrument based on insights into the journeys of customers and agents ("microinsurance coordinators"). The survey was used to establish a benchmark on customer satisfaction, as well as to obtain information that would help develop a transactional and reputational feedback instrument. Survey results established which aspects of the customer experience and related touchpoints were most important, so CPMI could determine where front line customer engagement and back-end systems and processes impacted customer experience.

Next, CPMI defined data streams and **key performance indicators** (KPIs) for each moment of the customer journey, which were monitored on a dashboard to determine which moments were going right (or wrong) and to improve them based on customer preferences. Key focal moments included handling customer problems, customer enrollment, and policy renewal.

Consulta then created a **voice of the customer index** (VOCI) for CPMI to measure customer experience, customer satisfaction, and loyalty. These metrics allow CPMI to continually adjust business processes and value propositions to deliver a differentiated customer experience. The process enabled CPMI to improve the way information was shared across channels so customers would not have to repeat actions taken in prior channel interactions.

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25. <https://www.cardmri.com/cpmi/>



## TEST AND INCUBATE NEW APPROACHES

Take another “first step” toward change by creating physical spaces where your organization can learn, **incubate**, and test new ideas. Success stories that emerge build momentum and showcase potential benefits. These learning labs also celebrate the failures that inevitably come from trying new approaches. By sharing lessons, employees gain the freedom to experiment since risk-taking is rewarded and failure is not penalized.

An innovation management system institutionalizes new approaches (see Innovation Management System) and, if done well, can become your organization’s biggest change enabler.



### JANALAKSHMI MAKES SPACE FOR CONTINUOUS INNOVATION

Bangalore-based microfinance organization and licensed small bank **Janalakshmi** recognized that front line employees often had the best ideas for new solutions. Understanding that employees need to feel safe in order to share their ideas, they established a process to capture ideas, put them up for debate, and nurture to scale. Management committed funds to support the internal innovation process, and while they knew that not every idea would succeed they were certain that every failure would generate learnings.

A senior staff member was appointed as customer experience champion to ensure that prototyping managers had buy-in. Janalakshmi set up a customer centricity council, *Suno Unki Kahani* (listen to their stories), with members from every business function. The council periodically meets to highlight customer-centric initiatives and to “bring” customers into the boardroom. A branch has also been transformed into a testing lab for new customer-centric initiatives. If an idea works there that’s the first endorsement for scaling up. The initiative empowers employees, encourages a culture of innovation, and builds ownership for the organization’s vision – right down to front line employees.



# The Pioneer Microinsurance Innovation Hub

The customer-centric vision at **Pioneer Insurance Group** began as a dream of the president of Pioneer Life and Retail (a division of Pioneer Insurance), Lorenzo Chan. Chan visualized the organization as a one-stop shop that would meet the needs of existing customers and people who previously had been excluded from insurance markets.

Leadership created an experimental unit for incubating microinsurance products within the group, unencumbered by the demands of the existing business. Geric Laude, head of microinsurance at Pioneer and CEO of CPMI, was a branch manager at the time he was chosen to become the organization's microinsurance champion: "When I was selected...it gave me the stage to turn loose from the shackles of the routine business of a branch. But I was also nervous because there really was no blueprint. My mission was very simple – to take microinsurance wherever I thought it needed to be taken. And that was good, because it essentially gave me the space to experiment. We knew our existing solutions would not work and that we needed to work out new ways of doing things for the markets we wanted to reach, to reengineer backwards."

To win support for the experiment and the eventual formation of CPMI, Laude showcased his unit's innovations within the organization. To fulfill its vision of becoming first in claims in the industry, CPMI completely reengineered the claim process and reduced payout times to just three days. Among commercial insurers in the Philippines, CPMI was the first to introduce a simplified process. Through this experience, Laude has been able to help other business units streamline and simplify their claims processes to benefit customers and the bottom line. CPMI is now positioned as the wider organization's Retail Innovation Hub.



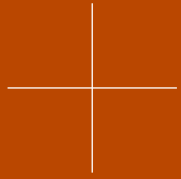
## Questions

- Does your organization encourage new ideas and innovation?
- Do you have a safe space to incubate new ideas?
- Is there executive level support and participation for innovation?



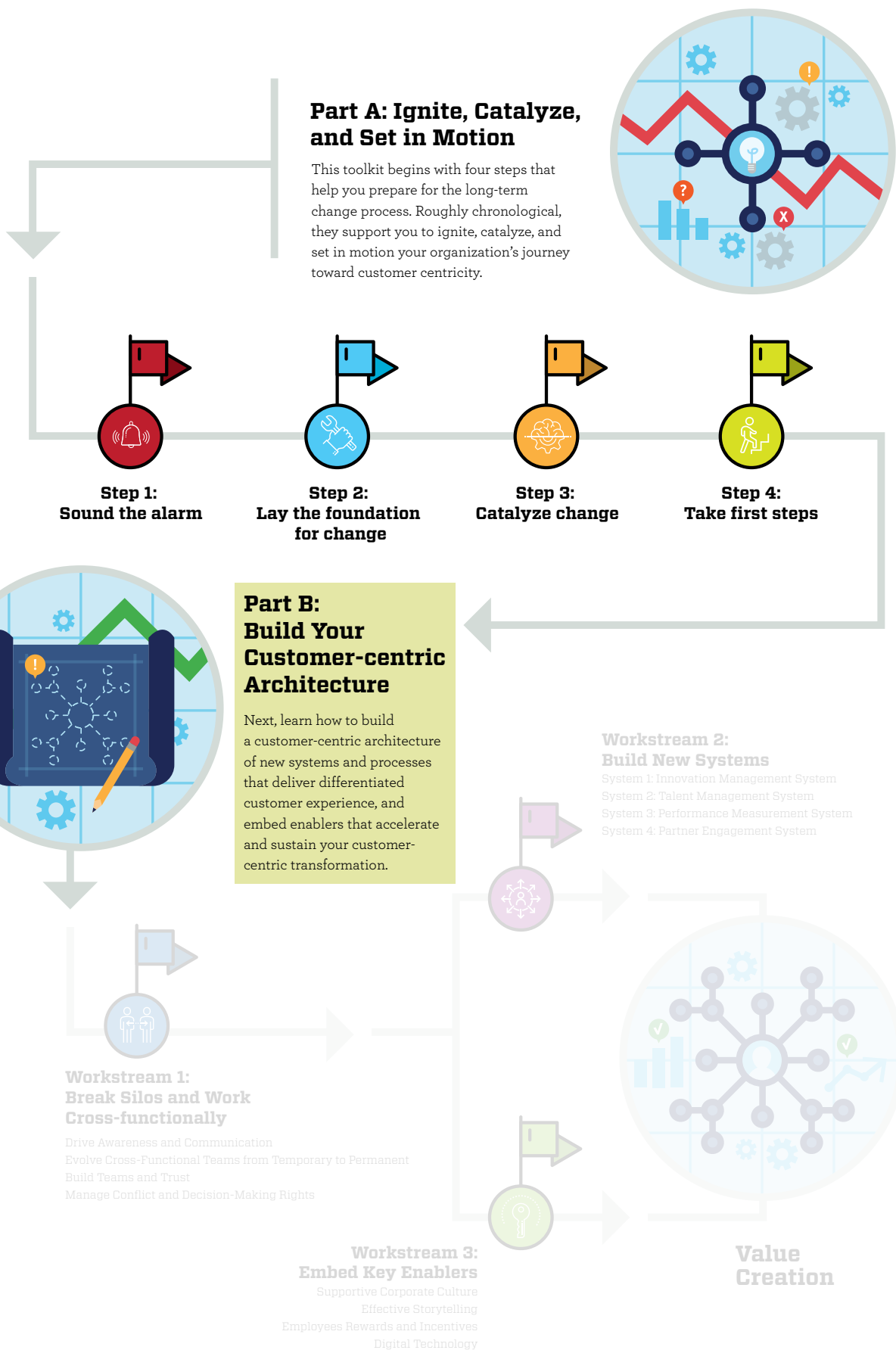
Pioneer Group  
President Lorenzo Chan,  
Philippines





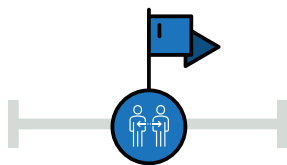
# Part B: **Build Your Customer-Centric Architecture**

Part B focuses on how to build a customer-centric architecture of new systems and processes that deliver differentiated customer experience, and embed enablers that accelerate and sustain your customer-centric transformation.



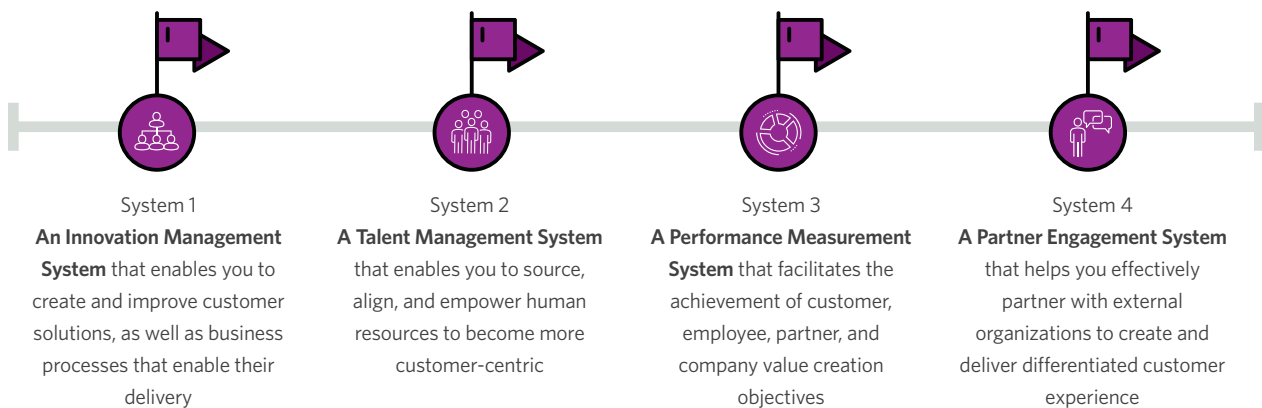
**Part A** of this toolkit described the steps that catalyze your journey toward customer centricity. However, the journey may quickly become constrained by old systems and ways of working. Only fundamental changes to how your organization learns, structures its work, develops its people, partners with other organizations, and measures stakeholder value creation will allow you to reap the benefits that customer centricity brings.

**Part B** offers guidance on how to build a **customer-centric architecture** as you advance through the change journey. Building this architecture requires **three core workstreams**:

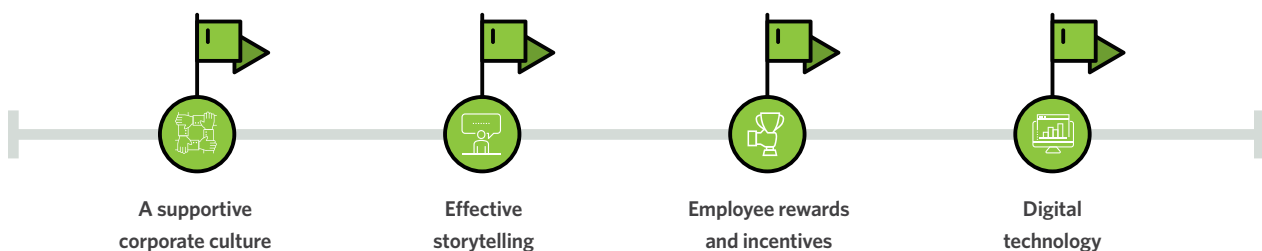


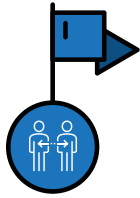
**Workstream 1** Break silos and work cross-functionally to integrate customer-focused teams

**Workstream 2** Build new systems and processes to deliver and evolve superior customer experience and value propositions:



**Workstream 3** Embed key enablers that accelerate and sustain your customer-centric transformation:





## WORKSTREAM 1: BREAK SILOS AND WORK CROSS-FUNCTIONALLY

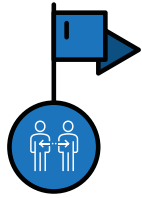
+ “When a company wants to become customer-centric, it means literally organizing around the customer.”

– Jay Galbraith, *Designing the Customer Centric-Organization* (2005)

Business silos that lock people and business units into disconnected ways of working are a critical barrier to customer centricity. On the other hand, integrated **cross-functional ways of working** organized around customers are at the heart of the customer-centric business model.

Customer-focused cross-functional teams enable people to communicate across business units, work together in a coordinated fashion, and make decisions quickly (Gulati, 2009). They span functions (operations, IT, finance, marketing, human resource management, compliance, legal, etc.), channels (mobile, web, physical touchpoints, etc.), and product lines. These teams help employees understand how every part of their organization contributes to and improves customer experience.

A **chief customer officer** or other coordinating function plays a critical role in supporting cross-functional teams. In this model, teams, not individuals, are incentivized and rewarded for solving customer problems.



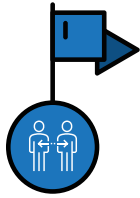
+ “It’s important that everyone knows it’s their job to deliver customer experience. At first, we had a lot of people who believed it wasn’t their job, rather it was marketing or operations’ responsibility. We demonstrated how each person in the organization has a role and must successfully complete their piece of it for the whole customer experience to come together. We helped people to stop thinking transactionally, but rather look at the customer experience as a whole journey.”

– Joy Souigny, Director of Operations, **FINCA** Impact Finance, a global network of 21 microfinance institutions and banks

## DRIVE AWARENESS AND COMMUNICATION

To begin, bridge communication across silos and become aware of the interlinked processes that drive customer value. The following approaches may help (Rawson, 2013):

- **Develop shared projects.** Projects sponsored by multiple business units require employees to communicate across units and understand how their role impacts customer experience. At MetLife, co-sponsored research helped units understand which customer interactions were the most critical and how they played out across the end-to-end customer experience.
- **Rotate employees.** Move employees through various business units so they understand the range of functions required to deliver customer experience.
- **Pair employees.** Create coaching programs so employees from different units can learn from each other.
- **Carry out joint mapping exercises.** Bring units together to improve specific user journeys or business processes. Mapping often creates breakthrough moments, particularly if no single group has had insight into or accountability for the end-to-end customer experience – or were unaware of where it went wrong for the customer.



Try these two mapping experiments to support cross-functional learning and work:



**Experiment 1: Ideal End-to-End Experience Mapping.** Gather customer data from across the organization, e.g., call center immersions, customer complaint data, performance data. Based on an understanding of where experiences may be going right or wrong, have employees map an ideal customer experience across touchpoints and compare it to the existing experience. The *CGAP Customer Journey Map*<sup>26</sup> is a useful tool for mapping customer experience. Based on the data you gathered, take steps to improve individual touchpoints across the entire experience.



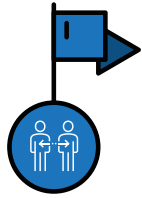
**Experiment 2: Improve a business process** to deliver better customer experience and potentially reduce expenses for your organization. Select a customer experience where problems have been identified, for example, common customer complains about ineffective problem resolution through call center interactions.

Start your experiment by brainstorming why customers are dissatisfied with the process. What issues are you trying to solve to make the experience better? Drawing from cross-functional teams, identify bottlenecks and rethink the entire way the process is handled. For example, take out unproductive management layers, arbitrary rules (allowable times for call durations), or redundancies that destroy value for your customers, employees, and your organization.

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26. <http://customersguide.cgap.org/sites/default/files/resource/2017/12/Customer-Journey-Map.pdf>





## EVOLVE CROSS-FUNCTIONAL TEAMS FROM TEMPORARY TO PERMANENT

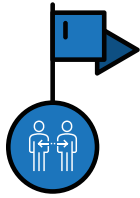
Over time, cross-functional teams tend to evolve from temporary to permanent. They're often organized around customer journeys, customer segments, or problems to be solved:

Customer journey teams.	Customer segment (vs. product) teams.	Process improvement teams.	Problems-to-solve teams.
Temporary teams can be created around customer journeys that require a closer look. They may become permanent teams with "owners" empowered to make changes across the business and tweak the journey to ensure delivery of a differentiated experience (Forrester Research, 2017).	Some organizations shift from product teams to customer teams organized around specific segments (see The Role of the Chief Customer Officer and the Center of Excellence at Nedbank). These teams work across pre-existing product and channel silos to improve customer experience. Profit and loss measurement may also be shifted to customer groups.	Some firms establish new functions that work across the organization to support continual improvements in business processes.	Some organizations create teams to solve key organizational problems. Standard Bank, for example, identified its top ten customer problems and created incubators to solve them. Similarly, Zoono identified "10 Big Problems to Solve," drawing on learnings and expertise across customer segments and business units.



### Questions

- Does your organization routinely work across units to deliver customer experience?
- Does it support team-based performance focused on customer outcomes?
- Do you have specific functions, e.g., a chief customer officer, to coordinate cross-functional ways of working?



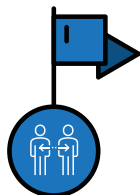
Creating effective cross-functional teams is one of the biggest challenges for organizations embarking on a change journey. Challenges can result from poor communication, lack of trust, conflict around leadership and decision-making rights, and the absence of clear goals or performance measures that reward team behavior.

## BUILD TEAMS AND TRUST

Trust-based relationships are at the heart of any effective cross-functional team. **Trust** helps people feel comfortable in openly sharing ideas – the starting point for customer innovation. Leaders need to invest in creating work and social spaces where employees can mingle and they need to support the development of social relationships. Leaders demonstrate collaborative behavior and create a “gift” culture where their interactions with employees are valued and generously offered – like a gift (Gratton and Erickson, 2007). To that end, mentorship is central to the customer-centric organization. It’s important to develop the capacity of leaders and managers to mentor employees in their everyday interactions and to build the professional and social networks employees need to work together as a team.

Skills training that supports collaborative behaviors can improve team functioning. Key skill sets include learning how to build relationships, developing communication skills, recognizing the work of others, and conflict resolution.

- **Communication skills** enable people to share thoughts, listen with focus, and be open to new ideas and viewpoints. They’re central to building trust. The most important element of an effective team is having team members that feel safe enough to take risks and be vulnerable in front of each other. Informal exchanges are just as important as formal exchanges, so leaders need to invest in creating social spaces that encourage informal communication.
- **Relationship-oriented management skills** are required for facilitating team-based collaboration, resolving conflict, and driving consensus around decisions. Managers can create opportunities to strengthen team communication behaviors by supporting development of formal networks and informal social settings across the organization.



- **Task-oriented management skills** help set a clear direction and support development of a common team purpose. Managers define roles based on team member preferences. They allow employees to focus on independent tasks and provide latitude for creativity and decision-making within the larger context of clearly defined team objectives. Successful leaders balance these skill sets in their management roles (Gratton and Erickson, 2007).

## 8 WAYS TO BUILD COLLABORATIVE TEAMS

Effective team building requires strategic initiatives managed by executives, human resource managers, and leaders.



### What Executives Can Do

1. Invest in building and maintaining inter-employee social relationships by creating social spaces and meeting areas where colleagues build networks through shared experiences and interests.
2. Model collaborative behavior and make collaboration visible to other employees.
3. Create a “gift” culture by using coaching to reinforce collaborative behavior.



### What Human Resource Managers Can Do

4. Train employees in the specific skills required for collaboration: appreciating others, engaging in purposeful conversation, productively and creatively resolving conflict, and managing programs.
5. Support a sense of community by sponsoring group networking and coaching events and activities.



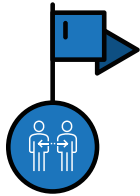
### What Team Leaders Can Do

6. Ensure that at least 20 to 40 percent of a new team’s members already know one another.
7. At the early stages of team development, remain task-oriented and establish clear team goals, engage in debate about commitments, and clarify responsibilities.
8. As inevitable conflicts emerge, focus on relationship-building leadership by nurturing an environment of trust and goodwill that encourages knowledge sharing.

**Learn More:** 8 Ways to Build Collaborative Teams [Part 1](#)<sup>27</sup> and [Part 2](#)<sup>28</sup> (Gratton and Erickson, 2007, as cited in Erickson International).

27. <https://erickson.edu/blog/8-ways-to-build-collaborative-teams-part-one>

28. <https://erickson.edu/blog/8-ways-build-collaborative-teams-part-2>



#### Questions

- Which mechanisms do you use to build trust among team members?
- Do employees have the right communication and facilitation skills to support effective cross-functional teams?
- Do you leverage technology to encourage communication?

## MANAGE CONFLICT AND DECISION-MAKING RIGHTS

+ “Conflict is a necessary part of the change process and if handled properly can serve as the engine of progress.”

– Ronald Heifetz and Marty Linsky, *A Survival Guide for Leaders* (2002)

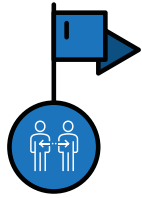
Conflict emerges in the cross-functional model when there is resistance to change, lack of agreement around potential solutions to problems, and differing views about how change should be managed.

However, some level of conflict and discomfort is critical to driving exceptional performance. In fact, teams that cannot foster substantive conflict achieve lower performance on average. Management teams whose members challenge each other’s thinking develop a more complete understanding of choices, create a richer range of options, and end up making the best decisions (Eisenhardt, Kahwajy, and Bourgeois, 1997). The challenge for leaders is to keep constructive conflict from degenerating into dysfunctional interpersonal conflict.

Effective organizations simmer conflict because it’s inherent to change – but they don’t let it boil over. Effective leaders make differences of opinion a normal part of doing business and lead a process that results in discussion and rapid resolution (Galbraith, 2005).

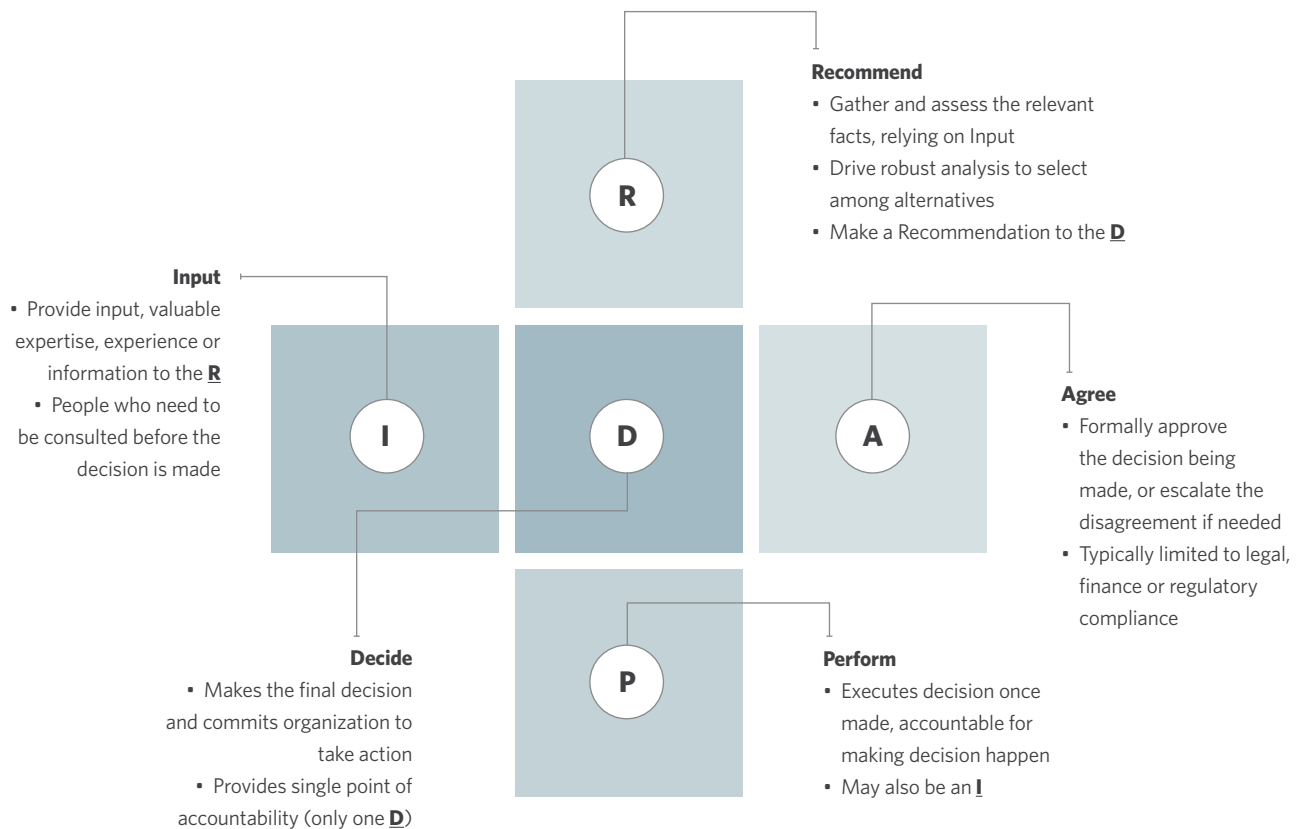
Use the following **practices to manage conflict** (Heifetz and Linsky, 2002):

- Create a secure place where conflict can freely emerge, and where employees feel safe taking risks and can be vulnerable in front of each other.
- Raise the heat enough so employees recognize threats and challenges in their environment and the need to address them head on.



- Create a clear set of rules and processes that give challenging voices the confidence that they will be heard and not dismissed.
- Bring conflict out in the open rather than leaving it behind closed doors.
- Monitor your organization's tolerance for heat – then regulate it. Turn down the heat by slowing the pace of change.
- Provide structure for problem solving through clear processes, by creating working groups, and by establishing rules for decision-making.

For optimal performance of cross-functional teams and conflict resolution processes, it's important to establish governance that clearly assigns decision rights and accountability. **RAPID®** is a commonly used method that clarifies the five key stages of decision-making – **R**ecommend, **A**gree, **P**erform, **I**ntput, **D**ecide – and exactly who is responsible at each stage. Successful adopters of the **RAPID®** method start with the decisions they rely on to run their organization day-to-day.



**Source:** Bain and Company





# Absa Open API Marketplace: Transforming Banking and Access to Financial Services

Absa, a subsidiary of the Barclays Africa Group, is a financial service provider headquartered in South Africa. The **Absa Open API Marketplace** gives customers universal access to a digital marketplace of APIs that enable the development and distribution of innovative solutions jointly crafted by Absa and its partners. These API solutions resolve customer problems, particularly in underserved and new markets. They allow customers to act on what truly matters in their lives: accessing education, building livelihoods, participating in communities, buying homes, and other general transactional opportunities. Through the Open API Marketplace, Absa accesses and serves new market segments that drive growth and acts on its mission to share the benefits of growth with customers, job-creating businesses, and communities.

**This open API platform “futureproofs” Absa’s business.** As fintechs and non-banks increasingly encroach on traditional banking markets, the platform vision incentivizes cooperation with potential partners – some of whom are Absa competitors. Not only do marketplace solutions involve competitors, they have the potential to drive down prices and offer greater convenience. But they can also displace traditionally lucrative lines of business.

As such, the API approach was not business as usual. The vision reinvented the way the bank does business with partners and how it sees customers, challenging key assumptions about the existing business and competition. Its promoters knew that fear and conflict were inevitable.

The marketplace had to carefully position the threat of cannibalization against potential gains to win acceptance for the approach within the organization – and to demonstrate that fintechs and emerging competition enabled by technology were a serious threat that could lead to the bank’s disintermediation.



Sea men and sea fish,  
Bangladesh  
- Rokonzaman Khan,  
CGAP Photo Contest



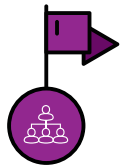
**The Open API Marketplace internally campaigns for support.** With the support of leadership, Barclays Director of Alternative Business Models (ABM) Aupa Monyatsi campaigned for the Open API Marketplace within the bank. ABM met with executives and operating managers to clarify how it could further strategic objectives of the bank and its business units. It was framed as an opportunity to futureproof the business by creating next generation, market leading, and potentially disruptive propositions: better to neutralize the threat of competition than be overcome down the road.

In addition to reaching new growth markets, ABM's offerings could address pain points within existing business units, for example, delivery of instant and personalized rewards and smoother know your customer (KYC) processes. ABM also had the potential to strengthen Absa's proposition for existing corporate customers by providing banking solutions that support customers in purchasing products at point-of-sale, particularly in growth markets. Monyatsi and his team demonstrated that they could provide Absa with a differentiated proposition to that of the competition, leveraging its infrastructure and technology as the engine for the vision.

Risk and compliance, however, raised legitimate concerns about the new way of doing business, recognizing that traditional risk management processes would not suit ABM. It became clear that alternate processes would need to be developed – particularly important given that one of Absa's differentiating assets is its ability to manage risk and regulatory compliance for partners.

As a result, ABM enlisted compliance as a key partner in developing the new operating model. Rather than a node of resistance, compliance has become a leader in evangelizing ABM within the organization.





# WORKSTREAM 2: BUILD NEW SYSTEMS

## SYSTEM 1: INNOVATION MANAGEMENT SYSTEM

Metropolitan's Berniece Hieckmann describes the mediocrity that results when organizations are trapped in old ways of doing business: "It's the slow and steady decline into a space that becomes so comfortable that defending it becomes your most vigorous activity." Organizations often cling to old practices and ways of working that no longer suit evolving market needs or customers because what they already know is comfortable and the results of change are unknown.

An **innovation management system** provides systematic processes to help your organization innovate customer-focused solutions and recreate business processes that support differentiated customer experience. Development of an innovation management system can be the key driver of customer-centric transformation and is an essential element of a new architecture.

An innovation management system structures the following processes:

**Step 1** = Capture learning to understand customer problems to be solved

**Step 2** = Transform learnings into customer insights – the basis for new and improved customer offerings

**Step 3** = Design solutions that meet customer needs

**Step 4** = Incubate and refine solutions for rollout



## Standard Bank Drives Change by Embracing Innovation Systems

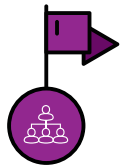


Pioneer Insurance employs design thinking

When Jayshree Naidoo joined as head of the **Standard Bank** Incubator, she wanted to ensure that typical barriers to innovation were dealt with early on. She knew that innovation should not be a separate department existing in isolation. She was relieved to learn it had a seat at the executive committee table and was a core function of the Standard ecosystem approach. This ecosystem touched on new product innovation and focused on changing cultural mindsets, emphasizing training and capacity building tools like ideation, lateral thinking, design thinking, human-centered design principles, and lean startup methodologies.

According to Naidoo, “Innovation will become the biggest change management activity in an organization if you do it right. Innovation and an innovation focus is not just about changing individuals’ mindsets in the organization, it is changing the way they fundamentally understand business. It is changing the way they think, it is rewiring their thinking patterns, it is changing the way they behave with each other and it is changing the way we design our systems because it requires a change across the entire organization.”





## CREATE RELEVANT CUSTOMER SOLUTIONS

### Step 1: Capture Learning

Learning from customers is the first facet of an innovation management system. In this toolkit, Taking First Steps and Learn from Customers highlights research methods and tools showcased in the [CGAP Customer-Centric Guide](#)<sup>29</sup> that help you gain a deep understanding of customer behaviors, lives, motivations, and aspirations. This captured learning is the basis for developing **customer insights**.

+ “Much to my surprise, even if an organization and its employees became consummate listeners and tried to make sense of what they were hearing, they were often immobilized to do much with their insights.”

–Ranjay Gulati, Professor, Harvard Business School

### Step 2: Generate Insights

**Insights** are the basis for creating relevant customer value propositions and improving those that already exist. They help employees understand customer behavior and predict needs that shape future value propositions. Insights can help you to [meaningfully segment markets](#)<sup>30</sup> and develop personas that employees can relate to. Insights empower employees to take immediate action that supports more effective customer experience.

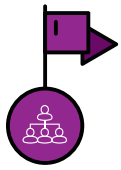
An [insights engine](#)<sup>31</sup> is a powerful digital enabler of your organization’s change process. It cuts across business functions and enables the following critical tasks:

- Capturing and analyzing information from a range of channels (relationship managers, social media, call centers, etc.)
- Integrating data to generate insights that create a **single customer view** (SCV): their history, propensity to buy new products, lifetime value, and risks
- Sharing and routing insights to appropriate teams for application and action
- Populating a customer feedback dashboard to track performance and brand value

29. <https://customersguide.cgap.org/learn-from-customers/collect>

30. <http://www.cgap.org/publications/customer-segmentation-toolkit>

31. <https://customersguide.cgap.org/sites/default/files/resource/2018/05/CGAP-Insights-Engine-Blueprint.pdf>



### Step 3: Design Solutions

Innovation management systems include processes to conceptualize and design insights-driven customer solutions. They draw ideas from both inside and outside the organization. External input (also known as **open innovation**) can accelerate internal innovation and expand markets for the solutions you develop. In this toolkit, System 4: Partner Effectively describes the benefits of open innovation.

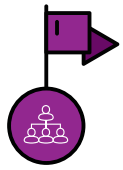
Organizations usually test or prototype ideas through low-cost exercises before accelerating into the complete design process. To decide whether further investment is warranted, some organizations apply a high-level commercial viability screening. Elements of a viability screening include:

- Quantifying customer benefits and value – Does this solution adequately solve a customer problem?
- Sizing the potential market – How many customers will use this solution and what revenues will it generate?
- Confirming institutional capacity – Does the organization have the expertise and IT infrastructure to grow the overall market (or capture competitor market share)?
- Determine return on investment (ROI) – Can the organization deliver the proposition profitably within an acceptable time frame?

The [CGAP Customer-Centric Guide](https://customersguide.cgap.org/design-solutions/start)<sup>32</sup> brings together a robust set of tools and resources to guide you through **human-centered design** practices and how to develop teams with diverse capabilities to conceptualize, design, and test new solutions.

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32. <https://customersguide.cgap.org/design-solutions/start>



## MOMENTUM METROPOLITAN INSURANCE (MMI) DESIGN TEAM: FOUR DISTINCT CAPABILITIES

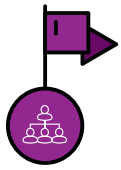
At **Metropolitan**, Berniece Hieckmann created a design team that’s collectively accountable for developing ideas and taking them to market. The team brings together diverse capabilities:

- Analytics and insights professionals to understand customer needs, including behavioral psychologists and an anthropologist
- Conceptual thinkers to conceptualize new propositions
- Design engineering capabilities to break concepts into building blocks
- A marketing team to position concepts in a way that intuitively resonates with customers

Hieckmann notes that “where we start is usually in the immersive anthropological space. We look at the whole, holistic picture of a human being. We understand his or her worldviews and don’t just zone in on finance. Once an idea has been developed, it is then up to a combined concept, design and build team to convince the business to invest in this concept. The team places a concept that cognitively intuitively resonates with customers that they recognize for its utility.”

### *Step 4: Incubate and Refine Solutions*

An innovation management system includes a framework for incubating new solutions. In this toolkit, *Take First Steps and Incubate New Approaches* describes how some organizations set up independent units or create a “business within the business.” No matter the approach, incubators and learning labs require the systematic participation of senior management. They cannot be entirely separated from the organization as this carries the risk of results being poorly understood or not accepted by the business units responsible for delivery at scale.

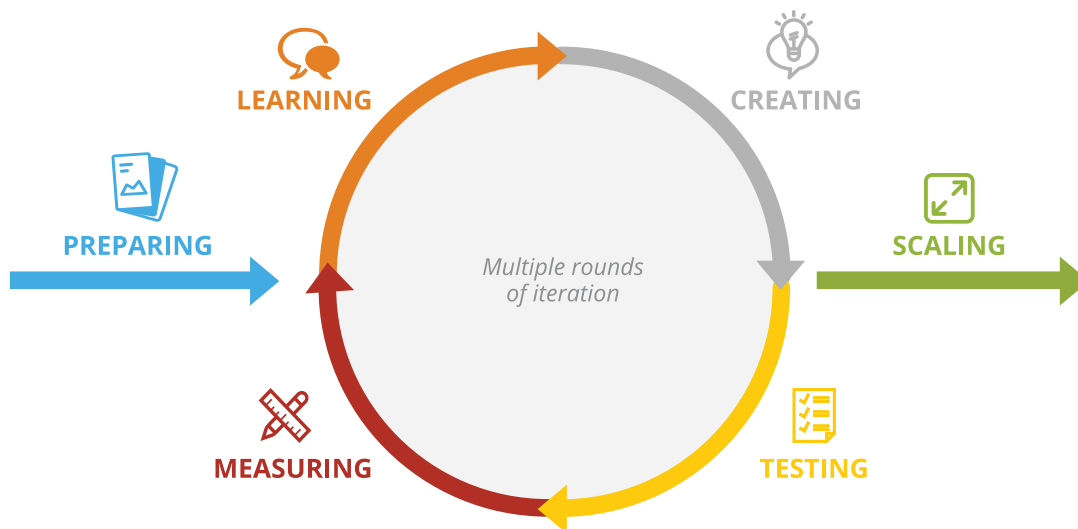


## STANDARD BANK INCUBATES “IN THE WORK”

Over a period of 18 months, **Standard Bank** analyzed all customer feedback and identified its top ten customer problems. To resolve these issues, the bank developed “proofs of concept” by experimenting with new processes that involved real customers on the ground. Every proof of concept has an executive sponsor and a dedicated team that continually works on it. Team members are identified through a selective internal application process and chosen based on their ability to work collaboratively and to think outside the box. These nonhierarchical cross-functional teams experiment with new approaches to make experiences seamless for customers. The bank hopes the approach will enable them to effectively scale solutions to the entire organization.

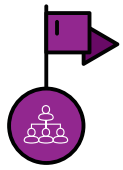
The [CGAP Customer Experience Toolkit](http://www.cgap.org/publications/customer-experience-toolkit)<sup>33</sup> and the [CGAP Customer Experience Workbook](https://customersguide.cgap.org/sites/default/files/resource/2018/04/CGAP-Customer-Experience-Workbook.pdf)<sup>34</sup> provide practical guidance on addressing components of the innovation management system described above.

### The Iterative Design Approach



33. <http://www.cgap.org/publications/customer-experience-toolkit>

34. <https://customersguide.cgap.org/sites/default/files/resource/2018/04/CGAP-Customer-Experience-Workbook.pdf>



## *RE(CREATE) BUSINESS PROCESSES*

- + “The customer journey can be complicated; we need to change our business model, in fact, drastically simplify it. By simplifying it, we can take out unnecessary cost. Do you know what actually upsets customers? The customer comes to the bank seeking a home loan. Simple. But what actually happens is that the customer needs to give information to the operations area, who captures it and then hand it over to the credit department who scores it. They hand it over again to another unit and by the time it comes back to the customer, it’s three days later, if you’re lucky, or maybe even a month.” – Kabelo Makeke, **Standard Bank**

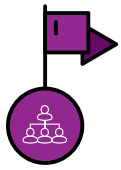
Similar to product innovations, business process innovations that streamline and improve customer experience often result in efficiencies that drive down costs. When expense reductions are shared with your customers in the form of lower prices, efficiencies improve value for money and potentially extend your offering to unserved markets at affordable prices.



### QUICKEN LOANS ROUTINELY RECREATES ITS BUSINESS PROCESSES

At **Quicken Loans**, the Mousetrap refers to the systems and processes that support the client experience. The Mousetrap team, responsible for these improvements, works cross-functionally across Quicken Loans’ various business units to continually improve systems and processes for the client and for the company. A Ratpack team is responsible for originating technology-based business improvements. The company routinely takes apart and rebuilds every process, task by task, and puts them together in a completely new way to engineer the best client experience. It is obsessed with finding a better way.





## ***BALANCE INNOVATION WITH YOUR CORE BUSINESS***

The revenue-generating core of your organization must still operate while customer-centric systems are being built. Leaders recognize the inherent tension between this core and innovation at the frontier, which may be seen as a potential threat to the established way of doing things. Leaders manage the tension by reinforcing the shared vision and supporting innovation, while at the same time innovators inside the organization build the case for new ways of doing business.

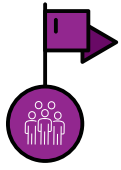


### **NEDBANK'S STRUCTURED APPROACH TO INNOVATION**

South Africa-based **Nedbank** created a structured approach that encourages teams to innovate for customers. Poovi Pillay, a consumer banking executive at Nedbank, describes the approach as “a playbook that pulls a golden thread across our business,” with customers at the center. The bank is beginning to see a shift from the incremental innovations of the past to solutions they believe will have a disruptive effect on financial services markets. This change is necessary for taking the bank into a new era of more intense competition and consumer demand.

#### **Steps in the new Nedbank innovation approach:**

1. **Strategize.** Size potential: market, current, and desired share.
2. **Empathize.** Build an outside-in view through immersions and observations that enable employees to think, feel, and do.
3. **Define.** Define customer problems from the outside-in (based on a customer view rather than a bank view) to ensure that any assumptions are validated.
4. **Ideate.** Once a problem is defined, have the team come up with distinct and relevant ideas for solutions.
5. **Prioritize.** To decide whether further investment is warranted, enter ideas into a high-level commercial viability screening.
6. **Iterate.** Testing and prototyping ensures that Nedbank invests only in ideas that delight customers. Failing early reduces wasteful expenditure on ideas that do not.
7. **Execute.** Scale to market and build to industrial strength.
8. **Take to market.** A product or service is never considered “finished.” Under the new innovation approach, improvements are ongoing.

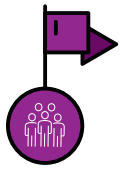


## SYSTEM 2: TALENT MANAGEMENT SYSTEM

Employees, also known as internal customers, are the heart of a customer-centric organization. Building a **Talent Management System** to align, source, empower, and reward them is central to customer-centric architecture and involves the following tasks. Prioritize these tasks based on your organization's strengths and weaknesses and build your system in phases:

- Align employee capabilities and attitudes with the needs of a customer-focused organization.
- Transform employee mindsets by developing problem solving and empathy skills that enable them to connect with customers and imagine customer solutions (see Step 4, Shift Mindsets and Motivate People).
- Build management's capacity to facilitate cross-functional, team-based ways of working and support employees in navigating the change process (see Workstream 1).
- Transform management mindsets to empower the front line with the resources and authority they need to solve customer problems on the spot.
- Source new talent and skills where gaps exist in capabilities and values alignment.
- Organize human resources to enable the agility required to keep pace with a rapidly evolving marketplace and customer needs. Organizing for agility usually involves creating stable roles and functions at the base that enable the rapid and ongoing assembly of talent to address specific challenges and opportunities as they emerge.

The next section provides practical guidance on aligning employee skills and attitudes; acquiring, retaining, and expanding employee relationships; managing human resources to meet their full potential; and empowering the front line.



## ALIGN SKILLS

In the Employee and Agent Empowerment Toolkit, CGAP identifies nine essential resources employees require to successfully navigate the customer-centric change process and perform well. The toolkit provides guidance on how to develop these organizational resources.



**1. Skills.** Your front line, including agents, requires skills to understand what customers value and to collaborate with colleagues to deliver that value. The often-overlooked skills critical to successfully delivering valuable customer experience include listening, empathizing, communicating, problem-solving, and collaboration.



**2. Values and attitudes.** Beliefs, priorities, and other psychological assets drive behavior and can help or hinder the delivery of customer experience. Critical values and attitudes include openness to change, confidence, desire to serve others, desire to learn, and an empathetic and collaborative approach. Cultivating these assets is critical to a mindset shift toward customer centricity.



**3. Information.** Employees require information in order to commit to and deliver customer experience – and to recognize that they’re delivering it. Information is critical in catalyzing the change process by linking proposed change to your organization’s strategic objectives.



**4. Dialogue and support.** Interactions with others (supervisors, colleagues, mentors, customers) build the trust, understanding, and commitment required of team-based interactions.



**5. Control and influence.** The shift to customer centricity requires that employees, particularly the front line, have the autonomy and freedom to make decisions to improve customer experience, solve problems, and innovate for customers.



**6. Tools and infrastructure.** Tools, including devices and technology, help employees work more effectively. Digital enablers, including communication, insight development, customer relationship management (CRM), and learning tools also support the shift to customer centricity.



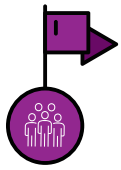
**7. Rewards and penalties.** Positive rewards and punitive measures can guide and motivate sought-after behaviors. While monetary rewards are critical, employees also identify recognition, appreciation, and praise as powerful drivers of motivation and engagement.



**8. Time and energy.** Improving business processes can free up time and resources so employees can focus on improving the customer experience. Creating a work environment where employees trust each other and engage in formal and informal social interactions can boost energy.



**9. Money or financial resources.** Allocating resources to develop skills, tools, and infrastructure is a critical part of the change planning process. Employees can benefit from a budget to improve customer experience that they draw upon at their discretion.



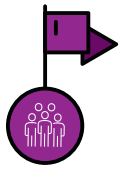
## ***RECRUIT, DEVELOP, AND RETAIN EMPOWERED EMPLOYEES***

Building a customer-centric organization requires acquiring, retaining, and expanding relationships with employees and agents who are deeply committed to and capable of delivering superior customer experience. Key to cultivating employee engagement and building capabilities is recognizing that employees and agents are **internal customers** who want to be offered a value proposition that's attractive relative to the competition.

As your organization evolves, you may decide to shift hiring profiles toward new employees that are a good fit for an innovative, customer-focused culture. Claudio Fernández-Aráoz, author of *21st Century Talent Spotting*, identifies four qualities that are hallmarks of potential and resonate with the customer-centric transformation process:

1. **Curiosity** = A penchant for seeking out new experiences, knowledge, and candid feedback, and an openness to learning and change
2. **Insight** = The ability to gather and make sense of information that suggests new possibilities
3. **Engagement** = A knack for using emotion and logic to communicate a persuasive vision and connect with people
4. **Determination** = The energy to fight for difficult goals despite challenges and to bounce back from adversity

Customer-centric organizations create onboarding programs that connect employees with their vision and values. In addition, you may need to establish strategies for exiting employees that cannot or will not align with change, including offering financial incentives to those willing to leave the organization.



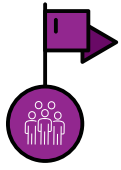
### *Recruit Employees that Can Excel*

A valuable employee or agent relationship benefits your organization and your recruits. Consider the following **four steps** for making this happen, explored in more detail in the CGAP Employee and Agent Empowerment Toolkit.

1. **Identify what you seek in an employee or agent.** Define what your ideal candidate would look like, then determine the minimum requirements necessary for them to do their job. Consider the five core characteristics of a customer-centric employee or agent,<sup>35</sup> but also consider your organization's current priorities and specific gaps that need to be filled.
2. **Offer an attractive benefits package.** When marketing a position, offer a package of resources that appeals to the type of candidate you're trying to recruit. The offer must be attractive relative to the competition.
3. **Source the best available candidates.** Target recruitment efforts where you have a good chance of finding what you're looking for: ask employees and agents who've already demonstrated certain abilities to recommend candidates, or look to their background for clues about where you can find people with similar profiles. Screen candidates to identify those who bring the most attractive skills, values, attitudes, knowledge, and energy – and come closest to your ideal profile.
4. **Agree with candidates on a plan to develop their competences to minimum acceptable standards before commitment.** It's unlikely that any new employee or agent will meet your ideal profile, but they should meet minimum requirements. If they don't, assess how willing they are to make the effort to meet those requirements and negotiate a plan for strengthening critical areas before making a full offer.

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35. <https://customersguide.cgap.org/sites/default/files/resource/2018/04/Qualities-Customer-Centric-Employees-Agents.pdf>



### *Develop Enduring Employee Relationships*

Once you recruit employees and agents who are engaged, you'll want to retain and expand your relationship with them. Not only is replacing good people expensive, but losing them affects the morale and confidence of those who remain. Consider the following six steps for sustaining relationships:

1. **Clarify expectations up front.** Once an employee or agent decides to work with you, make sure they understand the resources you're making available to them and the performance you expect in return.
2. **Nurture a culture and structure that supports learning and growth.** Many individuals have an intrinsic drive to perform well and learn what's necessary to achieve their goals. By making it easy to access professional development resources, learning and growth often happens without having to push it.
3. **Deliver what you promise.** If you promise a certain package, e.g., information, skills development, or access to rewards, you must provide those benefits and be transparent about performance measurement so everyone feels they're being treated fairly and with respect.
4. **Monitor and adjust to ensure delivery of valuable customer experience.** Nurture a culture of open communication and put systems in place that facilitate dialogue, feedback, and accountability.
5. **Provide recourse mechanisms that protect relationships when something goes wrong.** No matter how hard everyone tries, misunderstandings or mistakes can be made by an organization, its employees, or its agents. Having a system in place for coping with errors in the short term can prevent relationships from unraveling in the long term.
6. **Offer an appropriately attractive value proposition for the future.** As employees and agents continue to work with you, the resources they offer will evolve – as will their hopes and dreams. To sustain employee and agent relationships, offer benefits that meet their future development needs – not only their needs of today.





# Pioneer Microinsurance Creates a Framework for Driving Customer-Centric Behaviors

CGAP partner Pioneer Microinsurance (PMI) engaged organizational design firms Quicksand and Co-Coon to create tools for driving customer-centric behaviors adapted to the culture at PMI: guidance for onboarding and training, performance management, and rewards and recognition.

**Onboarding Program.** The onboarding program provides a blueprint for creating a learning and development experience that integrates one-time training with continuous learning investments. This foundational program integrates organization- and industry-relevant information with concepts and skills around customer centrality. In collaboration with PMI leadership and employees, a six-month learning calendar was outlined for new hires. Activities include self-learning modules, facilitated sessions, activity-based learning, field immersions, department rotations, and on-job learning.

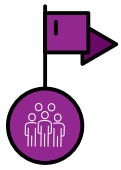
**“The Defenders of Customer Centrality Challenge.”** A training program was designed to provide a fun and engaging format that reinforces key customer-centric behaviors through role-play, teamwork, and a game-like activity. Three-week problem solving challenges take participants through a typical design thinking process to address a real-world business challenge. Customer-centric behaviors are embodied in superhero characters that guide players to achieve pre-determined tasks – both individually and collectively – while they learn about the foundational principles of human centered design. PMI now has an employee engagement unit staffed by three people that drive employee engagement initiatives and support implementation of the onboarding and Challenge programs.

**Performance Management System.** Once these learning and development programs are well rooted, PMI will create a dashboard that tracks employee progress over time and quantifies performance against the learning and training modules. A framework will be developed that links rewards and recognition to the achievement of performance targets on employee scorecards.



Vegetable vendor,  
Philippines





## *MANAGE PEOPLE TO REACH THEIR POTENTIAL*

+ “During our transformation process, we realized our (skills) deficiency was actually in management. Some managers didn’t have the ability to coach and skill, they had the ability to shout and scream.”

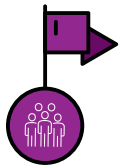
– Berniece Hieckmann, **Metropolitan**

Management skills that support a complex change process are necessary. Managers need these skills to optimize employee participation in cross-functional teams and to coach team members as they take on new roles (see Break Silos and Build Cross-Functional Teams). Consider including initiatives in your change management planning process that support the following skill sets among your management team:

**Relationship-oriented management skills** to facilitate team-based collaboration, resolve conflict, and drive consensus around decisions. Managers create opportunities to strengthen team communication behaviors by supporting development of formal organization-wide networks and informal social settings.

**Task-oriented management skills** to set a clear direction and a common purpose for teams. Managers define roles based on team member preferences and allow employees to focus on independent tasks, with latitude for creativity and decision-making within the larger context of team objectives. Successful leaders balance these two skills sets in their management roles (Gratton and Erickson, 2007).

**Executive coaching** is a powerful leadership tool to enhance strategic thinking, performance management, organizational effectiveness, and individual professional development. Paul Musoke, Director of Competitive Strategies at **Financial Sector Deepening Africa (FSDA)**, notes that “Coaching can influence how leaders drive change sustainably toward expanding into new markets, especially in sub-Saharan Africa (SSA) where financial exclusion is highly prevalent. It supports leaders operating in a constantly evolving market that requires the development of innovative strategies and delivery models that have not been tested elsewhere.”



FSDA supports its partners in creating programs that enable systematic development of a coaching culture. FSDA partner **Jubilee Insurance Company** of Kenya is developing managers to become “transformation leaders” with the capabilities to drive transformational change. They’re also creating a pool of internal coaches to embed a coaching culture across the organization. Learn more about [executive coaching](#)<sup>36</sup> from FSDA Africa.

## ***EMPOWER YOUR FRONT LINE***

+ “At Standard Bank, we encourage managers to give up command and control, the banking model that we are accustomed to. In this model, the head office dictates to the staff who actually engage with the customer. You need to flip it around. We believed that the front line were not smart enough to be making decisions; they are proving us wrong.”

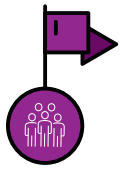
–Kabelo Makeke, **Standard Bank**

Your ability to be customer-centric depends on how **empowered front line employees** are to connect with and solve customer challenges. They’re the human touchpoint through which customers experience your organization. When your front line is restricted by rigid systems, pressured by sales targets, or not given the resources they need to help at the point of service, you run the risk of breaking customer trust and creating a demotivating employee environment.

A fundamental mindset shift is required to move from legacy systems to new talent management systems that recognize the power and centrality of the front line. Legacy systems with highly centralized decision-making include layers of hierarchy designed to control employees. Decentralized structures that vest employees with power, trust, and resources (within clearly defined limits) to respond to customer demands and resolve problems can drive performance improvements in customer, employee, and firm metrics (see System 3: Performance Measurement System). Employees make decisions based on alignment with the organization’s core values and

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36. <http://www.fsdafrica.org/knowledge-hub/blog/executive-coaching-is-influencing-change-in-africas-financial-sector/>



strategic objectives rather than controls and arbitrary rules that erode customer value. Financial service providers who've further decentralized customer engagement to agents recognize these agents as their front line and invest significant resources to empower them as well.

The following **five-step process** provides guidance on empowering your front line (DeRose and Tichy, 2012):

**Step 1. Get started: Connect the front line to customer strategy.** Empowerment starts with senior leaders who have the authority to ensure that front line voices are heard.

**Step 2. Empower your workforce: Teach people to think for themselves** by providing simple problem-solving frameworks that promote dialogue across the organization, including a shared language and processes for diagnosing root causes.

**Step 3. Grant front line employees the latitude to experiment** and provide them with information on designing simple experiments. Some organizations host employee “hack-a-thons” to promote experimentation for solving customer problems.

**Step 4. Eliminate barriers: Break down hierarchies.** Eliminate decision-making processes or administrative work that gets in the way of enabling your front line to serve customers. Put protocols in place that enable the front line to move up the chain of command and override decisions.

**Step 5. Invest in your front line.** Invest in programs to hire and build front line employees' capacity to provide differentiated customer experience.



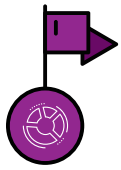
## Standard Bank Recognizes the Importance of the Front Line

At **Standard Bank**, Senior Manager of Customer Financial Solutions Motlatsi Mkalala was determined to directly empower the front line and ensure that employees received the message in person. When traveling on roadshows, Funeka Montjane, Chief Executive, Personal and Business Banking at Standard, communicated this vision to every member of the organization. Mkalala observes that, “the people who are at the core of the customer experience are the front line consultants. Head office are just the support. We are now starting to make the head office rethink their rules around who the most important people are.”

Kabelo Makeke, Head of Personal Markets, also notes, “The first thing we agreed on from a strategic perspective was that empowering the front line is a business opportunity. We started shifting power to all the customer-facing points. If you tell staff that they have the power, then you have to think carefully about the internal changes you need to make to really shift the power to your front line employees.”

Empowering the front line has been critically effective in dealing with the ±1.2 million calls received by the bank’s call center each month. In the past, long call durations were frowned upon and negatively reflected on call center agents. To avoid being penalized, agents developed the habit of constantly passing customers along rather than taking the time to resolve issues themselves. Change meant enabling agents to own customer problems and giving them enough time to find solutions. It also meant that employee performance needed to be measured in a different way. According to Makeke, “We created those rules because we didn’t trust our front line staff, all the measures and hurdles we put in place were a way of saying we don’t trust you, you’re not smart enough.” Standard found that by shifting away from legacy measurement systems that required layers of staff monitoring, they experienced significant cost savings in addition to more effective resolution of customer problems.





#### Questions

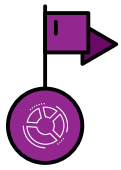
- Have you identified skills gaps and mapped the skill sets required to support a customer-centric organization?
- Have you developed a strategy to acquire and develop the human resources you need?
- Does your organization recognize the importance of an empowered front line in delivering differentiated customer experience?
- Does your organization invest in building employee, management, and coaching skills to navigate the transformation process?

## SYSTEM 3: PERFORMANCE MEASUREMENT SYSTEM

Performance measurement systems can help drive customer-centric transformation by measuring progress along the way. Performance measurement systems provide the information you need to make decisions to continuously tweak your strategy and customer-centric systems and reward and incentivize the people at the heart of your organization.



Fishermen, India - Joydeep Mukherjee, CGAP Photo Contest



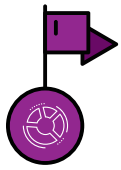
## ***LINK PERFORMANCE MEASURES TO SHARED VALUE CREATION***

Customer-centric models are designed to generate value that accrues to all key stakeholders – customers, employees, shareholders, and the communities they operate in – in what is often referred to as a **shared value model**. In addition to measuring progress towards your future state, performance measurement systems enable you to monitor value created for each stakeholder group. Begin to adjust your **performance measurement system** by aligning performance measures at the customer, employee, partner, and shareholder level.

The Balanced Scorecard (BSC) approach created by Kaplan and Norton (1992) is a widely adopted performance measurement system that links strategic objectives to performance measures across a range of categories that align well to the shared value creation objectives of the customer-centric business model.

- **Customer/Stakeholder:** measures organizational performance from the point of view of the customer and key stakeholders (including partners) that the organization is designed to serve
- **Organizational Capacity:** measures the performance of employee contributions to organizational strategic objectives and its ability to be a good steward of its human resources
- **Internal Process:** measures organizational performance through the effectiveness and efficiency of its systems and process to deliver products and services that generate customer, financial, and employee value
- **Financial:** measures financial performance and the responsible use of financial resources

Performance measures may be linked to your change (or process) goals, often referred to as input changes – what's required to create the customer-centric model, as well as your value creation goals – often referred to as strategic outcomes or results achieved.

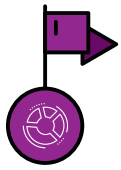


A balanced performance measurement system as envisioned by the Balanced Scorecard approach will enable your organization to:

- Align and integrate the organization to the customer centricity strategy
- Make customer centricity everyone's daily job, increasing buy-in at all levels
- Align management capacities with the needs of the customer-centric organization
- Make customer centricity a continual change process
- Move the organizational culture toward a customer-centric culture
- Hold executive leadership accountable for value creation at customer, stakeholder, shareholder, and employee levels

### The Performance Measurement Ecosystem





Performance measurement systems measure value that is driven by and accrues to each stakeholder group.

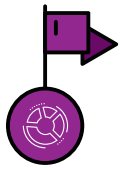
Common measures include:

- **Customer Measures:** customer experience, customer satisfaction, service quality, relationship quality, product quality, loyalty, customer complaints, customer effort, customer engagement
- **Employee Measures:** employee contributions, employee satisfaction, employee engagement
- **Partnership Measures:** partnership effectiveness, partner satisfaction
- **Shareholder Measures:** customer lifetime value, ROI, employee retention, customer retention, enhanced revenues, cost-to-serve, brand metrics

There are two broad categories of measures to consider:

- **Input, Leading, Cause Measures:** These include measures that are predictive (cause variables) of the value creation results you want to achieve. They may include measuring actions taken and resources invested to build internal capabilities (e.g., building teams) and the effectiveness of processes that lead to outputs.
- **Output, Lagging, Effect Measures:** These measures are the result of activities undertaken and measure both impact (e.g., customer satisfaction) and change (e.g., customers retained, cost-to-serve) as a result of specific inputs or cause variables. These measures demonstrate the result of change and reflect value created.

It's important to measure both leading and lagging indicators to help you identify the real cause-and-effect relationship between inputs, changes made, and results achieved. In the first year of transition toward a customer-centric business model, focus more on input and cause measures – the leading indicators. As progress is made, a shift in emphasis toward lagging indicators – effect and output measures like customer satisfaction and employee retention – reflects a higher level of focus and maturity on customer centricity.

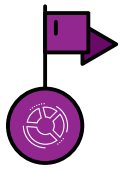


As you adapt performance measurement systems, consider the following:

- **Review legacy measures** that do not respond to customer-centric principles. Establish new measures that map to customer-centric behaviors:
  - understanding customer needs vs. sales targets
  - resolving customer problems vs. limiting the amount of time employees engage with customers, e.g., call center time restrictions
  - understanding customers' holistic needs vs. pushing single products (sales targets)
- **Establish measures that employees understand** and can practically relate to.
- **Carry out cost analyses to understand** the true costs of legacy measurement and monitoring systems that layer on unnecessary processes and costs. To accommodate new measurement and monitoring systems, streamline where it makes sense.
- **Integrate performance management systems** so that each level of measurement filters through the organization. For example, you should be able to demonstrate the link between achieving input-oriented goals like coaching initiatives and employee engagement. Link individual performance to team performance. Link each performance measurement layer to higher level goals.

Customer measures, for example, are very effective if they are measured and integrated on three different levels of a measurement framework, each feeding the achievement of goals at all levels:

- Operational measures reporting – tells you who your customers are and how well you are serving them
- Effectiveness measures reporting – tells you if you are delivering on your customer promise and how well you are growing customer relationships
- Strategic measures reporting – tells you if you are progressing toward your company vision and creating value for your various stakeholders



- **Regularly review performance measures and make them visible.** Critical to success will be regular and frequent reviews of progress against targets to drive better performance, communicating progress toward goals, and making performance visible at all levels. Technology enabled dashboards that aggregate employee scorecard data can help employees manage their own performance. Customer and firm performance dashboards provide visibility to all employees on your organization's progress toward its goals.

## ***CUSTOMER MEASURES***

Customer performance measurement frameworks are used to support the following high level objectives.

- Develop knowledge and insight into customer experience drivers and identify those that are important to focus on
- Identify areas of investigation where customer value is eroded and develop performance improvement strategies
- Track and evaluate improvement action plans, for example, VOC initiatives that systematically capture customer feedback so you can measure and improve satisfaction
- Influence employee mindsets and the development of a customer-centric culture
- Demonstrate the relationship between customer experience improvements and their impact on business results

The **two broad categories of customer measures** are observable (behavioral) and unobservable (perceptual) metrics.

- **Observable (behavioral) measures** are found in your organization's formal records, including core banking databases, CRM systems, and channel activity reports. Examples of behavioral measures related to customer experience measure service consumption, customer acquisition, and customer retention.
- **Unobservable (perceptual) measures** are based on information that must be collected and is usually perceptual in nature. Driven by customer experiences and customer relationship management, they quantify customer value creation by measuring customer satisfaction, loyalty, and a willingness to recommend the service to others.

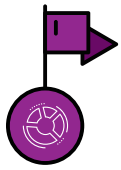
Table 1 and Table 2 below summarize key customer metrics.





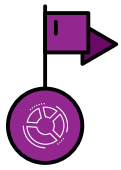
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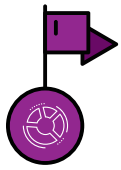


**Table 1: Customer Measures: Observable (Behavior-Based)**

Observable Behavioral-Based Metrics		
Level of Measure	What You Measure	How You Measure
Operational Data	Customer Behavior	Metric
Contact with customers (lagging indicators)	What, when, where, how much is purchased	<ul style="list-style-type: none"> <li>Specify the type of product or service that was consumed</li> <li>Specify when (date and time) the product or service was bought</li> <li>Specify the location, channel, outlet, agent/branch, or region where the product or service was consumed</li> <li>Specify the value of the purchase</li> </ul>
Customer Experience	Process Efficiency	Metric
Service levels (leading, predictive of customer experience)	<p>Chose specific processes and target service levels</p> <p>Example:</p> <p>Application processed within specified service level, i.e., 48 hours</p>	<ul style="list-style-type: none"> <li>Number of applications successfully processed within [desired time period]/total number of applications received within [desired time period]</li> </ul>

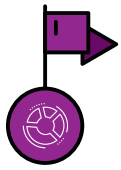


Customer Relationship Management	Retention and Loyalty	Metric
Customer loyalty (lagging)	Customer retention: measures the number of customers continuing with a service, e.g., the same loan or taking a new loan post-repayment	Determine the most appropriate period (monthly, annually, quarterly)  Retention rate = $((E-N)/S) \times 100$ – a percentage  E = number of customers at end of period N = new customers acquired S = customers at the start
Customer loss (lagging)	Customer churn rate (reverse of retention): measures how many customers have been lost (the service is no longer relevant or does not deliver good value for money)	Churn rate = number of customers lost versus number of customers started with  Formula = $((E-S)/S) \times 100$
Customer Relationship Management	Customer Acquisition	Metric
Acquisition (lagging)	New customers  Net acquisition predicts expense increase or decrease. Acquiring new customers can be a heavy up-front cost; these costs are exacerbated when acquisitions must compensate for customer losses  Cost of acquiring a customer (CAC)	How many customers acquired within a specified time period (quarterly, annually, etc.)  Net acquisition: new customers minus churn (customers lost)  Total costs associated with acquiring new customers/total customers (within a specified time period)

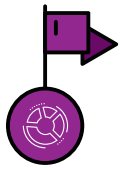


**Table 2: Customer Measures: Unobservable (Perception-Based)**

Unobservable Perception-Based Metrics		
Level of Measure	What You Measure	How You Measure
<b>Operational Effectiveness and Customer Experience</b>	<b>Complaints and Resolution</b>	<b>Metric</b>
Operational effectiveness (lagging and leading, predictive of results)	Problems experienced	Measured with the questions: "Have you experienced any problems with the service/product/relationship in your last engagement with [the company] over the last three months?" Scale: Yes/No.
	Complaints raised	If yes, specify in detail (verbatim). "Did you report the problem to anyone at [the company]?" Scale: Yes/No. If yes, specify where and to whom.
	Complaints resolved to satisfactory level	"Was the problem/complaint resolved to your satisfaction?" Scale: Yes/No.
<b>Customer Experience</b>	<b>Ease of Experience</b>	<b>Metric</b>
Customer effort (leading, predictive)	Customer effort score (CES): a measure of how customers feel about the effort in interacting with your company (sales and service/support team)	Measured with the question: "How easy was it to do business with us today?"  Scale (5-7 points): Ranges from "Very Easy" to "Very Difficult." Some organizations measure CES as a net score (Percent Very Easy to Percent Very Difficult).



Customer Relationship	Reputation and Loyalty	Metric
Reputational (leading, predictive of satisfaction)	Customer expectations	Measured with the questions: “What level of quality of product/service/relationship did you expect to receive before you bought?” Scale: low to high value.
	Customer perceptions	“What quality did you actually receive?” Scale: Low to high quality compared to price.
	Customer value	“What is the degree to which you experienced value for money in the price or fee charged?” Scale: Low to high price compared to quality.
Likelihood to recommend (lagging, result)	Net promoter score (NPS)*	Measured with the question: “How likely would you be to recommend [the company] to friends, family, and colleagues?” Scale: 11-point scale where 0 = Not likely at all and 10 = Extremely likely.  Formula: Subtract the percentage of detractor customers (0-6 scores) from the percentage of promoter customers (9-10 scores); eliminate 7 and 8.  Expressed as a percentage net score.
Likelihood to buy again or likelihood to buy more (leading, predictive)	Part of the three components of customer loyalty: <ul style="list-style-type: none"> <li>▪ Likelihood to buy more</li> <li>▪ Likelihood to buy other</li> <li>▪ Likelihood to continue relationship</li> </ul> <p>*Developed by Fred Reichheld</p>	Measured with the questions: “How likely would you be to buy more?” “How likely would you be to buy from another company?” “How likely are you to continue the relationship?” Scale: 11-point scale similar to above where 0 = Not likely at all and 10 = Extremely likely.



Vision and Strategy	Satisfied Customers	Metric
<p>Customer satisfaction (benchmark measure, lagging)</p>	<p>Customer satisfaction Index: a benchmark measure that is standardized international best practice</p> <p>Service/product quality index Relationship quality Index</p>	<p>Measured using the request:</p> <ul style="list-style-type: none"> <li>• Please rate overall satisfaction with recent interaction with [company].</li> <li>• Please rate the quality of product/service/relationship received during your most recent interaction with [company].</li> </ul> <p>Scales:</p> <ul style="list-style-type: none"> <li>• Range between “Much worse than expected” to “Much better than expected.”</li> <li>• “Not satisfied at all” to “Very/extremely satisfied.”</li> <li>• “Very poor” to “Excellent.”</li> </ul>

## EMPLOYEE MEASURES

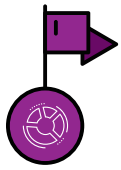
Employee performance measurement frameworks measure employee contributions to customer related goals and objectives, your organization’s success at nurturing engaged and satisfied employees, as well as your organization’s management of its human resources. Employee measures are captured at the following levels:

- Linking employee performance to key value drivers
- Effectiveness at empowering and nurturing engaged and satisfied employees
- Responsible management of the organization’s human resources

### *Linking employee performance with key value drivers*

An employee performance measurement system allows you to align employee performance goals or KPIs with customer-led value drivers: positive customer experience, customer satisfaction, and solving customer problems. Customer relationship managers, for example, may be assessed on retaining and satisfying customers versus meeting sales targets. Measures may shift from limiting the duration of call center calls to





allowing employees enough time to resolve customer issues. Measurements may be linked to more efficient business processes and effective collaboration that result in more satisfied customers and effective deployment of organizational expenses (people and money).



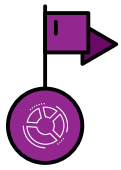
### METROPOLITAN CREATES AN ACCESSIBLE EMPLOYEE PERFORMANCE MEASURE

Berniece Hieckmann explains how Metropolitan introduced a new metric to measure employee performance: “We used very complex concepts to measure customer value. While these measures – embedded value (EV), value of new business (VNB), and so on – are commonly used in our industry, they were inaccessible to most of our front line employees. We had to make our measures accessible to them.” Equally importantly, she noted the need for performance measures that reflect a balanced stakeholder perspective. Previous measures emphasized acquisition targets at the expense of other value drivers.

MMI came up with a **performance measure** for its front line that captured these concepts and ensured a balanced stakeholder approach. “The front line understands the levers of what matters and can now practice the behaviors of what matters.” The performance measure is based on just three elements: 1) new business, 2) quality of advice, and 3) mix of business to ensure front line employees are looking after customers’ holistic financial needs. These measures align to acquisition, retention, and expansion goals, key outputs linked to the customer-centric business model.

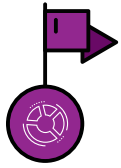
Because the customer-centric organization requires that employees work in teams and collaborate across units, effective collaboration is sometimes measured by a service level agreement measure (SLAM) between units. Employee KPIs incorporate team goals as well as individual goals to incentivize productivity of cross-functional teams and peer review frameworks.

Table 3 shows examples of individual or team employee measures that are linked to customer experience and satisfaction measures.



**Table 3: Employee Performance Measures**

Level of Measure	What You Measure	How You Measure
<b>Operational</b>	<b>Process Efficiency</b>	<b>Metric</b>
Service levels (leading, predictive of customer outcomes)	Chose specific processes and target service levels  Example: Application processed within specified service level, i.e., 48 hours	Number of applications successfully processed within [desired time period]/total number of applications received [desired time period].
Effective collaboration between business units	Service level agreement measure (SLAM)	Factual measure of service compliance to SLAs expressed as percentage of compliance to stated service level, i.e., 80 percent of applications successfully processed within 48 hours.
<b>Customer Relationship Management</b>	<b>Retention and Loyalty</b>	<b>Metric</b>
Customer retention: How many customers retained, how loyal customers are	Customer retention: May indicate how good relationship management skills are	Determine the most appropriate period (monthly, annually, quarterly).  Retention rate = $((E-N)/S)*100$ Continuing with the same loan or taking a new loan post-repayment (expressed as a percentage).  E = number of customers at end of period N = new customers acquired S = customers at the start



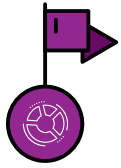
Operational Effectiveness and Customer Experience	Complaints and Resolution	Metric
Customer problems experienced/ complaints (leading, predictive of results)	Complaints resolved to satisfactory level  Speed of resolution	Percent of customer complaints resolved/total customer complaints.  Number of days/hours/minutes to resolve complaint.



## STANDARD BANK TESTS NEW METRICS

Kabele Makeke of **Standard Bank** remarks, “Sales targets mean that when a customer walks into my branch, the first thing I (employee) do is decide what I can sell you. But if I spend the extra two minutes just understanding who you are, why you’re here, I might actually offer you something that’s more relevant to you. Sales targets mean I don’t want to hear what you want, I just want to see if I can sell something to you. That’s a different mindset and not one we want to promote.”

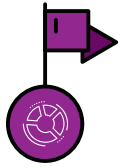
New metrics also focus on problem solving. Makeke notes, “In the past, the call center measured how long the employee was talking to a customer. All those measures are removed now. If you’re really going to listen to the customer, you need to talk to them for as long as possible.”



## JANALAKSHMI MAPS EMPLOYEE KEY PERFORMANCE INDICATORS TO KEY VALUE DRIVERS

To ensure that employees consider customer centricity a part of their daily roles, Janalakshmi adopted a Balanced Scorecard approach to performance management, tracking KPIs across four quadrants: people, process, customer, and financials. In the customer quadrant, for example, Janalakshmi tracks retention and cross-sell rates to measure customer engagement. KPIs are mapped to goal sheets of front office employees as well as product development teams. Back end teams also closely monitor end-to-end turnaround time for loan processing to ensure that this KPI improves over time. An important KPI for the operations team is monitoring and timely resolution of customer complaints. Janalakshmi creates customer-centric KPIs to ensure that customer-focused innovation is part of everybody's work responsibilities.

Employee type	Description of organizational customer-centric KPI	Employee KPI
Front office	Retention of customers	Continuing with the same loan or taking a new loan post-repayment
Front office	Ensuring that customers deepen their relationship with Janalakshmi (expansion)	Cross-sell of products beyond loan
Mid office	Retention of customers	Turnaround time for processing
Mid office	Retention of customers	Timely and speedy resolution of customer complaints



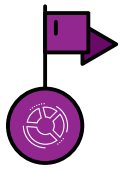
### *Nurturing engaged and satisfied employees*

A core employee performance metric relates to **employee engagement**, the extent to which employees feel a connection and commitment to a company's values and culture, and enthusiasm for work. An engaged employee exhibits the following characteristics:

- **Satisfaction in his or her work**
- **Vigor:** a positive feeling of physical, cognitive, and emotional energy as a result of the work done
- **Dedication:** a strong feeling of support for and loyalty to the organization
- **Absorption:** a high level of identification and association with the organization
- **Efficacy:** belief in his or her ability to be successful in the work environment
- **Growth:** belief that work will enable professional and personal growth

Whereas many customer metrics measure outcomes (or lagging measures), employee performance measures are largely leading measures that reflect new practices and a mindset shift that leads to customer and firm value creation.

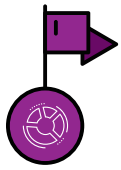
Importantly, firms regard employees as internal customers and measure employee satisfaction. Common high-level measures of **employee satisfaction** and **employee loyalty** follow in Table 4.



**Table 4: Employee Engagement Measures**

High Level	What It Measures	How to Measure
Employee satisfaction	Measures satisfaction with compensation, the work environment, and role in the company (clarity of expectations and happiness in day-to-day work)	<p>Measured with the questions:</p> <p>“Please rate overall satisfaction working at [company]”</p> <p>“Please rate the quality of your working life at [company]”</p> <p>Scales:</p> <ul style="list-style-type: none"> <li>▪ “Not satisfied at all” to “Very/extremely satisfied”</li> <li>▪ “Very poor” to “Excellent”art</li> </ul>
Ambassadorship (likelihood to recommend)	Measures how proud an employee is to work for your organization and loyalty to the organization	<p>Often measured similarly to customer NPS.</p> <p>“On a scale of 0-10, how likely are you to recommend working at our company to a colleague?”</p> <p>Scoring:</p> <p>0-6 = Detractor</p> <p>7-8 = Passive</p> <p>9-10 = Promoter</p> <p>Subtract percentage of 0-6 scores from 9-10 scores (leave out 7-8)</p> <ul style="list-style-type: none"> <li>▪ A “positive” score or NPS above 0 is considered “good”</li> <li>▪ 50 percent is “excellent”</li> <li>▪ 70 percent is considered “world class”</li> </ul>

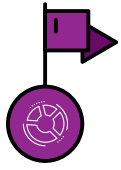




OfficeVibe, a provider of employee engagement solutions, suggests the following eight employee engagement measures to assess what components of employee engagement your company is getting right or wrong, and what needs to be improved. Low employee engagement scores are “leading” indicators in that they predict the likelihood of turnover, absenteeism, productivity levels, and loyalty.

**Table 5: Additional Employee Engagement Measures**

Additional Measures	What You Measure	How You Measure
Personal growth	Measures whether employee sees opportunity for growth and development (autonomy, capabilities, financial reward, etc.)	Do you feel you have enough opportunities for growth? What are the most important growth areas for you?
Happiness	Measures whether an employee is happy; happiness is correlated with higher productivity	On a scale of 0-10, how happy are you at work? What would make you happier at work, e.g., autonomy, bonuses, new projects, balance, etc.
Relationship with peers	Connectedness with peers and functioning of teams: peer recognition, good communication, effective collaboration; measures culture of inclusion and equality	On a scale of 0-10, how would you rate your relationship with your peers? Why?
Relationship with manager	Connectedness with manager: recognition, open and respectful communication, trusting relationship; predictor of turnover	Is there anything you would change to improve the relationship with your manager?
Recognition	Barometer for whether employee work is good and contributions are appreciated	Do you feel like you get enough recognition for your work?
Feedback	Measures quality of feedback (specific, actionable, frequent, informal, and formal)	On a scale of 0-10, rate the level of feedback you receive.



Additional Measures	What You Measure	How You Measure
Wellness	Measures health and happiness relative to stress and exhaustion	On a scale of 0-10, what's your stress level at work this week?
Alignment	Measures enabling culture, clarity of foundational vision and values	How well do your personal values align with [the company's] core values?

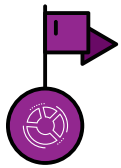
### *Responsible management of the organization's human resources*

Employee engagement reflects your organization's success at empowering employees, creating a customer-centric culture, and hiring employees that are aligned with corporate values. System 2, the Talent Management System, identifies nine essential resources employees require to be customer-centric and drive a customer focused strategy. An organization's performance measurement system should include metrics that measure your success at developing essential employee resources, including implementing initiatives designed to build skills, shift attitudes, align values, and enable innovation, autonomy, and continual learning.

While employee engagement is a leading indicator of your organization's success at empowering employees to drive customer-centric goals, staff turnover and absenteeism are important lagging indicators that measure fiduciary success at managing human resources, as noted in Table 6.

**Table 6: Employee Lagging Indicators**

Employee Fiduciary Measures	What You Measure	How You Measure
Absenteeism	How often employees stay away from work: unsatisfied employees are likely to be less productive	Percentage: total number of days absent per employee/by total number of working days x 100
Employee turnover rate	The rate at which employees leave their jobs (voluntarily or non-voluntarily): employers have to spend more to attract, onboard, and skill new employees	Percentage: total number of employees who left during the period/total number of employees at beginning of period x 100

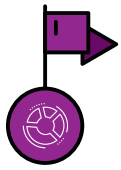


Joy! Kenya – Wim Opmeer, CGAP Photo Contest

## ***PARTNERSHIP MEASURES***

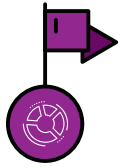
Section 4 describes the potential benefits of partnerships in a customer-centric business model, including the development and delivery of innovative customer solutions, acquiring customers in difficult-to-reach poor and low-income segments, and optimizing business models by getting solutions to market faster.

For a newly established partnership, initially consider focusing performance measures on learning to work together, including the development of processes that enable joint delivery of value, information sharing, and speed of decision making. You may consider linking KPIs of employees involved in the management and implementation of partnerships to operational measures like problem resolution and effectiveness measures like partner satisfaction. Outcome metrics, for example, increased revenues and market share follow once partner processes work well together. Table 7 describes partnership performance measures.



**Table 7. Partnership Performance Measures**

Partnership	What You Measure	How You Measure
Partner service level agreements	Chose key joint processes and target service levels Example: turnaround on data requests within specified service level, i.e., 48 hours	Example: Data delivery/total number of data requests
Partner experience	Problems experienced  Complaints raised  Complaints resolved to satisfactory level  Complaints resolved to satisfactory level  Speed of resolution	Measured with the questions:  “Have you experienced any problems with the service/product/relationship in your last engagement with [the company] over the last three months?” Scale: Yes/No. If yes, please specify details.  “Did you report the problem to anyone at [the company]? Specify where/whom.” Scale: Yes/No  “Was the problem/complaint resolved to your satisfaction?” Scale: Yes/No  Percent of customer complaints resolved/ total customer complaints  Time to resolve customer complaints
Regulatory compliance(s)	Are partners fulfilling their regulatory responsibilities?	Timeliness of reporting: Are reports filed on time? Quality of reporting: Are reports accurate?

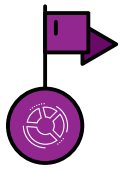


Partnership	What You Measure	How You Measure
Partner satisfaction	Service/product satisfaction relationship	<p>Measured with the request:</p> <ul style="list-style-type: none"> <li>▪ “Please rate overall satisfaction with the recent interaction with [company]”</li> <li>▪ “Please rate the quality of the product/ service/relationship received during your most recent interaction with [company]”</li> </ul> <p>Scales:</p> <ul style="list-style-type: none"> <li>▪ Range between “Much worse than expected” to “Much better than expected”</li> <li>▪ “Not Satisfied at all” to “Very/extremely satisfied”</li> <li>▪ “Very poor” to “Excellent”</li> </ul>
Innovation	New or enhanced customer solutions	Solutions/ target
Outcome metrics	Additional revenues and customers resulting from new partnerships	Expanded revenue attributed to partnership (e.g., new delivery channels, jointly created solutions) as percent of target

## SHAREHOLDER MEASURES

In this section, we look at performance measures that assess three value creation themes:

- Monetizing customer-driven value
- Reducing expenses by delivering more streamlined customer experience
- Strengthening core assets: brand and reputation



### *Monetizing customer-driven value*

Companies measure customer-led value drivers that originate from customer experience, including **cost-effective customer acquisition, customer retention, expansion** (increased revenue per client), and increased **share of customer wallet** (their total spend). The [Business Value Matrix](http://customersguide.cgap.org/sites/default/files/resource/2018/05/Tool_Business_Value_Matrix.pdf)<sup>37</sup> further defines measures and impacts on firm value of these customer-led value drivers.

Firms incorporate new metrics to measure **customer profitability** (return on customer experience, or ROCE). ROCE takes into account the costs to serve customer segments and the value they generate, preferably over a lifetime of interactions (customer lifetime value, or CLV). CLV is a forward-looking predictive measure. Using these measures, a firm can segment customers and make decisions about how to differentiate customer experience. Some companies may choose to focus their resources on the most profitable customers but ensure that they always provide a differentiated basic experience that generates value for customers – at a minimum. Some firms adopt a portfolio approach to choosing target segments, taking into account explicit social value creation or risk management strategies, for example, by diversifying target segments.

#### **WHAT IS CUSTOMER LIFETIME VALUE (CLV) AND RETURN ON CUSTOMER EXPERIENCE (ROCE)?**

**CLV** is the present value of the future (net) cash flows associated with a particular customer or customer segment. It is forward looking to enable companies to determine how much a customer is worth to a company over time (Fader, 2012). To make CLV predictions, companies gather purchasing and other behavioral data that provide the basis for assumptions to model future cash flows. These assumptions relate to revenue, but also incorporate the value of advocacy or word-of-mouth benefits generated by customers.

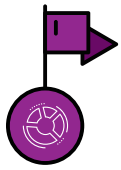
**ROCE** measures customer profitability in terms of returns on the customer experience value proposition designed and delivered to customers. This measure takes into account the revenue generated by customer segments relative to the cost of acquiring and serving a customer.

### *Reducing expenses by delivering more streamlined customer experience*

Companies may improve and optimize specific business processes to drive expenses down while increasing customer value, for example, through more efficient and satisfying experiences. Similarly, organizations may seek efficiencies to ensure that customers receive value for money spent and price services commensurate with

37. [http://customersguide.cgap.org/sites/default/files/resource/2018/05/Tool\\_Business\\_Value\\_Matrix.pdf](http://customersguide.cgap.org/sites/default/files/resource/2018/05/Tool_Business_Value_Matrix.pdf)





customer value. Poor value for money will ultimately drive customers away and minimize firm value capture. Quicken Loans, for example, has dashboards that measure the efficiency of each stage of the customer journey. Alerts kick in if a process does not perform within expected parameters and specific actions are taken to address and correct problems.

### *Strengthening core assets: brand and reputation*

Some firms custom design performance metrics that indicate reputational performance. As an example, CPMI's **voice of the customer index** (VOCI), described in Learn from Customers (Step 4: Take First Steps), measures customer experience relative to expectations, customer satisfaction, problem resolution, and a customer's likelihood to repurchase and/or recommend a product. This customized measure is monitored over multiple company-customer interactions, products, and channels (e.g., social media, call center, etc.) over a specific period of time (at least six months).

Some organizations use **brand metrics** to measure the degree to which their brand has achieved intended positioning, brand values, and reputation. The degree to which customers evaluate the brand promise against their actual experience will determine how well the brand represents a franchise of good experience for customers. Typical measures include brand awareness, commitment, corporate identity, brand fitness, and brand value (equity).

## ***CUSTOMER CENTRICITY MATURITY ASSESSMENT***

At the start of this guide, we suggested using the [Customer Centricity Maturity Assessment](http://customersguide.cgap.org/assessment)<sup>38</sup> to reflect on your organization's current level of customer centricity maturity. The assessment enabled you to assign a maturity rating specific to your organization and identify actions required to progress toward the next levels of the development scale.

Your performance measurement system may include a baseline **customer centricity maturity** rating, as well as specific goals that demonstrate advancement along the maturity scale. Goals should be linked to strategic objectives and required actions, both input-oriented actions to catalyze your journey and build your customer-centric architecture (e.g., building a coalition of change agents, introducing new functions and strategic initiatives), as well as outputs linked to the achievement of strategic objectives (e.g., improvements in customer retention, expansion, and acquisition).

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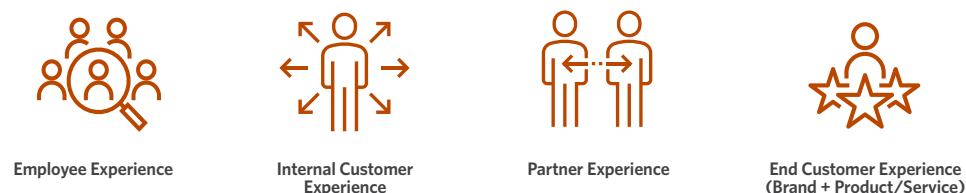
38. <http://customersguide.cgap.org/assessment>



# Pioneer Microinsurance Explores New Customer-Centric Metrics

Pioneer Microinsurance (PMI) in the Philippines, a joint venture between Pioneer Group and Card MRI, provides microinsurance products to low-income customers. Working with CGAP, CoCoon, and Quicksand, PMI developed the following potential metrics.

## Customer Centricity Pathway of Change – Scorecards



## Illustrative Metrics for Pioneer Microinsurance by Customer Segment

Employee	<ul style="list-style-type: none"> <li>Employee engagement score</li> <li>Retention</li> <li>Employee referrals</li> <li>Productivity</li> </ul>
Internal customer experience	<ul style="list-style-type: none"> <li>Internal customer satisfaction/feedback</li> <li>Percent of service level agreement completion</li> <li>Number of new initiatives involving multi-disciplinary teams</li> </ul>
Partner experience	<ul style="list-style-type: none"> <li>Enrollment to receipt of insurance policy time</li> <li>Number of new initiatives involving partners</li> <li>New products per partner: penetration</li> <li>Partner satisfaction index</li> </ul>
Customer experience	<ul style="list-style-type: none"> <li>Percentage of both renewals and customers dropped off after year one</li> <li>Turnaround time for enrollment, claims, query resolution</li> <li>Customer engagement score by segment/partner</li> <li>Complaints received/resolved</li> <li>Net promoter score</li> <li>Average number of products per customer</li> </ul>



### Illustrative Metrics for Pioneer Microinsurance Using a Balanced Scorecard Approach

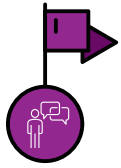
Financial	<ul style="list-style-type: none"><li>▪ Percentage of both renewals and customers dropped off after year one</li><li>▪ Revenue by customer segment</li><li>▪ Cost to serve customers by segment</li><li>▪ Customer lifetime value/customer profitability</li></ul>
Customer	<ul style="list-style-type: none"><li>▪ Customer engagement score by segment/partner</li><li>▪ Net promoter score</li><li>▪ Average number of products per customer</li></ul>
Process/operational	<ul style="list-style-type: none"><li>▪ Service level agreements at customer touchpoints within the journey</li><li>▪ Customer complaints (number and resolution time)</li><li>▪ Time to claims/ageing of claims pending (number of days)</li><li>▪ Enrolment to proof of cover time</li></ul>
Learning and innovation	<ul style="list-style-type: none"><li>▪ Percentage of employees involved in customer centricity projects</li><li>▪ Percentage of employees who have undergone training in customer-centric skills/behaviors</li><li>▪ Number of internal customer centricity trainers, certified customer centricity champions</li></ul>

**Source:** CoCoon and Quicksand, Pioneer Microinsurance Customer-Centric Culture Building Project with CGAP.

#### Questions



- Do your performance metrics measure and reward employees for satisfied customers?
- Do your metrics reflect teamwork and team-based outcomes?
- Do you have dashboards that enable employees to monitor and manage their own performance and see the link between improved customer experience and financial impact?
- Do your employees understand what they're being measured on?
- Are your performance measurement systems cost effective, or do they add layers of monitoring that erode firm value and disempower your front line?



## SYSTEM 4: PARTNER ENGAGEMENT SYSTEM

Partnering with external organizations can enhance your organization's ability to generate value for customers and respond to their evolving needs. A partnership can be short-term, which enables the partner to establish itself in a new market, or a sustained strategic alliance that may even result in a merger or acquisition.

The ability to create and sustain partnerships can enhance competitive advantage. Partnerships come in the form of alliances, joint ventures (jointly owned subsidiary companies), participation in open innovation initiatives, and integration with digital marketplaces. In a successful partnership, each partner brings differentiating capabilities (e.g., market access or technology capabilities) to increase stakeholder value.

### ***THE VALUE OF PARTNERSHIPS***

In the blog [FinTech Partnerships: Choose Carefully, Then Evolve](http://www.cgap.org/blog/fintech-partnerships-choose-carefully-then-evolve),<sup>39</sup> CGAP explains how fintechs are using partnerships to reach new customers, overcoming licensing challenges, and creating new value propositions.

### ***PARTNERSHIPS REQUIRE NEW INTERNAL APPROACHES***

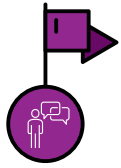
Successful partnerships require buy-in, alignment, and commitment from affected internal business units. While some see partnerships as business opportunities, others see them as threats.

Partnerships may challenge existing business model assumptions. Resistance can stem from fear of cannibalization, for example, a new offering enabled by the partnership taking market share from an existing one. The approach also results in deliberate dependencies among partners, which can be difficult for traditional *go-it-alone* corporations.

The partnership model, therefore, requires a mindset shift. In legacy models, financial service providers battle competitors for customer ownership or control over the channels customers use to access services. Partnerships require each partner to give up an element of control and provide a unique core competency that grows the

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39. <http://www.cgap.org/blog/fintech-partnerships-choose-carefully-then-evolve>



overall market opportunity for both. Shared or leveraged competencies may include access to core banking and payments infrastructure, management of regulatory compliance, funding or deploying assets, cultivating relationships with customer groups, and innovating value propositions for new customer segments.

## ***THE PARTNERSHIP JOURNEY***

*In a partnership journey, organizations go through three phases:*

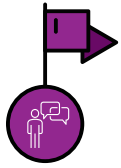
1. **Selecting partners.** Partnerships work because there's a clear value proposition for each party. By combining value inputs from both business models, partnerships create new forms of value that benefit the partners and their customers. The [Partnership Canvas tool](http://thetoolkitproject.webflow.io/tool/partnership-canvas#sthash.nzWi55C0.M0wVPub.dpbs) (Mark Copsey, as cited in The Toolkit Project)<sup>40</sup> can help you define what you seek in a partnership and design your partnership model.
2. **Integrating with partners.** Successful partnerships usually specify initial projects to build trust. In the beginning, partners focus less on defining a business plan and more on how they'll work together (Hughes and Weiss, 2007).

Anticipate the following levels of integration at the beginning of your partnerships (Kantor, 1994):

- **Strategic.** Continuous dialogue between leadership on both sides to reinforce mutual strategic objectives.
- **Tactical.** Processes that bring together teams from each partner to identify organizational or systems changes and link companies together.
- **Operational.** Processes that give teams timely access to information and visibility into performance, as well as access to resources and people to accomplish tasks and deliver seamless customer experience. Dashboards enable partners to monitor performance and delivery of co-created solutions, which builds transparency and trust.
- **People.** Learning to work collaboratively and growing interpersonal networks across organizations. In some cases, partners may transfer human resources between companies.

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40. <http://thetoolkitproject.webflow.io/tool/partnership-canvas#sthash.nzWi55C0.M0wVPub.dpbs>



3. **Establishing partnership governance.** Governance arrangements focus on partnership agreements that articulate a shared understanding of how a partnership operates, including processes for decision-making and dispute resolution, dealing with conflicts of interest, and agreement on standards of conduct. Partners agree on which information and data to share. Defining parameters around the protection of customer data and intellectual property should be a priority.

Partners are accountable to each other for performance. They establish reporting and performance monitoring, including meeting responsibilities for regulatory compliance. Performance measures initially focus on process metrics, e.g., information sharing, development of new ideas, and speed of decision-making. Once partner processes work well together, the focus is on end-goal metrics, e.g., revenue and market share (Hughes and Weiss, 2007).

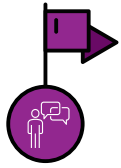
Sometimes partnerships don't work well – in part because changing market conditions make them less valuable. Process metrics and end-goal metrics are jointly measured; triggers for ending a partnership should be established at the outset and evolve over time.

## ***TYPES OF PARTNERSHIPS***

Partnerships show promise for reaching unserved customers and communities with value propositions that may have been previously unimaginable. Together, partners can overcome financial inclusion challenges related to the cost to serve customer segments with relevant propositions, effective distribution, and granular market knowledge.

Partnerships can take the form of **alliances, joint ventures**, or participation in **open innovation initiatives that facilitate the systematic flow of ideas and know-how among organizations**. They may also emerge from **digital marketplaces** where third parties come together to create and deliver relevant, cost-effective value propositions enabled by open application program interfaces (APIs). APIs are powerful technology enablers that enable organizations to build software applications so they can share customer and market information, infrastructure (e.g., payments infrastructure, delivery channels), and additional services (e.g., bill payments, loans, insurance) to conveniently and cost-effectively reach underserved markets with new value propositions (see box, What Is an API?). Through open APIs, fintechs, for example, are partnering with established payments service providers to access payment systems that more quickly bring their solutions to market.





**Alliances.** Mobile network operators (MNOs), large retailers, banks, and non-bank payment providers use APIs to digitally partner to offer payments, credit, savings, and insurance. Partnerships may incorporate third-party value-added service providers (VAS) to drive uptake by providing customers with information, education, and behavioral nudges that make it easier to adopt and use new products.



### ARIFU CONNECTS WITH CUSTOMERS BY PARTNERING WITH BANKS AND MOBILE NETWORK OPERATORS

Value-added service provider **Arifu** uses artificial intelligence (AI) **chatbot** technology to provide customized learning content according to a mobile user's personal preferences. The Arifu digital platform creates SMS conversations between customers and service providers through automated algorithms. These information campaigns actively encourage product use and drive value by reversing dormancy, growing revenue, and generating customer satisfaction and retention.

Using feedback from initial testing with farmers in rural Tanzania, Arifu developed interactive SMS scripts which allow users to choose their own learning content: those interested in loans can learn how to check loan limits or use cost calculators while those interested in saving can set personal savings goals. Arifu partnered on the project with Commercial Bank of Africa (CBA), Vodacom, Technoserve, and the Busara Centre for Behavioral Research using CBA and Vodafone's M-Pawa account.

Read more about digital savings and borrowing in the CGAP blog, [Interactive SMS Drives Digital Savings and Borrowing in Tanzania](http://www.cgap.org/blog/interactive-sms-drives-digital-savings-and-borrowing-tanzania)<sup>41</sup>

**Joint ventures** or jointly owned subsidiaries combine partner capabilities and assets to form altogether new organizations with separate structures and identities from the parent partners. Card Pioneer Microinsurance is a good example of a joint venture that formed when Pioneer Insurance Group partnered with CARD MRI – the largest microfinance provider in the Philippines. CPMI is now the country's largest microinsurance provider.

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41. <http://www.cgap.org/blog/interactive-sms-drives-digital-savings-and-borrowing-tanzania>



# CBA Kenya and Safaricom Partner to Create First-In-Market Solutions for a Common Customer Need

As digital upstarts quickly became entrenched market players, **Commercial Bank of Africa (CBA)** Kenya recognized that its competitive environment was rapidly changing. Key pillars of the CBA competitive growth strategy included engaging with external partners to support innovation and driving superior customer experience.

To create a first-time savings solution for the Kenya market, CBA partnered with the country's dominant mobile network operator, Safaricom. The result was M-Shwari, a CBA bank account offering a combination of savings and loans that can be accessed via the Safaricom mobile money operation, M-Pesa. Although most households in Kenya are net savers rather than net borrowers, only 9 percent of savings are liquid and easily accessible. The M-Shwari proposition enables customers to borrow on demand, in real time, to meet immediate liquidity needs.

*Each partner provides functions that reflect its differentiated assets:*

**CBA** maintains regulatory compliance, credit bureau reporting, product manufacture, account management MIS, and funds the loan portfolio. CBA carries non-payment risk and absorbs losses from nonperforming loans.

**Safaricom** shares existing know-your-customer details, collected by providing SIM cards, so CBA can instantaneously open accounts. It also provides CBA with the customer service use data required to credit score customers and package loans (amount, repayment schedule, etc.) Safaricom's mobile money operation, M-Pesa, acts as the delivery channel and provides customer-facing notifications.

Leveraging partner assets to solve real customer needs created an affordable product and positive customer experience with massive market uptake: 10+ million M-Shwari accounts created and 50,000 loans disbursed every day (CGAP).

Read more about M-Shwari in these CGAP blogs:

[Top 10 Things to Know about M-Shwari](http://www.cgap.org/blog/top-10-things-know-about-m-shwari)<sup>42</sup> and [How M-Shwari Works: The Story So Far](http://www.cgap.org/publications/how-m-shwari-works-story-so-far)<sup>43</sup>

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42. <http://www.cgap.org/blog/top-10-things-know-about-m-shwari>

43. <http://www.cgap.org/publications/how-m-shwari-works-story-so-far>



## CPMI Partnership Strategies Ensure Seamless Customer Experience

After experimenting with microinsurance and proving the business opportunity, Pioneer Insurance Group partnered with CARD MRI, a large microfinance provider with an extensive distribution network, to form **Card Pioneer Microinsurance (CPMI)**.

CPMI became the first non-life microinsurance company to offer vulnerable populations insurance coverage against natural disasters related to flooding, loss of agricultural assets, or sudden unexpected income loss. By listening to customers, the team realized that the claims process was their biggest pain point. A vision statement followed: “We commit to be the most significant provider of need-based risk-protection of non-life microinsurance programs by being the model in claims resolutions and product innovation. We aim to be an instrument in the continuation of our clients’ journeys toward the improvement of their lives.”

Distribution partnerships are critical to the Pioneer Microinsurance (PMI) business model. The low value transactions of microinsurance models require massive scale and efficiency to be profitable. To scale its business, PMI continues to expand distribution partnerships with other microfinance institutions, remittance companies, and pawn shops. As of the end of 2017, more than 1,600 microinsurance agents serve as the front line for CPMI service distribution.

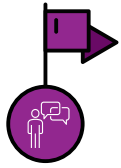
According to Geric Laude, CEO of CPMI, mapping partner value creation is critical to these partnerships: “Every one of the stakeholders should add value to the partnership and we need to clearly identify that value addition. If one value proposition is missing, then it doesn’t work; it is very clear.”

CPMI also learned that operational integration with partners must ensure seamless customer experience. Upon introducing automated enrollment, they found the innovation did not work well for customers. The root cause was partner employees who didn’t have the proper systems to make it work, namely the skill sets, proper incentives, or enabling culture. To solve the problem, CPMI is integrating a significant number of partner employees into the organization and building new human resources systems to support customer-centric behaviors. Onboarding programs have been created that integrate employees and new hires into the CPMI way of working and voice of the customer programs have been implemented to better focus on customer needs. CPMI continues to build a culture that supports both product and process innovation to serve customer needs.









Woman with red chilis, Bangladesh – KM Asad, CGAP Photo Contest

**Open innovation initiatives.** Open innovation initiatives bring together organizations and individuals with diverse competencies from inside and outside an organization to accelerate the development and distribution of innovative customer solutions. An initiative may, for example, introduce a mature company to specialized industry innovators or connect companies across sectors to create joint offerings that fulfill health, education, or energy needs. In addition to participation in joint ventures and alliances, organizations may support startup accelerators, run industry hack-a-thons, or create internal venture capital funds to invest in companies in areas of strategic importance to the organization. Increasingly, financial service providers and MNOs are launching open innovation initiatives to source ideas and organizational assets to provide new and existing markets with innovative and improved services.



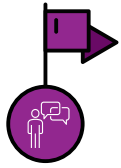
## Absa's Open Innovation Strategy

Absa, a subsidiary of Barclays Africa, has launched a number of programs to drive innovation. Barclays Africa created an accelerator platform in partnership with Techstars, a global program that helps small and medium businesses go to market with technology innovations. Barclays incubates innovative solutions by recruiting fintech startups to its Rise program. The accelerator provides startups with access to networks, a knowledge base, and expertise. One 2016 Rise participant, Tech4Farmers, provides farmers in Uganda with real time access to market information through an electronic commodity exchange and warehouse receipt system. Another 2016 participant, InukaPap Kenya, partners with cooperatives to allow members to instantly access microloans and other services. The Sun Exchange, a 2017 participant, provides low-income households with access to solar power by allowing them to purchase systems in monthly installments. Sun Exchange leverages blockchain technology to source initial capital outlay via crowd-funding.

The Barclays Seeker Fund invests in existing businesses across Africa to build its portfolio of digital companies. According to the former Barclays Head of Innovation, Paul Nel, “Actively supporting those businesses that offer some potentially disruptive innovation or technology can enhance our core business and help it to retain a competitive edge in financial services.”

Absa launched the Absa Open API Marketplace to expose its APIs, as well as the APIs of other providers, to create innovative solutions for both its internal business units and its customers. Absa amplifies the impact of its innovation initiatives through synergies. Existing and former Rise partners, for example, are pilot users of the API platform.





**Digital marketplaces**, also known as **open API platforms**, allow participating organizations to create a network of partnerships in a digital ecosystem. While some alliance partnerships previously described (see CBA Kenya and Safaricom Partner to Create First-In-Market Solutions for a Common Customer Need) are enabled by the bilateral integration of organizations through APIs, open API platforms enable the collaboration of a much larger ecosystem of players. While financial service providers like banks and MNOs have traditionally competed within their sectors based on limited and sometimes commodified core services, open APIs enable collaboration to create comprehensive and/or value-adding solutions that grow revenue and promote loyalty.

**Open API platforms** enable the ecosystem of players to share and leverage unique core competencies while offsetting weaknesses and capitalizing on strengths. Emerging tech-enabled third-party providers use technology and deep knowledge of customer segments and industry verticals to innovate offerings more rapidly than less agile organizations. However, they may be limited in their ability to bring products to market if they lack access to payment systems, delivery channels, and the data required for continuous innovation. Open API platforms allow traditional financial service providers to rapidly tap into third-party innovations while providing emerging third parties with core transactional services and accumulated data, a strong balance sheet, and compliance capabilities to increase the market overall.

Existing **risk management** systems may not be calibrated to new partnership arrangements, particularly in open API ecosystems. In traditional partnerships, risk functions often require partners to undergo a long vetting process with significant human, financial, and time investment. The number and range of potential partnerships in an open marketplace scales exponentially, which requires a different approach to operationalizing systems as well as managing risk.



## Eko India: Integrating Local Partners to Customize and Scale



Marketplace, India

Indian fintech **Eko** started out as a money transfer business that enabled customers to digitally transfer money using mobile devices and computers and to cash in and out through a network of merchant agents. As the money transfer business in India expanded, Eko distinguished itself by developing innovative transfer and payment applications through a mobile wallet. Now with over 10 million customers, Eko's success largely depends on the number and reliability of local network partners that operate cash-in and cash-out points in diverse regions.

Seamless integration with local partners through a transacting platform allows Eko to more effectively attract customers in local markets. Fast, easy integration has been a powerful driver for scaling the business since these local partners add context to the customer experience through their knowledge of local markets. Eko also offers local partners access to value-added services, including loyalty programs and marketing campaign support.



## Absa Creates Superior Partner Journeys

The **Absa Open API Marketplace** gives customers access to innovative solutions that have been jointly crafted through partnerships in a digital marketplace. The API platform's users contribute distinct value propositions, including financial and non-financial assets (e.g., personal financial management tools, consumer knowledge, new access channels for hard-to-reach segments) by connecting to the digital ecosystem through open APIs provided by Absa and ecosystem partners. Platform participants leverage shared assets to solve customer problems, reach new market segments, and grow their businesses.

Because potential partners represent a range of players Absa has traditionally not worked with, including app developers and startups, Absa decided to meaningfully segment the partner market and create distinct journeys for each. New processes are under development to support partner engagement, selection, and onboarding. They enable Absa to test partnerships in pilots, evaluate performance, and identify risks prior to determining a joint revenue model and going to market.

Because the universe of potential partners is significant, the Absa Open API Marketplace is creating superior partner experience that will enable rapid scaling of its model, in part by automating some processes. By recreating its partnership processes to meet the needs of a new universe of partners, Absa hopes partners will seek to join the platform and find a space where they can collaborate with each other – and can do so easily. The platform incorporates VOC and data analytics capabilities to learn from partners in order to iterate API products and partner processes.



### Questions

- Does your organization reject ideas that do not originate from within?
- Have you created strategies to engage with outsiders and share new ideas within your organization?
- Do you have partners that service a market you'd like to reach? Who helps reduce cost to serve?
- Do you seamlessly integrate with existing partners? If not, what's the key challenge?



## WHAT IS AN API?

According to the CGAP blog, *Riding the "Rails": Unlocking Innovation with Open APIs*, an **application programming interface (API)** is a programming architecture that makes it easy for one application to "consume" capabilities or data from another application. It's a contract that allows software programs to talk to one another, defining what information can (and should) be supplied and which actions will be taken once it's executed.

APIs at their most basic level connect organizations with digital payment providers. However, banks and other financial service providers are consuming APIs and making them available to provide and access other services: savings, loans, personal financial management services, and insurance.

## THERE ARE THREE TYPES OF APIs:

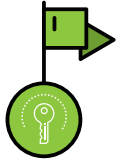
1. **Consent APIs** are the foundational layer that enables a third party to call both data and payment APIs to "consent" (or authorize) account holders. These APIs authenticate the account holder and consent a third party to gain access to certain account holder assets. It's through consent APIs that customers give third parties permission to access their data or move their money. Consent APIs enable customers to include permissions parameters: do/access what, for how long, how many times, etc.
2. **Payment APIs** facilitate the transfer of digital value from one place to another. They enable a variety of use cases, from bill and bulk payments to merchant and online payments. These are the most frequently released APIs within digital financial services.
3. **Data access APIs** enable third parties to access data on customers, agents, and even merchants to build out solutions. Types of data released by digital payment providers include customer transactions, agent liquidity levels, and geo-locational data for account holders. Some data APIs are aggregated data and some are anonymized data.

Organizations share defined information and capabilities by making APIs available to in-house and external partners or by consuming APIs from partners. CGAP has identified **three types of API integrations**, which are defined by their sharing parameters:

1. **Internal API integrations that enable organizational agility.** Select organizational assets are open to use by developers working within, or on behalf of, an organization. This can improve time to market for certain internal innovations.
2. **Partner API integrations that enable collaboration.** Select organizational assets are only open for use by a chosen set of partners. As new APIs are designed, a service provider can decide which developer segments to make eligible for access. For example, any API that requires a user PIN as a parameter would have to go through an extensive verification process.
3. **Open API integrations that enable innovation.** Select organizational assets are open to use by outside developers that register for access. To reach the ever-growing universe of developers, open APIs need to offer self-service access. It's critical to watch and learn from API traffic to understand use, manage risk, and design appropriate controls, as well as to support decisions on API roadmaps.

Learn more about APIs in the CGAP blog, *Riding the "Rails": Unlocking Innovation with Open APIs*<sup>44</sup>

44. [http://www.cgap.org/blog/riding-"rails"-unlocking-innovation-open-apis](http://www.cgap.org/blog/riding-)



## WORKSTREAM 3: EMBED KEY ENABLERS

By embedding the following **key enablers** you'll accelerate and sustain customer-centric transformation throughout your change journey:



**Supportive  
Corporate  
Culture**



**Effective  
Storytelling**



**Employee  
Rewards and  
Incentives**



**Digital  
Technology**

A supportive culture nurtures the mindset shift that a customer focus demands. Culture motivates employees to continue a journey that may become difficult at times and drives key sought-after behaviors. Incentive and rewards structures that align with the values of your organization reinforce the culture you wish to create. At the same time, repetitive storytelling helps embed it.

Digital technology helps strengthen and connect every system being built in your customer-centric architecture. It's also used to access new customers, meet and exceed customer needs and expectations, enable agility, and empower employees to better serve customers and succeed at their jobs.



## SUPPORTIVE CORPORATE CULTURE

“A work culture wins when everyone has bought into the values and is stoked to participate. It can’t be something that’s merely adopted, put on like a swanky outfit to impress others. It has to be an intrinsic part of the people who shape the business.... We put culture at the forefront when hiring people and have started cultural group interviews to make sure the candidate is a suitable fit.”

– **Zoona** Founder *Isms*



**Zoona agent at work, Zambia**

**Part A** of this toolkit emphasized the importance of core values – lived by every member of an organization – in driving customer-centric behavior. Values set the culture’s framework but the culture itself requires constant nurturing. Leadership plays a key role by living the core values themselves and participating in highly visible initiatives that demonstrate their commitment to customers.

Customer-centric organizations prioritize a **learning culture** that cultivates innate curiosity and rewards employees for improving processes and propositions that drive customer value. These organizations provide physical spaces where employees can experiment with new approaches and learning tools, exposure visits where employees absorb new ideas, and communications channels that encourage information and idea sharing.

It’s critical to invest time and resources in hiring employees that align with your culture and to create onboarding processes that embed new hires into that culture (see the CGAP Employee and Agent Empowerment Toolkit for more details). As an organization, Zoona reinforces its customer-focused culture by showcasing images of different customer personas throughout its workspace, playing videos of customers in the field (the company employs a full-time videographer), and hosting call center immersions where employees regularly listen to real





Janalakshmi employee pitches her idea to improve customer experience, India

## Janalakshmi: Channel J Helps Create a Common Culture

As **Janalakshmi** rapidly expanded across India, one of its key challenges was to maintain a common business culture and ensure that employees reflected the same values and ethos as its founders and senior leadership. To this end, Janalakshmi created Channel J – an online social tool that allows employees to form groups, receive important policy communications, and interact with each other. Since the median age in the organization is 26–28 years old, Channel J is configured like other social platforms and accessible via mobile and web. Employees can also share experiences in the *Likho Apni Kahaani* (write your own stories) initiative, and the tool will soon allow video broadcast.



## AMK's Learning Culture

Kea Borann, CEO of Cambodia-based microfinance organization **AMK**, puts the business value of a learning culture into sharp focus: “Employees are the ones actually spending time with the clients every day, and so they know best what the client really needs. If we motivate staff to be fully engaged with their jobs and with AMK, they are able to innovate on processes and products and provide learnings that can help management, and that’s a very powerful tool.”

The challenge for AMK has been to create a learning culture and incentives that allow employees to play that role. Here are a few ways they’ve met the challenge:

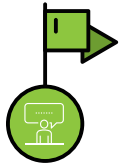
**Break down hierarchies to encourage communication.** A hierarchical structure often means that junior employees won’t raise questions that challenge management or the way things are done. AMK wanted to break down this culture barrier and free up communication channels to actively encourage staff to reflect, learn, and pass along customer feedback. AMK created mechanisms to encourage employees and make them feel safe in giving critical feedback – including open forums, employee satisfaction surveys, feedback boxes, and a whistleblower policy for serious concerns. Senior employees are also trained on how to give and receive feedback, which ensures clear lines of communication between organizational levels. And, regardless of their role, employees at every level wear the same AMK shirt at work so it’s impossible to pick out who’s “boss.”

**Communicate frequently and systematically.** Each team in every branch holds a morning catch-up meeting, while monthly overall branch meetings provide an opportunity for a more integrated exchange. Once a year AMK holds an Open Forum that reinforces its purpose, provides updates on organizational developments, and allows employees to air suggestions and concerns. Numerous WhatsApp groups encourage employees to communicate on multiple themes within their existing teams and in groups that cross over hierarchies. AMK has an oral culture (many employees are not comfortable with written English) and WhatsApp allows for voice messaging.

[Case Study: Leadership and Organizational Culture in Customer Centricity: The Journey of AMK Cambodia](http://customersguide.cgap.org/sites/default/files/resource/2018/06/CGAP-AMK-Leadership-Case-Study.pdf)<sup>45</sup>

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45. <http://customersguide.cgap.org/sites/default/files/resource/2018/06/CGAP-AMK-Leadership-Case-Study.pdf>



## EFFECTIVE STORYTELLING

“Analysis is what drives business thinking...its strength is in its objectivity, its impersonality, and its heartlessness. Yet this strength is also a weakness. Analysis might excite the mind but it hardly offers a route to the heart. And that’s where we must go if we are to motivate people not only to take action but to do so with energy and enthusiasm. At a time when corporate survival often requires disruptive change, leadership involves inspiring people to act in unfamiliar and often unwelcome ways.... Telling the right story at the right time is an essential leadership skill.”

– Stephen Denning, former **World Bank** employee, advisor on leadership and leadership storytelling

**Storytelling** is a powerful way to motivate people to participate in your organization’s change process, reinforce the language of change, spread messages, and showcase examples of successful change efforts. It demonstrates how failures are often pushed back onto customers and highlights the success of new approaches. For inspiration, the Georgetown University Center for Social Impact Communication offers a great set of storytelling tools and resources in [Stories Worth Telling](#).<sup>46</sup>

Practical advice on how to **use stories to support your change process** (Denning, 2004):

- **Lead people into the future.** Stories prepare employees for what lies ahead and take listeners from where they are now to where they may go, making them comfortable with an organization’s vision of the future and its aims. Taking the imagination there makes the journey familiar and desirable.

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46. <https://customersguide.cgap.org/sites/default/files/resource/2017/09/SWT-Whitepaper-FINAL.pdf>

- **Spark action.** “Springboard” stories enable listeners to visualize transformation and act on it. They’re based on actual events and a single protagonist that audiences can relate to. These stories have an authentically happy conclusion with change successfully implemented – and an implied unsatisfactory ending if not.
- **Communicate who you are.** To lead people through change, they need to trust you. Inspiring trust requires that people know who you are and why you believe the envisioned future is important – based on actual life events. Stories build empathy and help employees gain a greater understanding of who you are.
- **Foster collaboration.** Leaders use stories to encourage conversation and develop a shared perspective that creates a sense of community. One tactic is to spark the conversation by generating a common narrative around employee concerns and goals relating to change. Stories are meant to demonstrate that everyone has legitimate concerns – and answers – and to create an environment where everyone recognizes that they’re part of the winning solution. Positive energy can be channelled into immediate action related to your change process.
- **Share knowledge.** Storytelling can be used to talk about successes and failures in the change process. Describing failures unravels what went wrong, what was learned, and rewards experimentation – even if failure ensued. Success stories motivate people by showing that change is working for your organization.



## EMPLOYEE REWARDS AND INCENTIVES

Rewards and incentives aligned with performance measurement systems can powerfully motivate customer-centric behaviors and results. While monetary rewards are critical, employees also identify recognition, appreciation, and praise as powerful drivers. Rewards and incentives aligned with the monetary and non-monetary ways they want to be rewarded drives employee satisfaction. The CGAP Employee and Agent Empowerment Toolkit provides guidance and tools on directing, inspiring, and nudging people into better alignment and improving customer experience.

Four main types of rewards are defined in the Employee and Agent Empowerment Toolkit:

1. **Contract-related.** Form the foundation of the value proposition offered to employees, including salary and benefits. If employees feel they're being treated fairly, they're likely to treat customers well.
2. **Outcome-related.** Link to performance standards and targets.
3. **Effort-related.** Encourage employees to go the extra mile for customers and continuously innovate for them.
4. **Loyalty-related.** Designed to nurture productive, long-term relationships with your organization.



### JANALAKSHMI: THE EXEMPLAR REWARDS AND RECOGNITION PROGRAM


As part of a new organization-wide rewards program, **Janalakshmi** launched the Exemplar initiative to acknowledge the outstanding behaviors of employees who've gone beyond their defined roles to assist customers. The microfinance organization's chairperson presents awards to employees recognized at every level.




#### Questions

- Does your organization clearly articulate core values that drive a customer-centric culture?
- Do you reward and incentivize employees for challenging prevailing wisdom and testing new ideas?
- Do you tell stories that encourage employees to try new ideas – even if they result in failure?
- Do you value learning in order to constantly improve?





## ANNOUNCING NOMINATIONS FOR









# EMPLAR

Above and Beyond


Exemplar is a new initiative to honour our JanaNayaks who have imbibed the core values of the organisation and exemplified it in their behaviours.

### REWARD CATEGORIES

	<b>Ownership</b> Exceptional ownership of a critical situation and taking it to a logical conclusion		<b>Customer Centricity</b> Exceptional value addition to customer(s)
	<b>Volunteerism</b> Taking initiative in one's personal time and capacity to make a significant impact on the organisation or the larger community		<b>Personal Mastery</b> Expertise in a domain demonstrated by case studies/publications etc. that enhance JFS brand value
	<b>Innovation</b> A new idea or a process improvement that has a significant impact on the business		<b>Open Category</b> General - Nominations that don't fall in the rest of the five categories

**Nomination window is open**

For any queries, please write to [rewards.recognition@janalakshmi.com](mailto:rewards.recognition@janalakshmi.com)







## DIGITAL TECHNOLOGY

+ “Tools used to build the insight engine are enablers, a means by which [companies] can connect with customers in a very meaningful and intimate way.”

–Peter Fader, author of *Customer Centricity*, Professor of Marketing at the University of Pennsylvania’s Wharton School

Technology is a powerful tool for enabling the customer-centric systems and processes described in this toolkit. Digital technology can be used to:

- Share information across business units
- Improve customer experience
- Capture, analyze, and apply customer data (and data-driven insights)
- Support employees to manage customer relationships
- Create a two-way dialogue with customers
- Improve efficiency using artificial intelligence (AI)-driven bots
- Enlist open APIs to create partner-driven solutions

**Share information across business units.** Technology can be used to capture learning, generate insights, and share relevant, up-to-date information that facilitates real-time decision-making to better serve customers. Cloud-based tools like Slack can be used to create communications workspaces where colleagues share guidance and advice on projects, topics, teams, and channels. In Indonesia, for example, BTPN created a peer community of agents across the organization by developing a social media platform that supported agents with capacity building tips.

**Improve customer experience.** Technology can improve customer experience by digitizing aspects of the customer journey. It may make services easier to access and utilize – and less costly to deliver. Well-designed apps that use imagery and reminders such as push notifications can shift consumer behaviors. Enhanced services, including those that incorporate personal financial management tools, can generate additional customer value.



**Capture, analyze, and apply customer data and data-driven insights.** Data aggregated from multiple touchpoints can help organizations understand customers in granular detail and generate customer insights. Data analysis can help you to identify areas of inefficiency; take corrective action; predict opportunities for acquiring, retaining, and growing customer relationships; and find new strategic business opportunities. [The CGAP Customer Analytics Toolkit<sup>47</sup>](#) provides guidance on data collection, mapping, and storage. It also describes descriptive, predictive, and prescriptive data analysis – and offers a wealth of actionable data tools.



### JANALAKSHMI: UNDERSTANDING BUSINESS VALUE ATTRIBUTED TO CUSTOMER CENTRICITY

Leadership at **Janalakshmi** recognized that sustaining customer-centric initiatives depended on understanding the added value generated by investing in such initiatives. As a first step, the Indian microfinance organization revamped its data management system to facilitate customer-level analysis. By creating unique customer identifiers, it was able to aggregate cost and revenue drivers for each individual customer and classify them by segment.

The data allowed Janalakshmi to measure existing and future value, based on a customer focus rather than a product focus:

- **Existing value** = Realized customer value and future cash flows associated with a service purchase
- **Future value** = A customer's propensity to continue with an existing product, adopt a product that generates higher value for the organization, or adopt multiple products that together increase customer revenue

Using this theoretical framework, Janalakshmi developed a matrix that classified customers into high or low existing value and high or low future value. The matrix allowed business intelligence teams to develop a strategy they could adopt for customers in each segment and propose ways to shift customers to higher value segments.

47. <https://customersguide.cgap.org/sites/default/files/resource/2017/10/cgap-analytics-toolkit-101217.pdf>



**Support employees to manage customer relationships.** Technology can empower the front line to better serve customers. Customer relationship management platforms integrate various data streams to provide a complete view of the customer, also called the **single customer view**. This complete view of an individual customer empowers employees to serve customers with greater efficiency.

**Create a two-way dialogue with customers.** VOC initiatives leverage digital channels to enable organizations to systematically listen to, interpret, and respond to customer feedback.

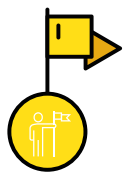
**Improve efficiency using AI-driven bots.** Artificial intelligence **bots** can be used to make informed, algorithm-based decisions for serving customers. Decisions are made instantly so customers don't have to wait for days as their request slowly filters through organizational structures. As financial service providers become more digitized, bots can lower costs to serve. Shifting simple functions to chatbots (bots that solve problems by simulating human interaction) can enable employees to focus on other tasks.

**Use open APIs to create partner-driven solutions.** By connecting through open APIs, partners can deliver better customer experience and fundamental value propositions. API-enabled partnerships also allow financial service providers to tap into new and un(der)served markets.

#### Questions

Do you use technology to:

- Share customer information and insights across your organization?
- Improve customer experience and create new value propositions?
- Empower employees to better serve customers?
- Measure and improve value creation for customer and the organization?



# The Purpose of the Journey: Value Creation

Customer-centric models are designed to generate value that accrues to all stakeholders – customers, employees, shareholders, and the communities (local and global) and ecosystems where companies operate.

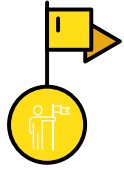
Customer centricity grew, in part, out of the recognition that a focus on short-term financial performance to deliver immediate shareholder returns does not necessarily deliver long-term shareholder value. The customer-centric business model is a shared value model created to grow and sustain multi-stakeholder value creation.

Customers are the source of all value in a customer-centric business model; customer value drives employee, partner, firm, and societal value creation. Creating solutions for customer needs and delivering on customer promises requires:

- **Catalyzing** a customer-focused vision, market strategy, and change process – driven by leadership.
- **Developing** the mindset, commitment, capabilities, and empowerment of your employees.
- **Building** a customer-centric architecture that makes up the underlying organizational systems, processes, and enablers that support your strategy and sought-after customer focused behaviors.

The outcome of a customer-centric transformation is the value created or the benefits that accrue to each stakeholder.

At the **customer level**, value is created by providing customers with product and service choices that solve customer problems (e.g., making a payment, transferring money to a family member, responding to emergencies) and enabling them to act on opportunities (e.g., taking a loan to buy business inputs, saving lump sums for children's education) that improve lives. Differentiated customer experience generates psychological value when an organization treats customers with respect and dignity, and helps resolve problems when customer experience goes wrong. Value is created for customers when convenient access to services saves time and value delivered is commensurate with prices charged. Value is created when customers have control over their financial lives and use services as stepping stones to bounce back from negative events, take care of families, meet community obligations, and achieve dreams.

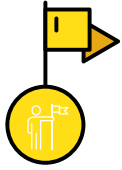


At the **employee level**, value is created when learning opportunities and autonomy enable employees to align with strategy and serve customers, and when they grow professionally. When empowered to perform well, employees are more likely to receive the financial rewards that move them closer to their financial goals and enable them to care for their families and contribute to communities. Further, recognition of their contributions by peers and leadership provides psychological benefit. Engaged employees that are energized and fully involved in their work derive energy as a result of the work done, and a feeling of connectedness in their communities.

At the **firm level**, once an organization understands its target customer needs, aspirations, and behaviors and responds to them on a segmented level, value creation is realized by attracting new customers and retaining loyal customers that use services more – and, in so doing, increase revenue. Streamlined processes generate efficiencies that benefit customers when passed on as lower prices and/or improved services resulting in better value for money – while simultaneously reducing firm costs and profitability through efficiencies. Understanding and responding to customer needs drives innovation that strengthens brand, reputation, and competitiveness, and catalyzes partnership opportunities. Taken together, these benefits generate shareholder value.

At the **partner level**, partnerships facilitate the joint development and delivery of innovations. Value is created through risk sharing and new revenue opportunities for your organization and your partners. The outcomes of partnerships – innovative products and services and differentiated customer experience – serve similar functions for your partners: improving customer retention and loyalty, customer acquisition, revenue generation, and enhancing competitiveness and brand value. Partnerships also help create the efficiencies and scale that drive firm revenue and profitability, and impact price and customer value for money.

At the **level of community and society**, value is created when customer, employee, and firm value strengthens relationships among community members. These relationships may exist at a local community level, within industries, or across society, and may encompass person-to-person, person-to-business, and business-to-business relationships. The resulting community resilience, in turn, boosts value creation for each individual stakeholder, creating a multiplier effect. Partnerships that emerge to strengthen value propositions based on greater community connectedness have significant value creation potential for industries (firms and their customers) and public-private partnerships that depend on growing and connected ecosystems.



## Multi-Stakeholder Value Creation Opportunities



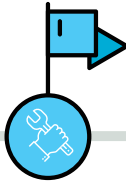


## Part A: Ignite, Catalyze, and Set in Motion

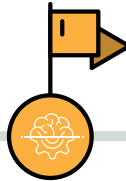
This toolkit begins with four steps that help you prepare for the long-term change process. Roughly chronological, they support you to ignite, catalyze, and set in motion your organization's journey toward customer centricity.



**Step 1:**  
Sound the alarm



**Step 2:**  
Lay the foundation  
for change



**Step 3:**  
Catalyze change



**Step 4:**  
Take first steps

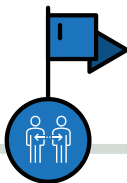
## Part B: Build Your Customer-centric Architecture

Next, learn how to build a customer-centric architecture of new systems and processes that deliver differentiated customer experience, and embed enablers that accelerate and sustain your customer-centric transformation.



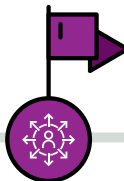
### Workstream 2: Build New Systems

System 1: Innovation Management System  
System 2: Talent Management System  
System 3: Performance Measurement System  
System 4: Partner Engagement System



### Workstream 1: Break Silos and Work Cross-functionally

Drive Awareness and Communication  
Evolve Cross-Functional Teams from Temporary to Permanent  
Build Teams and Trust  
Manage Conflict and Decision-Making Rights



### Workstream 3: Embed Key Enablers

Supportive Corporate Culture  
Effective Storytelling  
Employees Rewards and Incentives  
Digital Technology



## Value Creation



Teamwork, Vietnam  
- Thao Vu Xuan,  
CGAP Photo Contest

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