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# The Demand-Driven Organization

By

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**Y**esterday's success has never mattered less.

Organizations in all industries and markets bemoan the state of uncertainty of everything right now. For most, business is down or flat, and the possible turnaround of the economy may not be as robust in the near term as we would all like.

This creates a problem for those operationally efficient organizations accustomed to the annual uptick in growth and profits. In the good old days (way back in 1999), we made more money because demand was pretty good, money was flowing, the market was hot, and the economy was humming. Now everything chugs like my old four-cylinder Chevy Vega, always in need of a tune-up.

Unfortunately, the typical response has been to do two things: hunker down, throw off all "excess" ballast, and then push those leftover to do more of the same but better with less. In other words, cut all "unnecessary" expenses to the bone (product or service innovation, marketing, customer service, travel, education, people, etc.), and then whip the remaining staff to get on those phones and SELL! Short-term efficiency overrules almost every other economic decision.

Based on the number of incoming phone calls, emails, and Request for Proposals, I would say these new tactics aren't working. Famed advertising researcher Alfred Politz said it best in his October 1960 article titled, "*The Dilemma of Creative Advertising*." He wrote,

*"It is unfortunate, but not surprising, that the creative man now diverts his efforts from making the product interesting to making the advertising interesting."*

Corporations and associations built on an “operationally-efficient” business model proclaim they are following Conventional Wisdom and “getting back to basics.” There are serious flaws in this thinking:

- Conventional Wisdom is neither conventional, nor is it wisdom. It is, as consultant/author Alan Weiss says, nothing more than a “description of tired clichés used to explain away failure before it occurs.”
- Getting back to what basics? The basics of an operationally efficient organization are focused almost entirely on the cost-reduction side of the equation, not the revenue-generating side. This business model assumes the revenue-generating side will take care of itself, i.e. the market *needs* what you are selling and has no choice but to buy from you. This is rarely a permanent situation.
- Dialing for dollars, or just shouting louder in your advertising also assumes there is more easy growth available in your market share. Just by simply getting in their face more often and shouting the same old reasons for buying (or attending, in a convention’s situation), it’s assumed they will finally see the light. Not everybody is low-hanging fruit.
- New ideas and growth based on an old business model is HARD. All you have to do is look at how important decisions are made in your organization’s culture and you know exactly what I mean. How many times has a great new idea been cut down at the knees -- “*We tried it once and it didn’t work.*” “*We don’t do things that way around here.*” “*That would be unprofessional and below our status.*” – ?

The simple reality of today’s business world is that, because of technology, it’s changed from a “supply-driven” model to a “demand-driven” model. Technology is commoditizing everything and making it easier for customers to get information that wasn’t available before.

The power lays with the customers now, folks. And until you, your staff, your upper management, and even your boards of directors get this; you will continue picking up speed on the Death Spiral leading to no future.

The key word we need to pay attention to is *Relevance*. According to my Microsoft Word dictionary, the definition of Relevance is: “applicability to or connection with real-world issues.” Relevance is what customers care about. That, after all, is *their* real world.

Our customers just don’t care a rat’s patootie about what we’re trying to sell them. They only care about their own problems and needs. And if we want them to continue being customers or to become customers, then we’d better figure out in one big darn hurry what those problems and needs are before we try to sell them something. To restate a famous quote: it’s the customers, stupid.

To be sure, the first prerequisite is to be first-class in your core business. It is no longer *good enough* to offer a product or service that is *good enough*! Only an organization that has world-class products and services has the credibility to play in the big leagues.

Here are three steps you need to take in order to go beyond a *good enough* organization to a *demand-driven* organization:

### 1. Gather Actionable Intelligence

Think about your past research. What was it supposed to accomplish? Research is a lot like the drunk leaning on a lamppost at night. Is he using the lamppost for support or illumination?

Too much of the research I've seen gathered by corporations and associations is designed to support conclusions already made or it covers areas that simply have little value to the customer. What good is this?

Look at your research – surveys, focus groups, all of it. What was the purpose of it all? Did you focus on the same old stuff everybody else is always focused on? *Do you like the color of this product? Will you be making a purchase in the next 3, 6, 12 months? Do you plan to attend (exhibit in) next year's event? Please rate the quality of food in the convention center. How important is Face-to-Face contact?*

How relevant are questions like these to the customer?

Because power has shifted to the customer, we can no longer create a product, go out and gather information that will justify our decision, and then cram that “research” down prospects and customers throats with the intention of convincing them to buy. We must first capture customer input regarding their most urgent problems, priorities, desired outcomes, and ideas and solutions that will satisfy them. *What keeps you awake at night? How do you spend your time, energy, and resources? What's your life like, both on and off the job? What challenges and hurdles have popped up in the last three years that you never saw coming and how have you responded?*

*Actionable Intelligence* requires going far beyond traditional research. It means studying your customer's activities, costs, capital needs, information flows and gaps, bottlenecks, time management, customer relationships, and missed opportunities in their everyday work and processes. It means finding their internal Points of Pain and then creating products and services around your core competencies that will eliminate or dramatically reduce that pain. The bottom line is understanding *from the customer's view* how they define and measure value.

### 2. Eliminate Internal Liabilities

Every organization has two types of internal liabilities that stifle progress and innovation – cultural and structural.

Cultural Liabilities can be found in the organizational mind-set and culture that have grown over the years. It is especially prevalent in organizations that have had several years of success without a lot of hard work. “If it ain’t broke, don’t fix it,” for example, is a battle cry often heard. Yet, in far too many cases, tiny cracks in the armor grew into giant fissures before avoidable action was taken. As Warren Buffett once said, “The chains of habit are too light to feel until they are too heavy to break.”

Leadership can also get in the way if they are specialists at operational thinking versus strategic thinking. I’ve often sat in board meetings and listened to directors spend hours debating the layout of an exhibit floor, or the color of staff uniforms. Then when it comes to looking at any major strategic changes, most boards are very risk averse.

Structural liabilities relate to things like organizational structure, skills of managers and staffers, measurement and incentive systems, and budgeting and resource allocation.

Think about how salespeople are typically compensated or rewarded. It’s usually based on generating new business, not maintaining or increasing current relationships.

In the case of expositions and conventions, it’s also not unusual to see very small sales and advertising budgets AND staffs, as compared to the operational side. It’s also not unusual to see associations who don’t even have *anybody* responsible for sales on staff.

### 3. Create a Demand Strategy

Many businesses sell products that are intangibles or technically complex and their customers naturally look for clues that can help explain what they don’t understand or see. If those clues don’t offer clear, definable relevance to those customers, they will go somewhere else.

Rather than create an organization built for operational optimization, as most are, it will become critical to build an organization whose strategy is built around the customer.

This is easier said than done, because it invariably involves the estimation and acceptance of risks and the fog of uncertainty. However, for the nimble organization, the intangibility of uncertainty can actually become an asset. Most organizations today are highly risk-averse, which makes them vulnerable to competition. They want to be in a state of certainty even though that certainty is impossible. Think about how the colonies fought the British in the Revolutionary War. The British followed all the old rules – everybody wore bright red clothing and marched together in single file. Colonial armies wore clothing that blended in with the surroundings, hid in the grass, and attacked from all angles.

Even Carl von Clausewitz, considered by many to be the father of strategy, criticized conventional theory and its practitioners. He recognized the importance of accepting as essential features of strategic reality the disruption of rules and uncertainty. He understood the need to abandon the narrow, fussy, and ultimately inane claim of having a neat explanation for everything.

As human as it may be to lament uncertainty, the time has come to abandon the view of it as an impediment to business and adopt the strategically sound view that this new uncertainty can be the very engine of transformation and a constant source of new business opportunities.

I repeat: yesterday's success has never mattered less. The market has no obligation to remain loyal to obsolete organizations when something better comes along.

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### About Steve Miller

Steve is Kelly's Dad, and a business consultant for top management. He has also been called a change agent, alchemist, visionary, gadfly, and pain-in-the butt. Some people actually don't like him. His mission is to help clients develop breakthrough strategies for long-term success. His vision is to change the entire meetings and conventions industry.

You want an operationally efficient strategy? Call someone else. There are plenty of those type of consultants around. You want strategic innovation and insight? Contact Steve. His elite client list (associations & show management companies, and corporations) includes only the most successful and most innovative organizations.

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