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Creating Paradigmatic Change in Your Customers

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Selling paradigmatic change in your organization is difficult enough, so how do you sell it to customers? Jonathan Byrnes says get ready to overcome three large obstacles.

What do you do when your customer "gets it," but won't do anything about it?

Last month's column, "The Challenges of Paradigmatic Change," prompted an unusually high reader response.

One thoughtful manager wrote, "A lot of organizations view themselves as being nimble enough for paradigmatic change…only to be shut down when our customers are unwilling to change their processes even when it is the right thing to do on all fronts."

Selling products versus selling change

I've always been struck by the vast differences between the way companies sell products and the way they "sell" process innovations like supply chain integration.

For products, the process of product development, market development, and sales has been well-defined for decades. Companies do market research, match product attributes to market segments, gauge price elasticity and demand characteristics, identify early adopters, map customer buying centers, cross the chasm, and so on.

The nature of "selling" process innovations to channel partners could not be more different. The reason: selling a new product generally involves only incremental change for the customer, while selling a multicompany process innovation most often involves paradigmatic change on the part of the customer as well as the supplier.

Because there are few widely-known tools for creating paradigmatic change in a channel partner, many managers treat the opportunity in an ad hoc, rather than systematic, way. Yet, it is just as feasible to create fundamental change in a systematic way in a customer as it is to create and sell new products to your customers or to create paradigmatic change in your own company.

Three difficulties complicate the process of selling change to a customer. First, the managers involved often have to continue to sell the change internally to other functional groups within their own companies, even while they deal with customer change. Second, the realm of vendor-customer relations in many companies is "owned" by the sales and purchasing groups. This tends to freeze out the operations managers of both supplier and customer, who typically are the agents of change. Third, many operations managers are not experienced in the process of relationship selling.

Changing zero-sum into non-zero-sum relationships

As daunting as intercompany innovation is, there is great value at stake. In an earlier column, "Profit from Customer Operating Partnerships," I noted that most companies are narrowing their supplier bases by 50 percent or more. Successful intercompany supply chain integration, which requires paradigmatic change in customers, is leading to huge increases in profitability for both parties. Consequently, effective vendors are realizing sales increases of 30 to 40 percent or more. This is the pot of gold that waits at the end of the successful change process.

The underlying difficulty, and opportunity, in intercompany paradigmatic change is the task of changing a traditional "zero-sum" relationship into a "non-zero-sum" relationship. A zero-sum relationship reflects the dynamics of a mathematical zero-sum game, a contest in which one side's loss is the other's gain. A non-zero-sum game, on the other hand, is one in which both parties wind up better off by cooperating.

A traditional intercompany supply chain is profoundly zero-sum in nature. I charge a higher price, my customer incurs a higher cost; I make more money, my customer makes less. This underlying motivation system shapes the business paradigm "the way we do business" in both companies. This is the core impediment to creating paradigmatic change in areas like channel coordination that can leave both parties better off.

The manager's story

When I received the e-mail I quoted, I contacted the manager to discuss his situation. He described the business problem he faced.

This manager is in the business of transporting a product that is difficult, costly, and dangerous to handle. Through innovative research and development, the company established a new system for handling this product. The system allows for the product to be handled much faster and more safely, saving money for the manufacturer, the transporter, and the company receiving the product. Importantly, because the traditional system is difficult and dangerous, it is hard to recruit enough staff. Consequently, the transportation companies in the business cannot offer sufficient capacity to meet their customers' needs.

Although the new system will ultimately provide high returns for the manufacturers and receivers, it requires some changes in the way they handle materials. In some cases, it also requires minor adjustments to physical facilities.

When the manager, who is in charge of "selling" this innovation, calls on the manufacturers and receivers, these customers acknowledge the benefits, agree that the new system is better, but often decline to implement the new system. This is what led to the frustrated e-mail I received.

When I discussed this with the manager, it turned out his company had developed the innovation largely internally, and that he was "selling" it to the transportation buyers, who are largely price-oriented, when others within the customer organization would in fact receive the lion's share of the benefits. Successfully selling paradigmatic change to a customer requires a different process.

Five steps to customer paradigmatic change

Managers can systematically create paradigmatic change in customers through a five-step process. Unlike incremental change, paradigmatic change requires significant time and resources, especially in customers who are early adopters. However, once a critical mass of early adopters accept the innovation, the "sales" process becomes much easier and faster.

1. Early relationship-building. The most important first step for operations managers is to develop relationships with their *operations* counterparts in customer companies well before they are needed. This is very difficult for many operations managers, who tend to be very busy and focused on internal day-to-day issues. However, the most productive changes generally come from operations counterparts who understand each other's business and are professionally motivated to make product flow more efficient. Through this process, operations managers will naturally identify counterparts who are innovative and open to change.

2. Channel mapping. Systematic channel mapping with interested customers is important for two reasons, one obvious, the other more subtle. (For a description of channel mapping, see my column "Manage Your Suppliers as a Resource.")

First, an intercompany channel map will systematically identify the key points of potential value that process innovation can bring to both companies.

Second, the process of channel mapping is critical to the sales process itself. Effective channel mapping requires a broad set of interviews with managers throughout supplier and customer companies who influence product flow. These interviews will not only yield product flow information, but importantly, will also allow the interviewer to gauge the interviewee's interests and willingness to change. This information is critically important. Also, during the give and take of an interview, the interviewer can explain the mutual benefits in a way that lays the groundwork for the later "sales" process.

3. Showcase project. One of the core tenets of effective paradigmatic change is to develop a comprehensive new paradigm that is better than the old, and is detailed enough to guide practical day-to-day activities. A showcase project is extremely useful in demonstrating this. (I described the nature and use of showcase projects in my last column, "The Challenges of Paradigmatic Change.")

4. Customer roadmap. Market mapping is very important in rolling out new products, with early adopters and early followers identified and targeted. It is just as important in intercompany process change. Here, operations managers can gain direct lessons from the sales and marketing literature. The objective is to create a roadmap to guide the sequence of customer targeting.

However, in process innovations, the targeting is more complicated than in product sales. Some innovations fit only certain customers, while others may require a critical mass of geographically proximate customers. For example, the transportation company mentioned earlier could identify customers for which the physical changes needed to accommodate the new handling system would be relatively minor. The company also could identify customers that could form the short-haul, high-volume lanes on which the innovation was most productive. For this company, the customer roadmap had to reflect potential payoff, willingness to adopt early, and operating fit.

5. Patience and diversification. Paradigmatic change is political, not simply economic. Even when a convincing case is made, internal forces within the customer may offer resistance. This often occurs even when company managers favor the change. When resistance happens, the customer can unexpectedly change and become receptive to the innovation. This can be caused by operating results, management changes, or a number of other factors. Consequently, it is important to be moving several customers through the "sales" process simultaneously, to maintain a diversified portfolio of customers in various stages of the sales process. The objective is to win the war, not every battle.

Benefits of customer paradigmatic change

Indeed it is possible to create paradigmatic change in your customers in a systematic way. The process is not widely understood, but is very doable. For those who master the process of customer paradigmatic change, the reward will be huge gains and formidable barriers to entry for years to come.

See you next month.

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