



## How Much Time Should CEOs Devote to Customers?

Customers are the source of all cash flow. Organic growth depends on developing relationships with new and existing customers. And future growth prospects are baked into stock market valuations of companies.

Yet an increasingly high percentage of Fortune 500 CEOs have not come up the ranks through marketing or sales. At the same time, in many companies, the chief marketing officer position turns over every two years. Facing the current economic downturn, companies need marketing skills more than ever. But while every corporate mission statement pays lip service to respecting customer needs, actual customer expertise is typically a mile wide and an inch deep.

Marketing expertise depends on customer insights. These insights cannot be gleaned from looking at market research data on a computer screen. Just like politics, all marketing is retail. The customer votes every day at the supermarket ballot box. To be customer-oriented, executives must get out

and meet customers on their home turf—in their homes, on job sites, in their offices. Here the CEO has to set an example. AG Lafley, CEO of Procter & Gamble, reinstated consumer home visits and store visits for himself and his senior executives after discovering that Procter's product managers spent on average only three percent of their time in contact with end consumers. Terry Leahy, CEO of Tesco, the UK supermarket chain, spends two days a week in stores interacting with employees and customers.

But how far should the CEO go? What percentage of his or her time should be spent interacting with customers? Perhaps we can all agree on at least 10 percent, but as much as fifty percent? Of course, a company suffering a temporary crisis of confidence requires all hands on deck. But, in normal circumstances, the answer depends on at least two things: the nature of the business and the company's strategy. In a service business like Tesco's, the health of the brand depends heavily on the quality of the millions of daily transac-

tions between shoppers and staff. Motivating the front-line personnel is critical. But in the pharmaceutical business, the key to success is not customer intimacy but product innovation; the CEO will need to spend time with his chief scientists, medical opinion leaders, government regulators, and CEOs of the companies distributing pharmaceuticals, but not so much time with end consumers. And, if cost minimization is the focus of the business strategy, it's not necessary for the CEO to spend time learning how different clients would prefer customized solutions.

Even in companies that see customer intimacy as their point of strategic differentiation, there are two reasons why CEOs should be cautious about overdoing the percentage of time interfacing with customers. First, marketing and selling should be a prime task of the CEO's direct reports, the individual business unit leaders. The CEO should not have to do their work for them, except, in occasional cases, to be brought in to close a major sale. The hero sales-

Second, no CEO—especially one with a marketing background—should spend time with customers as a way of avoiding dealing with other important aspects of the business (such as managing the balance sheet) or mentoring and coaching direct reports. A good CEO knows how to balance time spent on the outside versus the inside.

While balancing their own time, CEOs should nevertheless work hard to ensure the continuous attention of their people to customers. They should do the following three things: First, the CEO should spearhead the identification of three or four customer health metrics that are leading indicators of sales or profit performance. These metrics should not be off-the-shelf standbys such as customer satisfaction (which, in any case, is a lagging indicator): they must be specific to the strategy of the business. Company scores on these metrics may be benchmarked against direct competitors and/or outstanding companies in other industries.

Second, CEOs must ensure an adequate pipeline of new product and market opportunities. This requires the investment in uncovering customer insights discussed above, either through business leaders regularly going into the field and through more formal customer research studies.

Third, the CEO has to develop marketing talent throughout the company. This cannot merely mean appointing a high-profile rainmaker as chief marketing officer. It requires the long-term infusion of customer centricity and marketing strategy capability throughout the organization. Over time, this should mean a higher percentage of general managers coming up through the marketing ranks.

Every CEO should spend at least 10 percent of his or her time taking care of these three challenges. Running around visiting customers is simply not enough.

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