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Transformation to a customer-oriented perspective through action learning in product and service development

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Customer orientation is strongly visible in the visions and strategies of most organizations, but how do these visions and strategies move from intentions to practice? This question provides the focus for this research which aims to acquire deeper insights into this process. The point of departure is the change in perspective from a product to a customer orientation in product and service developing organizations, with the focus of integrating knowledge from one to the other through action learning. The purpose is to understand the different factors that affect the transformation of perspectives both on an individual level and on a systems level. The main conclusion drawn is that the transformation of perspective toward customer orientation is dependent on individuals and their learning. The studies distinguish the organizations that do reflect and inquiry for change and new knowledge creation and thereby have stepped forward in the change of perspectives. The paper elaborates on the role the individual and the organization have on the system as a whole. One practical contribution is the workshop action learning methods developed for such individual learning and for changing individuals’ mindsets from a product feature perspective to a customer value perspective.

Keywords: Action research; Action learning; Customer value; Packaging industry; Service industry

Introduction

Customer orientation is acknowledged by most organizations, through its visibility in visions and strategies. Customer oriented product development will provide products that fulfill market needs and thus produce less waste on the marketplace in accordance with lean thinking. The customer-oriented strategy is therefore usually communicated to the employees of an organization by the managers. In action learning this
is categorized as programmed knowledge (Revans, 1998). However, to turn from intentions to practice regarding customer orientation requires an implementation of this programmed knowledge of visions and strategies. Many researchers have identified customer orientation for research, and provide models of what to do to move toward customer orientation. However, how to do it is still elusive and less research exists on how organizations actually operationalize the programmed knowledge of customer orientation. The phenomenon is identified as the knowing–doing gap (Pfeffer & Sutton, 1999), and the performance of a company is dependent on the ability to turn knowledge into action, i.e., adding generative learning to the acquired programmed knowledge as in action learning (Revans, 1998).

The focus in this research is to acquire deeper insights into what makes the communicated visions and strategies of customer orientation move from intentions to practice. The problem identified is to understand the aspects of implementing a perspective change from a product feature perspective to a customer-oriented perspective. The point of departure is the product or service developing organization, with the focus of transferring knowledge from one to the other through balancing the service and manufacturing development traditions. In previous product development research, independent of whether it is made from a manufacturing perspective or from a service management perspective, the influence of individuals, such as employees or customers, is seldom integrated (Gummesson & Kingman-Brundage, 1992). Therefore, another interest in this research is to integrate the individual aspects on the transformation of perspectives. The second problem raised is therefore whether the individuals of the organization will be given the prerequisites to gain appropriate knowledge of their environment, i.e., of customers and further, to transform that knowledge into action for value-added and lean, customer-oriented product and service development. The research is based on action research studies, with qualitative, subjective and interpretive analysis, in the service industry and in the paper packaging industry.

The purpose of this article is twofold. First it sets out to understand better the different factors that affect the transformation of perspectives, from a product perspective to a customer perspective, with regard to product development. The understanding of the transformation of perspectives is interesting both from an expected customer outcome and from the viewpoint of the producing organization. The aim is to compare the industries and to transfer knowledge from the service industry to the paper packaging industry, through action learning. The research highlights the perspective transformation in the organization on a system level as well as on an individual level, since the impact of individuals cannot be excluded when the aim is to understand such transformation. The paper emphasizes the element of individual learning within the organizational system in order to understand the entire system which includes the customer. A second purpose is to describe an action research study in the service industry, resulting in a workshop model to change employee mindset to a customer value perspective. The workshop model includes action learning methods to help organizations understand and define what customer value is for them. The model furthermore helps organizations understand
how to operationalize this knowledge by providing tools to change the employee mindset, from a product feature oriented into a customer value oriented mindset. The focus in this paper is on the action learning for organizational change while cultural aspects of change are not elaborated on in detail.

**Methodology**

When researching a change process that involves or affects individuals, action research is recommended and the process of change itself becomes the subject of research (Gummesson, 1985; Foote Whyte, 1991; Greenwood & Levin, 1998). The organization studied, in action research, is treated as an active object where the researcher becomes a participant who interacts with the participants of the system. This yields a deep understanding of the individuals in the organizational system (Foote Whyte, 1991; Checkland, 1993; Gummesson, 2000). Action research is often characterized as a cyclical process with phases of planning, action, observing, analysis and reflection as a basis for new planning and action (Ballantyne, 2004; Perry & Gummesson, 2004).

The fact that this research is classified as action research has several implications. The researcher has actively participated in the change process towards customer-oriented product development. The researcher has further interpreted and analysed the change process in order to develop a workshop model for organizational action learning. In addition the researcher has academically reflected on the relationship to existing theories in the area of action learning. Thus, there were concrete goals for the participating organizations, yet also scientific goals for the researchers to develop a methodology for other organizations to use and also to contribute academically to the action learning arena.

Furthermore the action research confirms that joint reflections of the individuals in the system studied and the researcher will enhance the understanding and also take the action learning forward. The researcher's role in the action learning process is to facilitate the inquiry and reflections on the status quo, in an integrative manner with the participants, in order to acquire the why-knowledge (Foote Whyte, 1991; Greenwood & Levin, 1998; Revans, 1998; Rönnerman, 2004). This knowledge is then used to jointly impose suggestions for change, which means to acquire what- and how-knowledge. The integrative critical inquiry and reflection with the participants of the organization starts an individual action learning, a process that correspond to the action research process carried out by the researcher (Perry & Gummesson, 2004).

**The product system and the organizational system**

When companies intend to add value to a product they need to change mindset from identifying themselves with their core product to regarding themselves as a part in a value-creating system. Customer orientation then means that an organization shifts its perspective from its own product to the system in which the product fits into the
customer’s life. This can be regarded as moving perspective from the production system to the consumption system and to the customer’s life system (Olsson, 2006). The basic product attributes in the production system represent the centre, and additional product consequences in the consumption system and product values in the customer’s life system as in Figure 1.

Customer orientation thus requires more people within an organization to adopt a customer perspective and gain knowledge of the value their products contribute to the customers. Still, hardly ever are customers part of organizational systems, although the inclusion of the customers into the system is necessary in order to transfer knowledge, to the employees of product development, about how their products or services fit into the lives of their customers (Echeverri & Edvardsson, 2002).

Perspective transformation, to a customer perspective has become central in service development, and identified as a change from the product perspective, to the customer perspective (Grönroos, 2000; Echeverri & Edvardsson, 2002; Gummesson, 2005). Therefore, the service industry (facility management) has been selected for the studies. Contrary to the service industry, the paper packaging industry traditionally has a product oriented view and product development is partly made in isolation from customer knowledge. Many packaging applications still originate from introspective manufacturing demands (Gerding et al., 1996; Sonneveld, 2000; Olsson &

Figure 1. Model of production, consumption, and customer’s life system levels in the product system (Olsson, 2006)

Figure 2. The individual in the organizational system
Due to an increased global competition from plastics, the paper industry needs to provide packaging materials and packaging solutions that provide competitive advantage and meet the needs and expectations of customers. The challenge is to become customer oriented and manage the entire process from understanding customer needs to delivering the value which satisfies that need. The study therefore sets out in the service industry, with the aim to integrate knowledge about perspective changes to the paper packaging industry.

Like the product system, organizations and their environments can be viewed as a system built on different levels. The organization is built on a collection of individuals into a sub-organization that is part of a whole organization that in turn is part of an environment; the customer’s life system (Lissack, 1999).

The individual constitutes the highest resolution of the system, and the organization represents the relations between individuals within and between subsystems. These relations between employees and customers are pivotal for an increased understanding of customer needs, which are supposed to be translated into specifications for development. Knowledge is thus created through dynamic interactions with the environment (Nonaka & Toyama, 2005). Lloyd and Maguire (2002) argue that successful organizations are those which build change on what they know about themselves and their environments and have the ability to facilitate individual interactions for organizational learning and change. The interaction between product development employees and customers can therefore be enhanced through the trust of individuals to transcend organizational boundaries into the entire system. In this knowledge-creating process individuals interact with each other to transcend their own boundaries and as a result, change themselves, others, the organization, and the environment, i.e., the whole system (Spender, 1996). To enhance the learning, the individuals need to see themselves as part of an entire system in which they contribute (Elkjaer, 2004).

**The learning organization and individual change**

Learning about customers and the products and processes of an organizational system take place in the minds of the individuals (Adams et al., 1998; Amar, 2004). Learning is, according to Kolb (2005), a cyclic process built on four elements; concrete experience, observation and reflection, forming abstract concepts and finally testing in new situations, where all steps need to be taken in order to acquire knowledge (see Figure 3). The forming of abstract concepts represents the urge to know things and can be regarded as ‘what-knowledge’ (Checkland, 1993). The urge to do things through concrete experiences or testing in new situations represents ‘how-knowledge’ (Checkland, 1993). How-knowledge is gained when the what-knowledge is applied in praxis, i.e., knowledge about how to do things. Finally, the inquiry and reflection on the known can be regarded as ‘why-knowledge’. Agyris (1993, 1995) asserts that knowledge creation starts by confronting the status quo through critical inquiry and reflection.

The loop of learning in Figure 3, relates to action learning. Revans (1998) describe action learning as \( L = P + Q \), where \( P \) represent programmed knowledge and \( Q \)
represent insightful questioning. The ‘what-knowledge’ relates to the programmed knowledge P, while the ‘why-knowledge’ represents the insightful questioning Q. Revans (1998) first introduced action learning, but over time it has been defined by several authors. However, all definitions include inquiry, learning from a concrete experience and critical reflection (Zuber-Skerritt, 2002). Sarv (2004) describes one kind of action learning through ‘systemic meetings’ that involve individuals from different system levels to consider a problem from each perspective. The ‘systemic meeting’ is an action learning process where the individual orientates him/herself in the system and identifies and develops his/her role and actions in that system. The systemic meeting has a starting point in an everyday problem, where an employee tells a story about the experienced problem and a loop of learning including inquiry, testing of solutions and reflections is included. This type of action learning is used in the service organizations studied. The meetings form actions that aim to enhance the capacities of people in everyday situations to investigate, understand and change those situations.

**Reflections on customer orientation and action learning in the studied industries**

The studies made, conclude that new knowledge needs to be incorporated and learning occurs, when there is a disconfirmation in the cyclic action learning, between the reflections and observations (why) and the theoretical and practical knowledge (what and how). Such new knowledge and learning lead to a change in the established way of knowing or doing things. The ability to change, as for example perspective to customer orientation as in this study, is therefore identified to start in why-question. This correspond to the insightful questioning (Q) in the action learning formula by Revans (1998). The answers to why-questions inspire the individuals of the organization, to critically reflect on previous constrained preconceptions of the current system, and encourage them to create new knowledge and impose change. The change depends

![Kolb’s (2005) cyclic points of learning modified to include how-, what- and why-knowledge (Olsson, 2006)]
on the ability to identify what to change and how to change it, i.e., on the ability to convert acquired knowledge from the *why*-questions into action. The process of starting out in a *why*-question in order to identify what to change and how to change it reflects the continuous loop of action learning.

This research distinguishes the service organizations that have stepped forward in the change of perspectives through having the courage to question their own business, while it also identifies the paper packaging organization’s claim that they already know what to do and are already customer oriented. The former organizations do reflect and inquiry for change and new knowledge creation, while the latter confirm the status quo in the inquiry and reflection phase in the action learning loop. It is indicated that in order to impose a change, it is not enough for management of the paper packaging producer to demand a perspective change (‘what-knowledge’or P). A first and crucial step for the transformation to a customer oriented perspective is to question the existing way of working with product development and customer relationship (‘why-knowledge’or Q). This implies that in order to succeed in changing perspectives, it is proposed that individual learning is needed both among management members and among involved employees. The individuals of an organization therefore become crucial for success, since it is individuals rather than the organizational system that come up with new ideas, push for change for opportunities and develop creative responses to problems through their learning and critical reflections (Kanter, 1983). The need for a mindset change requires an individual learning process, and the studies made confirm the importance of trusting individuals to critically reflect on status quo and to be willing and able to learn.

**The systems in the studied paper packaging organization**

At innovation and change, companies need to involve individuals from all levels since all individuals can contribute to the whole from their perspective. This corresponds to the findings made by Hind and Koeningsberger (this issue), which show the benefits of involving individuals from the appropriate level related to a problem. Independent of level, the individuals need to be free of the limits of their jobs, in order to be given the chance to see the problems in a greater context and thereby contribute what they know from their perspective, for better ways of doing things in the entire system (Kanter, 1983).

In the paper packaging industry, the role the individual plays for the entire system seems to be unclear to the employees, which can depend on an unclear system view in the company. There are possible reasons, such as conflicts in the explicit strategy for customer orientation and the implicit management view, to preserve the existing production orientation. This also relates to the study by Hind and Koeningsberger (this issue), when it emphasizes that successful change projects are those where the change initiatives are aligned to the company culture. The implicit management view of the packaging organization might illustrate a production oriented culture which is not aligned with the intended customer oriented strategy.
Another possible factor is the unclear process for transformation of knowledge from customers in the product development, and thereby a cloudy view of the customer’s system and how to become involved in that system on an individual basis (Olsson, 2006). This includes employee’s understanding of how the company’s products provide value to the customer. The first step in the change process is initiated from management in its strategic declaration. The strategy is to become more customer oriented and to contribute to paper packaging solution development. The aim of the company to increase their customer knowledge and to improve the relationship to its customers, will add new perspectives and new knowledge to the system and to paper packaging development. This is especially true if the individuals of the paper company acquire an understanding of the customer since it will help to create package solutions that in turn will contribute to the customer’s value system. Input from customer interviews reveals certain issues that can be transformed into knowledge about what the customer value and to actions for product development within the focal company. One such example is that the packages should look attractive in order to affect sales positively. Another example is the effort it takes to shift one kind of packaging material for another, revealed in another customer meeting. This input from the customer’s system gave insights to the individuals’ of the focal company, which increased their knowledge through learning.

The reflections from workshops with members of the company have shown that new knowledge can be brought in from customer meetings to individuals of the company, i.e., obtaining input from the environment or from the other parts of the system as suggested by Nonaka and Tayama (2005). The question is, however, how such new knowledge should be taken care of internally, highlighted by the following interview quotes:

There is no structured way to collect, evaluate and prioritize ideas.

New ideas are evaluated into the present reality with focus on costs rather than potentials.

Furthermore, there is a need to inspire a mindset toward a system focus where the system level, including customers, is understood and prioritized before the details in the system. The ability to see the entire system might exist among individuals of the company but restricted by the knowledge that individuals on a managerial level view the change of perspective as a threat to existing ways of conducting business. One example to illuminate this issue is the quote from one leading member of the management team:

There is a risk that the customers become profitable if we become too customer-oriented—while we need to be profitable!
Another risk is that we try to become something that we are not – it is important to realize that we are a paper supplier and not a packaging solution provider.

With that managerial outlook the ambition of the individuals to become customer-oriented and to work with paper packaging development in a holistic system view might be negatively influenced. The change of perspective means seeing the package or paper as a core product feature, with additional levels of value to its customer, and where customer success is regarded as success for the core company as well, as visualized in Figure 4.
The learning of individuals in the packaging industry

One reflection is that even though a strategic intention is clearly expressed there are implications which might affect the implementation process negatively. Woodruff (1997) discusses the managerial learning barrier that may be difficult to overcome, since it tends to be implicit. Some interviews, for example, reveal that despite the fact that there is customer input and an explicit management directive to become customer oriented, the priorities on an individual level still tend to lean toward cost reductions and maintaining the production perspective. A quote from a management team member supports this notion: ‘The most important thing was that we started the rationalization project and productivity actions; not until that is done can the next step [customer orientation] be taken’.

The fact that this mindset still dominates in individuals of the management, led to the reflection on how that mindset might influence the willingness and comfort among the employees to focus on customer orientation, creativity, and innovation. Individuals subordinate themselves into existing systems, and individual learning follows coordinated paths in the system (Spender, 1996; Kogut, 2000). The idea to free individuals, allowing them to transcend boundaries and search for better ways of doing things as suggested by Kanter (1983), also includes prompting managers to look beyond their own boundaries and look for new ways of doing things, as in action learning. However, the study reveals that it takes a lot of effort on a managerial level to lead the way in the change process so as not to fall back to previous cultural patterns.

The method development through action research and action learning in the service industry

The research in the service organizations has resulted in the development of workshop methods for mindset change towards customer orientation and for customer value service development. The service organizations have been integrated partners in the action research process during four years. Key management members have
participated in workshops as well as in development projects between workshops. The workshop methods have been implemented, tested, and validated, and then further developed. The approach means that our methods for advancing both practice through action learning (i.e., the organization) and science through action research (i.e., methods and methodology) evolved continuously. There were periods of action, followed by analysis and reflection leading to adjustments for new actions. Based on participants’ reactions and feedback, workshop results and on reflections from the researchers on the processes in the different workshops, the workshop methods and procedures duly evolved. Consequently, each workshop is a refined version of the previous one. The method development for mindset change is described below.

In the first phase of the action research process, an initial workshop module was developed, to change the mindset towards customer orientation. The objective was for participants to gain a thorough understanding of their customers. In addition the participants also need to understand who other stakeholders are, what the different groups’ different needs are and how to prioritize between needs. This first module included a customer and stakeholder analysis with the following questions for the group to work with:

1. Customer and stakeholder identification:
   - Who are your customers?
   - Different groups of customers?
   - Other interested stakeholders?

2. Need identification:
   - What needs does each customer have?
   - Do different groups have different need?
   - Is there a different need within each group?

3. Benefit identification:
   - What benefits from us can fulfil the identified needs?

This stepwise procedure forces the participants to start in the customer’s life system and to finish in the features they can provide, from their products and services.

Analyzing Phase 1 and reflecting on the concrete experiences from the workshops, it became clear to the researchers that the change process among participants, from product feature to customer value, was more demanding than expected and it was harder than expected to reach the objectives. Furthermore different groups had different maturity levels in terms of approach to customer value. The analyses lead to a first evolution in the structure of the workshops. To address the issue of different maturity levels, one change was to increase pre-workshop data collection, including document studies and structured interviews in order to achieve a better maturity evaluation.

Prior to each workshop, in the second phase, the status of the group was identified through data collection with regards to their maturity of knowing customer values.
Document studies typically included the following types of documents:

- Product catalogues.
- Product descriptions.
- Organizational charts and descriptions.
- Customer database.
- Agreements with customers and suppliers.

The structured interviews were based on the following questions:

- What products/services do you have in your portfolio?
- How are these products described and sorted?
- Do you have a product catalogue? How is it structured?
- Do you make customer satisfaction measures?
- How does your customer base look?
- Do you have any SWOT analysis?

To address the problem of changing mindset and to facilitate a deeper understanding of the concept of customer value, ‘neutral’ examples from well-known outside industries were used as knowledge acquisition in the action learning process. The examples were ‘charter travel’ based on travel agencies or ‘fast food restaurants’ with McDonalds as the case. The same set of questions was run through in the customer and stakeholder analysis, with the aim to learn from these neutral examples. The idea was to initialize the new mindset outside of the participants own business, by using a familiar and well-known industry where the participants recognize themselves as customers. After an acquired understanding of the outside example’s entire system and the customer’s role in that system, the knowledge can be applied within their own organizational system. The knowledge transfer from the outside example into one’s own organization, is experiential learning in an action learning process (Näslund et al., 2006).

Using the action research approach, the analysis and reflection after this phase lead to the following conclusions:

- The attempt to change the ‘mindset’ of the participants turned out to be most demanding and challenging part of the workshop. Consequently it was also experienced by the researchers to be the most time-consuming.
- Intimately related to the change of mind set, the system thinking aspects needed both increased emphasize and better explaining.
- Similarly, the different levels of maturity needed even more attention.

To address these issues, more examples of the value creation from other successful and well-known industries were added. During this session the researchers provide examples from other industries that have been successful in implementing value added deliveries, or in identifying their customer needs. The sessions are aimed at
stimulating creativity among participants in the experiential learning and problem solving phase.

Furthermore this phase included the development of the maturity evaluation into a guided self assessment method, led by a facilitator (the researcher), to evaluate the maturity better. The participants are asked to rank themselves on a scale from 0–3 on two main questions for different self assessment areas:

- For how long? (0 = not at all, 1 = one year, 2 = two years, 3 = more than two years).
- How widely spread? (0 = a good idea, 1 = some areas, 2 = widely spread, 3 = total coverage).

The participants are also asked to set the present maturity situation and the maturity goal, for the same self assessment areas, based on a 0–3 grade scale. The tool results in graph with the maturity situation as shown in Figure 5.

**Individual action learning and reactions to the process of change**

One contribution of this study is the workshop methods for operationalizing the customer orientation through individual learning and change in mindsets. Participants go through an action learning loop for increased understanding of the change from a product feature perspective to a customer value perspective. Change is driven by individuals who tend to attend to their own needs first. When those needs are threatened a natural response is often to resist change. The incentives to employees to participate in the change have been the involvement and the possibilities to affect the change process through workshop participation.
The change and learning process therefore requires openness of managers with courage to critically reflect on and question their own way of working as suggested in action learning Revans (1998). This openness among managers has been experienced in the service organizations of the study. The workshops are one way of imposing individual reflection and starting an individual learning as an attempt to achieve a mindset change toward customer orientation. Furthermore the workshops can be used in order to develop the understanding among managers on how the daily individual learning takes place in the organization and how it can be utilized in the change process.

The use of these methods is presented as a potential future step for action learning in the paper packaging industry. The action learning is proposed to provide a basis for continued action research in the industry, where the recommended action learning can be one part of the joint research that helps the individuals of an organization to inquiry the present mindset and the prevailing orientation.

In the paper packaging industry studied, the wish and intention to change perspective from a product feature perspective to a customer value perspective can be regarded as knowledge of what to do (Olsson, 2006). But how to implement that change is still a question mark and a future action research aim would be to start in the critical reflection on and insightful questioning of status quo, i.e., ‘why?’

Conclusions

The main conclusion drawn is that the transformation of perspective toward customer orientation is dependent on individuals and their learning. This is not surprising; however, the organization’s ability to recognize the individual and their learning as an important factor for change is limited or neglected in those organizations studied. The learning involves the individuals in the organizational system and in the action learning loop presented by Revans (1998), with different types of knowledge, i.e., what-, how- and why-knowledge. The entire loop needs to be gone through by the involved individuals, but in order to move successfully from knowing to doing in the transformation of perspectives, the individuals need to inquire into, and critically reflect upon, the status quo. The process starts in a why-question in order to identify what to change and how to change it. This corresponds to the insightful questioning Q, for generative learning required for action learning (Revans, 1998).

The studies distinguish those organizations that have an action learning ability, i.e., do reflect and inquire for the purposes of change and new knowledge creation. The study further indicates that a change of perspective, i.e., putting oneself in the situation of the customers, requires a change in the mindsets of individuals in the organization. To succeed in changing perspective, it is proposed that individual learning is needed both among management members and among involved employees to identify their roles and contribution to the whole system.

One practical contribution of this research is the workshop method developed for such individual learning and for changing individuals’ mindsets from a product
feature perspective to a customer value perspective. The method involved individuals going through a loop of action learning to achieve a mindset change towards customer orientation. The workshop can also be used to develop managers’ understanding on how individual learning takes place on a daily basis in the organization and how it can be utilized in the change process.

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