

## A Customer Responsive Technology Company: One Answer to Reducing the High Technology Company Failure Rate

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Is the present management culture in many technology companies causing them to under communicate with their customers and is that one factor contributing to the present high failure rate in early stage high tech companies?

Is this resulting in too many venture capitalists being content with goals that 1/3 of their early stage technology investments will fail and another 1/3 will under perform?

These are legitimate issues that are being raised more frequently by technology executives today as they continue to make investment decisions and grow technology companies in today's very complex and uncertain marketplace.

And, as they work they are well aware of the following statement of Clayton Christensen in his book, "The Innovator's Solution":

*"Despite the best efforts of remarkably talented people, most attempts to create successful new products fail. Over 60 percent of all new-product development efforts are scuttled before they ever reach the market. Of the 40 percent that do see the light of day, 40 percent fail to become profitable and are withdrawn from the market. By the time you add it all up, three-quarters of the money spent in product development investment results in products that do not succeed commercially."*

Based on recent research, and supported by our consulting experience, one of the reasons that the success rate may be so low is that many of the technology companies have relied too much of a **seller oriented culture**. The result: management is giving less attention than necessary to a continuous two-way communication with their customers.

One example is the need to better define a good **customer acceptance criteria** in the product development process for many of the products and services being offered by these new companies. Customer acceptance should not be taken lightly. For example, if not for the GUI interface, it is very doubtful that the personal computer would have ever been as popular as it is. This GUI interface made the personal computer accessible to the average person who is not technical and was not going to learn programming.

This point holds true in each one of the products and services that a new company is placing into either the retail or business marketplace. They must be continuously evaluated,

marketed, and sold through the prism of the ultimate customer experience. We will further discuss this example later in this article.

Under the present **seller-oriented culture** that exists in many of these companies, the basic premise is that “if you build a better technology; the customers will use it”. Then, “once a new disruptive technology is accepted, cost reduction opportunities will emerge and the market will grow”.

This seller-oriented culture has been historically, but probably not intentionally, supported by two of the technology giants of Silicon Valley thinking:

- Intel CEO Andy Grove’s philosophy is that the road to success is to create disruptive technologies that produce order-of-magnitude changes that dramatically alter the status quo; and
- Gordon Moore’s Law is that efficiencies can be gained to maintain a steady and aggressive pace of price reductions on technology products and make technologies more affordable to greater number of users.

The concepts of **disruptive technologies** and **aggressive pace of price reductions** have been key assets to the past success of the technology industry and will continue to drive new innovation for years to come. However, there is also a need in these companies to develop an equally strong culture of **customer communication & sensitivity** to compliment the **technical cultural** that has grown in these companies.

After all, historically, the customer has been the ultimate decision maker on which companies will survive and which companies will fail since most decisions on continuing operations are made on revenue growth.

More technology companies should adopt a more **customer responsive mentality or culture**. By adopting this customer responsive culture, companies can provide products & services that more closely meet their customer’s needs and therefore increase the revenue and value of the company. This could ultimately contribute to the reduction of the present high tech failure rate.

In this article, we will discuss this opportunity to create additional value in technology companies by becoming more **customers responsive**. We will discuss the definition of a customer responsive company; why a customer responsive focus is important; a few examples; and some sample questions to see if you can consider yourself a customer responsive company, and some next steps a company can take to be more customer-responsive.

### **Definition of a Customer-Responsive Technology Company**

A customer-responsive technology company is one that has demonstrated the ability to attract and retain high valued customers through their understanding of the customer’s needs and high quality customer service.

Being customer-responsive also means the business has the agility to:

- **Work with the client in the product/ service development process** to understand all the needs, i.e. not just the disruptive technology potential but the customer acceptance criteria and the products potential impact on the customer's business as well including any integration requirements.
- **Be willing to change and evolve along with their customers**, responding to shifting needs, market change and new opportunities as they arise.
- **Committed to your customers success:** The Company is willing to work alongside the customers to ensure success in every phase of their deployment from implementing to using their solutions.

In many cases, customer-responsive technology companies are required to be even more flexible. Examples include:

- **Developing industry-specific solutions** in collaboration with their customers. They may be required to focus on specific industries and have deep industry expertise and a thorough understanding of unique business processes and requirements to deliver solutions that better meet the customer's needs in specific industries.
- **Providing global reach:** Many potential customers do business and have locations around the world. In many cases, they are looking for partners, with a global reach. Successful technology companies recognize this customer requirement and provide solutions to meet these needs.

### **Why is being Customer-Responsive Important?**

Customer-Responsive is important because the customers ultimately will decide the real value of your company since they are the check writers. It is only fair that the customer's viewpoint should be considered in every major decision affecting the company from its inception.

These days, most investors are not giving technology companies much time to experiment in the marketplace with the product. Therefore, as in our previous example, it is extremely important that companies get the customer acceptance criteria and product sales positioning right early. You may not have a second chance to correct your mistakes.

Changing the company culture to be more customers-responsive can go a long way in improving communication between the people developing and selling the disruptive technologies and the ultimate customers thereby improving technology company's results and assisting in lowering technology company failure rates.

## Examples of a Customer Responsive Company

As previously mentioned, the **product development process** is one area where a more customer-responsive view could reap significant benefits to a technology company.

Sad to say, many technology start-ups have had too limited customer involvement in their product development process. In many cases, history demonstrated that if customers were involved earlier, it may have had significantly improved in the product acceptance of the company's products in the marketplace.

Technology companies should ask themselves a few basic questions. What is the goal of product development effort? At this point, should this effort only be product focused or should it be truly business driven by the marketplace? We have already discussed the importance of addressing customer acceptance criteria in this process. Is this the time to evaluate other potential customer barriers to implementation including potential customer integration issues?

Apple is a good example of a technology company that addresses a number of the customer-responsive issues during their product development activities. It appears they are attempting to keep the right balance of creating disruptive technology and meeting customer acceptance criteria.

Some studies have shown that more than 70% of new product failures occur due to errors at the very earliest stages of the new product development process. Conducting customer interviews at an early stage could help companies by catching many of these errors in early-stage product definition, often referred to as "the fuzzy front end" of new product development.

Another area where a customer responsive culture can be improved is in the **marketing and selling process**. Most sales proposals are written from the seller's point of view. This causes many of them to be "dead on arrival". The sales professional in your technology company should know enough about the target company to tailor the proposal, and the company product, to how it can help the potential customer.

Too many technology companies insist upon using standard "boilerplate" proposals. In this industry, many proposals are sales-driven and not customer-responsive. In many cases, the sales-driven proposals present to the customer the perceptions of what the buyer wants, while customer-responsive proposals mirror the buyer's expectations.

When a proposal doesn't define the expectations and identify the perceptions gap (I.e. the gap between the buyer's expectations and the seller's perceptions) the potential client has little reason for buying the product.

It is very important that each of the technology company's sales people be trained in a "Solutions Selling Process" so that they can adopt their proposal to the specific situations where they find themselves. Examples that salespeople must be trained to overcome in solution selling include potential buyer's comments related to company's product's being cost justified but not being their priority at this time; perceived integration issues with other systems or platforms; or how the product may not fit into the customer's long range IT plans.

Another area in **marketing and sales** where better customer-responsive practices could improve company results is in a better understanding of the company's competitors and a more articulate description to the customer of how the company's products can be differentiated in the marketplace.

This is only accomplished by a rigorous process of asking, observing, analyzing and studying information about the success of the other companies that are their strongest competitors. Many times you can get the best competitive information from customers or potential customers. Our experience suggests that many technology companies need a more effective analysis comparing their products to their competitors in a simple format for their customers or potential customers.

Another important area that identifies a good customer-responsive technology enterprise is the existence of clearly defined **customer service standards**. Customer service standards serve two purposes:

- They define a company image by clearly defining customer expectations; and
- They are a management tool for measuring business performance by measuring key service levels that are essential for business success.

### **How Customer- Responsive is your Technology Company? (Example Only)**

Attached to this article is Exhibit I with eleven questions that may help you sense how customer- responsive your technology company is today. Answering in the affirmative to all twelve questions at the highest level may or may not suggest that your company is highly customer- responsive because these are just a few areas picked at random. There are other, equally important areas, not represented by these questions where a company may need improvement. These questions are for illustration purposes only.

### **First Steps in Implementing a Customer- Responsive Culture**

Once management has decided to move to a more customer- responsive culture within their company, our experience suggests that they will take one or more of the following steps:

- **Initiate a Corporate Customer- Responsive Assessment:** Management decides on this approach when they recognize the general problem within the organization; want to initiate a project to uncover the company's service quality strengths and areas for improvement and recognize how the company's commitment to service is perceived by employees and customers. This effort is also used to prioritize any changes that are identified as needed.
- **Process Improvements:** In this case, management usually identifies some high priority important specific items related to process changes that should be addressed immediately. Examples could include processes such as: (1) the need to insert

customer acceptance criteria into the product development process, or (2) more alternative flexible pricing strategies to meet competition.

- **Staff Training:** In this case, management usually identifies some high priority important specific items related to staff training that should be addressed immediately. Examples could include (1) Customer- Responsive Proposal Training or (2) Solution Sales Training. Here is where more immediate staff training with certain competencies may be needed to achieve superior customer relations or improved revenues.
- **Customer Communication Work Shops** are relationship building sessions where the technology company and their customers and potential customers get together in one day workshops. This provides participants with the tools to begin building a customer-responsive culture. The technology company learns how to obtain and use customer information. The customers learn how to take the initiative to provide the technology company with information on expectations. Both learn to create a partnership relationship; manage customer expectations and measure customer satisfaction; and develop customer priorities.

By developing a more **customer responsive** culture, the company is creating an organization that embraces customer sensitivity throughout the organization and not just in the customer service department. Companies with an effective customer responsive culture have taught us that it was not gained through slogans or company meetings alone. It was achieved by demonstrating solid management commitment; implementing effective management processes; staff training; and strong ongoing communication with staff and customers.

However, if more companies in the technology industry commits themselves to implementing to a more customer- responsive culture, I would not be surprised to see a significant reduction in the failure rate of technology companies in the not to distant future.

**Exhibit I**

**How Customer Motivated is your Company?  
(Sample Question Areas from Assessment)**

<b>Organization</b>	<b>Description</b>	<b>Score ( 0-100)</b>
1.Product/ Service Development	Extent of customer involvement in product development process: functionality; benefits; product acceptance	
2.Product/ Service	On-going customer	

Development	involvement in product improvement process.	
3. Finance	Flexible pricing strategies/ competitor analysis	
4. Marketing/ Sales	Solution sales training for sales people	
5. Marketing / Sales	Customer-motivated/ tailored proposals?	
6. Marketing / Sales	Targeted Sales Accounts/ Plans prepared?	
7. Marketing /Sales	Clearly defined/ understood pricing strategies and how to escalate for approval.	
8. Marketing/ Sales	Process to follow up on sales losses and wins to learn from losses.	
9. Marketing/ Sales	Formal program for learning from your competitors and using their successes in your business.	
10. Operations/ Product/ Service Management	Process for following up on customer's dissatisfaction with product or service to learn.	
11. Operations Management	Do you have service standards? Are they measured? Distributed?	

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