



Internal Customers Is A Dangerous Idea

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If your company can be counted among the multitude that have adopted the language of “internal” and “external” customer, you may be doing your employees, shareholders, and customers a great disservice.

In today’s hyper-competitive marketplace, consumers are able to demand that businesses focus on the delivery of customer-value by providing high-quality products and services at low prices (i.e., supplying what the customer wants at a price he is willing to pay).

Businesses that can’t satisfy this requirement will fail. The imperative of management is to get their organizations intensely focused on understanding *customer* value and satisfaction and organizing to ensure operational excellence in *customer* value-delivery.

The degree to which managers can achieve this intensity is directly related to a company’s ability to create shareholder value and increase profitability.

A market-based, customer-driven approach to business enhances the prospects of achieving business objectives through one or a combination of enhanced margins, market share growth, new product introductions, or market expansion. One sure-fire way to dilute this focus is to promote and foster the popular misconception that coworkers, other business units, company task forces, branch offices, and company-owned sales/distribution channels are “internal” customers.

Simply put, *there is no such thing as an internal customer*. Despite the widespread use of this notion, which was introduced by misguided production quality gurus, the concept is incoherent. At best it is an inappropriate metaphor for the idea that employees must work cooperatively to provide a “chain” of value-adding work to each other, across organizational boundaries, to achieve a common goal of gaining and retaining customers and earning a business profit.

Unfortunately, by inappropriately defining the customer, people who want to do right for their customers and contribute to the success of the business are inadvertently doing the exact opposite. It is precisely this notion of cooperative partnership to deliver customer value that the notion of “internal” customer wipes out. Here’s why.

Employees who are told by management that company employees are customers, and who are encouraged and rewarded to satisfy the expectations of coworkers, will

inevitably assess their own efficacy by how efficient they are at serving other employees. The mandate to provide outstanding service to “internal” customers results in the organization adopting an internally-focused orientation. In internally-focused organizations, service to the bureaucracy becomes the benchmark of excellence with only a tangential acknowledgement of the importance of fulfilling customer needs and desires.

Contrary to their best wishes and intentions, when managers structure their business processes and policies around satisfying these non-customer groups as a primary objective, they take their eye off of the pulse of the market. The tragedy is that it is done in the name of the highest of business values, namely, serving needs and desires of customers in a manner that earns profits. In fact, in the worst cases, this all-to-common internally-focused business orientation treats the needs and desires of employees as an end in itself, divorced from customers, and as such is destructive of business values.

This policy of gauging service according to internal standards is a prescription for corporate under-performance and potential organizational disaster when what is needed today is the Herculean task on the part of management to focus, organize and lead the entire business enterprise to deliver solutions that satisfy the fickle expectations of consumers, turn them into customers, and then figure out how to retain them. In the effort to be market-driven and customer-focused, no company has the luxury to afford a diversion from reality as invasive and destructive as the notion of “internal” customers.

The idea of “internal” customers is very popular among employees, and is easy for them to embrace because it is very tangible. Customer needs and wants are abstract, elusive and hard to quantify and satisfy. But fellow employees are easily at hand and can be communicated with directly. One can experience the results of one’s efforts through immediate feedback.

Employees are all too willing to assume the status previously held only by revenue contributing customers. Which employee doesn’t want to assume the status of customer when, as the sayings go, the customer is king and is always right? It also allows them to wield the weapon of admonition: if coworkers and managers don’t respond quickly and adequately to personal requests, then they are guilty of providing “poor customer service” and may suffer the consequences on their 360 degree evaluations.



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The unfortunate effect of treating employees and other non-customer groups as customers is that you will constantly be allocating resources based on their short-term whims rather than designing, producing and marketing products and services in partnership with them to provide solutions and experiences that customers desire.

It is time for business executives and managers to assess the facts and stop playing harmful word games with talk of “ultimate,” “final” and “real” customers to distinguish the valid concept of customers from the self-serving and destructive pseudo-concept. It is irrational to think that everyone can be a customer.

(One HR manager of a listed U.S. company who was a corporate champion of the “internal” customer concept tried to explain to me, with complete sincerity the company’s official philosophy that people who shopped in their stores were called “guests” while the word “customer” was reserved for people who have never purchased from the company. I responded that this meant that they considered billions of people in China who have never heard of them to be their customers, which was an absurd position to be espousing. The kind of “sophisticated” modern business “thinking” that this represents amounts to the willful destruction of shareholder value, and is, unfortunately, widespread in business today.)

It is long past time for executives to recognize that customers are the people who buy and use the company’s products and services to satisfy their own value-seeking needs and wants. Employees are not customers. The sales force are not customers. Distribution partners are not customers.

When you hear references to the “ultimate” customer or the “true” customer or the “real” customer by

employees, managers and executives, be on your guard. You are likely dealing with someone who has a muddled concept of who the customer is, and is unlikely to be a helpful ally in creating shareholder value through the profitable creation of customer value.

A more value-added approach to guide employees is to adopt the popular adage that “if you are not serving a customer directly, you’d better be serving someone who is.” The message here is clear, direct, and helpful in focusing an organization on the chain of actions required to deliver value to customers. It assumes a market-oriented approach to managing the business and can serve as the base for establishing a customer-focused service culture. It consists of each employee conscientiously assessing and understanding how their knowledge, behaviour, and activities fulfill the customers’ needs in the market, and working cooperatively in *partnership* with others to create and deliver customer value.

It is difficult enough to succeed in business today. Don’t let incoherent concepts like “internal” customer and talk of “real” customers stand as a further obstacle to delivering real value to your customers, to the benefit of your shareholders, and employees.

Everybody in your organization should be focused on delivering the promised value that satisfies customers. For the sake of your company, I hope the customer you are focused on serving is the ultimate user of your products and services, the target market who’s actions are accounted for and measured as revenues on your company’s income statement.

Never lose sight of the truism that unless customers are more satisfied with your offering than they are with the next best alternative, they won’t be your customers for long.

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