



Customer-centricity in banks and insurance companies: the design of organizational structure

Tilburg, December 2014

Extended Master Organization Studies
Master Thesis
P.J. Reesink BSc

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Preface

The master thesis in front of you was written to graduate for the Extended Master Organization Studies at Tilburg University. It marks the end of my student life but also the start of a new and challenging time. The knowledge and skills I have learned in the previous four years of college enabled me to conduct this master thesis. Besides that, I would not have been able to complete the thesis without support and help of several people.

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Pauline Reesink
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Abstract

The research question “how could the organizational structure be designed such that it reinforces customer-centricity” was examined in this research as it appeared in current literature that customer-centricity provides benefits for the organization. It was not clear how customer-centricity could be reinforced by using the organizational structure yet, although several researchers highlighted the importance of it. Therefore, fourteen respondent of seven banks and insurance companies in The Netherlands were interviewed. Based on these interviews, an appropriate design of the organizational structure was provided along its two dimensions, differentiation and integration.

It appeared that subunits should be divided based on their functional tasks at first. Afterwards, only the subunits that could directly identify customers’ needs in their functional tasks should be divided based on customer segments. Consequently, the different subunits should be integrated by chain management structures to add value to the customer journey. The chain management structures need the support of an independent subunit that could also initiate task forces to facilitate the exchange of knowledge both within and beyond functional tasks. Furthermore, every employee in the organization should be held accountable for the reinforcement of customer-centricity within its own circle of influence. In addition, the various levels in the organization should interact with each other to align the goals of every subunit to the organizational goal, customer-centricity. This interaction could be facilitated by an independent subunit whereas the goals could be integrated by a hierarchy of authority.

Keywords: *Customer-centricity • Customer value • Organizational structure • Differentiation • Integration*

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Introduction

The financial crisis revealed that banks and insurance companies were primarily concerned with their own interest instead of creating value for customers. Customers are the actors that buy a product or service of the organization. Triggered by the financial crisis, the banks and insurance companies in The Netherlands are pressured to rather create value for customers by the Dutch government and the Dutch Authority of the Financial Market (AFM) in order to serve the national economy. Also scientific literature points out the importance for banks and insurance companies to go back to their right to exist - serving customers - to compete in the short term and thrive in the long term (Dohmen, Moormann & Rosemann, 2009; Fader, 2012; Shah, Rust, Parasuraman, Staelin & Day, 2006).

Banks and insurance companies that want to thrive in the long term need to build and maintain an enduring relationship with their customers (Day, 2006; Narver & Slater, 1990; Van den Bergh, Thijs, Işik & Viaene, 2012). Customer-centricity provides means to develop such a relationship. Customer-centricity refers to the understanding of and responding to customers' needs (Mitreanu, 2005; Alter, 2007) to maximize value for customers (Shah et al., 2006; Van den Bergh et al., 2012). At the same time, customer-centricity creates value for the organization (Boulding, Staelin, Ehret & Johnston, 2005; Kumar, Lemon & Parasuraman, 2006) as being more customer-centric than the competitor appeared to be a competitive advantage that has proven to be sustainable and not easily countered by competition (Day, 2006; Shah et al., 2006).

Research question

As banks and insurance companies benefit from customer-centricity, it is important for these organizations to restructure around customers. Customer-centricity requires a rethinking of all areas of the organization including organizational structure (Fader, 2012; Kates & Galbraith, 2007). The organizational structure is defined as the formal pattern of how people and tasks in an organization have been differentiated into several distinct subunits, each subunit performing a portion of the tasks, and the efforts of each being integrated to achieve the organizational goals (Gibson, Ivanecevich, Donnelly & Konopaske, 2006; Lawrence & Lorsch, 1967; Tushman & Nadler, 1978). Adapting the organizational structure is an important prerequisite for maximizing value for customers (Homburg, Workman & Jensen, 2000; Shah et al. 2006) since it determines whether employees are facilitated to contribute to the organizational goals or find themselves working around an obstacle (Kates & Galbraith, 2007). In sum, the outcomes of the organization are influenced by the organizational structure.

As customer-centricity could be viewed as a preferred outcome of the organization - maximizing value for customers - the organizational structure should reinforce customer-centricity (Soda & Zaheer, 2012). Although a few researchers (Kates & Galbraith, 2007; Shah et al., 2006) speculated about how certain elements of such an organizational structure could be designed, none of them substantiated these suggestions by empirical data yet. In conclusion, there is a need to conduct research that examines how the organizational structure could be designed such that it reinforces customer-centricity. Therefore, the following research question is composed:

Research question: "How could banks and insurance companies in The Netherlands design their organizational structure such that it reinforces customer-centricity?"

Relevance

Scientific

Nowadays, customer-centricity is mentioned as means to maximize long-run performance for banks and insurance companies (Van den Bergh et al., 2012). However, it is unknown how the various areas of the organization as the organizational structure, culture and strategy could be designed to reinforce customer-centricity. Organizational structure appeared to be one of the most important areas for this reinforcement (Kates & Galbraith, 2007; Shah et al., 2006). Still, current literature provides hardly no answers of how the organizational structure could be designed such that it reinforces customer-centricity yet (Kumar et al., 2006). As mentioned, only some suggestions are given by a few researchers (Van den Bergh et al., 2012; Shah et al., 2006). Therefore, this research fills a gap in current literature.

Practical

Many organizations today are struggling how to reinforce customer-centricity (Shah et al., 2006). Therefore, this research is relevant as it provides insights for banks and insurance companies in The Netherlands about how they can design their organizational structure such that it reinforces customer centricity. This will enable them to determine a path to customer-centricity. This is especially relevant for banks and insurance companies as their long-run performance was jeopardized by the financial crisis and it became urgent to rebuild enduring relationships with their customers.

Theory

Customer-centricity

Customer-centricity is the understanding of and responding to customers' needs (Alter, 2007; Mitreanu, 2005) to maximize value for customers (Shah et al., 2006; Van den Bergh et al., 2012). At the same time, customer-centricity creates value for the organization (Boulding et al., 2005; Kumar et al., 2006). The different parts of this definition will be explained in the following paragraphs to provide clarity.

At first, "customers' *needs* are essentially what the customer wants" (Bayus, 2007, p. 6). These needs are long-term and proactive in nature and could not always be recognized and verbally described by the customer (Mello, 2003; Narver & Slater, 1990). "*Wants*, on the other hand, are things that a customer believes will fulfill a known need, are short-term and temporary in nature" (Bayus, 2007, p. 6). Consequently, the needs of the customer are mainly latent whereas the wants of the customer are primarily manifest (Narver & Slater, 1990). Customer-centricity entails pursuing the satisfaction of customers' *needs* to maximize customer value (Narver & Slater, 1990).

Customer value is approached from a customer perspective, in which the customer assesses the generated value and the fulfilment of the customers' needs by an organization's product or service (Graf & Maas, 2008). Therefore, customer value is a customer's relativistic - comparative, personal and situational - preference for and evaluation of the product or service. Customers evaluate whether the associated consequences that will arise from using the product or service will facilitate the customers' needs and purposes in use situations for the long-term (Woodruff & Gardial, 1996; Holbrook, 1994). As already indicated in the definition, the maximization of value for customers will also create value for the organization (Boulding et al., 2005).

Many organizations need customer-centricity as necessary condition to compete in the short term and thrive in the long term (Fader, 2012; Shah et al., 2006) because organizations that want to maximize its long-run performance need to build and maintain a long-run, mutually beneficial relationship with its customers (Narver & Slater, 1990; Van den Bergh et al., 2012). Customer-centricity provides means to develop such a relationship which is a competitive advantage that has proven to be sustainable and not easily countered by competition (Day, 2000; Shah et al., 2006). Therefore, the organization will create value for the organization when it becomes more customer-centric than their competitors (Day, 1999).

Customer-centricity progresses along a continuum from focusing on selling products to fulfilling customers' needs (Day, 2006; Sheth, Sisodia & Sharma, 2000). Various trends forced organizations to structure more around customers' needs; customers became more demanding and well-informed, competition intensified, market diversity increased and the information technology made accelerating advances (Day, 2006; Sheth et al., 2000). It became more important to understand, attract, and keep valuable customers (Day, 1999) by having an outside-in view that wonders "how the business can fit into the customer's process, rather than the other way around" (Van den Bergh et al, 2012, p. 1). The structure of the organization could facilitate the progress along the continuum to a more customer-centric organization.

Organizational structure

The organization is a system of interrelated behaviors of people who are performing tasks (Lawrence & Lorsch, 1967). Consequently, the formal pattern of how these people and tasks have been differentiated into several distinct subunits, each subunit performing a portion of the tasks, and the efforts of each being integrated to achieve the organizational goals, could be defined as the organizational structure (Gibson et al., 2006; Lawrence & Lorsch, 1967; Tushman & Nadler, 1978). The basic function of the organizational structure is to create the most appropriate configuration of subunits to facilitate the realization of a competitive strategy (Day, 2006; Tushman & Nadler, 1978). A configuration is a coalescence of factors that are internally consistent, complementary, and mutually reinforcing (Gebauer & Kowalkowski, 2012; Mintzberg, 1992). As, in terms of organizational structure, the configuration balances between differentiation and integration of people and tasks (Lawrence & Lorsch, 1967; Jones, 2010), these concepts will be clarified at first. Afterwards, it will be explained how the organizational structure is related to the reinforcement of customer-centricity.

Differentiation

Differentiation is the division of people into subunits to realize benefits of specialization and economies of scale (Lawrence & Lorsch, 1967; Tushman & Nadler, 1978). Every subunit has specialized tasks and deals with specific aspects of the organization's environment (Tushman & Nadler, 1978). Subunits differ with respect to goal orientation, time orientation, and interpersonal orientation (Golden & Ma, 2003; Nelson & Quick, 2012). Differentiation contains both a horizontal and a vertical dimension.

The horizontal differentiation, or also called functional differentiation (Aiken, Bacharach & French, 1980), represents the variety of organizational subunits or functions related to the division of labor (Blau & Schoenherr, 1971; Burton & Obel, 2004; Damanpour, 1991). The division of labor establishes and controls the degree of specialization in an organization (Jones, 2010).

The vertical differentiation, or also called hierarchical differentiation (Jones, 2010), represents the division of authority in the organization over the different levels in the hierarchy (Damanpour, 1991; Burton & Obel, 2004; Nahm, Vonderembse & Koufteros, 2003). "Authority is the power to hold people accountable for their actions to directly influence what they do and how they do it" (Jones, 2010, p. 90).

However, differentiation creates boundaries between subunits as every subunit has "the tendency to view one's role in the organization strictly from the perspective of its own time frame, goals, and interpersonal orientations" (Jones, 2010, p. 67), so called 'silo behavior' (Kates & Galbraith, 2007). Furthermore, subunits create their own jargon, values, and form of communication (Burton & Obel, 2004). This will make it more difficult to achieve organizational goals as the subunits need each other because of the limited resources and knowledge in an organization (Tushman & Nadler, 1978). Therefore, boundaries should be crossed by integrating the efforts of the various subunits and restrain them from silo behavior (Kates & Galbraith, 2007; Ouchi, 1977). Therefore, differentiation needs integration.

Integration

"Integration refers to the process of achieving unity of the efforts among various subunits in the accomplishment of the organization's tasks" (Lawrence & Lorsch, 1967, p. 4) to enable interaction

between subunits instead of working at cross purposes (Jones, 2010). A process is a path of connected activities that move information up and down and across the organization (Kates & Galbraith, 2007). Integration also contains both a horizontal and a vertical dimension (Nelson & Quick, 2012).

Horizontal integration represents how the specialized subunits are aligned in their work, skills, and training (Nahm et al., 2003). In other words; how the boundaries of the specialized subunits – caused by horizontal differentiation - are crossed to provide the exchange of knowledge and other resources between subunits (Gupta & Govindarajan, 2000).

Vertical integration represents how the different levels in the organization generate alignment of goals and values in the strategic coherence across vertical differentiated levels (Nelson & Quick, 2012; Burgers, Jansen, Van den Bosch & Volberda, 2009). Vertical integration will minimize divergent perspectives and enhance a sense of mutual interests (Nohria & Ghoshal, 1994) in order to make all authorities in the organization working towards the same goal (Nelson & Quick, 2012).

Reinforcing customer-centricity

As explained above, the organizational structure basically determines who is performing which tasks where in the organization and the associated managers who are holding them accountable for certain goals. Consequently, employees are facilitated in a certain subunit to become specialized in a subset of specific organizational tasks of the organization. Next to this, employees receive a set of goals by means of kpi's to work towards by using their specialization. However, the goals of the organization often transcend the subunit goals, and therefore the design of organizational structure influences whether the goals of the organization will be achieved or not.

As customer-centricity could be viewed as an organizational goal - maximizing the customer value - the organizational structure facilitates whether the organization is able to achieve this goal or not. Therefore, the design of the organizational structure is important to align with customer-centricity, to become more customer-centric as organization. This will be illustrated with an example concerning specialization:

Specialization facilitates an employee to better understand his or her tasks (Lawrence & Lorsch, 1967). The employee is therefore facilitated to develop more specific knowledge and abilities, which are the foundation of the core competences of the organization (Jones, 2010). However, the customers' needs crosses several specializations. For example, an employee could be specialized in car insurances although the customer requires both a car insurance ánd a damage insurance. To maximize the value for customers, the employee that is specialized in car insurances and the employee that is specialized in damage insurances should not call the customer one after the other, but should interact to facilitate one process for the customer. This integration could be created by designing an organizational structure that holds one employee accountable for this specific customer. Therefore, specialization influences to what extent the organization could be responsive to customers' needs (Day, 2006).

Already various researchers stated the importance to design the organization structure in such a way that it facilitates customer-centricity (Kates & Galbraith, 2007; Kumar et al., 2006; Shah et al., 2006), to make the organization wonder "how the business can fit into the customer's process, rather than

the other way around" (Van den Bergh et al., 2012, p.1). In the following, the researcher outlines her propositions of how the organizational structure could be designed to reinforce customer-centricity along the dimensions of organizational structure, differentiation and integration.

Differentiation

Horizontal differentiation

As mentioned, the horizontal differentiation is related to the division of labor (Burton & Obel, 2004). The division of labor could be based on functions, products, customer segments, geographical areas or markets (Waterman, Peters & Philips, 1980). However, most organizations use a mix of these dimensions (Kates & Galbraith, 2007). Consequently, employees are allocated to a certain subunit based on their specialized knowledge, skills or training (Nelson & Quick, 2012). The dimension on which subunits are formed determines the basis for specialization within an organization (Burton & Obel, 2004) and therefore influences whether the organization could be responsive to customers' needs as explained previously (Day, 2006).

To be responsive to customers' needs, one should understand these needs first. The best way to understand what the customer needs is by asking and listening, combined with observing them (Van den Bergh et al., 2012). This requires the building and maintenance of long-run relationships with customers (Narver & Slater, 1990).

A subunit that is organized around a specific customer segment is able to build such a relationship with the customers in this segment (Van den Bergh et al., 2012). A customer segment is a group of customers that share similar characteristics, patterns and needs (Kates & Galbraith, 2007). As the dimension on which subunits are formed determines the basis for specialization within an organization, the organization becomes specialized in customer segments (Burton & Obel, 2004). Specialization in customer segments enables the employee to better understand the specific needs of the customers (Jones, 2010), which allows the organization to better respond to these needs.

The response to customers' needs could be enhanced by having a mindset across functions (Shah et al., 2006) as the customer journey crosses functional activities. The customer journey is the process by which the customer travels through the organization. An example of a customer journey is the first call of the customer for a question to the moment that the customer received the answer on his question. When the organizational structure facilitates a mindset that crosses functional activities, the value creation for customers in the customer journey increases (Shah et al., 2006). The differentiation of subunits based on customer segments allows such a cross-functional mindset since it will align functional skills and competencies with the needs of the customer segment (Jones, 2010).

All in all, the knowledge above substantiate why a horizontal differentiation based on customer segments will enhance both the understanding of, and responding to, customers' needs in order to maximize the value for the customer. Therefore the researcher proposes that

Proposition 1: Dividing subunits by customer segments reinforces customer-centricity

Vertical differentiation

As mentioned, the vertical dimension is related to the division of authority in the organization over the different levels in the hierarchy (Nahm et al., 2003). The different levels in the hierarchy are

divided into a strategic, tactical and operational level (Jones, 2010). On every level there are managers that have the authority to hold people accountable.

One is able to hold people accountable by using key performance indicators (kpi's) which are metrics that are objective, standardized and comparable over periods (AFM, 2014). Kpi's function as performance indicators during the evaluation of individual and collective performance (Shah et al., 2006; Kates & Galbraith, 2007).

To achieve organizational goals it is important to align the content of the kpi's with these goals as, in general, what gets measured gets done (Shah et al., 2006). When customer-centricity is a goal of the organization, the kpi's should signal it to make employees working towards customer-centricity. As customer-centricity urges the maximization of customer value, every employee should work towards customer value to maximize it. Therefore, it is important that every employee on every level receive kpi's from his/her manager that incorporate the intent of customer-centricity (Day, 2006). Hence, managers on every level influence whether the employee is contributing to customer-centricity or not. Therefore, the researcher proposes in agreement with the suggestions given by Day (2006) and Van den Bergh et al. (2012) that

Proposition 2: Holding managers accountable for customer-centricity on all levels of the organization reinforces customer-centricity

Integration

Integration by using the organizational structure could be enhanced by the introduction of an integration mechanism. Most integration mechanisms that could be added to the organizational structure influence both the horizontal and vertical integration simultaneously.

An introduction mechanism is for example a liaison role; a manager who is given responsibility for coordinating with managers from other subunits on behalf of his or her function, or a taskforce; a committee in which employees meet temporary to coordinate cross-subunit activities (Jones, 2010; Nelson & Quick, 2012). Also a hierarchy of authority is an integration mechanism, which is a ranking of employees integrated by specifying the reporting relationships, power distribution and communication channels (Jones, 2010; Kates & Galbraith, 2007). Now the explanation why customer-centricity benefits from both horizontal as well as vertical integration will be provided.

Horizontal integration

Customer-centricity requires a mindset that crosses boundaries created by subunits (Shah et al., 2006). Subunits should work together instead of at cross purposes to exchange knowledge and other resources to maximize value for customers (Jones, 2010). For example, one subunit knows about the customers' needs while the other subunit creates products for customers. When the subunits interact, the product could be more responsive to customers' needs.

As proposed in proposition 1, having all functional activities included into one subunit that is specialized in a certain customer segment will reinforce customer-centricity. If this will be designed in the organization structure, the customer journey will proceed in one subunit (Jones, 2010). However, it still remains important to be aligned with other subunits for knowledge sharing about the discovering of customers' needs or the tools used to respond to customers' needs for example.

Subunits could learn from each other how to maximize the value for customers when best practices are shared.

In case subunits are not divided based on customer segments as proposed in proposition 1, integration of subunits becomes even more important to maximize the value for the customer. Then, the customer journey crosses functional subunits as explained in the section 'horizontal differentiation' (Shah et al., 2006). So different subunits participate in one customer journey. The customer value will be increased when the customer does not experience any boundaries between the subunits. Therefore, it is important to align the efforts of the different subunits. In other words; subunits should not be focused on their own silo and therefore perform silo behavior, instead they should work together in the customer journey to create value for the customer (Dohmen et al., 2009).

Sheth et al. (2000) already argued that customer-centricity will be reinforced by "full integration of all customer-facing activities by better aligning all firm activities around the customer value-added activities" (p. 63). As already mentioned, what gets measured gets done (Shah et al., 2006), it is important to measure how the subunits work together in the maximization of customer value as this will force them to interact with each other and will make the organization focused on customer value-added activities. This requires an authority that holds the various subunits accountable collectively by setting overarching kpi's that are focused on the maximization of customer value. As an integration role coordinates the activities of two or more functions or subunits and promotes the sharing of information and knowledge to better pursue organizational goals by influencing what employees do and how they do it (Jones, 2010), the researcher proposes that

Proposition 3: Having an integration role in the organizational structure that forces subunits with various specializations to work together in the value creation of customers will reinforce customer-centricity

Vertical integration

First, the alignment of the goals at the various organizational levels is important to work together in the achievement of organizational goals. When the goals are aligned, eventually the strategic level determines what gets done in the organization as in case of good alignment the content of the kpi's on every level are derived from the level upon (Kates & Galbraith, 2007; Van den Bergh et al., 2012). Then, also the operational level contributes to the organizational goals that are set by the strategic level, in this case customer-centricity.

Second, the various vertical differentiated subunits should interact in the value creation for customers as they have different power (Gupta & Govindarajan, 2000). Therefore, the levels need each other to contribute to the organizational goals. In short, the strategic level should enable the tactical level to realize customer-centricity by means of resources and goals, by which the tactical level could steer on customer-centricity on the operational level. Vice versa, when problems or difficulties occur at the operational level, they need the tactical level to be able to make improvements. For example in the tracking of customer defections in the customer journey. However, a condition is that the goals of the managers on all levels are aligned with each other, otherwise the various levels could not work together as their goals are in conflict.

To enable interaction in the value creation for customers, it is important to align the goals of the vertical differentiated subunits. As a hierarchy of authority integrates the various levels in an organization by specifying the reporting relationships concerning specific goals in the organization, the power distribution and communication channels (Jones, 2010), the researcher proposes that

Proposition 4: Having a hierarchy of authority in the organizational structure that forces the various organizational levels to work together in the value creation of customers will reinforce customer-centricity

Methodological framework

Research design

Qualitative research

The goal of this study was to examine how the organizational structure could be designed such that it reinforces customer-centricity. As the research question had an open-ended nature, a qualitative research design was used (Holliday, 2002). A qualitative research design enabled the researcher to concentrate on the why and how of a phenomenon (Gordon, 2011).

Qualitative research aims to clarify the meaning of a situation, process or entity in the way that it is perceived by the individual person (Ridley, 2004). Organizations themselves are best in evaluating how their changes in organizational structure will or did already reinforce customer-centricity within the organization. Therefore, the perception of the individual employees was the level of observation, whereas the level of analysis was the organization.

Multiple case-study

A case-study design has been used to answer the research question. As a case-study allows for gathering in-depth information, it fits to the open-ended nature of this research (Baker, 1999). Next to this, a case-study is an appropriate research method to take the context of the phenomenon into account (Yin, 1994). This was essential to interpret the results properly since the outcomes of an organization's structure are affected by other factors in the organization, for example by culture and strategy (Kates & Galbraith, 2007; Waterman et al., 1980), as well as factors beyond the boundaries of the organization such as the economic crisis or changing customer demands (Scott & Davis, 2007; Tushman & Nadler, 1978). Multiple cases (N=7) were included in this research to give a more substantiated answer compared to one case.

Sample strategy

Cases

The cases are banks and insurance companies in The Netherlands. Triggered by the financial crisis, these organizations are pressured to go back to their right to exist, to serve their customers (Alter, 2007; Dohmen et al., 2009). Also Dutch regularities, as the government and the AFM, monitor how the banks and insurance companies serve the customer and require customer-centricity. Customer-centricity therefore is an actual theme within the banks and insurance companies.

The actuality of customer-centricity in the banks and insurance companies benefitted this research since it was likely that these organizations already challenged their organizational structure such that it reinforces customer-centricity. Moreover, the actuality of customer-centricity in the organizations causes that respondents were more willing to participate in this research, and to think critically, because of the relevance for themselves. Therefore, this sector was appropriate to conduct research in.

A purposive sampling method was used to select cases. The researcher approached the organizations that are monitored by the AFM, since this makes customer-centricity an actual theme within the organization. The AFM monitors both five banks as well as five insurance organizations in the

Netherlands concerning customer-centricity. Six of the ten organizations participated in this research.

At the same time, other big banks and insurance companies in The Netherlands were also approached because it was uncertain for a long time whether the organizations monitored by the AFM were willing to participate in the research. Finally, also three organizations that were not monitored by the AFM participated in the research, although two of them were not taken into account for this research which will be explained later.

Respondents

Within every case, the intention was to include at least two employees. This allowed the researcher to gather a more reliable view of how the current organizational structure reinforces customer-centricity and their view of how the ideal organizational structure would look like to reinforce customer-centricity.

A combination of a purposive and convenience sampling method was used to select respondents. At first, the researcher tried to select persons in the organization who have a say in the design of the organizational structure, or were held accountable in the organization for customer-centricity. However, these persons could not always be found on LinkedIn or by approaching the organization. Also, not all persons were willing to participate in this research. In that case, other employees who had a direct link with either organizational structure or customer-centricity were selected. For example, directors, line-managers and program managers of customer-centricity were included in the sample.

However, not all respondents had the knowledge of the current organizational structure to provide information about how this reinforces customer-centricity. They were also not capable to think about an ideal organizational structure such that it reinforces customer-centricity. Since these respondents could not refer us to employees in the organization who were more able to give answers for the research, the researcher concluded to take these two cases not into account for the research. These two cases were not monitored by the AFM.

An overview of the eventually cases and associated number of respondents is shown in the table below. The names of both the cases and the respondents as well as the functions of the respondents are not provided because of privacy statements.

Case 1	Insurance organization	3 respondents
Case 2	Insurance organization	2 respondents
Case 3	Insurance organization	1 respondent
Case 4	Insurance organization	3 respondents (focus group)
Case 5	Insurance organization	2 respondent
Case 6	Bank	2 respondents
Case 7	Insurance organization	1 respondent

Table 1 – Overview of cases and associated number of respondents

Data collection

Semi-structured interviews

Data was primarily gathered through semi-structured interviews. Interviews appears to be the most appropriate method for gathering data that is focused on the why and how of a phenomenon (Ritchie & Lewis, 2003) which fits the aim of this research. Semi-structured interviews provide room for opinions and thoughts of the respondents concerning the research phenomenon (Darlington & Scott, 2002), which was necessary to answer the research question. Only data derived from case four was gathered by a focus group. All respondents of case four participated into one interview because of time limits of the respondents.

During the semi-structured interviews a topic list (Appendix 1) was used to assure a certain level of structure and direction during the interviews (Creswell, 1998). The topic list was based on the operationalization table (Appendix 2) to ensure that all dimensions of customer-centricity and organizational structure were covered in the interviews.

Conditions of the semi-structured interviews

The interviews were held by two persons. The researcher herself and one of her colleagues at a consultancy organization that operates in the financial sector in The Netherlands. The researcher guided the interview. She introduced the interview, asked most questions and ended the interview. However, the colleague went along to ensure that all topics were covered and, primarily, to overcome the barriers of knowledge and language. The colleague is well-acquainted with banks and insurance companies and most common used organization structures and words.

To assure that respondents were confidential during the interviews, the interviews were conducted at the offices of the respondents (Rapley, 2004). All interviews lasted about 60 minutes and were recorded. Recording facilitates interaction, as the interviewer does not have to focus on taking notes during the interviews (Rapley, 2004). All interviews were personally transcribed by the researcher. This was done shortly after an interview to enable improvements of future interviews and to foster the researcher's understanding of the data (Baker, 1999).

Background information prior to the interviews

Prior to an interview, the researcher searched on the internet for information of the specific organization and respondent in relation to customer-centricity to ensure that the interviews would go considerably into depth. The researcher prepared the interviews by reading the articles of the AFM concerning customer-centricity also. This background information was used during the interviews to understand the storyline of the respondent better, and to be able to ask more specific questions based on this knowledge. For example, we could ask 'we have read about initiative A, could you tell more about this?', or 'we have seen you received a better score on customer-centricity by the AFM compared to last year, how would you evaluate the contribution of your organization structure by achieving this score?". So the data known in advance was used to facilitate a more in-depth interview.

Data analysis

Coding

Raw data consisted of twelve transcripts of the cases. To analyze the data, the transcripts were fragmented by means of coding which reduced the data to a manageable amount of text and guarantees that all relevant data is taken into account during the analysis.

Coding was done by using a coding scheme which was prepared on basis of the dimensions in the operationalization table (Appendix 2). This allowed in-depth examination of the transcripts (Ritchie & Lewis, 2003) and ensured that all data relevant to answer the research question was taken into account. Some other topics emerged during the coding phase that were considered as important to give context to the data in the discussion part. For example, some respondents mentioned the history of the organization to explain the design of the current organizational structure or gave arguments why the organization wants to reinforce customer-centricity.

At first, all transcripts were read for multiple times and all text fragments in the transcripts that provided information belonging to a certain code were assigned with that particular code. As mentioned, some topics emerged during the coding phase, therefore coding was not a linear, but rather an iterative and comparative process. Codes that emerged were compared to the transcripts of other interviews to check for missed text fragments.

As sequel to data reduction, an overview of all data corresponding to a specific code was displayed in a table. This was a continuous process, rather than the end of the data collection (Miles & Huberman, 1994). The data display allowed the researcher to draw conclusions (Miles & Huberman, 1994).

The last step of the analysis was drawing conclusions, which was done per proposition. All information belonging to a proposition displayed in the table was checked by the researcher for whether the content of the information was in line with each other or contradicts each other. Eventually, the different views about the proposition are provided in the results section. As every proposition belongs to a dimension of the organizational structure, the researcher determined based on the provided views how the organizational structure could be designed such that it reinforced customer-centricity. Consequently, the proposition per dimension was either proved or disproved.

Research quality indicators

Confirmability

Since this research was qualitative, both the semi-structured and the results were subjected to the construction of reality by the researcher herself. The confirmability of the research was enhanced by a colleague of a consultancy organization that went along the interviews and also reviewed the process of analysis and drawing conclusions. Moreover, a semi-structured interview invited respondents to share insights with the researcher without being directed (Darlington & Scott, 2002). The topic list prevented from preferences of the researcher during the interviews and guaranteed that all topics were covered.

Confirmability was also enhanced by conducting expert interviews. Two employees of the AFM who monitored the banks and insurance companies in The Netherlands were interviewed. Also a

professor of Tias Business School was interviewed who is currently conducting research about customer-centricity. Both expanded the knowledge of the researcher concerning the research phenomenon.

Dependability

The dependability of the research was enhanced by the documentation of the interviews by means of records and transcript. Next to this, the process of analysis was made transparent by assigning codes to the transcripts and the data display. Consequently, the conclusions that were drawn could be evaluated based on objective data by others (Bryman, 2008).

Another used method to enhance the dependability was both the participation of multiple cases as well as mainly two or more respondents per case. This allows the researcher to draw more substantiated conclusions (Swanborn, 2010). The whole process of analyzing the data was done by the researcher herself, to enhance consistency.

In the interviews, the researcher presented herself as both a student of Tilburg University and a trainee at the consultancy organization. As the colleague of the consultancy organization also presented the organization he is working in, the context of the interview became more commercially which could had an influence on the openness or willingness of the respondents to answer the questions. However, the researcher did not experience any reservation by the respondents to provide information. The researcher explicitly stated in advance of the interview that the information was taken into account anonymously and not used for any commercial purposes by the consultancy organization. The confidentiality of the respondents was also enhanced by interviewing them in their natural surroundings, the organization. This made it more likely to receive honest answers.

Credibility

The credibility of the research was enhanced by having the concept of 'customer-centricity' as first topic of the topic list (Alvesson, 2003). This ensured that the respondents and researcher discussed about the same concept. Furthermore, the topic list is substantiated by the operationalization table and was also discussed by the researcher and her colleague for good understanding by the respondents (Alvesson, 2003). For example, some words were framed to a more financial language instead of science language.

As the analysis was a continuous process from drawing conclusions and verifying it with reference to the transcripts (Miles & Huberman, 1994), the conclusions that were drawn are more credible to the respondents. All respondents participating in this research have only a few commonalities as working in a financial organization and being related to customer-centricity. This fostered the credibility of the conclusions since it is substantiated by respondents looking from different functions and organizational contexts.

Transferability

Since the research design was a case study and included cases within one particular sector, the financial sector in The Netherlands, transferability of the conclusions is limited (Bryman, 2008). However, transparency in both the data collection as well as the data analysis enables other researchers to evaluate whether the conclusions could be transferred to other sectors in The Netherlands (Bryman, 2008).

Results

The results of the data analysis are provided in the following section. These are structured in paragraphs, corresponding to the four dimensions of organizational structure. First, horizontal differentiation is discussed and followed by horizontal integration as the latter should cross the boundaries created by horizontal differentiation. The same applies for vertical differentiation and vertical integration.

Illustrative quotes of the interviews were used to substantiate the results, although these were not translated to exclude the interpretation of the researcher. At the end of each paragraph, the proposition corresponding to the specific dimension was either accepted or contradicted based on the outcomes.

Horizontal differentiation

Regarding horizontal differentiation, the researcher proposed that customer-centricity could be reinforced by the division of labor based on customer segments. This proposition was partly supported by the interviews.

Respondents argue that subunits should be divided based on functional tasks at first. Afterwards, the functional tasks determine whether the subunit should be further divided in customer-segments to reinforce customer-centricity or not. The respondents argue that only the functional subunits that could directly identify customers' needs should be further divided based on customer-segments, such as the callcenter and the management of complaints.

By focusing on one customer segment, the subunit becomes specialized in the needs of that particular customer segment and is therefore also more able to understand these needs according to the respondents. They argue that the understanding of needs allows employees to build and maintain a long-run relationship with their customers. In addition, understanding of customers' needs also enables employees to be more responsive to those needs.

"Je moet [als organisatie] heel erg goed je klant kennen, weten wat de impact is van je product en daar moet je passende maatregelen op nemen." (Respondent 1)

"Een team wat dedicated is met een team klanten, daar geloof ik in...[het team kent] de klant dan door en door. " (Respondent 10)

Respondents were not sure about the feasibility of restructuring the entire organization to subunits based on customer segments. They argue that there should also be subunits that are specialized in the creation and maintenance of a certain product or IT system to maintain efficiency in the organization which is required to be more responsive to customers' needs.

"Je hebt nu natuurlijk het pensioenbedrijf, schadebedrijf, bankbedrijf en levenbedrijf. Dat zullen we wel zo blijven houden maar daar moet je meer vanuit doelgroepen en klanten gaan denken." (Respondent 6)

"Wat je [als organisatie] uiteindelijk wilt is de klantreis voor de klant zo efficiënt mogelijk maken." (Respondent 11)

In addition, respondents also argue that the restructuring of the entire organization based on customer segments is also obstructed by regulators. They argue that regulators are not capable to handle an organizational structure that is organized around customers as this will create many points of contact to monitor all customer segments.

"De toezichthouder kan daar [een organisatie dat volledig is ingericht op klantgroepen] niets mee, die is niet zo georganiseerd. Die praat over het hypotheekbedrijf. Dat is dus best lastig om dat te gaan veranderen. Dus je moet er een structuur bij bedenken." (Respondent 6)

Conclusion

In conclusion, the organization should divide its subunits based on functional tasks at first. Afterwards, it should be decided whether a subunit is able to directly identify customers' needs. If so, the subunit should be further divided based on customer-segments. All other subunits in the organization should not be further divided based on customer segments as this will obstruct customer-centricity since the efficiency in the organization will be reduced. This will hinder the responsiveness to customers' needs. Therefore, proposition 1 "dividing subunits based on customer segments will reinforce customer-centricity" is partly accepted.

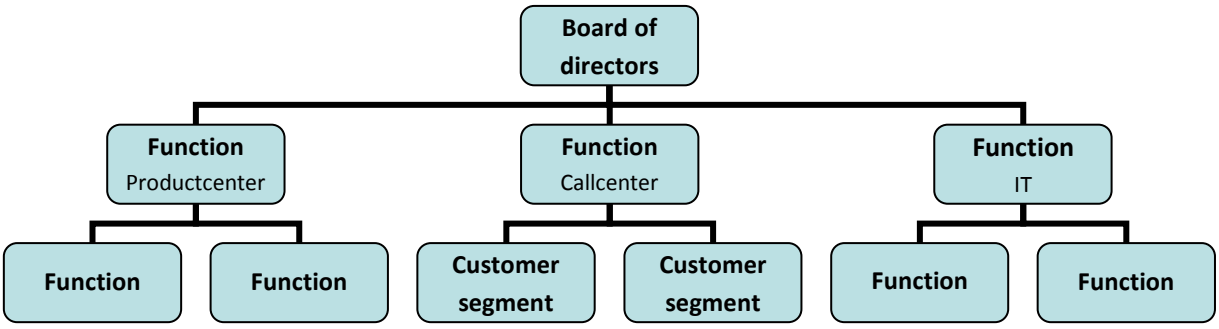


Figure 1 - Illustration horizontal differentiation

Horizontal integration

Regarding horizontal integration, the researcher proposed that customer-centricity could be reinforced by having an integration role in the organizational structure that forces subunits with various specializations to work together in the value creation of customers. This proposition was supported by the interviews although two other horizontal integration mechanisms are also required in the organizational structure to support customer-centricity. First it is explained why integration mechanisms should be added to the organizational structure according to the respondents. Afterwards the three mechanisms are discussed.

According to the respondents, the subunits should not aim to reinforce customer-centricity separately. The respondents explain that the customer travels throughout various subunits in the organization - by so called customer journeys - when he has a request or buys a product or service. Therefore, the customer does not evaluate the separate subunits but the entire organization in their ability to create customer value. Therefore, respondents argue that the increase of customer value could be achieved by aligning all subunits participating in the customer journeys.

"Nee de klant kijkt niet naar operations, maar naar de organisatie als geheel. Niet naar één van de silo's." (Respondent 13)

"Voor een klant is een dossier pas afgerond als er een eindresultaat is. Voor een klant is het pas afgelopen wanneer zijn verlenging of een nieuw product geregeld is. In verzekering- en bankenland denken we dat we klaar zijn wanneer we aan de callkant de telefoon ophangen, de adviseur denkt dat hij klaar is wanneer hij een rapport heeft gemaakt, en bij operations zijn ze klaar wanneer de brief is uitgestuurd." (Respondent 1)

Respondents argue that the customer journey should be experienced by the customers as fluidly as possible to reinforce customer-centricity. The customers should not experience any delays or defects for example. Therefore, respondents state that subunits which participate together in a customer journey should be focused on the maximization of value in the customer journey instead of working at cross purposes.

"[elke subunit] heeft een eigen profit & loss verantwoordelijkheid. Het gevolg daarvan is dat wanneer je tussen businesslines wil samenwerken, dat gaat prima maar iedereen heeft een ander doel en belang waar hij of zij uiteindelijk op wordt veroordeeld aan het eind van het jaar tot en met wat er in de performance contracten staat van mensen." Ik vind dat we van dat soort silo-denken vanaf zouden moeten, want als je echt het klantbelang centraal hebt dan gaat het er om waar de klant het best bedient kan worden." (Respondent 12)

"Optimalisaties in de organisatie moeten starten met de klant in het midden." (Respondent 13)

Respondent 11 explains how this will reinforce customer-centricity with an example: when subunit A is focused on the value creation for customers in its own subunit, it will handle the request of the customer within 2 minutes for instance. However, if the next step in the customer journey is subunit B and this subunit waits for one day to handle the request, the process in the customer journey is still not reduced although subunit A did handle the request as quickly as possible. When the subunits will

work together they could reduce the time that the request is in between subunit A and subunit B. So the subunits have to be focused on adding value to the customer journey which travels across subunits instead of maximization of value for customers in their own subunit only.

"[Je moet als organisatie zorgen dat] de schakelpunten tussen afdelingen goed georganiseerd zijn en dat je probeert altijd vanuit het proces te kijken en daar mensen verantwoordelijk voor te maken. Niet op hun smalle stukje, maar de hele keten." (Respondent 11)

"Er zit een hele machine achter de organisatie wat de klant helemaal geen moer interesseert. Wanneer die belt wil die dat de telefoon opgenomen wordt. Als die een mutatie wil doorgeven of iets wil veranderen, dan moet dat in één week geregeld worden." (Respondent 1)

Using the organizational structure, the respondents mention three integration mechanisms that could be applied to reinforce customer-centricity as shown in figure 2. At first, they argue that it is most important to integrate the subunits in chain management structures in which all subunits related to the customer journey are included. Secondly, the organization should add an independent subunit to stimulate and facilitate interaction between various interactions according to the respondents. Thirdly, the respondents argue that the organizations should create task forces to reinforce customer-centricity. In the following, each of these three integration mechanisms is explained in more detail.

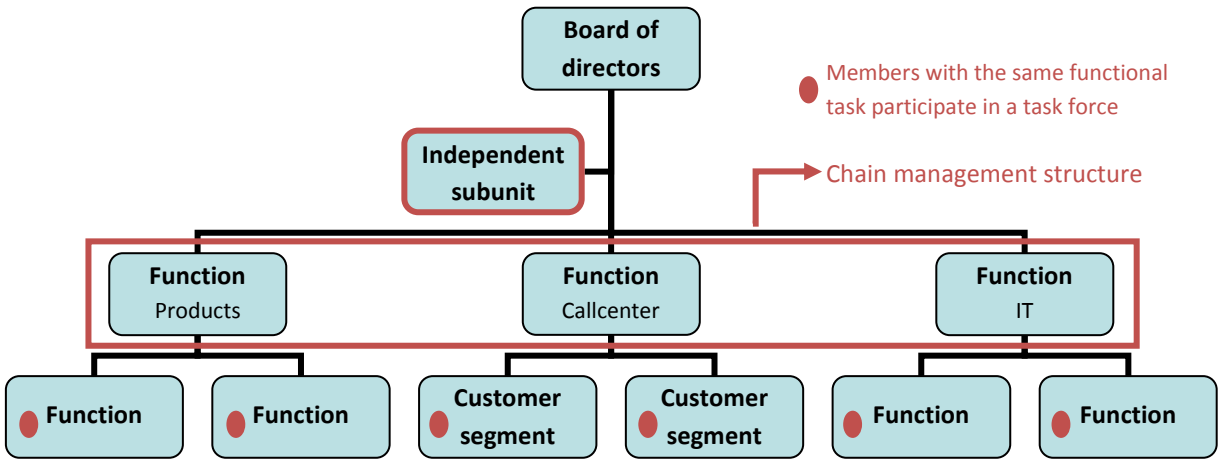


Figure 2 - Illustration horizontal integration mechanisms

Chain management structures

Nowadays, most subunits are held accountable only for the goals of their own subunit according to the respondents. However, they argue that this creates silo-behavior which means that every subunit is only focused on its own activities. Therefore, a subunit often chooses the easiest way to overcome defects that arises in the customer journey or the subunit transfers the problem to a next subunit and will not be held accountable for the problem anymore according to the respondents.

"Je hebt een klant aan de telefoon en die heeft een probleem…Ik kan heel makkelijk zeggen van ik zet het uit in de volgende stap in de keten, maar weet je dan ook zeker dat het goed gaat? Of heb je ergens een onderbuikgevoel van dit gaat niet goed, en ik moet ingrijpen." (Respondent 1)

The respondents argue that the customer does not benefit from this behavior as the customer will be provided with the easiest solution for the organization instead of the best solution for the customer in the end. The alignment of all subunits related to the customer journey in chain management structures is needed to make the customer central in their functional activities.

"Het belang van de klant is gebaat door te acteren volgens de ketenstructuur, en niet iedere afdeling op zich." (Respondent 10)

Respondents argue that in a chain management structure, all subunits should feel themselves responsible for the total customer journey and should do anything that maximizes the value in the customer journey. To force this, respondents suggest that the subunits should receive shared goals for customer-centricity by means of kpi's which should be imposed by one person or subunit that is held accountable for the alignment of the subunits in the chain management structure. This person should get grip on the entire customer journey according to the respondents.

"Als je mensen al in de waardestroom, in de ketens, laat samenwerken dat helpt [om het klantbelang in de organisatie te versterken],…Maar dat moet je dan wel tastbaar maken in de vorm van kpi's." (Respondent 11)

Respondent 12 and 13 explained what will happen when the subunits will receive shared goals by the following quote:

"Dan zie je dat ze gezamenlijk verantwoordelijk voor het geheel zijn waardoor het wel degelijk interessant is om te kijken naar wat je toespeelt naar de volgende persoon of het daar goed terecht komt. En wat kan ik anders doen om het hem makkelijker te maken? Je ziet dat ketenkpi's en gedeelde verantwoordelijk met name in samenwerking een enorm verschil maakt." (Respondent 12)

"Dus dan denk je niet meer van 'wij hebben alle metertjes op groen staan'. Nee de klant kijkt niet naar operations, maar naar de organisatie als geheel. Niet naar één van de silo's. Dus daar zie je de draai van silo-dominant naar keten-dominante sturing. Dat zie ik als een goede stap om weer meer klantgericht je organisatiemodel in te richten." (Respondent 13)

Respondents argue to cross the boundaries of functional activities, the exchange of knowledge is required as subunits are interdependent of each other. For example, the callcenter receives feedback from customers about a certain product, while the product subunit need to be responsive to customers' needs. Therefore, the callcenter and product subunit need to interact with each other as explained by respondent 5:

"Zij[callcenter] verkopen de dingen aan de klanten… Dus als zij klantsignalen krijgen dan moet dat naar ons [productdivisie] toe. Dat is wat minder makkelijk, organisatorisch gezien is dat voor ons minder makkelijk. Daar moet de klant niets van merken hoor!" (Respondent 5)

"Een productmanager moet gaan leren dat die niet in zijn eigen ivoren toren mag gaan uitzoeken voor welke nichemarkt hij een goed renderend product gaat maken. Maar dan moet je [als organisatie] zeggen 'nee we moeten het helemaal andersom doen, jij moet continue monitoren en signaleren wat die klant vindt van jouw product. En jij moet je product daar proactief gaan aanpassen." (Respondent 5)

Most important according to the respondents is that the entire chain management should start with the customers' needs as these needs should determine what the functional activities should do and how they do it. In the example of respondent 5 above, the product subunit should adapt the product to the customers' needs derived from customer signals. A product that is build further on customer signals is more adapted to customers' needs and will therefore provide more value for the customer according to the respondents. To achieve this, respondents argue that the subunits that are able to directly identify customers' needs as explained in the section 'horizontal differentiation' should be made decisive in the chain management structures as they know best what the needs of the customers are.

"Wat je nu hebt is dat je iets veranderd in de backoffice, en dat zij [backoffice] geen idee hebben wat dat betekent voor frontoffice. Frontoffice komt vaak achteraan. Call zou veel meer leidend moeten zijn, het is nu nog meer het slotstuk." (Respondent 14)

"De signalen die we dagelijks van onze klanten krijgen willen we ophalen en van leren. We willen ze omzetten in verbetervoorstellen en monitoren dat er voldoende voortgang op zit." (Respondent 4)

"Optimalisaties in de organisatie moeten starten met de klant in het midden." (Respondent 13)

As subunits were normally working towards their own subunit's goals, it is difficult for them to think in shared goals according to the respondents. They argue that this process could be facilitated by adding an independent subunit to the organizational structure.

Independent subunit

Respondents argue that the aim of the interdependent unit should be to facilitate interaction between subunits and to make the subunits aware how this maximizes value for customers. However, this subunit should not held accountable for customer-centricity in the organization but should only have a facilitating function mentioned by the respondents. Therefore, they argue that whenever working in chain management structures has become the regular way of thinking in the organization, the role of the independent subunit could disappear.

"We [het programma] willen de kennis tussen de verschillende onderdelen en divisies met elkaar in aanraking laten komen om zo elkaar van elkaar te leren… en je merkt de toegevoegde waarde van samenwerking en het delen van ervaringen. Dat is in eerste instantie opgezet vanaf het programma. Maar dat gaat zelfstandig verder." (Respondent 8).

"Doel van deze afdeling [onafhankelijke subunit] is om onszelf op te heffen, dat er geen aparte versnelling nodig is voor de klant." (Respondent 6)

The respondents mention for example that the independent subunit could arrange meetings in which several functional activities take part to become aware of the impact the subunits have on each other. The respondents argue that such a meeting will facilitate exchange of knowledge between the various subunits of all steps in the customer journey and how this could experience more fluidly by the customers. This knowledge will make the separate subunits more aware of the influence their own activities have in the customer journey according to the respondents.

Respondents 11 illustrates this with an example: in case the conditions of a product are changed without informing the customers that use this particular product, the callcenter will receive many questions about this change. When the subunit that has changed the conditions was aware of this consequence, it could prevent the many calls by sending a letter in advance to the customers to clarify the change in advance or it could have warned the callcenter for the many calls so that the callcenter could take this into account in the capacity planning. This would have been beneficial for the customer as he received clarity in advance or was served more quickly. So, subunits that interact with each other and are aware of the influence their own activities have on other subunits reinforces customer-centricity.

"Een klant is uiteindelijk gebaat bij duidelijkheid, bij snelheid, en bij foutloosheid zo uit het hoofd. Wat je bijvoorbeeld ziet op het punt van duidelijkheid dat het al enorm kan helpen om klanten vooraf duidelijkheid te geven hoe een polis tot uitkering komt en welke stappen er wanneer worden doorlopen. Dan weet de klant precies waar die aan toe is en dat vindt de klant fantastisch." (Respondent 11)

Task forces

In addition to the exchange of knowledge beyond functional boundaries, also meetings that will facilitate the exchange of knowledge within functional activities will reinforce customer-centricity according to the respondents by so called task forces. The respondents explain that often the same functional activities occur at more subunits in the organization. The exchange of knowledge concerning best practices will help to make arrangements for the entire organization and to maximize customer value according to the respondents.

"Er zijn een aantal werkgroepen waarin allerlei verschillende mensen zitten uit allerlei organisatieonderdelen. Bijvoorbeeld over polisvoorwaarden herschrijven, of producten op de markt zetten die aan de klantbehoefte voldoen. We [de organisatie] kijken hoe we dat uniform kunnen implementeren. We zijn bezig met onderzoeken naar de klant, het opstellen van kpi's. overal zijn er werkgroepjes die zich bezig houden met de onderwerpen voor klantbelang centraal, en het denken daaruit, dat het in verschillende onderwerpen en pijlers zo goed mogelijk ingebed worden in de organisatie." (Respondent 7)

The respondents explain that after a task force meeting, all employees go back to their own subunit and practice with the shared knowledge and best practices. This enhances the quality of the service to customers. Respondents argue that task forces should be created for all themes that directly influence the value creation for customers. The independent subunit which is discussed above could be used as initiator of these task forces.

Conclusion

In sum, the interaction of subunits to maximize value for customers appeared to be really important for the reinforcement of customer-centricity. In the organizational structure three integration mechanisms could be applied to reinforce customer-centricity. At first, it appeared to be most important to integrate the subunits in chain management structures in which all subunits related to the customer journey are included. Secondly, the organization should add an independent subunit to stimulate and facilitate interaction between various subunits. Thirdly, the setup of task forces will reinforce customer-centricity.

Therefore, proposition 3 “having an integration role in the organizational structure that forces subunits with various specializations to work together in the value creation of customers will reinforce customer-centricity” is accepted as the person that is held accountable for the alignment in the chain management structure could be viewed as an integration role. In addition, the integration role need the support of both an independent subunit that facilitates the process towards the chain management structure and crosses functional boundaries as well as the support of task forces that facilitate the exchange of best practices between employees that have the same function in the organization.

The following quote illustrates how the outcome of using these integration mechanisms could be:

“De allerbelangrijkste is ‘hoe werken we samen?’. Kennen we elkaar genoeg en hebben we vertrouwen in elkaar dat wanneer ik een steek laat vallen dat jij het oppakt? Één voor allen, allen voor één mentaliteit. Niet van ‘dat is niet mijn probleem, IT moet dat oplossen’, maar meer ‘wat vervelend, we hebben als keten een probleem. IT hoe kunnen we jou helpen om die verstoring zo snel mogelijk op de rit te hebben?’.” (Respondent 13)

Vertical differentiation

Regarding vertical differentiation, the researcher proposed that customer-centricity could be reinforced by holding managers accountable for customer-centricity on all levels of the organization.

To reinforce customer-centricity in the organization, the respondents argue that it is not sufficient to establish a project or a separate subunit that is held accountable for customer-centricity for the entire organization. They argue that this will make customer-centricity something that is obliged instead of something that it preferred by employees themselves.

"Je kan wel een project hebben om het op gang te brengen, maar als het ziet als een project dan geloof je er niet echt in. Het moet in de genen van je organisatie gaan zitten." (Respondent 6)

"Customer-centricity moet iets van onszelf worden. Elke medewerker moet een soort intrinsieke motivatie krijgen om zich af te vragen wat in het belang van de klant is." (Respondent 4)

Top-down

To reinforce customer-centricity in the organization, the respondents mention the importance to hold employees accountable for customer-centricity in the business lines. They argue that this will create ownership of employees on every level in the hierarchy and makes customer-centricity visible in all functional activities in the organization.

"Het [de verantwoordelijkheid voor klantbelang centraal] moet niet aan mensen hangen, maar aan het bedrijf. Dus de verantwoordelijkheid in de lijn, het rapporteren." (Respondent 4)

Respondents reason that this integrated approach is needed to reinforce customer-centricity as activities related to customers are performed at every level in the organization. Therefore, the respondents argue that every employee should receive kpi's that are focused on the reinforcement of customer-centricity.

"De klant zit van de meeste hogen ogen strategie waar op de vloer niemand wat mee kan tot dagelijkse sturing. Het zit overal." (Respondent 12)

"Ik vind dat je alleen het maar goed kunt borgen wanneer het vanuit de lijn gedragen wordt, en dat mensen het in hun eigen functie, in hun eigen werkzaamheden terug laten komen." (Respondent 4)

"Als je dat niet borgt van hoog tot laag in de organisatie dan.. uiteindelijk hoe je het ook went of keert, mensen kunnen ergens super enthousiast over zijn maar uiteindelijk kijkt iedereen toch naar zijn leidinggevenden. Als je baas het niet doet, of het niet uitstraalt dat hij het belangrijk vindt, of het alleen maar zegt maar in zijn acties het tegendeel doet, dan ga je iets niet overeind houden. Het is gewoon van belang dat het van hoog tot laag gedragen wordt." (Respondent 12)

Holding people accountable in the business lines starts at the strategic level. This level determines the vision and strategy for the organization. As the goals for the tactical level derive from this, it is important that the vision and strategy signal the importance of customer-centricity to realize the organizational goals according to the respondents.

Consequently, the respondents argue the strategic level should determine the goals for the tactical level, specified to the content of the functional activities. Then, the content of the kpi's could differ from each other per subunit although they all should contribute to the reinforcement of customer-centricity.

"Er worden jaarlijks plannen gemaakt, strategie en doelen. Dat wordt van abstract naar voor mijn unit afgeleide doelstellingen. Dat wordt steeds operationeler. Dus in mijn unit wordt dat weer vertaalt naar de afdelingen. Dus wat betekenen deze doelen voor deze afdeling qua doelstellingen, kpi's en activiteiten. Dat gaat zo door tot het medewerkers niveau want in de persoonlijke doelstellingen van de medewerker is een afgeleide van de organisatiedoelstellingen. Dit zijn jouw ontwikkelpunten en dit is wat jou verwacht wordt." (Respondent 11)

On tactical level, the same process should be repeated according to the respondents. Managers on the tactical level hold the operational level accountable for the reinforcement of customer-centricity. The tactical levels should not only set kpi's on subunit level, but also should steer on chain management structures by setting collective goals in the chain as discussed at the section 'horizontal integration'. The content of the kpi's will determine whether employees on the operational level will reinforce customer-centricity or not, as respondents mention that what gets measured gets done.

"Je krijgt waarop je stuurt." (Respondent 3)

"De meters moeten gemaakt worden door de medewerkers. Daar moet het belegd worden, dat maakt het leuk want dan wordt de veranderbereidheid ook groter." (Respondent 7)

"de kokers [functionele subunits] die blijven wel want het blijft natuurlijk één grote mutatiefabriek waar een fabrieksdirecteur op zit. Maar je kunt wel zorgen dat die schakelpunten goed georganiseerd zijn en dat je probeert altijd vanuit het proces te kijken en daar mensen verantwoordelijk voor te maken." (Respondent 11)

However, the respondents also mention the strategic level hardly knows about the customers' needs. The respondents argue that employees on the operational level often know better what will reinforce customer-centricity as they experience defects in the customer journey directly and are more interacting with customers. Therefore, the respondents also commend a bottom-up approach.

"Ik geloof zelf niet zo dat alles top-down kan..[want medewerkers moeten] zelf denken wat goed is voor de klant." (Respondent 10)

Bottom-up

Every employee in the organization has a circle of influence to reinforce customer-centricity according to the respondents. The tactical level has more influence than the operational level for example, however both could reinforce customer-centricity within their own influence.

"Nee, jij bent het als persoon. Het is jouw verantwoordelijkheid, binnen jouw invloed. Dat is die circle of influence." (Respondent 2)

As stated above, the respondents argue that employees at the operational level often know better what will reinforce customer-centricity compared to the tactical and strategic level as the operational level directly interacts with customers. Therefore, the respondents argue employees at the

operational level should also have their own accountability to transfer these ideas to the level above. Next to this, the respondents argue it is important to give employees at the operational level the possibility to fulfill the needs of the customer by using its own discretion within predefined frames. Then, these employees could really do what is the best for customers instead of using procedures.

"Dat het ook interacteert met elkaar, en cascadeert zowel van beneden naar boven, als van boven naar beneden." (Respondent 12)

Conclusion

Respondents argue that customer-centricity should be incorporated in the business lines by using kpi's. By using the business lines, every employee receives a circle of influence in which he or she could reinforce customer-centricity. The respondents argue it is important for the strategic level to use their influence by signaling customer-centricity as goal of the organization as the kpi's of other levels should be derived from the goals set by the strategic level. The tactical level should use its influence to determine the frames in which the employee on the operational level could reinforce customer-centricity by using its own discretion. The operational level should also be held accountable for their influence to transfer the knowledge they obtain about customers' needs to higher levels.

In sum, every employee in the organization should be held accountable for customer-centricity within their own circle of influence. Employees are held accountable by their managers. Therefore we can conclude that proposition 2 '*holding managers accountable on all levels of the organization reinforces customer-centricity*' is accepted.

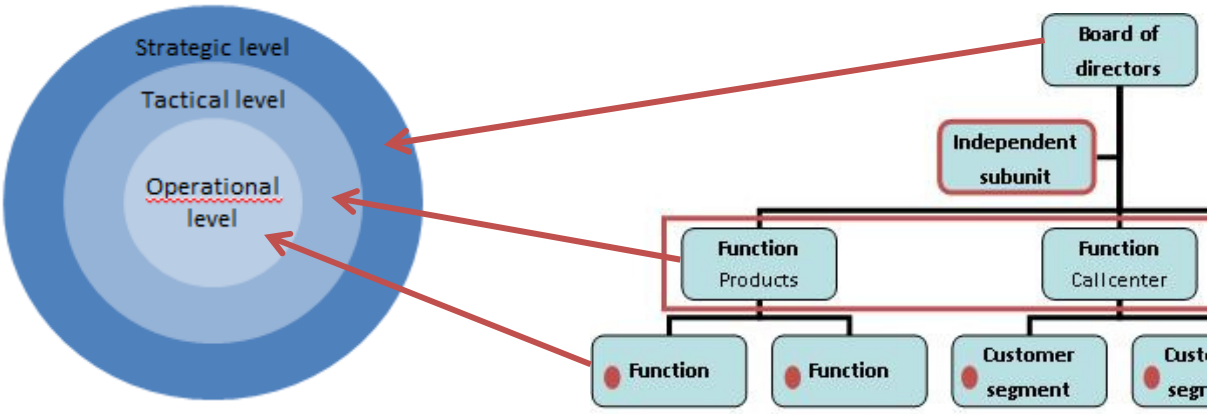


Figure 3 – Illustration vertical differentiation by means of circle of influence

Vertical integration

Regarding vertical integration, the researcher proposed that customer-centricity could be reinforced by having a hierarchy of authority in the organizational structure that forces the various organizational levels to work together in the value creation of customers. This proposition is confirmed, although another integration mechanisms appeared also to be of importance.

Hierarchy of authority

The respondents argue for two vertical integration mechanisms. At first, the respondents argue that there should be a hierarchy of authority in the business lines, so that the goals and values of every level will be derived from the level above and translated into kpi's. This hierarchy of authority will determine whether an uniform strategy will be followed in all subunits. Therefore, the strategy should incorporate customer-centricity as all kpi's will be derived from the strategy in the end according to the respondents. They argue that when all goals and values are aligned with each other by using the hierarchy of authority, customer-centricity will be reinforced.

"Als je uniforme stuurinformatie hebt dan maak je dingen transparant. Dan kun je direct de vinger op de zere plek te leggen." (Respondent 4)

Independent subunit

As described earlier, the respondents argue that not only a top-down approach is needed to reinforce customer-centricity, the operational level should also interact with the levels above as these employees know best what the customers' needs are. Therefore, respondents argue for an integration mechanism that facilitates a bottom-up process also. According to them, an independent subunit should be added to the organizational structure. This subunit could be same as mentioned in the section 'horizontal integration'.

The respondents mention that the aim of this subunit should be to make customer-centricity part of every level. This is needed as the different levels need each other due to limitations in their own circle of influence. Respondents explain this by an example about the operational level. This level is not always able to reinforce customer-centricity without support from the tactical level as the tactical level has the authority to make changes in the total customer journey. So the levels need to interact to reinforce customer-centricity. The independent subunit should be a neutral person in the organizational structure that should be enabled to discuss topics on every level independently as commend by the respondents. They argue that such a subunit could transfer issues concerning customer-centricity on the operational level to higher levels.

"[De subunit] als intern geweten, interne raadgever, ondersteuner, en om de discussie mee te kunnen voeren, kunnen helpen om zaken op directieniveau bespreekbaar te maken. Gewoon als ideegenerator of wat dan ook." (Respondent 2)

"Je ziet dat door het klantbelang centraal te coördineren en te faciliteren [als onhankelijke partner] blijft het klantbelang op de agenda staan en houden we er snelheid in. En dat is heel belangrijk denk ik." (Respondent 8)

"Voor korte termijn wanneer het nog niet helemaal in de genen zit heb je een onafhankelijke partner nodig die los van eigen targets, want die hebben wij niet, volstrekt onafhankelijk zegt 'dit gaat niet goed', of 'dit moet anders'. Met rechtstreekse lijnen, tot bestuur en toezichthouders." (Respondent 2)

Next to this, the subunit could be used to bring the customers' voice to the tactical and strategic levels. Respondents mention this will create awareness on every level about the customers' needs, and followed by the organization its right to exist, to serve customers.

"Alle managers hebben [van de onafhankelijke subunit] de opdracht gekregen om drie klanten te bellen. Toen die managers klanten moesten helpen ging het in het managementteam niet meer over werkvragen maar ging het over klanten die ze gebeld hadden." (Respondent 6)

Conclusion

According to the respondents, customer-centricity could be reinforced by two integration mechanisms. At first, a hierarchy of authority is needed to make all levels working towards the same goal, the reinforcement of customer-centricity. This facilitates the top-down approach to make everybody accountable for customer-centricity as discussed in the section 'vertical differentiation'. Secondly, an independent subunit should be added to the organizational structure to transfer issues from the operational levels to the levels above and also to make every level aware of the customers' needs.

Therefore, proposition 4 "having an hierarchy of authority in the organizational structure that forces the different levels to work together in the value creation of customers will reinforce customer-centricity" is accepted, although not sufficient to reinforce customer-centricity in the entire organization.

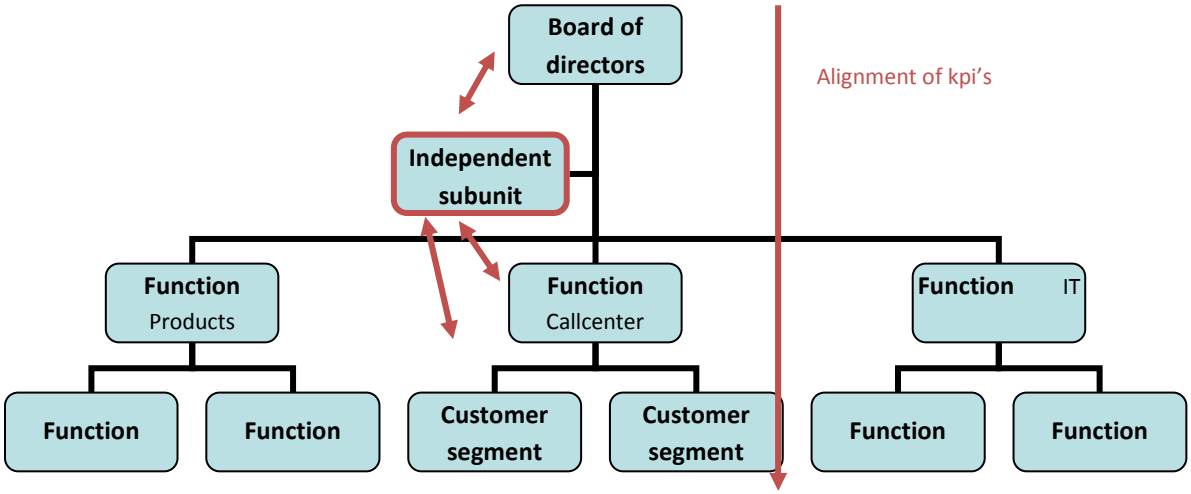


Figure 4 - Illustration vertical integration

Conclusion

This research aimed to examine how the organizational structure of banks and insurance companies in The Netherlands could be designed such that it reinforces customer-centricity. The research question that guided this study is the following:

"How could banks and insurance companies in The Netherlands design their organizational structure such that it reinforces customer-centricity?"

The answer to this question is given in the sections below, based on the four dimensions of organizational structure which are discussed in the results section.

The results suggest that horizontal differentiation based on functional activities enhances the efficiency of the organization, thus reinforcing customer-centricity. However, to understand the customers' needs deeply it is important to divide the subunits that have these task based on customer segments. Next to this, it is required that all functional activities related to the customer journey should be aligned in chain management structures to integrate the horizontal specializations of the organizations. This is needed as they all have a task in the customer journey and the customer journey should be as fluidly as possible for customers. In the chain management structures, the subunits that serve customers directly should be decisive. This could be facilitated by an integrated subunit that facilitates the subunits to work together in the chain. In addition, task forces could also enhance the quality of each theme in the organization related to customers, to also reinforce customer-centricity.

Vertical differentiation could be divided over all levels in the organization to reinforce customer-centricity. Every employee has a own circle of influence to reinforce customer-centricity and therefore every employee should be held accountable for customer-centricity by using both kpi's in the subunit as in the chain management structures. At the same time, the different levels need each other because their level of influence differs from each other. To integrate the different levels with each other, both a hierarchy of authority by which the goals of the subunits are aligned with each other as well as an independent subunit is needed to transfer the customers' needs and issues on the operational level concerning customer-centricity to a level that has more authority.

Discussion

This research seeks to contribute to the growing body of knowledge about customer-centricity as customer-centricity appeared to be easy to assert but difficult to build and sustain in organizations (Hart, 1999). The research answered this difficulty by providing a possible organizational structure that reinforces customer-centricity as the organizational structure is important for this reinforcement (Kates & Galbraith, 2007). The answer is derived from a multiple case study that was conducted in one bank and six insurance companies in The Netherlands in which fourteen respondents were interviewed.

Theoretical implications

At first, the research elucidated the relevance of the division of subunits based on customer segments. In line with Jones (2010), the research found horizontal differentiation based on customer segments will align the functional skills and competencies with the needs of the customer. However, the research questioned whether this will reinforce customer-centricity. In agreement with Narver and Slater (1990), it appeared that the subunits based on customer segments were beneficial to subunits whose goal is to deeply *understand* customers' needs as this allows the organization to build and maintain relationships with customers. However, the *response* to customers' needs is not benefitted by having subunits based on customer segments as this is at expense of the efficiency of the organization. Therefore, proposition 1 'dividing subunits by customer segments reinforces customers-centricity' was partly confirmed.

An explanation may stem from the complexity of customers' needs nowadays. Customers want to obtain a higher quality of services but are at the same time focused on saving costs. These needs are sometimes ambiguous as the understanding of their needs' could enhance the quality of the service although this will increase the costs of the service at the same time. Therefore, organizations should take care for both high quality services as well as the maintenance of efficiency in the organization, and are therefore forced to combine both the specialization in customer segments as well as in functions. This underpins the theory by Kates and Galbraith (2007) who argued that most organizations should use more than one dimension in the horizontal differentiation to achieve their goals.

The research substantiated previous research by proving the importance of holding people accountable and facilitating the sharing of knowledge to achieve the goals of the organization (Day, 2006). Kumar et al. (2006) stated that the value creation for customers increases when the organizational structure facilitates a mindset that crosses functional boundaries. This research extended this statement as it was found that this could be done by making all managers in the organization accountable for shared goals in the chain management structures that correspond to customer journeys. This new finding is in line with current literature as it states that employees will only work towards goals that will be measured (Shah et al., 2006). When employees receive goals for their own subunit only, the motivation to work together decreases as this could hinder the achievement of the subunit goals.

By a shared accountability, a direct relationship between subunits is created which enhanced the motivation for knowledge sharing (Lawrence & Lorsch, 1967). Previous research already stated the importance of knowledge sharing between subunits to influence the overall performance (Choi, Lee

& Yoo, 2010). The research extended the previous statement by applying it to customer-centricity. The research found that the organizational structure have to facilitate knowledge sharing as this will reinforce customer-centricity. Both the sharing of knowledge within as well as beyond functional boundaries was found to be essential to increase the organization's ability to understand and respond to customers' needs. In addition, the various levels have to interact with each other. The research found that employees on the operational level have more knowledge to reinforce customer-centricity as the levels above. The organizational structure that is provided uses various integration mechanism to facilitate this.

The research extended scientific literature concerning organizational structure and customer-centricity as it was not previously discussed which various integration mechanisms could be applied to reinforce customer-centricity. In line with Sheth et al. (2000), the research found that all integrating mechanisms should facilitate the alignment of all subunits around the customer value-added activities to reinforce customer-centricity. Both an integrating role and a hierarchy of authority to reinforce customer-centricity in proposition 3 and proposition 4 were confirmed as integration mechanisms that reinforces customer-centricity. However, the research also highlighted that these integration mechanisms will not be sufficient to reinforce customer-centricity as these integration mechanisms only perform well with the support of both task forces as well as the addition of an independent subunit.

Although the integration mechanisms that were provided to reinforce customer-centricity were rather new to the field of reinforcing customer-centricity, they were not new in the field of organization theory (Nelson & Quick, 2012), with except from the independent subunit as previous research did not mention such a subunit before. The independent subunit is a temporary and independent position in the organizational structure whose aim is to facilitate a change in the organization without any mandate. The subunit is enabled to transfer issues from one level to the other level without any self-interest. Although such a subunit could be compared with a project, they differ from each other as a project is based on defined end deliverables and times frames (Gido & Clements, 2014). Therefore, a new integration mechanism is added to the literature.

All in all, the strength of the contributions to current literature and the provided insights as described above stems from their ability to extend current literature instead of only confirming them. Now the field of customer-centricity is enriched with more insights of how the organizational structure could look like such that it reinforces customer-centricity and what should be taken into account once rethinking the organizational structure. This enables researchers to gain a better competitive advantage which is followed by organizational performance.

Practical implications

Prior to the practical implications, it should be noted that the research assumed organizational structures as formal patterns of how people and tasks have been differentiated into several distinct subunits in the organization, each subunit performing a portion of the tasks, and the efforts of each being integrated to achieve the organizational goals (Tushman & Nadler, 1978). The structure is composed of different dimensions which should be internally consistent to achieve the organizational goals, in line with the term configurations of Mintzberg (1992). In addition, organizational structure will continue to be in flux because they are means to ends (Day, 2006).

Therefore, the proposed organizational structure should not be interpreted as the best or desired end-state of the organization, but better as a possible configuration of the different parts of organizational structure.

Banks and insurance companies could benefit from this research as it highlighted the important role organizational structure plays in the achievement of organizational goals, in this case the reinforcement of customer-centricity. As banks and insurance companies are forced to wonder "How the business can fit into the customers' process, rather than the other way around" (Van den Bergh et al., 2012, p. 1), they have to rethink their organizational structure such that it reinforces customer-centricity. Furthermore, as many of the banks and insurance companies in The Netherlands are nowadays monitored by the AFM, it is important to make visible efforts to become more customer-centric and to challenge the organizational structure. The research provides insights how banks and insurance companies could design such a structure. In the end, this will help these organizations to deal with competitors as being more customer-centric is a competitive advantage that is hard to rival (Day, 1999). The most important insights are described below.

At first, when these organizations want to design a structure that reinforces customer-centricity, they should make a difference between subunits that could directly identify customers' needs and subunits that could not. This determines whether the subunit should divided and therefore become primarily specialized in customer segments or in their function.

Customer-centricity requires the reinforcement of customer-centricity by every employee in the organization. Banks and insurance companies should therefore make every manager accountable for customer-centricity in the organization through a hierarchy of authority. At the same time, these organizations should force subunits to work together in the reinforcement and not only work towards their own subunit goals. Therefore, the subunits that participate in the same customer journeys should receive a shared accountability for customer-centricity.

In addition, to make every subunit and employee working together in the reinforcement of customer-centricity it is important to facilitate knowledge sharing both in as well as beyond the boundaries of functions. This will make the customer journey fluidly as everyone is aware of the previous and next steps for the customer and acts based on best practices. This could be facilitated by integration mechanisms such as chain management structures, task forces and an independent subunit.

Limitations and future research

There should be acknowledged some limitations of the research. The results are based on seven organizations and the within-sample sometimes consisted of one respondent per organization. It would have strengthened the results if the within-sample would have been larger as the researcher could not ask for ambiguities to a second respondent in the same organization. In addition, the researcher herself was not well-acquainted with banks and insurance companies in advance of the research. Therefore, it was difficult to receive all information of the organization by interviewing one respondent as the researcher should become well-acquainted with the organization and gather all relevant data within one hour. As a consequence, the provided insights could be rather characterized as broad instead of in-depth findings as the researcher was not able to distinguish in-depth information from the various respondents. For example, it was not clear for the researcher whether

all respondents mentioned the same kind of chain management structures or whether these differ from each other. However, this would also not benefit the transferability of the research as the findings were less applicable to other organizations as they are now.

Another constrain in the within-sample was that hardly no respondent was aware of the entire current organizational structure and what could be improved to reinforce customer-centricity. Some of the cases were therefore not included in the research as it appeared during the interviews that the respondents were not capable to answer any of the questions. However, these respondents were put forward by the organization themselves as employees that challenged both customer-centricity as well as the organizational structure in the organization. The respondents that were capable to evaluate both the current organizational structure as well as the points of improvements in this structure to become more customer-centric are taken into account during the data analysis.

The characteristics of banks and insurance companies could had an influence on the outcomes. Both banks and insurance companies seem to be highly conservative (Vermeulen, 2004) and are highly formalized and standardized in their products and activities (Dohmen et al., 2009). This stabilizes their organizational structure and generates resistance to change as organization members seek to maintain the status quo that protects their own interests (Hannan & Freeman, 1984). In addition, many managers in the financial services industry display risk-avoiding behavior (Vermeulen, 2004) and are perceived as being extremely “rational” decision-makers who are focused on mainly focused on costs and efficiency tools (Brouthers, Brouthers & Werner, 2000). Therefore, the outcomes could be subjected to structural inertia (Hannan & Freeman, 1984) as the respondents may be limited by the current organizational structure. Since this research rest on Dutch banks and insurance companies, it is impossible to determine how generalizable our findings are to other countries and/or other industries. Future research could be done to address this issue and to identify key design principles for organizations in general to reinforce customer-centricity.

The research on the presented topic is still in its early stage as organizational structure is one topic in a larger research project as other components of the organization also contribute to the reinforcement of customer-centricity, as strategy and culture do (Kumar et al., 2006; Mitreanu, 2005). This was also confirmed by various respondents for several times. However, the research excluded these elements from the results to maintain the scope of the research. As the organizational structure is influenced by other organizational areas (Kates & Galbraith, 2007), it will be an interesting topic for future research to examine the other areas of the organization and the relation between the various areas. This will help researchers to explain the differences in organizations concerning customer-centricity and will enable managers to define the path to customer-centricity.

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Appendices

A. Topic list

Introductie van het interview **(5)**

- Doel
- Tijdsduur
- Structuur van het interview
- Vertrouwelijkheid van informatie
- Informatie is niet goed/fout, het gaat om visies en meningen
- Vooraf vragen/opmerkingen?
- Toestemming vragen voor geluidsopname

Voorstelrondje (**5**)

1: Voorstellen + Relatie met KBC

- Respondent
- MC'er
- Pauline

KBC als concept **(10)**

2: Concept Klantbelang Centraal

- Wij verstaan onder kbc het maximaliseren van de klantwaarde door het kennen én reageren op de behoefte van de klant om zo waarde voor de organisatie creëren.

3: Doel van de organisatie met KBC

4: Klantbehoefte achterhalen

5: Klantwaarde creëren

KBC & organisatiestructuur **(25)**

6: Aanpassing organisatiestructuur op klantbelang centraal

7: Bijdrage van verdeling divisies

8: Samenwerking divisies

9: Bijdrage van verantwoordelijkheden

10: Samenwerking organisatieniveaus

Evaluatie **(5)**

11: Tevredenheid over invulling klantbelang centraal

12: Verschil met 4 jaar geleden (voor financiële crisis)

13: Succesfactoren

14: Uitdagingen voor de toekomst

Afsluiting (**5**)

- Vragen/opmerkingen
- Spreken andere mensen in de organisatie
- Terugkoppeling van resultaten
- Bedanken

B. Operationalization table

Concept	Definition	Dimension	Subdimensions	Indicators
Customer-centricity	The capacity to deeply understand and respond to customers' needs to maximize the value for customers and in the process, to create value for the organization. *(Mitreanu, 2005; Shah et al., 2006; Boulding et al., 2005)*	Customers' needs (*Bayus, 2007)*	Articulated needs Not-articulated needs	How do you identify customers' needs? What do you change in response to customers' needs? How does the organization deal with the different needs of customers?
		Value creation *(Graf & Maas, 2008)*	Long term Short term	What do you mean with customer-centricity? How should the interests of the customer be central in your organization? How does the vision of the organization fit with customer-centricity?
Organizational structure	The formal pattern of how people who are performing tasks have been differentiated into subunits, and consequently the effort of each being integrated to achieve the organizational goals. *(Lawrence & Lorsch, 1967; Tushman & Nadler, 1978)*	Horizontal differentiation *(Jones, 2010)*	Function Product Market Geography Nation Strategic business unit Other	On basis of what indicator are the subunits divided? How are the various subunits divided?
		Horizontal integration *(Jones, 2010)*	Hierarchy of authority Direct contact Liaison role Task Force Team Integrating role Integrating team Other	What is designed to facilitate integration between subunits? How is knowledge exchange facilitated? How are best practices shared among the various subunits?
		Vertical differentiation *(Jones, 2010)*	Strategic Tactical Operational	On which level in the organization are people held accountable for customer-centricity? Which functions in the organization have kpi's focused on customer-centricity?
		Vertical integration *(Jones, 2010)*	Hierarchy of authority Direct contact Liaison role Task Force Team Integrating role Integrating team Other	What is designed to facilitate integration between the organizational levels? How is the strategy translated to the operational level?