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GENSET

The Cable & Wireless Award for Customer Focus

Introduction

GenSet is a leading supplier in the equipment hire sector. Established in 1972, it now sees itself as the market leader in the supply of engine-driven welders, generators, lighting towers and mobile welfare units within Britain. Based in Port Talbot, Wales, the company's 50 staff deliver a service that brings in around £36m. p.a.. Alongside GenSet are its sister company, GenQuip, incorporated in 1998, and Gen Set SpA, Pavia, Italy - established in 1974 and for whom GenSet acts as sole supplier, for welders and generators, in the UK and Ireland.

GenSet's Mission Statement is that:

"We are the Market Leader for welders, generators, and lighting towers in the UK and Southern Ireland.

We intend to maintain our position and increase our market share by focussing on providing excellent customer service and adding high quality products to our range."

GenSet's success in the Customer Focus award reflects its focus on maintaining its market position, through long-term collaborative partnerships and delivering the levels of customer service that enable it to retain a premium price in a highly competitive market. The strong growth in market share, seen in recent years, will level off and, so, the company has put the product extension of its quality products as a central theme to underpin future growth.

The company's success has been reflected in either winning, or gaining commendation in, a number of business awards; further enriching the brand value of the company.

Market Environment

Since GenSet supplies equipment hire companies that, in turn, supply leading construction companies, plus the retail trade, it must take an extremely proactive approach to its immediate customers and its end-users.

Speedy Hire has forecast that the overall Tool and Plant hire market, worth some £4.4bn. today, will grow by around 12 percent, by 2010, driven by:

- Continued high levels of activity in the construction market
- Increased legislative and regulatory emphasis on safer working practices
- The maintained drive towards outsourcing of non-core activities

- Customers' increasing emphasis on quality assurance, supply chain and health & safety standards

In addition to the cyclical nature of the various markets that make up the construction sector, GenSet has identified an on-going process of consolidation amongst the major players in that sector. Recognising that this process would work its way along the supply chain to GenSet's immediate customers, the company has utilised customer focus as a key theme in its strategy of becoming a valued partner of the leading equipment hire companies. Hence, consolidation has tended to continue confirming its market leadership, rather than threatening to erode it.

Within this market, GenSet sees itself as the market leader and claims an 18 percent market share; for turnover, the company indicates a 38 percent compound annual growth 2001-07, against an estimated four percent growth in the overall sector. Since the top 10 companies are seen as accounting for half of the sector's turnover and GenSet has already established partnerships with these key players, the company recognises that future growth is as likely to come from product extensions [e.g. addressing the £1m. per day lost due to fraud, theft and vandalism of plant] and from service extensions [e.g. training].

GenSet demonstrate the power of focusing on Critical Success Factors - those product features valued by customers and at which an organisation must outperform the competition - to underpin a strong market performance in a highly competitive market. On the upturn, clients will be looking for evidence that partners can cope with the breadth and depth of challenges presented by expansion, geographically, numerically and across diverse sub-markets [Speedy Hire, for instance, has seen 40 percent growth in its customer base, due to organic growth and acquisition]. During a downturn, meanwhile, partners will be looking for an organisation that can reduce costs, without sacrificing project outcomes, against a 'flight to quality' by end-customers. The ability to quickly apply the knowledge and understanding that GenSet derives from its Customer Focus puts the company ahead of its competition, whichever way the market is turning.

Developing a Customer Focus

Having been proposed for business awards relating to Human Capital and Business Improvement, whilst its sister company is recognised as a Fast Growth company, GenSet clearly does not see Customer Focus as its single focus. Rather, it integrates Customer Focus into everything that it does, so as to engender an holistic approach to developing a 'virtuous cycle' of improvement across all levels of the group.

At the outset - and in marked contrast to the worst elements of the culture of the construction sector, decried by both the Latham and Egan reports - GenSet has set itself the challenge of sustaining long-term partnerships, against a backdrop of sustained stakeholder satisfaction.

The stakeholder model adopted by the group focuses on:

- Shareholders
- The team
- Customers
- Supplier partnerships
- Neighbours [both local and national]
- The environment [via its Corporate Social Responsibility initiatives]

Perhaps its approach to developing its team, centred on the core of its 50 staff, would help to demonstrate the necessity of addressing both the formal and informal aspects of an organisation, whether one is embarking upon or seeking to sustain a strategic initiative. The group uses formal process, such as the Investors in People benchmark [gained in 1999], to scaffold improvements and to embed these within both its formal operations and its company culture. In addition, a focus on 'people magic' seeks to engender a self-sustaining culture amongst all levels of its staff, without which GenSet could not be confident of offering the highest level of customer service expected by its key customers.

Recognising the myriad of daily barriers that stand in the way of such an optimistic vision, GenSet sees operating a no-blame culture as an essential requirement for any organisation that, seriously, embarks on putting Customer Focus at the heart of its activities. A no-blame approach to Customer Focus, in itself, demands that the organisation seeks to empower its staff and to build flexible operating procedures around that.

All too many organisations adopt the mantra of becoming a top-three company, from misconceptions of the Profit Impact of Market Share research [PIMS], only to find that they failed to deliver the customer benefits upon which high performance rests. GenSet tracks turnover and market share, but it is its margins and net profit that drive the company's approach to Customer Focus; building up CSFs that reflect the realities of each customer's individuality.

All of the above are seen as resting upon the company's core values of:

- | | |
|--------------------|----------------------|
| • Integrity | * Respect |
| • Customer delight | * Excellence |
| • Teamwork | * Positiveness |
| • Enjoying work | * Open communication |
| • Improvement | * Innovation |
| • Empowerment | * Motivation |

Differentiating GenSet

The company has identified four aspects that make it different from its competitors:

- Partnerships
- Market intelligence
- `Customer delight`
- Recognition

The company puts Key Account Managers at the heart of its partnerships, empowering these KAMs to then build up the precise team that each customer project requires. As the person responsible for setting the specifics of the yearly goals relating to each customer, the KAM is encouraged to be rigorously realistic about the prospects for each customer project, taking a medium-term perspective on each account and working through the full-lifecycle benefits of investment in each account, for GenSet. Seeking the earliest possible involvement in customer projects is something that seems valued by the top companies and brings all round benefits.

Going beyond desk-research of leading market reports, the group seeks out anything that will help it to refine the CSFs and Key Performance Indications [KPI] that it relies so heavily upon. That the company's top 10 customers account for half of the market, clearly, helps in this regard but it cannot be a substitute for rigorously seeking out critical information. One must, also, keep remembering the difference between Data, Information and Knowledge Management - which is why GenSet uses the term Market Intelligence, to keep it on track.

Adopting a multi-focus approach, the group draws upon everything from a quick email [scaling performance 1-10] after every delivery, through KAM feedback, to regular six-monthly customer discussions. Uniting these multi-level inputs, into daily operations, the group uses the NetPromoter software to monitor its NetPromoter Score, as a benchmark to set against external intelligence gathered.

Challenged that `every complaint is a gift` has become one of those mantras that organisations repeat in place of actually delivering something, GenSet argues that it is only by seeking out concerns that it can ensure `customer delight`. Given the poor focus on customers demonstrated in the wider construction sector and the strong loyalty derived from the company's long-term partnerships, it was felt that one has to, actively, overcome the customer's natural tolerance of some issues. Otherwise, one cannot pro-actively develop the products and services that customers actually need, especially given the timeframes that GenSet operates within and the complex legislative environment that cloaks many of its operations. The development of the training provision offered to its customers is seen as an example of how combining market intelligence and challenging `customer delight` has turned a latent demand into a mutually rewarding initiative.

Recognition is a reflection of what has gone before. Whether it is internal, such the profit-share scheme, or external, such as the various business awards, it provides a means on turning intangible competences into tangible

resources. Once again, a key step in engendering a `virtuous circle' of company development.

Benchmarking Success

As already discussed, the Customer Focus at GenSet is set within a wider stakeholder model and the essential tracking of turnover and market share is not allowed to overshadow the critically important measures of margin and net profit.

Whilst sustaining a compound annual growth of around 38 percent, the company has been able to keep gross margins at around 29 percent. Central to both of these is the ability to maintain a premium price, due to the demonstrable Quality and Time advantages that it is able to deliver. Some customer partnerships are well into their second decade and GenSet claims not to have lost a customer, for around six years. The external recognition of being ranked the top supplier by Speedy Hire, A-Plant and HSS Hire is a telling mark of competitive advantage - in each, case these top firms have a roster of some 3-4,000 suppliers.

The introduction of strategic account management, some two years ago, is bearing fruit. Benchmarks like the need to respond to a customer issue within half an hour and empowering staff, so that the contact person can deal fully with that customer issue, have become standardised within the organisation. Consequently, the relatively small team has shown itself able to both create and sustain rapid growth; with future projections seen as being well within GenSet's capabilities.

The trust that has built up within the partnerships involving GenSet, its suppliers and its customers translates into early involvement in project planning; which, in turn, enables the competing demands of Quality, Cost and Time to be better managed and a stronger return on investment seen, over the life of these partnerships. Further, when GenSet develops prototypes, its customers are comfortable to pilot these within their fleets and to provide the critical appraisal required for further refinement; a powerful competitive advantage over other suppliers and something that enables GenSet to get its products to market much faster, without concerns over quality issues or operational challenges cropping up later.

Having consolidated its existing markets, GenSet can look forward to continued expansion, through the development of new markets and products. Building upon the trust that long-term partnerships bring and utilising its market intelligence to identify areas where it can add-value, GenSet is expanding its training offering and developing such support as providing temporary technical staff joint marketing campaigns. Geographically, GenSet looks to expansion within Europe and its strong Customer Focus should see it avoiding many of the pitfalls seen in international expansion.

The company has made strong use of transferring skills and understanding from one initiative to another. For instance, several of the partner organisations brought in to help GenSet achieve Investors in People status are still working with company; which might explain why its last resignation was back in 1998 [the year before IiP status]. Only, now they are developing those aspects of personal development, highlighted for IiP, that are critical for improved Customer Focus. GenSet's ability to critically evaluate when to look inwards and when to draw upon outside expertise for its development has enabled such a compact team to develop the skills for future success without compromising the daily challenges of its current commitments.

The environmental aspects of GenSet's approach to Corporate Social Responsibility helps to demonstrate the stakeholder approach to its Customer Focus. Not only is pressing for environmental improvements in what it does GenSet being a 'good neighbour', but its major clients are increasingly putting environmental issues central to their KPIs and CSFs; moreover, the company's market intelligence can see that developments in the legislative framework of the sector will only quicken this trend, enabling GenSet to gain a First-mover advantage.

Past success is rarely a predictor of future performance. However, as customers like Speedy Hire identify additional income streams in such diverse areas as Disaster Recovery, Event Management, Agriculture and the Pharmaceutical industry, it will be GenSet's Customer Focus that keeps it ahead of such trends. GenSet sees its current accounts as the Past and its NetPromoter Score as its Future

Learning Points

The dramatic growth of the company and its consistent commitment to enhancing its Customer Focus are intertwined; each fuelling the other, in a 'virtuous circle'. Nothing would be achievable without strong commitment from its team and without the 'no blame culture' that enables any first point of contact to take on a customer issue and see it resolved.

Customer focus is, indeed, central to everything that GenSet does, but it is not a company reliant on a single approach, rather one employing a multi-strand approach that entwines each of its initiatives to deliver a strong competitive advantage.

Keeping a firm grasp of all six elements within its stakeholder model and a clear focus on the four differentiators that it fells sets the company apart has helped GenSet to sustain valuable partnerships with key players within the sector. It is this that provides the stable platform for GenSet, within a highly competitive and cyclical sector, to deliver the customer requirements that others cannot. Such long-term support from customers enables the company to invest in areas that will not bring tangible rewards for some years and to be realistic in its target-setting

Flexibility would be the death knell of any of the approaches that GenSet relies so heavily upon. Hence, the importance of creating operating systems and a management information system that respond to the company's objectives, rather than constrains them, cannot be underestimated.

Recognising the critical elements of the formal and informal aspects of the organisation's structure and culture is central to the company's ability to exploit them. A simplistic and flexible structure would just not support the organisational expectations of GenSet, without a strong culture to provide strength, intuition and commitment; whilst too rigid and formal a structure would constrain its ability to target responses to customer needs and to respond to market dynamics.

Summary

Without customers, companies are not needed and yet it does not follow that all companies demonstrate good Customer Focus. Indeed factors such as lock-in and inertia contribute to a situation where one cannot even assume that the top three companies are even the 'best'. Yet, GenSet's approach was seen as demonstrating that its market leadership was firmly derived from its Customer Focus; moreover, that this, in turn, enables it to support its customers in becoming high performance organisations

Many other companies profess the same qualities as GenSet, many have invested far more money into them, what impressed the NBA judges was GenSet's ability to make it actually happen, each and every day.