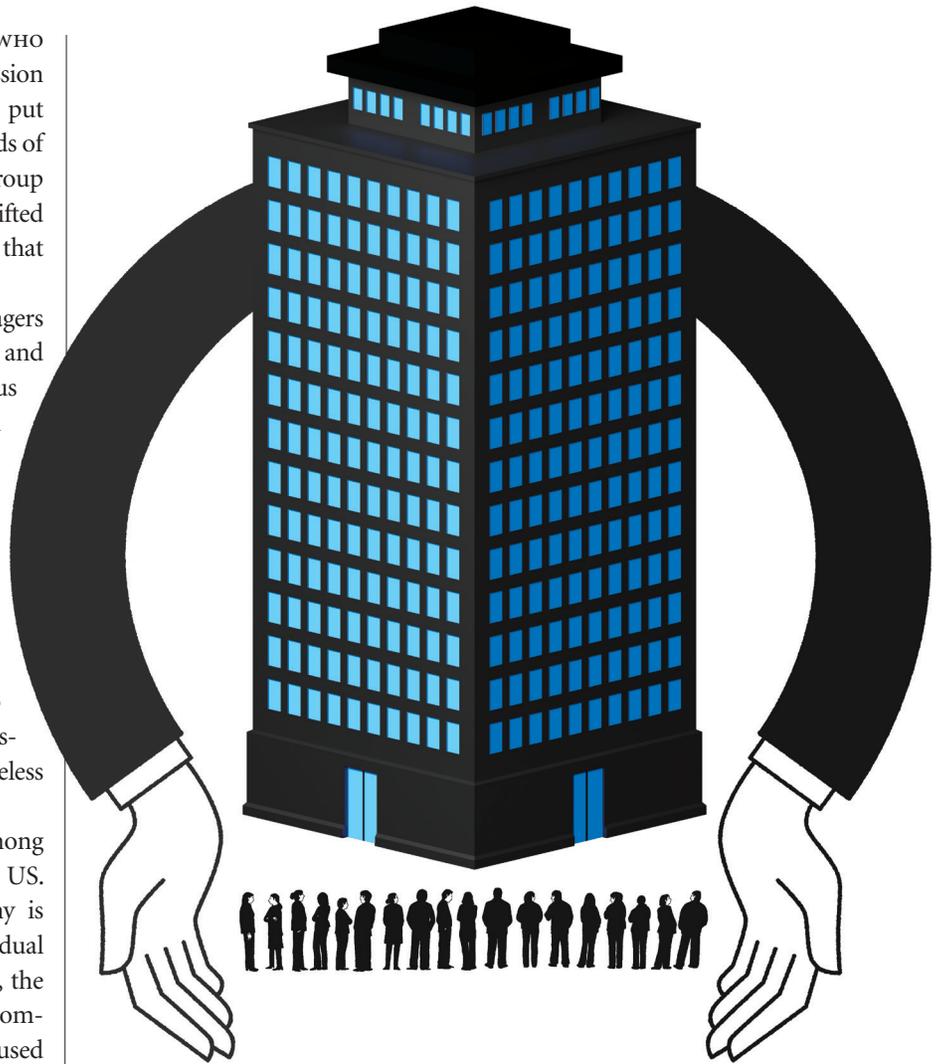


WHEN A COMPANY SETS ITS STRATEGY, WHO comes first? Most contemporary discussion suggests executives should either 1) put shareholders first or 2) balance the needs of *all* stakeholders. The Business Roundtable, a group of leaders of major US corporations, recently shifted toward full-spectrum stakeholder value, a move that has added significant heat to this discussion.

Shareholders rightly expect that the managers of their company will increase the firm's value and deliver a competitive return. But short-term focus on shareholder value and quarterly results can undermine the long-term sustainability of the business and its license to operate. With that in mind, a strong case can be made for stakeholder balance, including a focus on social issues that are aligned with business goals.

Our research, however, suggests that this discussion is a false choice. The companies that best serve all parties don't fall perfectly into either category. Instead, they prioritize the customer. Our research strongly supports the timeless adage that "the customer is king."

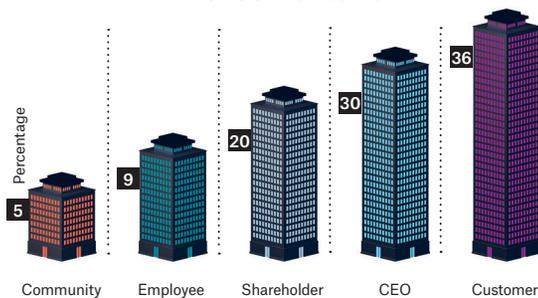
Brunswick Insight conducted research among 601 employees of large companies in the US. Employees were asked: "When your company is making decisions, which *one* group or individual comes first?" The options were: the customers, the CEO, the shareholders, the employees or the community the company is based in. Customer-focused companies came out on top as the most likely to



VALUE POPULATION

COMPANY FOCUS

When your company is making decisions, which GROUP comes first?



A Brunswick Insight survey points to a focus on customers as the primary key to exceptional business.

ROBERT MORAN and **NOAH KRISTULA-GREEN** report.

survive, to lead changes in their industry, and to be headed in the right direction. They also have the lowest reported level of employee turnover.

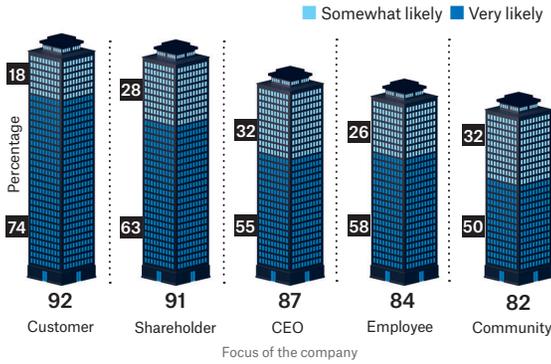
The results should raise concerns about the long-term health of Corporate America. Only 36 percent of employees surveyed report they are working at companies that are focused on customers. That means a solid majority (64 percent) believe they are working for a business that is *not* focused on customers.

Worse, almost a third (30 percent) feel that decisions at their companies put the CEO first. A leader-comes-first decision style is by its nature a values statement, a caution flag and a recipe for disaster. Our research shows that employees at these firms are

THE DATA SHOWS WHY THE CUSTOMER IS ALWAYS KING

1. SURVIVAL

TEN YEARS from now, how likely is it that the organization for which you work will exist?

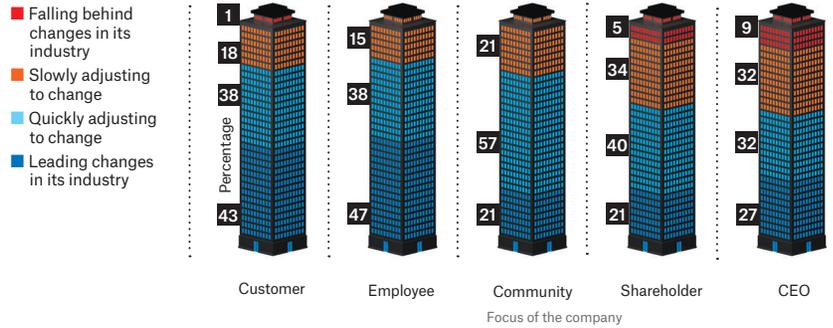


Asked if they believed their company would still exist 10 years from now, most answered positively, but employees at companies that focus

on the customer were the most confident. Nearly 75 percent responded that it is "very likely" that their workplace will survive.

2. READINESS FOR THE FUTURE

Which of the following best DESCRIBES the organization for which you work?



A full 43 percent of employees at customer-focused companies described their company as "leading changes" taking place in its

industry. Employee-focused companies fare slightly better, at 47 percent. By contrast, employees at businesses that focused on CEOs

or shareholders were more likely to characterize their company as "slowly adjusting" to change or even "falling behind."

3. MOVING IN THE RIGHT DIRECTION

Which DIRECTION is the company heading?



Nine of 10 employees at customer-focused companies agreed that their company is headed in "the right direction." For other company types, the data reveals a harsh assessment. One-third of employees who work at a CEO-focused company think it is "off on the wrong track" as do 23 percent of employees that work at companies focused on shareholders.

most likely to feel their companies are falling behind competitors and off on the wrong track.

Despite Corporate America's traditional rhetoric on delivering shareholder value, only 20 percent of surveyed employees believed that their companies actually put the interests of shareholders first.

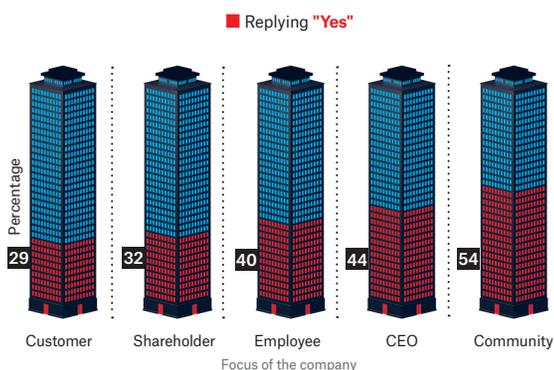
The data favors companies focused on customers, we believe, because that focus embraces a core premise—both practical and moral—at the heart of capitalism: By focusing on customers, value will flow to the company and by extension, the CEO, shareholders and the rest of society. This allows firms to survive recessions, increase in value and lead across multiple sectors.

Peter Drucker, the father of modern management theory, is widely credited with the saying that "the purpose of a business is to create a customer." But the plain-spoken Sam Walton put it best, "There is only one boss. The customer. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else."

There is something deeply reassuring about that simple idea that is echoed in our research: Focus on your customers and value will follow—for you, your shareholders and your stakeholders. ♦

4. RETAIN EMPLOYEES

In the last 12 months, have you looked for a NEW JOB?



Workers at companies focused on the customer showed a higher level of satisfaction with their current work and a stronger desire to remain at their current company. Only 29 percent reported looking for other sources of employment. Workers at other types of companies appeared more dissatisfied, implying problems with employee retention.

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