

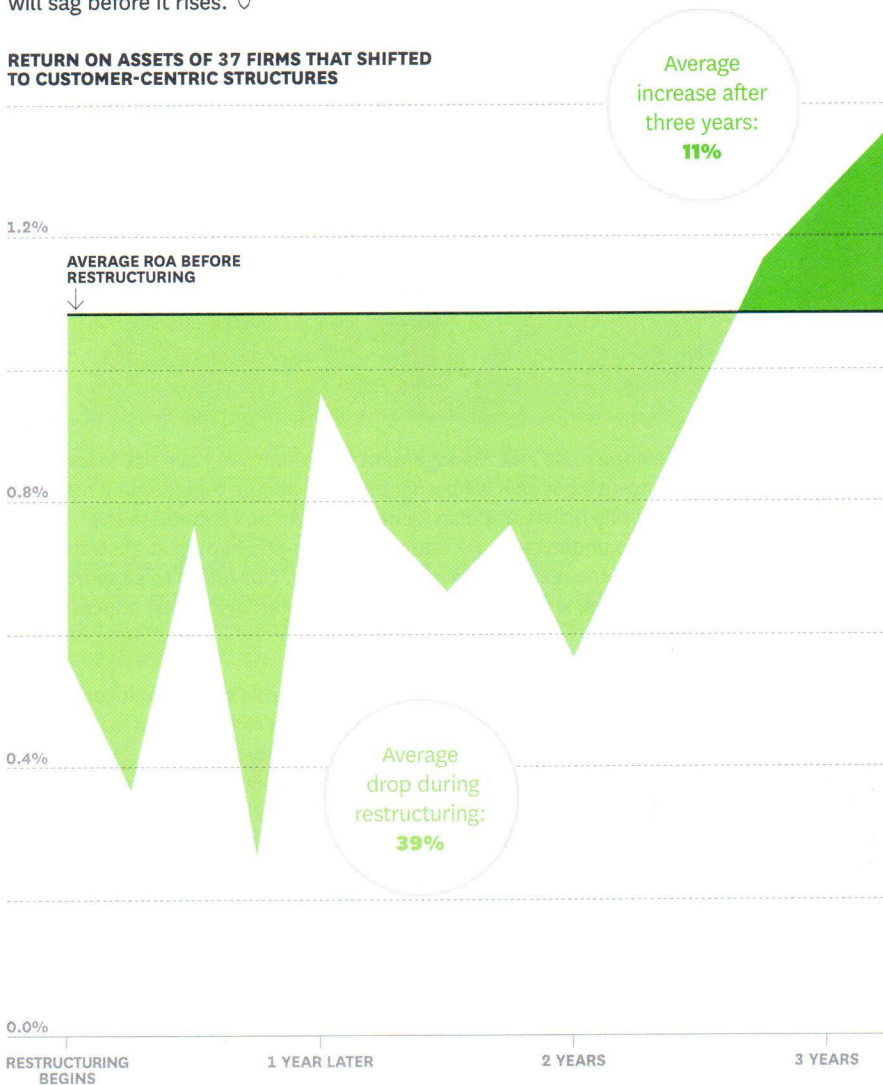
## CUSTOMER CENTRICITY FIRST, THE PAIN

Over the past decade many companies have refocused their structures on customer segments rather than products—about 30% of the *Fortune* 500 firms, including Intel, IBM, and American Express, have done so. But research led by Ju-Yeon Lee, of Lehigh University, shows that the benefits tend to kick in only after a couple of years of turmoil.

At 37 *Fortune* 500 firms that made the shift, ROA initially dropped by 39%, on average, recovering only after 10 quarters. Sometimes gains never materialized; this happened when competitors were meeting customers' needs or when customers were indifferent to greater customization and responsiveness. The good news is that improvement, if and when it came, was significant, averaging 11% over pre-restructuring levels.

CEOs should look carefully at the competitive landscape before embarking on a customer-centric restructuring and make sure everyone understands that performance will sag before it rises. ♡

RETURN ON ASSETS OF 37 FIRMS THAT SHIFTED TO CUSTOMER-CENTRIC STRUCTURES



SOURCE TEXT AND GRAPHIC ARE BASED ON A STUDY BY JU-YEON LEE, SHRIHARI SRIDHAR, ROBERT W. PALMATIER, ET AL.



## ENTREPRENEURSHIP FOR FOUNDERS, PREPARATION TRUMPS PASSION

Many would-be entrepreneurs see their passion as the ticket to success. For example, on crowdfunding sites they vie to outdo one another in emphasizing their enthusiasm for their projects. And when it comes to fundraising, that approach can work: Passion tends to appeal to nonprofessional investors eager to fund the next great idea.

But it's a different story when it comes to long-term success. New research on hundreds of founders reveals that passion has nothing to do with results a few years out. What matters is preparedness—whether founders have fully fleshed out their ideas, gained a deep understanding of their markets, and created plans for overcoming obstacles and exploiting contingencies.

A team led by Utpal M. Dholakia, of Rice University, conducted a series of studies (as yet unpublished) of projects entered in the largest university-level student entrepreneurship competition in the United States (held at Rice), in fields ranging from biotech and life sciences to consumer products and retail. At the outset the entrants cited passion