Dave D'Arcy · Laughing Leadership

Customer Performance Management

A white paper on customer operations and business performance

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This paper does not set out to improve the existing customer experience model. It sets out to replace it with one designed to deliver Customer Performance Management in a way that directly influences business performance, rather than simply managing activity.

I Dare You to Rebuild It

There is nothing fundamentally broken in the customer experience industry. It does what it was designed to do. It meets targets, produces reports, satisfies procurement, and sustains a commercial model that is well understood on both sides of the relationship.

That is precisely the problem.

The model works, but it only ever produces a certain level of outcome. It is effective at managing activity and cost, but it does very little to influence the performance of the business it supports. It has become a system optimised within its own boundaries rather than one capable of shifting those boundaries.

For years, people have talked about the end of outsourcing, the decline of the contact centre, or the disruption of the BPO model. The language has evolved, the tools have improved, and the locations have diversified, but the underlying construct has remained largely untouched.

The industry is comfortable with itself. It understands how to sell what it offers, how to buy it, and how to manage it. It knows how to control risk and how to demonstrate performance within the framework it has created. It is not under sufficient pressure to change at a structural level, and most of the people operating within it have little incentive to force that change.

The consequence is predictable. Businesses continue to describe themselves as customer-centric while treating customer management as a cost. They invest in initiatives, technologies, and programmes, but rarely alter the structure through which customer performance is delivered.

What is missing is not effort. It is a different discipline. That discipline is Customer Performance Management.

Defining Customer Performance Management

Customer Performance Management is the ownership and delivery of customer outcomes that directly impact business performance. It is not concerned with activity, capacity, or service levels as end goals. It is concerned with retention, customer value, revenue quality, behavioural change, and the financial stability those create.

It treats customer management as a driver of margin rather than a cost against it.

- Retention: reducing churn and preserving the customer base as a commercial asset rather than a managed liability.
- Customer value: growing lifetime value and revenue quality through deliberate engagement rather than transactional management.
- Behavioural change: influencing how customers act in ways that improve financial stability and reduce cost-to-serve over time.
- Accountability: consolidating responsibility with a single expert partner rather than fragmenting it across internal teams and external suppliers.

The model set out in this paper is based on a clear premise: responsibility for customer performance should sit with a single, accountable expert partner. If a label is required, it can be referred to as the D'Arcy Model. The label itself is not significant. The substance lies in the transfer of accountability and the way in which that accountability is exercised.

Customer Performance Management in Practice

At its core, Customer Performance Management can be expressed in simple terms. Responsibility for customer performance is transferred to a specialist partner, performance is measured against business outcomes, and the partner is given the autonomy required to deliver those outcomes.

Everything else follows from that position.

The business continues to define its strategy, its market position, and the value it is trying to create. Ownership of the brand and the customer remains with the organisation. What changes is how Customer Performance Management is structured and delivered.

Rather than being distributed across internal teams and external providers, each with partial accountability, responsibility is consolidated. A single partner takes ownership of designing, executing, and improving how the organisation engages with and manages its customers.

This is not a supplier relationship in the traditional sense. It is the transfer of accountability for Customer Performance Management.

The partner is not providing capacity or fulfilling a defined set of tasks. It is accountable for the outcomes that customer management produces within the business. Those outcomes sit at the level that matters, including retention, customer lifetime value, revenue quality, behavioural change, and the stability of customer-driven income.

How the Model Operates

The mechanics of delivery are no longer the subject of the contract. How the partner organises its operation, how it deploys technology, how it balances efficiency and quality, and how it manages its people are internal decisions. These are the means through which Customer Performance Management is delivered, not the outcome itself.

What remains with the client:

- Brand standards and regulatory requirements.
- Strategic direction and market positioning.
- Significant decisions that affect the wider business.
- Definition of outcomes to be achieved.
- Review of results against agreed measures.

What transfers to the partner:

- Day-to-day operational execution.
- Technology deployment and optimisation.
- People management and development.
- Efficiency and quality decisions.
- Accountability for business outcomes.

There remain clear boundaries. What is removed is the day-to-day supervision of activity and the reliance on operational proxies to define success. The client defines what needs to be achieved through Customer Performance Management. The partner determines how it is achieved and is held accountable for the result.

What Customer Performance Management Is Not

There will be those who recognise elements of this and conclude that it reflects an extension of existing approaches. Outcome-based pricing has been discussed for years, and many contracts include some form of performance-related incentive.

That is not what is being described here.

In most cases, the underlying structure remains unchanged. The commercial model is still built on activity, with outcome measures applied as an additional layer. The provider is paid for the work it performs, with some variation in reward depending on how well that work aligns to the client's objectives.

Customer Performance Management does not sit on top of that model. It replaces it.

In this approach, the client is not purchasing activity in any form. It is not buying time, headcount, or capacity. It is buying a defined outcome in the context of its own business performance. The provider will still model its operation around activity, volumes, complexity, and the resources required to manage them, but those considerations are internal to the provider. They are not what the client is paying for.

The provider is not selling access to a workforce. It is selling its ability to design and operate a system that improves customer performance. This distinction allows the provider to invest, redesign, automate, and reallocate without needing to renegotiate the commercial basis of the contract each time a change is made. Its incentive is to find the most effective way to deliver, not to preserve a predefined structure.

A Commercial Example

Consider a business where growth is increasingly dependent on the value of its existing customers.

In a traditional arrangement, the business would contract for capacity. It would agree volumes, define service levels, and measure performance against those metrics. Improvements in customer behaviour or financial performance would be indirect and often incidental.

In a Customer Performance Management model, the starting point is different.

- Defining outcomes: the business defines commercial outcomes over a three to five year period. These are board-level measures such as improved retention, increased revenue per customer, or better payment behaviour.
- The retained fee: a retained fee reflects the ongoing provision of capability. It is not calculated only as a function of headcount or volume, but as a reflection of the responsibility being assumed.
- Performance-based component: a performance element links the partner's reward directly to the impact it has on the business.
- Governance and oversight: the conversation centres on business outcomes rather than operational activity. The client sets the parameters and reviews the results, but does not manage execution.

Internally, the business may choose to integrate elements of its existing customer capability into the partner's structure, creating a single operating model with one line of accountability for Customer Performance Management.

Why Customer Performance Management Does Not Exist Today

The absence of Customer Performance Management as a discipline is not due to a lack of understanding. It is the result of how both sides of the market behave.

Providers are structured around the existing model. It allows them to scale, forecast, and manage risk in a controlled way. Moving to a position where they are accountable for outcomes requires different capabilities and a different level of exposure. It is easier to suggest that clients are not ready than to accept that the change required sits within the provider's own organisation.

Clients operate within the options available to them. They recognise that the current model does not deliver everything it could, but they continue to buy it because it is what is offered. They cannot ask for a structure that has not been presented in a credible way.

The result is a system that reinforces itself. Providers offer variations of the same model. Clients select between them. Both sides continue to operate within a structure that limits what can be achieved.

Customer Performance Management cannot emerge from that system without a deliberate decision to move beyond it.

The Choice Behind Customer Performance Management

Most organisations are aware that their current approach is not delivering everything it could. This is evident in retention performance, in the variability of customer experience, and in the repeated need to address the same underlying issues.

Despite this, the structure remains largely unchanged.

Customer management continues to be treated as a function to be controlled, measured, and contained. It is positioned as a cost, managed through activity, and expected to improve without any fundamental change in how responsibility is defined.

The alternative is to align customer management directly with business performance. That requires a commercial and operational model that reflects the alignment. It places responsibility with a partner whose role is defined by its ability to deliver business outcomes.

This is not a complex idea. It is a significant change in how control and accountability are structured.

Is Your Organisation Ready?

Embracing a Customer Performance Management model is a significant shift in how customer relationships are structured and managed. It moves beyond traditional service delivery metrics to a focus on commercial outcomes. Not every organisation is prepared for that transformation, and a clear self-assessment is essential.

Signs of readiness include:

- Strategic leadership vision: customer management is viewed as a strategic asset, not simply a cost centre.
- Willingness to cede control: there is acceptance that operational control must transfer in exchange for enhanced accountability.
- Frustration with current models: existing approaches are demonstrably failing to deliver expected results.
- Commercial appetite for shared risk: the organisation is open to shared-risk and shared-reward structures.
- Defined success metrics: the business can describe success at a strategic level beyond operational KPIs.

Signs it may be too early include:

- Cost-driven procurement: buying decisions are led mainly by cost reduction.
- Internal political barriers: silos prevent a single line of accountability.
- Undefined outcomes: the organisation cannot articulate measurable business outcomes.
- Focus on activity, not impact: internal energy remains fixed on call handling times, transactions, and service levels.
- Resistance to autonomy: the organisation wants to retain granular day-to-day control.

Recognising these conditions matters. An organisation that pushes for Customer Performance Management without the necessary internal alignment risks undermining the model and recreating old frustrations.

What the Right Partner Looks Like

Most providers are built for activity management. The right partner is built for something different.

- Outcome-driven accountability: accepts responsibility for predefined business outcomes, not just operational metrics.
- Strategic system design: can design, implement, and continuously improve a customer management system.
- Deep commercial acumen: understands the client's commercial objectives and links customer management to business strategy.
- Performance-based commercial model: is comfortable with reward linked to value created.
- Operational transparency: operates with clear performance data and open governance.

Making the Transition

Transitioning to Customer Performance Management is more than adopting a new framework. It is a fundamental shift in mindset and operational execution.

The transition requires four deliberate changes:

1. Define clear business outcomes. The organisation must articulate what it wants to achieve at a strategic business level, such as increased lifetime value, reduced churn, stronger revenue quality, or improved cash flow.
2. Restructure the commercial relationship. Existing contracts are typically built around activity-based remuneration. Customer Performance Management requires a framework that transfers accountability and aligns financial incentives with defined outcomes.
3. Select an outcome-oriented partner. This is not a traditional procurement exercise. The goal

is to find a partner capable of owning and driving business outcomes.
4. Empower partner autonomy. The client organisation must step back from day-to-day operational management and create room for the partner to innovate, optimise, and own the result.

The Objections Worth Addressing

"We cannot define outcomes at that level." If defining precise business outcomes for customer management seems difficult, that is a foundational problem worthy of resolution.

"We have tried outcome-based models before and they did not work." Many past attempts were outcome-incentivised activity, not true outcome-based partnerships.

"We are not ready to give up that level of control." The essential question is whether the current level of granular control is delivering the desired commercial outcomes.

"The risk is too high." In a Customer Performance Management model, risk is explicit, shared, and visible. In the traditional model, risk often remains invisible and is absorbed internally by the client.

A Note on Laughing Leadership

Laughing Leadership is the vehicle through which Dave D'Arcy partners with organisations committed to genuine Customer Performance Management.

The approach is direct, accountable, and focused on the structural transformation described in this paper. It is not about producing reports that gather dust. It is about tangible, commercially relevant change.

Laughing Leadership works intensely with a small, select group of organisations at any given time. If the challenges in this paper are recognisable inside your business, the next step is not a sales pitch or a proposal. It is a direct conversation to explore whether the conditions exist to achieve something different.

The Distinction That Will Become Visible

For many organisations, the existing model will continue to feel sufficient. It allows performance to be managed within known parameters and does not require a fundamental shift in how the business operates.

Adopting Customer Performance Management introduces a different set of expectations. It aligns customer management directly with business performance and requires a commercial and operational model that reflects that alignment.

- Line of accountability: a single partner owns the outcome. Fragmented responsibility is replaced by consolidated accountability.
- Meaningful time horizon: outcomes are defined over a commercial period, not managed quarter to quarter against operational proxies.
- No activity purchased: the client does not buy time, headcount, or capacity. It buys defined outcomes in the context of its own business performance.

Organisations that continue to treat customer management as a cost will optimise within that constraint. Organisations that adopt Customer Performance Management will operate with a structure designed to influence retention, customer value, and long-term performance.

That distinction will become more visible over time.

Dave D'Arcy · davedarcy.co.uk · Source: existing Customer Performance Management white paper published on Dave's website.