



Customer Experience Improvement **Momentum**

Engaging Employees for Sustained Profitability



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“What everyone in a company does can be reduced to one of two functions: to serve the customer or serve someone who does.” – W. Edwards Deming

Summary:

Momentum of customer experience improvement initiatives is in jeopardy. Lack of cross-functional alignment and organization-wide employee engagement impede value to customers and companies alike. Internal branding sustains momentum by overcoming inward focus through systems thinking, change management, organizational learning, and well-balanced metrics and rewards.

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- *Customer Experience Improvement Momentum*
www.ClearAction.biz/cem-momentum
- *Metrics You Can Manage For Success*
www.ClearAction.biz/cem-metrics

Momentum is essential for any long-term initiative – particularly when a number of recent distractions have occurred. No firm is exempt from the global economic shocks that are changing the competitive landscape, customer realities, organization structure and morale. As dramatic changes in customer perceptions, expectations and needs are underway, heightened attention to customer experience monitoring and improvement is imperative. Unique opportunities for customer experience differentiation exist in downturns while competitors are preoccupied with survival and internal politics.

89% of firms view customer experience management as very important or critical to the firm's strategy in 2009

In Forrester Research's February 2009 Obstacles to Customer Experience Success report, 89% of firms view customer experience management (CEM) as either very important or critical to the firm's strategy in 2009. While 12% of firms expect higher cuts in CEM spending this year, 48% of firms expect lower cuts in CEM spending relative to other programs. 80% of firms aim to differentiate customer experience, although more than half cite lack of cooperation across organizations as a momentum inhibitor.

Business Case for CEM Momentum

Aberdeen Group's August 2008 Customer Experience Management study demonstrated significant advantages for best-in-class CEM practitioners. The best firms enjoyed year-over-year improvement compared to industry average performers and laggards.

	Best	Average	Laggard
Customer Retention	15%	1%	0%
Customer Satisfaction	19%	8%	3%
Profitability	8%	6%	-8%

Customer-Centricity Challenges

Customer-centricity weakness is a key reason why momentum is inhibited by lack of cooperation across organizations, as seen in the CMO Council's July 2007 Customer Affinity study. While 12% of customers judge their vendors as extremely customer-centric, 56% of the vendors think they are extremely customer-centric.

When asked what qualities best characterize a customer-centric company, customers reply:

- organizational, operational and cultural alignment around customers
- empowerment of employees to address and remedy customer problems

The biggest source of relationship issues from customers' viewpoint is overpromising and under-delivering, causing substantial distrust.

The costs of such disconnects are evident in Harris Interactive's October 2008 Customer Experience Impact Report: 84% of customers will register a complaint or tell others of a bad experience. This tendency is rising from 74% in 2007 and 67% in 2006.

In CMO Council's January 2009 Turning Customer Pain Into Competitive Gain study, 46% of senior marketers admit that high-profile negative customer experiences have compromised their brands.

Hence, sustained profitability is at risk from lack of cross-organizational cooperation and alignment with customers, to empower employees for adequate resolution of customer problems and to maintain brand promise integrity.

Even among the best-in-class firms in the Aberdeen Group study, top challenges are:

- cross-channel CEM
- organization-wide focus on customer service differentiation
- commonly agreed-to metrics
- 360-degree view of customers

Effective employee engagement is at the heart of these issues – including effective executive engagement.

Gallup's February 2009 article, Building Engagement in This Economic Crisis, reports that firms with high employee engagement levels have 12% higher customer advocacy, 18% higher productivity, and 12% higher profitability than bottom-quartile business units.

Yet, high levels of employee engagement alone will not guarantee customer experience improvement. In the book *Loyalty Myths* by Keiningham et al, cause-and-effect is proven inconclusive between employee satisfaction or loyalty and customer loyalty or business results. "The role of employees in building customer loyalty is far more complex than the myths imply. ... Employee satisfaction and employee loyalty are only two of a myriad of factors that ultimately affect the loyalty of customers, and loyalty can still be had in the absence of either of them."

Corporate service intelligence (CSI), described in the July 2007 AMA Marketing Management article, *Service Smarts*, broadens the paradigm of employee engagement and customer experience improvement. "The essence of CSI is in an organization's design, communications, policies, and practices that clearly put service first. CSI looks at service quality as a corporate responsibility, not a service deliverer problem. CSI has frontline employees as the last link to the customer in a very long chain. CSI is high in companies that make service excellence a fact – a way of life – all along the chain. So, CSI is how companies are organized and what they actually do – not what they say they believe in."

Internal Branding is a Way of Life

Internal branding is more than an ad campaign focused on customer-facing employees. It's a multi-faceted cultural initiative to guide employees company-wide in managing their personal impact on customer experience.

Internal branding engages all executives and employees effectively in outside-in thinking and behaviors. It differentiates primary motives and secondary motives as a basis for doing the right thing for the company's long-term well-being.

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Internal branding engages all executives and employees effectively in outside-in thinking and behaviors

Internal branding gets back to basics. If execution is broken, examine the foundation rather than fill potholes. Tendencies to focus on IT solutions, statistics, simplified metrics, customer acquisition, or isolated opportunities have over-shadowed the realities of people and processes and culture as the most important determinants of customer experience.

After all, hassles and disappointments are the primary reasons customers leave a brand. The CMO Council's Customer Affinity study reports that distrust leads to 7% of customers no longer considering a brand for future purchases, 62% scaling back existing engagements, and 30% terminating the relationship. Distrust indicates misalignment of what is said and what is done, a symptom of an unhealthy culture that spills into the customer experience.

Motives & Shared Vision:

To truly be customer-centric, a hierarchy of motives should be explicit. All parties within a firm must continually reinforce an outside-in primary motive such as *making it easier and nicer for customers to get and use solutions*. With a customer-centric primary motive firmly guiding thinking and behaviors, acknowledgement of largely self-serving secondary motives is appropriate: up-sell, cross-sell, acquire customers, launch products, manage costs, and so forth.

Opportunities to Reinforce Shared Vision:

- 1) Weave it into existing business practices
 - Staff meetings
 - Operations reviews
 - Annual operating plan
 - Performance reviews
 - Internal communications
- 2) Make messages prominent
 - Intranet pages
 - Internal newsletters
 - Bulletin boards
 - War rooms, break rooms, café, lobbies

Bottom line: consistent emphasis in simple ways is a defining factor in nurturing a customer-centric culture.

When the primary motive is pure, it's more natural to overcome – and ultimately prevent – the stumbling blocks of execution, adaptability, cooperation, organization-wide focus, common definitions, 360-degree perspectives, brand integrity and engagement.

Shared vision tools to establish a customer-centric primary motive include customer personae, customer bill of rights, stories, games or a super-ordinate goal. Ideally, the shared vision links external and internal goals company-wide. To make the vision actionable, translate it into function-specific and role-specific behaviors and standards. Be creative and thorough. Consistent emphasis in simple ways is a defining factor in nurturing a customer-centric culture.

Systems Thinking:

To revitalize people and processes and culture, a systems thinking approach offers sustainable solutions. Every handoff may have a ripple effect on the customer or at least on the customer-facing employee. In other words, frontline employees are only as effective as the rest of the organization enables them to be.

Systems thinking is a holistic view of the components of an entity in the context of relationships with each other and with other entities, rather than in isolation. Indeed, all of the studies cited earlier indicated that linkages are broken between:

- functions' and business units' goals
- survey results and business results
- multiple voice of customer sources
- data and actions
- incentives and desired behaviors
- views of what customers want
- brand promise and what's delivered

In the first four reports from The Conference Board's CEO Challenge survey, customer loyalty and retention was priority number one. Recently that topic is superseded by execution, adaptability, economic performance and sustained growth. Lack of systems thinking may account for execution and adaptability hot buttons, as means to customer loyalty/retention.

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Change Management:

Broken CEM linkages, weak execution and employee engagement can be addressed through systems thinking, embodied in the seven change management phases:

- 1) Address the need for change
- 2) Describe future state and timeline
- 3) Assess gap: vision versus current state
- 4) Map transition: current to desired state
- 5) Deploy the change
- 6) Assess to stop, sustain or redirect
- 7) Assure knowledge sharing

Note that four major steps are necessary before deploying a change. Stakeholder management is the central principle for each phase. Conflicts are anticipated and tools enable rapid resolution. Stakeholder diagrams, matrices, continuums, questionnaires and other mechanisms are essential for planning and managing employee engagement, as well as customer engagement.

15 Guiding Principles for Change Management:

- 1) Confront current reality
- 2) Focus on strategic controls
- 3) Set a strong mandate
- 4) Set scope intelligently
- 5) Build a powerful case for change
- 6) Let the customer drive the change
- 7) Know your stakeholders
- 8) Communicate continuously
- 9) Reshape your measures
- 10) Use all levers of change: markets, customers, structures, rewards, processes, technology
- 11) Think big, and bigger
- 12) Leverage diversity
- 13) Build skills
- 14) Plan – and follow it
- 15) Be intentionally multi-dimensional

Change management is exceptionally valuable in dynamic environments, aiding speedy adaptation to ever-changing competitive scenarios and customer expectations.

Organizational Learning:

Employee engagement is a natural outcome of organizational learning principles:

- 1) Language – clearly spell out what's meant by CEM objectives and approaches to create common language and frames of reference
- 2) Post-mortem – at setbacks, study what went wrong, as well as the assumptions that caused those actions
- 3) Politics – when sharing best practices, shift focus on the lesson rather than specific organization achievement
- 4) Knowledge – capture knowledge of key personnel in online portals, training, service standards, and so forth
- 5) Proliferate – facilitate adoption of know-how across the organization; create games or other means to engage employees
- 6) Refine – scrutinize measures and models regularly to prevent misleading information

Never underestimate the value of returning to basic universal tools; broken CEM linkages will be much less likely if Quality tools are second nature to everyone

Quality Tools. Never underestimate the value of returning to basic universal tools. Root cause analysis, fishbone diagrams, Pareto charts, critical path diagrams, force field analysis, matrix diagrams, and Gantt charts should be used in every functional area on an ongoing basis. Broken CEM linkages will be much less likely if Quality tools are second nature to everyone.

Holistic Processes:

Generally, a business process is deployed by several departments, creating a value chain of internal customers. Timeliness and quality of handoffs throughout this internal value chain snowball exponentially toward revenue-generating customers. To be customer-centric rather than ethnocentric, employees throughout the organization need to be plugged into customer sentiment data streams. Through meaningful dispositioning of customer feedback, each department can receive data that is pertinent to their stewardship. This sharpens understanding of their impact on customer experience, and ownership of customer experience improvement throughout the firm.

Embrace Warning Signals. Adoption of a mantra – such as *Good news is no news, no news is bad news, bad news is good news* – can make it easier for employees to accept customers' constructive feedback. Treat customers' complaints and negative ratings in a concerted manner similar to an RMA (returned materials authorization) process. Help departments take ownership for their specific impact on the customer experience by providing worksheets and reporting forms they can use to create and monitor action plans. Motivate follow-through and ongoing momentum through management visibility, recognition programs, and incentives criteria.

Internal Handoffs. After characterizing each department's ultimate objectives by their impact on the external customer experience spectrum, customer-centricity can be further improved by emphasizing internal customer satisfaction and internal supplier quality. For internal supplier quality, a process owner can communicate proactively with those who provide inputs to their process. It's surprising how often this seemingly simple step is not enacted. Effective handoffs typically result in smoother processes and fewer customer hassles.

Foster customer-centricity among non-frontline employees:

- Adopt-a-customer
- Observe call center conversations
- Disposition call center logs
- Participate in email customer support
- Interview counterparts at customer
- Shadow customers or front-line
- Job rotation

Actionable Metrics:

To build momentum toward a shared vision, best intentions need to be bolstered with four basic principles that apply to any initiative, dashboard, metric or incentive:

- 1) Connected – make sure the focus is on things with strong connections to overall objectives
- 2) Actionable – select strongly connected success measures that allow one to control outcomes

- 3) Predictive – emphasize actionable, connected metrics with strong cause-and-effect to objectives
- 4) Sustained – setup the right environment for predictive measures to keep producing strong results

Connected. One of the biggest metrics mistakes is random selection. The best metrics start with the big picture: *We will know this is successful when we see X happen.* Like a waterfall, the overall goal is cascaded to each level of the program or organization, to identify successive contributions to the big-picture goal. In the book *What Customers Want*, author Anthony Ulwick explains that customers automatically use 50 or more metrics for any customer experience. With a focus on outcomes from the customer perspective, one is reminded that products and services are simply means to helping customers fulfill their needs – and needs are simply customers' desired outcomes. The firm's objective is to understand what jobs the target customer segments are trying to get done and what outcomes indicate the job is well done (i.e. customers' measures of value or success).

Actionable. Metrics at the lowest layer of an initiative or organization have the highest actionability. A focus on the most actionable metrics is essential for *moving the needle* of big-picture metrics. To identify actionable metrics, conduct root cause analysis by using the Five Why's technique or a Fishbone (Ishikawa) Diagram. Validate selected root causes to make sure they are the malfunctioning issues that clearly tie to the symptom or big-picture goal.

Predictive. Not all actionable metrics are predictive of big-picture goals. Among the root causes identified, some may be inputs to a process and others may be critical junctures within the process itself. Metrics relating to process inputs and in-process control points tend to be predictive. The ability of a process to meet its objectives is often determined by resources, skills, stakeholder buy-in and cultural factors. These are levers one might employ to improve the process inputs and process control points.

*Adopt a mantra like
Good news is no news,
no news is bad news,
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Sustained. With connected, actionable, predictive metrics, sustained momentum hinges on visibility, transparency, and the frequency and quality of management nurturing and intervention, guided by the principles of systems thinking, change management, and organizational learning.

Dashboards and balanced scorecards are more effective when they include not only the big-picture metrics as process outcomes and consequences, but also the layers of in-process control points, inputs, and levers.

<i>External Metrics</i>	Finances	Customer	People	Operations	Competitors	Stewardship
<i>Process Consequences</i>						
<i>Process Outcomes</i>						
<i>Process Inputs & Control Points</i>						
<i>Process Levers</i>						

Balanced Incentives:

In tying compensation – as well as non-monetary rewards – to customer experience improvement, common pitfalls stem from disconnects with the four basic principles of actionable metrics: connected, actionable, predictive and sustained.

Scrutinize employees’ perceived weightings of performance metrics. It may be that the behaviors elicited by these perceptions are not the behaviors that management intended to motivate. The key to successful incentives is to track things for which an employee can make adjustments before stakeholders (i.e. customers, investors, supervisors) see the results. When it’s possible make adjustments that will affect the outcome of stakeholders’ care-about, then the focus is on something that’s manageable, predictive, and connected to the big picture.



Some firms start by tying closed loop communication rates (not ratings) to rewards. Next, leading indicators may be included in incentives. If lagging indicators are included, they should always be weighted less than the more actionable leading indicators.

It's quite common for metrics to be mis-used, mis-trusted and mis-managed. What gets measured gets done, so improper use of metrics can lead to unintended behaviors that may negate the expected value of having metrics in the first place. For example, compensation tied heavily to survey ratings often leads to salespersons coaching customers on how to reply to the survey – this not only skews the validity of survey results, making it a waste of time and money, but it may also alienate customers. Avoid sub-optimization by balancing metrics and incentives, and by double-checking alignment with intended outcomes.

Dashboards, scorecards and incentives are more effective when they include not only the big-picture metrics as process outcomes and consequences, but also the layers of in-process control points, inputs, and levers

Improper Use of Metrics & Incentives:

- Unclear connection to big picture
- Emphasis on process outcomes rather than in-process control points and inputs
- Explicit or implicit penalization of poor performers ... leads to *cooking the books*
- Linking compensation too heavily with lagging indicators ... leads to *coaching customers on survey responses*

Proper Use of Metrics & Incentives:

- Emphasis on things each business unit can act on to improve their status
- Focus on root causes, leading indicators, actionability, proliferating best practices, and positive behaviors and outcomes

Self-Reporting Team Recognition:

Successful employee engagement trends mirror the Web 2.0 phenomenon of two-way conversations enabled by technology, with anyone, anywhere, anytime. Typical recognition programs are one-way communication from management. A two-way communication process taps into employee perspectives about noteworthy achievements in addition to management viewpoints. Self-reporting recognition strategies enable real-time documentation of initiative progress, allowing various management levels to have visibility and opportunities to provide constructive feedback to make the achievements even more significant and far-reaching.

When two-way conversation elements are integrated within a recognition strategy, employees can be energized to reach stretch goals and make initiatives successful. Guidelines for self-reporting can reinforce the customer experience shared vision and primary motives, and raise standards accordingly for the way employees approach a challenge. Upward and horizontal visibility foster organizational learning, change management and desirable cultural changes. Self-reporting team recognition is an excellent tool for employee engagement and customer experience improvement momentum.

Summary

Customer experience improvement momentum is vital to sustained market success. While strides have been made, customer-centricity tends to be an elusive aspiration. Universal challenges revolve around cross-functional and organization-wide cooperation and alignment. Principles of systems thinking, change management and organizational learning present valid solutions to address these challenges. Internal branding encompasses these principles to modify culture, processes and behaviors in accordance with desired outcomes of customer experience improvement initiatives.

Management can nurture internal branding as a way of life through holistic processes, actionable metrics, balanced incentives, and self-reporting recognition. These methodologies can pay excellent dividends in customer experience improvement momentum through superior employee engagement levels that heighten customer-centricity and prevent customer hassles. As effective employee engagement increases, ownership of customer experience is adopted by employees organization-wide, leading to lower employee costs and higher customer profitability as sustainable differentiators.

About ClearAction

ClearAction LLC is a customer experience optimization consultancy. Through ClearAction mentoring you can improve your customer program ROI by ensuring you're setup for success to listen to the right customers in the right ways, engage all your employees in doing their part to deliver your brand promises, establish criteria for customer-value focused strategic and tactical decisions, assess voice of the customer relative to the full customer experience, innovate for a differentiated end-to-end customer experience, reinforce customer behavior that builds profitability, create a seamless experience across points that touch a customer, and design or improve processes for hassle prevention & superior experiences.

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