



is your culture really customer focused?

Senn Delaney Partner and Executive Vice President Bill Parsons examines why the customer experience has never been more critical to businesses to stay ahead of the competition.

This article helps leaders consider whether their company's culture is really as customer-centric as it should be, and provides best practices for methodically shaping a customer-centric culture to create a sustainable competitive advantage.



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Is your culture really customer focused? Research shows that you probably think it is, but your customers are much more likely to disagree. A positive customer experience is a critical competitive differentiator in today's difficult business climate. Companies that provide stellar customer service will be rewarded and those that don't will pay the price.

If you ask the CEO of your company whether their organization is customer-focused, chances are very good that the answer will wholeheartedly be yes. In fact, there is often a real disconnect between the CEO's belief and what customers experience. A Chief Marketing Officer Council study found that 56 percent of companies said they're extremely customer-centric, but only 12 percent of their customers agreed.

This is a cultural blind spot that we see all too often in companies who engage Senn Delaney to guide creation of a customer-centric culture.

Compelling data to demonstrate the customer-service imperative

There is increasing demand for positive customer experiences and increased risk to businesses who fail to heed this call.

Here are some interesting stats from studies on the state of customer experience done annually by Forrester Research and others that paint a strong picture.

- 64% of brands got a rating of "OK," "poor," or "very poor" and only 37% of brands received good or excellent customer experience index scores, according to the State of Customer Experience 2013 Forrester report
- 86% of buyers will pay more for a better customer experience. But only 1% of customers feel that vendors consistently meet their expectations.
- 40% of customers are willing to spend more with a company if they see improvement in the overall customer experience
- 89% of consumers have stopped doing business with an organization after a bad customer experience

Clearly, customer experience is the key competitive differentiator, especially since customers have more power than ever through social media and online sites to impact a company's brand reputation and sales. Good customer experiences significantly add to businesses' bottom lines through additional purchases, customer churn reduction and positive word-of-mouth referrals.

Given this financial incentive alone, improving the customer experience by creating an enabling customer-centric culture should be a top strategy. Yet only 20% of companies have a well-developed strategy in place for delivering an integrated customer service experience, according to 2013 Econsultancy's MultiChannel Customer Experience Report based on a global survey of nearly 900 companies.

Few companies operate at the highest levels of a customer-centric culture

Despite the powerful voice of today's consumer, only a small percentage of U.S. companies have purposefully created and embedded a customer-centric culture that is needed to enable a customer service strategy from top to bottom.

The customer experience is the end result of your efforts, but it is the culture you create and embed in the company DNA that truly enables consistently positive customer experience and satisfaction.

Forrester Research examined the five stages of maturity in customer experience journeys, from the lowest level of "interested" to the highest level of "embedded" based on interviews with 300 customer-experience decision makers at U.S. firms with revenues of \$500 million. The report found that 37 percent of firms had not started a customer experience journey and nearly two-thirds were in the first two levels of maturity.

Only 4% of companies were at the top level of "embedded"

At the 'embedded' highest level of maturity, customer experience is ingrained in the fabric of the company. Almost every employee is fully aligned with the company's clear mission to deliver world-class customer experience. Customer experience is a core element of what the CEO thinks about, and he holds the entire executive team accountable for maintaining the customer-centric culture.

The most significant obstacles to improving the customer experience cited in the report were a lack of: a clear customer service strategy, cooperation across organizations, customer experience management processes and executive involvement.

Best practices for creating a customer-focused culture

To build a healthy, high-performance culture requires changing the thinking, habits and behaviors of the individuals and teams that comprise the organization. The process requires an integrated approach that must begin at the top of the organization and be embedded throughout the entire company.

Based on 35 years of experience work-

ing with CEOs and their senior teams, we have demonstrated that the following principles are essential to successfully embedding a customer-focused culture.

1 Top leaders must exemplify customer service commitment

A process to create and instill a customer-centric culture requires a serious commitment from the top leaders down. Simply saying you want to the company to be the leader in customer service doesn't make it a reality.

We have found in our work with thousands of organizations that people are influenced by the "Shadow of the Leader" phenomenon. For this reason, company leaders are important service-culture role models. They must show up as visible, passionate, relentless and committed to continually increasing value to each customer.

The CEO and COO of a major retail client also understood the importance of their leadership shadow. They decided to demonstrate their personal commitment to the client-focused culture by being on the sales floor during the busiest hour each day interacting with their staff and customers. This action communicated more than any words they might use.

Being service-culture role models also means that leaders must make the tough decision to invest in customer service at a time when they are challenged to trim costs everywhere. Telling employees that customer service is a top priority while at the same time cutting sales staff sends a mixed message that will impact front-line engagement and morale.

Auto industry investment in customer service is paying off

Recent investments made by automakers and dealers in improving the customer service experience is paying off in terms of more highly satisfied and loyal service customers, according to the J.D. Power and Associates 2013 U.S. Customer

determine if your culture is as customer focused as it should be

Creating a truly customer-focused culture requires a systematic, experiential process led by the top leadership that will shift the thinking, habits and behaviors of the entire organization in an aligned direction that supports the vision for the new culture. Understand how well your company is doing by considering the statements below.

- **Our senior leadership fully supports a customer focus. They walk the talk.**
yes needs improvement no
- **Our organizational purpose reflects a customer focus.**
yes needs improvement no
- **We have created and communicated a set of core values that support a customer-focused vision.**
yes needs improvement no
- **Our business strategies place the customer first.**
yes needs improvement no
- **Our policies and procedures support our customer focus.**
yes needs improvement no
- **We hire people with service attitudes and competencies that support our customer focus.**
yes needs improvement no
- **We reward and recognize employees who exceed customers' expectations.**
yes needs improvement no
- **We seek feedback from employees and customers as to how to improve our customer focus and act on that feedback.**
yes needs improvement no
- **We provide insight-based education that empowers and engages our employees on how they can better serve our customers.**
yes needs improvement no
- **We continually measure the level of customer satisfaction.**
yes needs improvement no



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Service Index (CSI) Study.

- overall customer satisfaction with service at a dealer facility increased significantly in 2012
- customer visits to dealer service departments for maintenance, increased to 77% from 72% in 2012
- three of 11 luxury brands and five of 19 mass market brands improved overall satisfaction by at least 20 points

2 Define your customer value proposition and institutionalize it

It is impossible to create something without first defining what it is. Being customer focused can and does mean several things. The critical question is, what does it mean to your customers?

Engaging customers in defining what is important to them is essential in building customer loyalty. Most retail companies would love to emulate upscale department store chain Nordstroms' level of legendary service, yet it is likely impractical and may not even be what their customers want most.

The key isn't what is important to you, but what creates a competitive difference to your customers. Target and Walmart have demonstrated superior service that is meaningful for their customers and have carefully built their brand and customer marketing around delivering on the expecta-

tion of wide selection at consistently low prices in a well-defined store design.

Target attracts younger and more educated and affluent customers than its competitors by differentiating itself as a discount department store that offers more upscale, trend-forward merchandise at low cost.

Walmart's mission, "Saving people money so they can live better," reflects its business model of selling a wide variety of general merchandise at low prices, and responds to its 200 million customers who cite low prices as the most important reason for shopping there.

It's easy to think of qualities most companies would like associated with their business in customers' minds — trust, quality, respect, consistency, integrity or even just friendly and helpful. It takes more than buzzwords to win and keep customers. These specific qualities must be thoroughly embedded in all levels of your organization.

Make a list of the values and behaviors that support those values you'd like your company to exemplify. Then, examine your current company culture, and ask yourself if those qualities are apparent in the behaviors that show up and the decisions being made that drive your everyday efforts.

This is best done using an objective out-

side firm that specializes in diagnosing, shifting, measuring and shaping your culture. You will quickly see where work needs to be done to shift the culture in the desired direction.

3 Value your employees so they can value your customers

The essential element in customer satisfaction is employee satisfaction. Most employees understand that customer satisfaction is important to company survival and their own job security. But they need to make a gut-level connection to how they directly contribute to customer satisfaction.

Even if they are not directly involved with the customer, employees can add value — and should be recognized for this — by providing great support and service within the organization to assist those that rely on them for the work they do.

One of the most important aspects of a customer-focused culture is creating an empowered workforce of employees who believe in the company, are inspired by a strong purpose that is well defined by the CEO and top team and are passionately committed to the customer.

4 Align the organization around the customer-focused vision

In a customer-focused organization, leadership, vision, values, the strategy and the structure, processes and people must all

be aligned around truly customer-centric ways of behaving and working together.

Every action is shaped by a relentless commitment to meeting and exceeding customer expectations regarding product and service quality.

Customer touch points and supporting internal processes are constantly evaluated and improved to meet or exceed those expectations.

5 Engage a critical mass of people, beginning with the senior team to gain buy-in and commitment

Changing an organizational culture is a journey, not a series of events. A process should be used throughout the organization, beginning with the senior team, to engage people at a personal level to gain buy-in and commitment. The following elements are part of an integrated, holistic process to systematically bring the desired culture to life:

- measure progress at the individual, team and organizational levels
- align all internal systems and components for consistency
- reward and recognize people who embody the desired culture
- coach employees who do not reflect the desired culture

6 Consistently monitor level of customer satisfaction

No one likes bad news, so often poor numbers are not used as an opportunity to improve and learn from your customer. It is critical to know exactly what the majority of your customers think of your company. Implement a comprehensive measurement system that not only tracks their views but also becomes a key component of a recognition process.

Combining numerical results with recognition provides ongoing reinforcement to sustain the emphasis on customers.

Examples of customer-focused companies

Nineteen of the top 20 U.S. companies that consumers rated as having the best customer experience are retail companies (restaurants, automobile dealers and companies with significant retail operations), according to the 2013 Temkin Customer Experience rankings. Banks, insurance companies, financial services, wireless providers, TV services, computer manufacturers and car rental companies are at the bottom end of the rankings.

There are many examples of businesses that have gained market share, top-line growth and increased customer loyalty even through the worst of times. What is it about these companies that sets them apart? Looking more closely at some of these companies, it's easy to see that they built a true customer-focused culture that goes far deeper than slogans and friendly in-store greeters. They have purposefully changed the mindset of people at all levels of the company to place the customer at the forefront of everything.

Zappos: A service company that happens to sell stuff

According to CEO Tony Hsieh's vision, his \$1-billion online retail giant Zappos is a service company that happens to sell shoes, clothing, handbags, eyewear, watches and other goods.

He attributed record sales during the

retail slump to a culture of customer focus to provide the best service and online shopping experience possible.

Hsieh talked about creating this culture at a Compete Through Service Symposium sponsored by the W. P. Carey School of Business. "The number one focus and priority for the company, even though we want the brand to be about customer service is company culture ... Our belief is that if you get the culture right, most of the other stuff, like great customer service, will just happen naturally. Most corporations don't want to put in the time to build customer service and a company culture."

The strategy is to wow customers, particularly loyal customers, not just satisfy them. Zappos offers free shipping both ways and a 365-day return policy. While many consumer shopping sites make it challenging to connect to a live person, at Zappos, the toll-free telephone number is prominently displayed at the top of its Web page.

Call center representatives work without scripts and are encouraged to take whatever time they need to bond with customers rather than quickly dispatch them. Shipping is promised in five to six days, but most orders are upgraded to overnight shipping at no cost, an unadvertised feature.



Zappos CEO Tony Hsieh got employees engaged by having them create a list of 10 core values they live by that include: deliver wow through service, embrace and drive change, create fun and a little weirdness, pursue growth and learning, do more with less and be humble.



USAA CEO Joe Robles attributes a big part of USAA's success to the passionate commitment of leaders and employees to the 'My Commitment to Service' cultural pillars and to working from a higher purpose of serving military families. He states that the culture has created a distinct competitive advantage.

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To ensure that Zappos' people are a cultural fit, Hsieh offers new customer service agents \$2,000 to leave the company after an initial training period if they don't think they mesh with the Zappos culture.

"We believe that customer service shouldn't be just a department; it should be the entire company."

USAA: A strong tradition of commitment to service

Founded in 1922, USAA provides insurance, banking and investing services to 10 million members of the military and their families. Retired Army two-star general Josue "Joe" Robles Jr. who became president and CEO in December 2007, credits much of USAA's continued success to its clear mission to facilitate the financial security of military families, and its core values of service, loyalty, honesty and integrity.

Today, USAA has the highest ratings for financial strength. USAA's net worth has grown each year since our culture work began, from \$14.6 billion in 2008 to \$22.1 billion in 2012.

USAA is considered to be a benchmark company for customer service and has been the number one or two company in America in customer satisfaction for the past several years. Customer loyalty speaks volumes as well. Ninety-eight percent of members remained with USAA in 2013 — and 95 percent said they intend to be members for life. USAA also ranks highest in industries of banking, investing and insurance among all companies reviewed in the April 2012 Forrester Research Inc. Customer Advocacy Survey.

How does USAA's service culture provide a business advantage? A big differentiator is that more than 21 percent of its workforce of 22,000 are veterans, military spouses, members of the National Guard and Reserves and 61 percent are people with military experience who work in customer contact jobs.

An example of addressing members' needs was the launch of Deposit@Mobile, which allows USAA members to deposit checks by scanning and sending them through home computers, which makes banking with USAA easy wherever members may be. The company continues to roll out technical solutions and applications for mobile devices to respond to the need for online services and tools.

Even with a strong history of being one of the top service companies in the nation, USAA continues to focus on its service culture because it seeks a lifelong

relationship with its members, not a transactional one. Gen. Robles sees his role as "Chief Culture Officer." He holds monthly employee meetings where he reinforces and showcases USAA's "My Commitment to Service" principles.

Robles attributes a big part of USAA's success to the passionate commitment of leaders and frontline employees to the 'My Commitment to Service' cultural pillars and to working from a higher purpose of serving military families. He states that the culture has created a distinct competitive advantage that has helped USAA not only survive the economic downturn, but thrive and grow and continually improve.

Yum! Brands: Creating a world-famous recognition culture

Yum! Brands, Inc., based in Louisville, Kentucky, is the world's largest restaurant company in terms of system restaurants with 40,000 restaurants in more than 130 countries and territories.

Yum! is ranked #201 on the 2013 Fortune 500 List with revenues of more than \$13.6 billion in 2012. The company's restaurant brands — KFC, Pizza Hut and Taco Bell — are the global leaders of the chicken, pizza and Mexican-style food categories.

CEO David Novak engaged Senn Delaney to develop and implement a people-first culture of fun and recognition driven by the How We Win Together principles. His single highest priority was to create a global culture that galvanized people around the behaviors he knew it took to win in the competitive restaurant industry globally. He was very thoughtful about those behaviors and defining those with the customer experience in mind as much as the passion of his global team.

Senn Delaney worked with Novak to create the 'How We Work Together' principles, which later became the 'How We Win Together' principles. Novak and

the senior team defined the culture they wanted, and Senn Delaney facilitated cascading the culture to 1.4 million employees around the world.

Novak has built Yum!'s entire global people-first culture around reward and recognition to drive results. As a result, Yum! Brands has had spectacular growth and stock price increase tied to that culture, which has been benchmarked by other organizations and widely praised by business leaders, authors and lecturers.

David's approach and his strong leadership has driven double-digit growth for 11 straight years. For his performance and the culture of recognition that drives those results, Novak was named CEO of the Year in 2012 by *Chief Executive* magazine.

Amazon: Customer obsessed

Amazon Founder Jeff Bezos once started an executive meeting by announcing that an empty chair at the table represented "the customer." Executives were asked to include the customer in their thought process as if he/she was present. This practice is part of Amazon's corporate "customer obsessed" culture.

When Amazon bought Zappos, Bezos announced in a video message about the acquisition that he was "weak-kneed" with admiration for Zappos' unique customer-obsessed culture, brand and leadership and promised to leave the company management and culture intact. The purchase gave Amazon a huge new category of products, but also reinforced Bezos' sensibility about customer service.

In the video, Bezos boils down "everything I know," to a few points. He said Amazon has from its beginning 15 years ago paid attention to what competitors are doing, but devoted most of its energy and innovation to obsessing over the customer. "We start with customers and work backwards." He believes that companies have to "listen to your customers, but invent on behalf of customers because they don't always tell you what they are thinking."

"If there's one reason we have done better than of our peers in the Internet space over the last six years, it is because we have focused like a laser on customer experience, and that really does matter, I think, in any business. It certainly matters online, where word of mouth is so very,

very powerful."

Conclusion

Creating a customer-focused culture should be a strategic imperative for all companies. There is ample evidence that a customer-centric culture pays many dividends.

Happy customers lead to increased sales and loyal relationships. Customer-focused companies are also more attuned to the market and better able to stay ahead of the competition. Employees who are more empowered and supported to deliver great customer service through a clear vision, values and aligned processes will be more engaged and satisfied. It is also clear that companies need to meet customers' expectations for great customer service or expect to lose market share or worse.

To deliver world-class customer experience, leaders need to commit to a disciplined, systemic, holistic approach to align and engage the whole workforce in support of the customer-focused vision and that values that bring it to life. ■



about the author

Bill Parsons is a partner and executive vice president at culture-shaping firm Senn Delaney, a Heidrick & Struggles company. He has worked with the leaders of a wide range of companies and has facilitated hundreds of engagements that focus on personal development, team effectiveness and cultural alignment. Bill has guided the culture transformation efforts of many clients, including Boeing, David's Bridal, Sears, Lowe's, AutoZone, Corinthian Colleges, Staples, Crowley Maritime, ARCADIS, Hertz, Sony Pictures Entertainment and WellPoint.

about Senn Delaney

Senn Delaney, a Heidrick & Struggles company, is widely recognized as the leading international authority and successful practitioner of culture shaping that enhances the spirit and performance of organizations. Founded in 1978, Senn Delaney was the first firm in the world to focus exclusively on transforming cultures. More Fortune 500 and Global 1000 CEOs have chosen Senn Delaney as their trusted partner to guide their cultural transformation. Senn Delaney's passion and singular focus on culture has resulted in a comprehensive and proven culture-shaping methodology that engages people and measurably impacts both the spirit and performance of organizations.

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