

Getting the Employee Experience Right

*Creating Employee Experiences that
Drive Business Growth*

Frank W. Capek

Customer 
Innovations

Acknowledgments

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Chapter 1

The Case for an Integrated Customer-Employee Experience

You are in the customer experience business. It doesn't matter if you're in retailing, consumer products, business services, high-tech, industrial products or commodities. The quality of the experience your customers have with your business translates directly into profitable growth. This is typically in the form of attracting and retaining customers. However, it also includes the ability to influence customers in ways that improve their profitability, such as diversifying what they buy on what occasions, choosing lower cost service channels and adopting new products, service offerings or technology.

Despite these fundamental truths, most companies have not clearly described, deliberately designed or effectively managed the experience they intend customers to have. If this is true for your business, chances are the experience customers are having is fragmented, inconsistent and frustrating. You may be making life difficult for customers in ways you do not understand. In addition, you are almost certainly missing opportunities to improve customer profitability and the profitability of your business.

As the New York Stock Exchange CEO Poll 2008 observes, most CEOs now recognize "customers are at the core of growth" (Opinion Research Corporation presentation, April 2007). But while the customer may have risen to the top of the priority list for most, there is still an apparent disconnect between many companies' views of the customer experience they are delivering and their customers' views: 80% of 362 companies surveyed by Bain & Company in 2005 reported they thought they were delivering "superior" experiences to their customers, but just 8% of their customers shared that view ("Closing the Delivery Gap," Bain & Company, 2005).

What is the customer experience? It's more than what happens at the customer

touch points a provider company controls (or thinks it controls). We define customer experience as *customers' rational and emotional reactions across their end-to-end process of accomplishing goals and satisfying needs important to them.*

What makes for a successful customer experience? Customers' expectations are complex and manifold: they expect companies to earn their trust, inspire them, make doing business with them easy, put them in charge, guide them, be available 24/7, really get to know them on an individual basis, consistently exceed their expectations, reward them and be loyal to them (*The Ten Demandments: Rules to Live by in the Age of the Demanding Customer*, Kelly Mooney, McGraw-Hill, 2003).

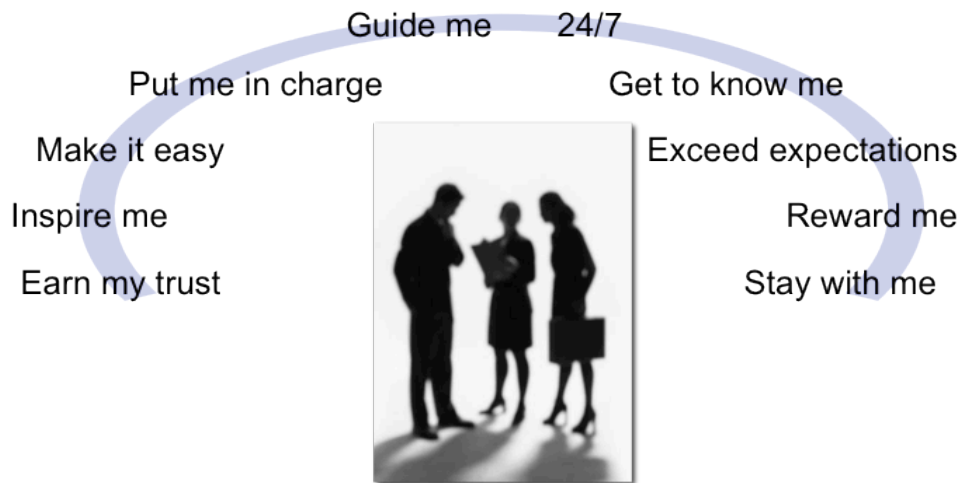


Figure 1: The Ten Demandments, Kelly Mooney 2003

It is no surprise, given this list of expectations, that many companies fail to meet them. The experiences customers have with most companies are fragmented and ineffective because of inconsistencies in goals and objectives, misaligned processes, fragmented organizational structures and conflicting metrics and incentives across functions, business units and geographies.

Over the past 25 years, we've learned the delivery of the customer experience is rooted in the employee experience. We define employee experience in a way that closely parallels our definition of customer experience. An employee experience is *the employee's rational and emotional reactions to how well their organizational and external environments affect their ability to accomplish their goals and satisfy needs important to them.*

A central element of this definition is that the employee experience "resides with" the employee, not the employer. The company must start by understanding what's important to its employees, what motivates them and what role work plays in their lives. Recently, companies have paid far more attention to influencing one aspect of the employees' experience – their level of engagement in their work –

than to understanding, defining, designing and delivering a holistic and intentional employee experience. High engagement is necessary but it is not, by itself, sufficient to ensure employees deliver the experience you intend customers to have.

Designing and delivering the intended customer experience cannot be accomplished without understanding the end-to-end employee experience lifecycle – from attracting and on-boarding the right employees, to developing their potential, to communicating with and managing their efforts, to making affirmative efforts to retain them. Figure 2 shows the model we’ve developed to describe how employee’s experiences drive customers’ experiences.



Figure 2: How Employee Experiences Drive Customer Experiences

Employees bring to the job a set of individual characteristics including goals, needs, motivations; strengths, values and beliefs about work and about themselves; and experiences in previous jobs. Those characteristics influence 1) how they perceive what happens to them in their organizational environment (the formal system of corporate policies and the informal system of unwritten rules on how to succeed) and 2) what is going on in the external environment (things they deal with outside work including the economy, job market and political climate, as well as their local community and families).

Employees’ rational and emotional reactions to their organizational and external environments constitute the experience they have. They respond to that experience with individual and emergent group behaviors, which produce the

customer experience in many manifestations – including product and service delivery and quality, relationships, direct interactions and brand power and identity. At the same time, those behaviors shape and reinforce the organization’s informal system of operating. This is how the employee experience drives the customer experience, and we explore these connections in this report.

Observations

- **Customer and employee experience are inextricably linked.** The experience customers have with any business is the product of employee behaviors that extend from executive leadership through the front line. Every company is predisposed to deliver its current customer experience based on the organization’s often deeply entrenched beliefs, values, measures, management systems and unwritten rules. These factors shape the employee experience and, through it, the customer experience.
- **Customer experience delivery in many organizations tends to be ad hoc and inconsistent.** If it’s not clearly specified and managed, a customer’s experience may depend on whether they caught the company on a good day, the sales or service person they happened to get and a wide range of other variables. Without an intentionally designed and managed employee experience, improving customer satisfaction often depends on individual effort and heroics as front line employees overcome inherent obstacles in the business system.
- **Customer experience efforts significantly underestimate the difficulty involved in overcoming legacy effects.** We’ve seen many companies create a compelling vision for the desired customer experience that is fundamentally at odds with the character, culture and behavior of the organization. As a result, their initiatives fail to produce any sustainable shift in the behavior that drives customers’ actual experiences.
- **Design of employee experience to deliver intended customer experience is rare.** While most companies acknowledge employees deliver the customer experience, very few have mapped the specific connections between employee experience and customer experience. Most companies focus on one important aspect of the employee experience – employee engagement – but there is no guarantee engaged employees can deliver the customer experience companies intend. Without addressing the system, improving engagement is just as likely to lead employees to more enthusiastically deliver a poor experience.

- **Most companies still expect front line employees to carry the weight of responsibility for customer experience delivery.** Front line employees may be trained only in sales tactics or service interactions rather than in building deep relationships with and understanding the customer. While front line employees play a significant role in the customer experience, they are often the victims of a broken system that does not equip or incent them to do the right thing for customers. Behind the scenes, employees who fulfill customer orders or build new products and service environments play more significant if less direct roles.
- **You've got to work "outside in" and "inside out."** The company must understand exactly *how* and *why* customers are having their current experience. That means starting "outside in" with a clear view of the experience from the customers' perspective, then working "inside out" to understand how employee experience and behavior shape the customer experience.

Recommendations

There are four steps to creating employee experiences that generate and reinforce a desired customer experience. These four steps are discussed in more detail in the following chapters.

- **Describe the experience you intend to deliver to customers.** Describe what customers are trying to accomplish and map the end-to-end activities customers follow to accomplish those things. Then detail the experience you want them to have. What do you want customers to feel after their interactions with you? What are the company's ultimate goals for delivering a powerful customer experience beyond the transaction itself – for example, additional sales or word-of-mouth marketing?
- **Identify organizational and individual behaviors required to generate that customer experience.** What must the people and the organization do consistently to create the intended customer experience? What specific behavior changes are needed? What must front-line employees do differently, and what decisions should front line employees be empowered to make to solve customers' problems? How do the work and behaviors of behind-the-scenes employees, plus their interactions with the front line, affect customer experience?
- **Identify the business processes, practices and unwritten rules that must change to produce the required behaviors.** Diagnose how and why your company generates the current customer experience. This must be based on rigorous examination of the experience from your customers' perspective. Identify where bottlenecks in service occur and where the smooth flow of customer interaction is interrupted. Measure alignment of customer-facing processes, roles, measurements and rewards, and surface

the unwritten rules that drive individual and group behavior related to the customer experience. What exactly do the unwritten rules encourage people to do, and how do the resulting behaviors facilitate or interfere with delivery of the intended customer experience?

- **Design specific employee experience interventions that remove the barriers and rewrite the unwritten rules.** Map the end-to-end employee lifecycle and identify what your employees experience along the way. Model and segment employee populations, measure their fit with “ideal employee profiles” for different roles and correlate them with customer experience and business performance. The appropriate interventions may be in how you attract, incorporate, engage, retain or enrich employees’ work. Because useful interventions can be made anywhere in the employee lifecycle, you must be rigorous in determining where to intervene and where to invest in employee programs. The goal is not just to design a compelling customer experience, but to enable employees to understand their connections to the customer experience and feel empowered to deliver the designed experience.

Chapter 2

Delivering a Positively Influential Customer Experience

Customer experience design and delivery is an enormous topic by itself. Since our focus is on the connections between employees and customer experiences, we provide a brief overview of the benefits and challenges of close attention to customer experience.

The Customer Experience Payoff

For many companies, understanding, defining, crafting and delivering a satisfying customer experience that engenders loyalty and generates repeat purchases tops the list of companywide strategic priorities. In its April 2007 report to the New York Stock Exchange based on interviews with 240 CEOs, Opinion Research Corporation concluded, “2008 may be the year where many CEOs put the customer at the top of a long list of issues on which they must focus. Why? Simply stated – customers are at the core of growth” (“NYSE CEO Report 2008”).

There is ample evidence for a keen focus on customer satisfaction:

- A totally satisfied business-to-business customer can contribute 2.6 times as much revenue as a somewhat satisfied customer and 17 times as much revenue as a somewhat dissatisfied customer, based on a survey of 46,000 business-to-business surveys (InfoQuest).
- “Companies that directly engaged their customer base had twice the return on assets and triple the growth in operating income of the other survey

respondents” (“The Customer Connection: The Global Innovation 1000,” Booz Allen Hamilton, December 10, 2007).

- Fifty-one percent of 2,049 consumer respondents say outstanding service is the major reason they continue doing business with a company, and 60% say it is the main reason they recommend a company (“Customer Experience Report,” RightNow Technologies, August 2007).

Companies are reflecting their strategic focus on customers with more investments in customer relationship management (CRM) and customer interaction management (CIM) technology, despite the fact that, according to Forrester Research, companies are generally dissatisfied with the results of their customer loyalty programs. Only 10% of business and IT executives believe strongly that business results from customer facing programs meet or exceed their expectations (“The ‘moment of truth’ in customer service,” *The McKinsey Quarterly*, 2006 – Number 1).

Companies are learning, or already know, the risks associated with bad customer experience are growing, in part due to the ease with which unhappy customers can communicate with the company and other people who are or may become customers. Eighty percent of consumers say they will never go back to an organization after a negative experience (“Customer Experience Report,” RightNow Technologies, August 2007). The influence of unhappy customers is also potentially far-reaching: 74% of consumers are vocal about their bad experiences, either telling others about it or filing a complaint.

Unfortunately for most companies, there is still a huge disconnect between how they and their customers view the experience they deliver: 80% of 362 companies surveyed by Bain & Company in 2005 reported they thought they were delivering “superior” experiences to their customers, but just 8% of *their customers* shared that view (“Closing the Delivery Gap,” Bain & Company, 2005).

Closing the Customer Experience Gap

There are several reasons for the gap between the experience companies try to deliver and the experience their customers actually have:

- **Companies define the customer’s experience for the customer.** A company that focuses on itself first – “our company’s customer experience” – has already taken a giant step in the wrong direction. Goals and needs belong to the customer, not the company. Companies must become more systematic about how they think and talk about the customer experience and start accepting that the customer experience resides in one place and one place only; with the customer!
- **Companies fail to understand the full, end-to-end picture of the customer’s experience.** To accomplish their goals, customers do things that make sense to them, based on previous experiences and beliefs. More often than not, companies make incremental improvements to the

customer experience based on incomplete knowledge and an assumption that the problems lie at specific customer touch points. For example, a moving company that identifies the traditional customer touch points as packing up, picking up, transporting and unpacking belongings fails to understand the customer's "move experience" includes separation from their existing residence and environment and introduction into a new environment; the movement of their belongings is just a visible sign of a more dramatic change. Similarly, a jewelry retailer has a business goal to sell jewelry, but its customers may be looking to buy something that represents a significant investment in a relationship or something they find makes them more attractive. The jewelry purchase is much more than a simple transaction.

- **Most companies, if they've done anything at all, have made no more than isolated, surface-level improvements in customer experience.** Customer experience delivery is still an ad hoc exercise, driven perhaps by some customer research but also driven by a company's inside-out view of the customer. Because it is not clearly specified, a customer's experience may even depend on what day the customer comes in, who the sales person is and other variables. Customer satisfaction depends on individual effort and heroics as employees on the front line overcome the inherent obstacles in business processes.
- **Companies fail to account for the role employees play in delivering the customer experience.** While this may sound implausible, it is accurate. Companies too often incorrectly assume the best: that employees understand what the intended customer experience is, and their role in the chain of events and decisions that results in the intended customer experience.

To address the disconnect between how companies and their customers view the customer experience, companies must move from delivering ad hoc customer experiences – isolated applications of best practices – to delivering carefully designed and executed experiences and aiming, ultimately, at optimizing their customers' experiences (see Figure 3).

*"We start with customers, figure out what they want,
and figure out how to get it to them."*

– Jeff Bezos, CEO and Founder, Amazon

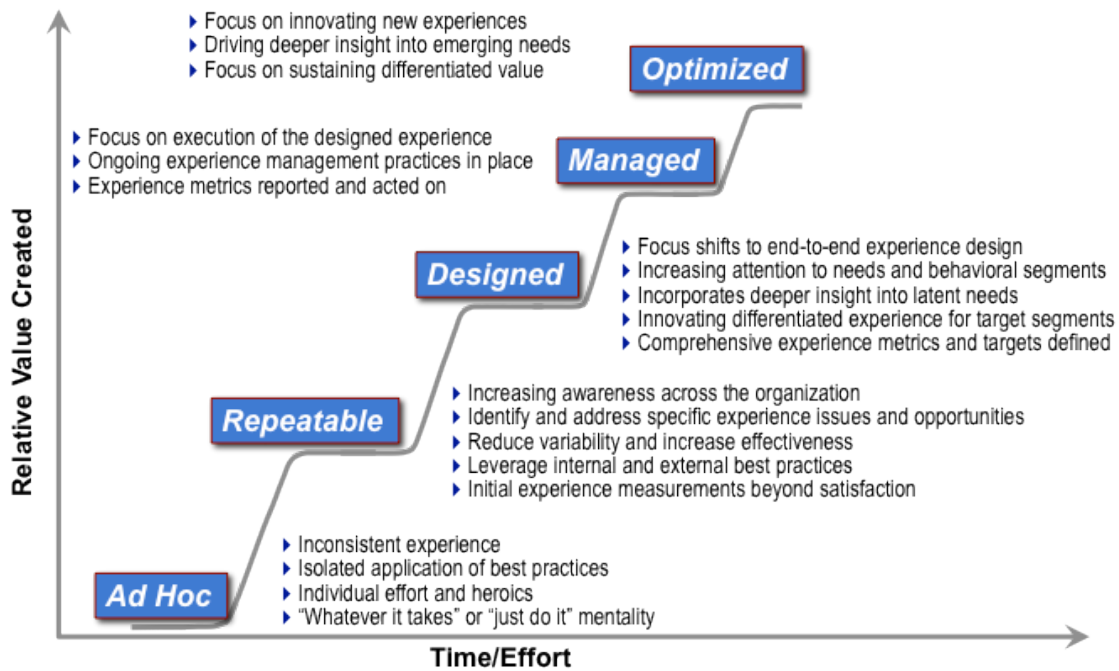


Figure 3: The Path to Optimized Customer Experience

Elements of a Great Customer Experience

A successful customer experience does more than please and engage customers. It influences the best customers to do more and more profitable business with your company. What must your company do to deliver an outstanding and influential customer experience?

- **Deliver innovative solutions to customers' problems.** Outstanding experiences leverage deep understanding of the customer to find solutions to their problems, including problems they may not realize they have or can describe.
- **Earn and carefully protect the customers' trust.** Flawlessly shaping your customers' experience requires an understanding of their explicit and implicit expectations. For example, sales activities must be oriented around meeting the customers' needs, not pressuring them to buy more than or earlier than they are ready to. The "end of quarter sales push" can undermine customer trust.
- **Go beyond what's called for.** Outstanding experiences demonstrate the company's commitment to the customer – and to going out of their way to under-promise and over-deliver. This can include things beyond the boundaries of what customers think you do, things that surprise them with value-added extras that demonstrate your commitment and recognize the value of the relationship.

- **Balance value delivered with value captured – on both sides.** It's easy to create a good experience if you give “three scoops for a penny.” But it's wasteful all around if you deliver more value than the customer can use, and if you don't capture the value of more profitable business in return. Outstanding experiences maximize recognizable value for customers, rather than over-serving on basic expectations. They also make tradeoffs to approach the optimal mix of value realized by the customer and value you capture in the form of price and loyalty. Outstanding experiences are win-win.
- **Engage the “whole person.”** Outstanding experiences address customers' physical, intellectual, emotional and spiritual needs. They help customers clarify their goals and aspirations, visualize what's possible and understand and explore their options.
- **Build authentic relationships with the customer.** The key here is to treat customers as individuals. Getting to know and treat customers as individuals engender close personal connections. Customer experience leaders acknowledge their customers' value and genuinely thank them for their business.
- **Tell a compelling story.** Outstanding experiences tell a story that helps the customer understand where you come from, what you stand for and what makes you special. This is the real meaning of a brand – a consistent story told every time you touch the customer. Every touch point is carefully orchestrated to reinforce your story, thus differentiating you from your competitors.
- **Be flexible yet consistent.** In this *imperative*, we simplify matters by talking in terms of “the customer experience.” But of course, there are many variations on how customers want to interact with your company, and vice versa. You must design and deliver experiences for different customer segments, situations and needs. However, these variations must be consistent in two senses. First, they must reinforce your brand, positioning and value proposition. Second, similar customers in similar circumstances should have similar experiences interacting with you.

Chapter 3

Why Customer Experience Efforts Fail

Most organizations have awoken to the fact that the quality of their customers' experience is a primary driver of organic growth. In fact, it's hard to find an organization today that isn't working on the customer experience. Unfortunately, despite the importance of these initiatives, most will fail to produce any competitively relevant benefits. Why is that?

The majority of customer experience initiatives we've seen roughly follow this sequence of steps:

- Assess the current experience and identify things you could do better across existing touch points.
- Conduct customer research to identify unmet needs (surprisingly enough, many organizations either skip this step, attempt to fill it with relatively superficial satisfaction data or just assume they know what customers want).
- Describe the intended customer experience and/or specific improvements the organization wants to make.
- Design operating model changes required to deliver that experience and/or identify specific technologies that seem to fill a void in capabilities.
- Implement those operating model changes and/or technology.

Although it seems like a logical enough plan, our experience has shown this sequence of steps is *totally naive!* In most cases, it has very little impact on the

experience customers actually have with the company.

It may be stating the obvious but the experience customers have with your organization is the product of highly complex organizational behavior that emerges from the individual behaviors of executive leaders, middle managers and front line employees. We've observed that most customer experience initiatives significantly underestimate the difficulty of shifting organizational behavior. This is due largely to the fact that organizational behavior emerges from a complex web of individual behaviors influenced by individual character, priorities, histories and assumptions.

Whether you like it or not, your organization is predisposed to deliver the experience your customers' are having today. We call this the "**default experience.**" The default experience is the result of deeply entrenched beliefs, values, and unwritten rules that drive the real behavior of your organization.

In every organization we've talked to and worked with, there are many unwritten rules that are inconsistent with delivering the experience those organizations would really like their customers to have. These unwritten rules are unique to each organization, driven by extensive legacy effects and reinforced by the existing employee experience. Many typically center around things like what it takes to be successful in the organization, the importance of financial versus nonfinancial metrics, the importance of internal versus external stakeholders (e.g., my boss versus the customer), the importance of acquiring new customers versus caring for existing customers, the ability to admit mistakes, the ease of cross-functional collaboration, etc,

After working with dozens of organizations, the central lesson we've learned is:

Any effort to change the customers' experience must first decode how the organizational system creates the existing, "default" experience.

Understanding how the organizational system creates the existing experience involves:

- Surfacing the motivators (what's important?), enablers (who's important?), triggers (how do people get what they want?) and resulting unwritten rules within each relevant pocket of the organization
- Determining how those unwritten rules are consistent or inconsistent with the desired customer experience
- Understanding how the current employee experiences reinforces these unwritten rules, particularly those inconsistent with the desired experience
- Designing specific employee experience interventions to deliberately address unwritten rules that are barriers to the desired customer experience

This lesson has significant implications. Many organizations do wonderfully creative work to identify what's important to their customers. Then they develop a compelling vision or design for a better experience that is fundamentally out of

character with what the organization can deliver.

For example, we worked with a leading business-to-business services organization whose vision was to create “the most collaborative client experience.” Unfortunately, the organization’s DNA made it exceptionally difficult to collaborate effectively with each other much less with their clients.

A Break in the Service Profit Chain

About 10 years ago, James L. Heskett, W. Earl Sasser and Leonard A. Schlesinger created positive awareness of “The Service Profit Chain,” which is generally summarized as: happy employees create happy customers create happy shareholders. The Service Profit Chain is a great way of illustrating the correlation between employee satisfaction, customer satisfaction and profits. It’s true; customers tend to have a better experience with organizations that have higher employee satisfaction and engagement.

However, just because employee satisfaction and engagement are *correlated* with customer satisfaction doesn’t mean making employees happier will lead to a better customer experience. This is a classic trap your college professors warned you about: confusing correlation with causation. This flaw in logic has led many organizations to invest in trying to make their employees happier in hopes that happier employees will deliver a better experience for customers. ***IT DOESN’T WORK THAT WAY!!!***

I understand this point of view goes against the grain of traditional thinking. We’ve seen too many companies where, at best, more highly engaged employees deliver a subpar experience more enthusiastically. Now, employee engagement is important. In most situations, it’s necessary but far from sufficient. In the work we’ve done with companies in this area, we’ve learned four major barriers must be addressed to have increases in employee engagement actually lead to a better customer experience.

- ***A clear, current and well-tested understanding of customers’ priorities.*** Unless key decision makers really understand what’s important to customers, the organization’s best efforts will be misdirected. We’ve observed that in most business situations, customers’ expectations and alternatives change faster than the “mental model” or beliefs of internal decision makers about what’s important to those customers. If this is true in your situation, there are two important implications. It implies there is always a disconnect between internal beliefs and external customer realities. It also implies this disconnect is not only present but growing. In order to have improvements in employee engagement translate into improvements in the customers’ experience, most organizations have to work very hard to stay in sync with continually changing customer priorities.
- ***Alignment around a concise specification of the intended customer***

experience. What exactly is the experience you expect customers to have? Although every company designs their products and services, very few have specified or deliberately designed what they do around the experience they intend their customers to have. As a result, the individual efforts of executives, managers and front-line employees tend to be at odds with each other in subtle or not so subtle ways. In turn, the experience customers have tends to be inconsistent, fragmented or just plain frustrating. If this is true, increases in employee engagement will not translate into any substantial improvement in the quality of the customers' experience.

- ***Processes, technology and management practices that get in the way of employees doing the right thing for customers.*** Is it easier for employees to do the right thing for customers or are there policies, procedures, systems, measurements, reward systems, etc. that get in the way? Although it isn't intentional, most organizations have significant hurdles employees must overcome to deliver a great customer experience. Although, very high levels of employee engagement can help employees' overcome these hurdles, individual heroics also contribute significantly to inconsistency in the customer experience.
- ***"Unwritten rules" that drive behaviors inconsistent with the desired customer experience.*** These unwritten rules drive the real behavior of the organization. In virtually every organization we've worked with, there are significant unwritten rules that are inconsistent with delivering a great customer experience. These unwritten rules are unique to each organization, driven by extensive legacy effects and reinforced by the existing employee experience. Many typically center around things like: what it takes to be successful in the organization, the importance of financial versus nonfinancial metrics, the importance of internal versus external stakeholders (e.g., my boss versus the customer), the importance of acquiring new customers versus caring for existing customers, the ability to admit mistakes, the ease of cross-functional collaboration, etc. Unless these unwritten rules are surfaced and addressed, they get in the way of improving employee engagement to drive a better customer experience.

Unfortunately, it's hard to think of many organizations where these barriers are not in place. The pervasiveness of these issues is one of the reasons many organizations run the risk of investing heavily in improving employee engagement and not generate the benefits implied by the Service Profit Chain.

Chapter 4

Employee Experiences are the Lever for Shifting Customer Experiences

Employees are the lever for delivering and continuously improving the customer experience. The challenge for companies is ensuring the experiences employees have align with the experiences they want their customers to have, in other words, to design employee experiences with the customer experience outcomes in mind.

The employee experience encompasses *the employee's rational and emotional reactions to how well their organizational and external environments affect their ability to accomplish their goals and satisfy needs important to them*. As with the customer's experience, the employee's experience belongs to the employee, not the company. Employees' rational and emotional reactions produce behavior that either enables or gets in the way of them working together to deliver an outstanding customer experience.

Figure 4 depicts the connections between employee experience and customer experience.



Figure 4: How Employee Experiences Drive Customer Experiences

Employees bring to the job a set of *individual characteristics*, including goals, needs, motivations, strengths, values and beliefs about work and about themselves, as well as experiences from previous jobs. Those characteristics influence how they *perceive* what happens to them in their current *organizational environment* – interactions, challenges, successes, failures, stresses. Also influencing the employee is what’s going on in the *external environment* – family, finances, community, even world events. These are things they must deal with outside of work, most of which have nothing to do with the company, but which the company may have to deal with in employee perceptions and behaviors.

Employees *interpret* everything that happens to them inside and outside the organization as their *employee experiences*, and inevitably react both rationally and emotionally. They respond to that experience with individual and emergent group *behaviors*, which produce the *customer experience* in it many manifestations – including product and service delivery and quality, relationships, direct interactions and brand power and identity.

Meanwhile, employee behaviors also form a feedback loop, shaping and reinforcing the organization’s informal system of operating. This informal system is the most difficult facet of employee experience to diagnose and manage, and so merits more detailed discussion. We divide it into two interrelated pieces, *operating state* and *unwritten rules*. The operating state of the organization is a way of describing and diagnosing how people work together. It has a profound impact on the agility any workgroup or organization has in the face of changing business needs. Based on work done with CSC Index and DiBianca Berkman,

Operating State describes how people relate to four things: Power, Identity, Contention and Learning. They'll resonate with experiences you've had in organizations you've been part of.

- **Power.** Do people have the power to accomplish what is important to the organization and to themselves? The state of power within any organization can range from **Possibility** to **Resignation**.
 - **Possibility.** At one end of the spectrum, some organizations seem to be unstoppable. Employees have experiences that encourage them to be ambitious, resourceful, to take risks and to accept accountability.
 - **Resignation.** On the other hand, many organizations seem be stuck. Employees experience an immovable object and, as a result, can be highly frustrated, easily stopped, and avoid risks and accountability.
- **Contention.** How do people deal with disagreement or misalignment? In some ways, this is the most critical element of how people work together in a changing business world. Contention within an organization can range from **Safety and Resolution** to **Fear and Suppression**.
 - **Safety and Resolution.** Ideally the experience employees have within the organization encourages them to surface and address differences of opinion; safely challenge the status quo or prevailing thinking. The experience reinforces "straight talk" rather than submerged disagreement.
 - **Fear and Suppression.** Alternatively, many organizations have a hard time with conflict. People avoid saying "what's so" for fear of being seen as "not on board" or "not a team player." Many times there are subtle "kill the messenger" reactions that lead to distrust and issues that become undiscussable.
- **Identity.** Do people identify with the mission and the commitment of the organization as a whole or do they identify more narrowly with their function or department? The state of identity within an organization can range between **connectedness** to **separateness**.
 - **Connectedness.** When an organization operates from the state of connectedness, holistic thinking prevails. People work hard to optimize performance as a whole rather than just the performance of their function. As a result, it's possible for the organization to take coordinated action and be responsible for cross-functional and cross-divisional objectives.
 - **Separateness.** When an organization is operating from a position of separateness, narrow thinking prevails. Employees primarily consider the requirements for success within their function or role. This naturally leads to sub-optimal overall performance. People take independent action that is in many cases misaligned and, as a result,

there can be a lot of finger-pointing.

- **Learning.** Learning is the way an organization maintains its differentiation. In order to move forward, organizations must be open to learning about the changing needs of their customers, their real strengths and weaknesses versus competitors, and the ways the organization must change to continually improve the experience for customers. Commoditization is a byproduct of the lack of learning. Learning within organizations can range from **Inquisitiveness and Receptivity** to **Arrogance and Defensiveness**.
 - **Inquisitiveness and Receptiveness.** Ideally the employee experience reinforces an environment in which people are open to new ideas, look for new possibilities, challenge existing mental models, try new things and learn from their failures.
 - **Arrogance and Defensiveness.** In many organizations, people have a hard time safely challenging existing thinking. Many times employees trust and follow the “authoritative view” of their superiors. In addition, some organizations reinforce critical thinking that leads employees to look for the “fatal flaw” in their colleagues’. People are distrustful of ideas that come from outside their group or organization. In many situations it’s hard for the organization to learn from failures because they have a hard time admitting them.

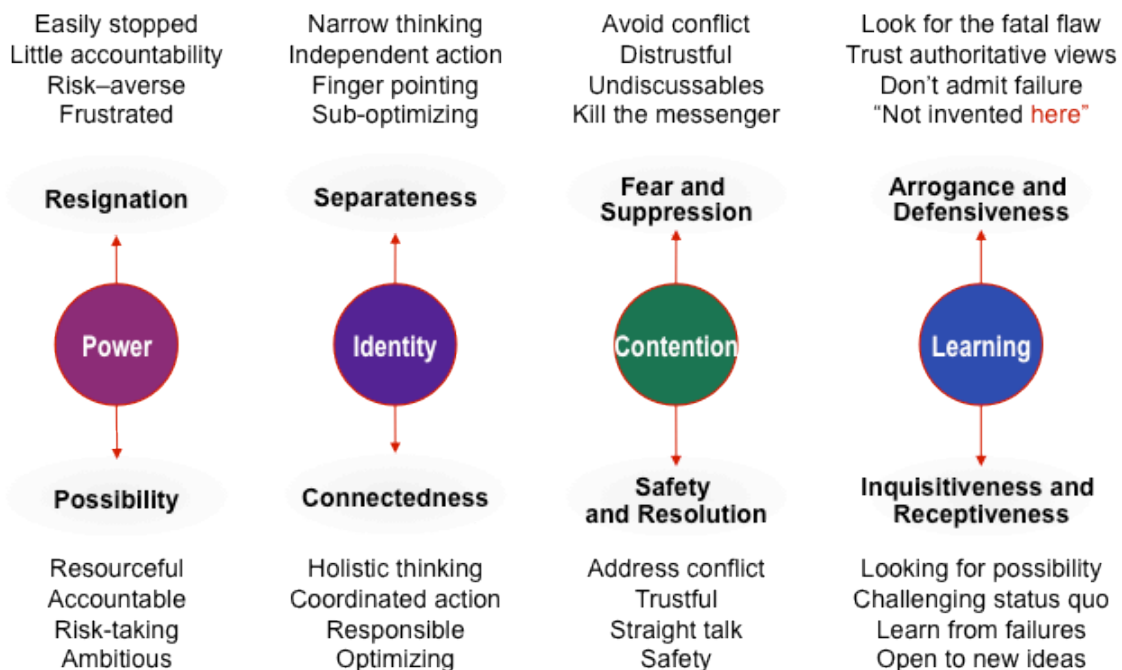


Figure 5: Operating State Components

Figure 5 shows typical employee behaviors along the spectrum from positive to negative around all four components. These components are interconnected and

have a profound impact on the organizations' ability to navigate change and improve the quality of the experience customers have.

An organization's operating state is expressed in many ways, including formally through its structure, performance management, other management systems and investment priorities. It is also expressed very powerfully – and informally – as the set of unwritten rules that guide employee behavior. Although unwritten, they are widely acknowledged, unofficially discussed and passed down from experienced employees to new ones.

We pointed out these unwritten rules in the last chapter as one of the major barriers to delivering the desired customer experience. Our work on the role of unwritten rules in connecting employee experience to customer experience is the result of a collaborative effort with Dr. Peter Scott-Morgan, who authored the outstanding book “The Unwritten Rules of the Game.”

Too often the unwritten rules that are sensible ways to behave within the organization also encourage behaviors inconsistent with the intended customer experience, for example:

- “Keep the boss happy” puts customers in the background.
- “Always make your numbers” motivates end-of-quarter overselling.
- “Protect your turf” and “stand out from the crowd” inhibit cooperation in customer service.
- “Never admit you’ve made a mistake” prevents the organization from doing meaningful service recovery with customers.
- “Compete for the customers’ attention and resources” reinforces fragmentation of selling activities across divisions.
- “The stars in the organization are out getting new customers” keep people from focusing on servicing existing customer relationships.
- “When in doubt, pay attention to how you (and your boss) are measured” keeps people from doing the right thing for customers when the solution must cut across boundaries.



Figure 5: Unwritten Rules, Motivators, Enablers, and Triggers

Unwritten rules are one of the primary reasons customer experience efforts often don't produce the desired results. To rewrite unwritten rules – often through changes in management policy, practice and behavior – you must first surface and acknowledge them and their effects on the employee and eventually the customer experience. This involves:

- Surfacing the organization's *motivators* (what's perceived as really important to do and not do), *enablers* (who's perceived as really important and influential), and *triggers* (how people perceive they are measured).
- Articulating the resulting unwritten rules.
- Determining where and how those rules are consistent or inconsistent with the intended employee and customer experiences.
- Understanding how the current employee experience drives behaviors that reinforce the unwritten rules, particularly the counterproductive ones.
- Designing specific employee experience interventions to deliberately address unwritten rules that are barriers to the desired customer experience.



Case Study: Whole Foods Market

The Whole Foods customer experience generates such a positive reputation that people write to corporate headquarters in Austin requesting a store in their neighborhood. A group seeking a store in the Logan Circle area of Washington, D.C. sent a 52-page demographic study to Whole Foods that demonstrated the affluent nature of the area, and organized a write-in campaign that sent 3,000 preprinted postcards to Whole Foods.

At Whole Foods, “team” is the paramount concept. Structurally, each store includes an average of 10 autonomous teams (e.g., produce, grocery, cheese). In addition, each store’s team leaders are considered a team, as are the regional store leaders, and the regional presidents.

Store teams are responsible for delivering customer service. Self-directed teams meet regularly to discuss issues and solve problems, and express appreciation for one another’s contributions. Team member forums and advisory groups are encouraged, and the company believes in “open book, open door and open people practices.” Labor gain-sharing and other employee incentive programs encourage store success, not just personal success.

Whole Foods’ design of the employee experience begins with employee (“member”) teams making hiring decisions. Employees select their new team members for a trial period of four weeks. To remain on the team, new employees must be approved by two thirds of the team members after the period.

The organizational environment promotes and reinforces the team concept. Compensation is team-based and high-performing teams share in profits, which can be as high as up to \$2/hour every other paycheck. Close to 90% of Whole Foods employees are full-time compared to an industry average of about 68%. Full-time employees are eligible for full health benefits, a 20% discount on merchandise and a gain-sharing program that distributes departmental savings to employees. Stock options are available to full-time employees.

Teams schedule themselves, team members train and learn from one another, and they deal with contention and performance issues at the team level before elevating matters. This team-based and team-first culture drives loyalty to and accountability for one another, as well as commitment to customer satisfaction and store success. Relevant elements of the customer and employee experience are shown in Figure 6 (below).

Individual Characteristics	Organizational Environment	Employee Experiences	Employee Behavior	Customer Experiences
<ul style="list-style-type: none"> ▶ Employees select new team members ▶ New employees join teams on trial basis for four weeks ▶ 2/3 of team must vote to keep new members after four weeks ▶ Close to 90% are full-time vs. industry average far lower 	<ul style="list-style-type: none"> ▶ Team-based compensation ▶ Discourages hiring "buddies" vs. "co-workers" ▶ High-performing teams share in profits: up to \$2 / hour every other paycheck <p style="text-align: center;">+</p> <p style="text-align: center;">External Environment</p> <ul style="list-style-type: none"> ▶ Organic movement ▶ Standards for humane treatment of animals ▶ Willingness to spend more on high-quality food ▶ More localization of food 	<ul style="list-style-type: none"> ▶ Work culture that promotes cooperation (10 teams per store) ▶ Compensation is team-based, including bonuses <p style="text-align: center;">Influence:</p> <ul style="list-style-type: none"> ▶ Power: Teams more powerful than managers (e.g., hiring, scheduling) ▶ Identity: Identify with team members first ▶ Contention: Teams first attempt to resolve ▶ Learning: 	<ul style="list-style-type: none"> ▶ Team culture drives loyalty to one another ▶ Full responsibility for delivering customer service ▶ Ranked 5th on Fortune's 100 Best Places to Work 2007 (2/3 of total score based on employees' responses) 	<ul style="list-style-type: none"> ▶ Pleasant and helpful employees ▶ Personal attention ▶ Good service even when no one is watching ▶ Wide variety of foods

Figure 6: Employee and Customer Experience Elements at Whole Foods

(Sources: "Grocery Stores," U.S. Department of Labor, Bureau of Labor Statistics, December 18, 2007; "Whole Foods – A Disciplined Democracy," BetterManagement.com; "Hungry for Whole Foods," *The Washington Post*, July 22, 2006; "I No Longer Want to Work for Money," *Fast Company*, Issue 112, February 2007.)

The success of Whole Foods' approach is visible in customer loyalty, employee engagement and the bottom line. In 2007, sales increased from \$5.6 billion to \$6.6 billion and the company added 90 stores to reach a total of 276. The company consistently ranks in the top echelon on *Fortune's* annual "100 Best Places to Work" listings, where two-thirds of the score is based on employees' responses.

Chapter 5

Delivering a “Generative” Employee Experience

Just as every interaction with the customer becomes a branding event differentiating you from your competitors, every interaction with and among employees becomes a branding event aligning employees more closely with the company’s mission and values – or driving a wedge between employees and the company.

The Employee Experience Payoff

A focus on employees pays off. According to research by The Hackett Group (“Making the Business Case for HR: Talent Management Aids Earnings,” *HRO Today*, May 2007), companies that rank in the top quartile of talent management practices (specifically, strategic workforce planning, staffing services, workforce development and organizational effectiveness) outperform the *Fortune* 500 on:

- EBITDA (earnings before interest, taxes, depreciation and amortization): 16.2% compared to 14.1% for the *Fortune* 500.
- Net profit margin: 7.1% compared to 5.8%.
- Return on assets: 5.5% compared to 3.7%.
- Return on equity: 17.3% compared to 13.6%.

Delivering great employee experiences does not have to cost more. The Hackett Group research also reveals that top-performing companies spent 6% less on human resources activities (“Companies Can Improve Earnings Nearly 15% By

Improving Talent Management Function,” *CRM Today*, July 25, 2007). Compared to their peers, these companies are 57% more likely to have a formal HR strategic plan and 50% more likely to link their employee learning and development strategy to their strategic plan.

One way companies have tried to improve the employee experience is to improve and maintain high employee engagement levels. There is plenty of evidence that investment in improving employee engagement yields significant returns in business performance. For example, Towers Perrin estimates a 15% increase in overall employee engagement levels can add 2.9% to a company’s operating margin (“Reconnecting with employees: Quantifying the value of engaging your workforce,” Towers Perrin, 2005). The same worldwide study shows highly engaged workers believe they can contribute more directly to business results than do less engaged employees. Specifically:

- Eighty-four percent of highly engaged employees versus 31% of disengaged employees believe they can improve product quality.
- Seventy-two percent of highly engaged versus 27% percent of disengaged believe they can positively affect customer service.
- Sixty-eight percent of the highly engaged versus 19% of the disengaged believe they can help reduce costs in their job or unit.

Meanwhile, Gallup data show actively disengaged employees (about 14% of the U.S. workforce who act out their unhappiness at work) cost the U.S. economy between \$292 and \$355 billion annually (“At Work, Feeling Good Matters,” *Gallup Management Journal*, December 8, 2005).

Designing the Employee Experience

Designing meaningful and relevant improvements in the employee experience that lead to better customer experience involves several steps:

- **Describe the experience you intend to deliver to customers.** Identify which aspects of the experience are now differentiators. Surface things that frustrate customers today. Describe what customers are trying to accomplish and map the processes they follow to accomplish those things. Then detail the experience you want them to have. What do you want customers to feel after their interaction with you? What are your company’s ultimate goals for the delivering a powerful customer experience (e.g., additional sales, word-of-mouth marketing)? Avoid segmenting customers by how you see them; let them “segment themselves” based on how they see their relationship with your company.
- **Identify organizational and individual behaviors required to generate that customer experience.** What do the people and the organization need to do consistently to create the intended customer experience? What specific changes in behavior are needed? What must front-line employees do differently, and what decisions should front line employees make to

solve customers' problems? How do the work and behaviors of behind-the-scenes employees, plus their interactions with the front line, affect customer experience? Describe the implications for processes, technology, finances and operations, as well as the leadership behaviors required.

- **Identify the business processes, practices and “unwritten rules” that must change to produce required behaviors.** Diagnose how and why your company generates the current customer experience. This cannot be subjective but must be based on rigorous examination from your customers' perspective. Identify where bottlenecks in service occur, where the smooth flow of customer interaction is interrupted. Measure alignment of customer-facing processes, roles, measurements and rewards, and surface the unwritten rules that drive individual and group behavior related to the customer experience. What exactly do the unwritten rules encourage people to do and how do the resulting behaviors facilitate or interfere with delivering the intended customer experience?
- **Design specific employee experience interventions that remove the barriers and rewrite the unwritten rules.** The appropriate interventions may occur anywhere in the employee lifecycle:
 - **Attraction:** Creating ideal employee profiles, identifying and leveraging talent sources that have produced some of your best employees, adjusting recruiting and screening processes.
 - **Incorporation:** Improving on-boarding techniques such as training, mentoring and coaching, support and acculturation programs for the first 90 or 180 days, ensuring frequent communication and feedback.
 - **Engagement:** Recognizing people and contributions frequently and meaningfully, providing attentive and personalized management, maintaining a congenial and productive workplace environment, providing adequate and supportive compensation and benefits.
 - **Enrichment:** Providing project and team leadership opportunities, interesting and varied career paths, professional and personal development opportunities.
 - **Retention:** Anticipating turnover causes and action taking early, identifying and resolving problems consistently and fairly, learning from exit interviews.

Keep in mind, however, much of the employee experience is conditioned by or takes place “below the surface” of the organization's employee management practices. As happens with the customer experience, some of the most influential occurrences are away from the direct “touch points” at the surface of the employee relationship. Designing and delivering the employee experience entails covering the entire employee lifecycle – attraction, incorporation, engagement, enrichment, and retention – and the key activities above the surface – job search, acceptance,

initial experiences, roles and projects, performance evaluation, and career decisions.

But to do this effectively, you must also be in touch with what’s happening below the surface, what employees are thinking and experiencing at all stages of the lifecycle (see Figure 7).

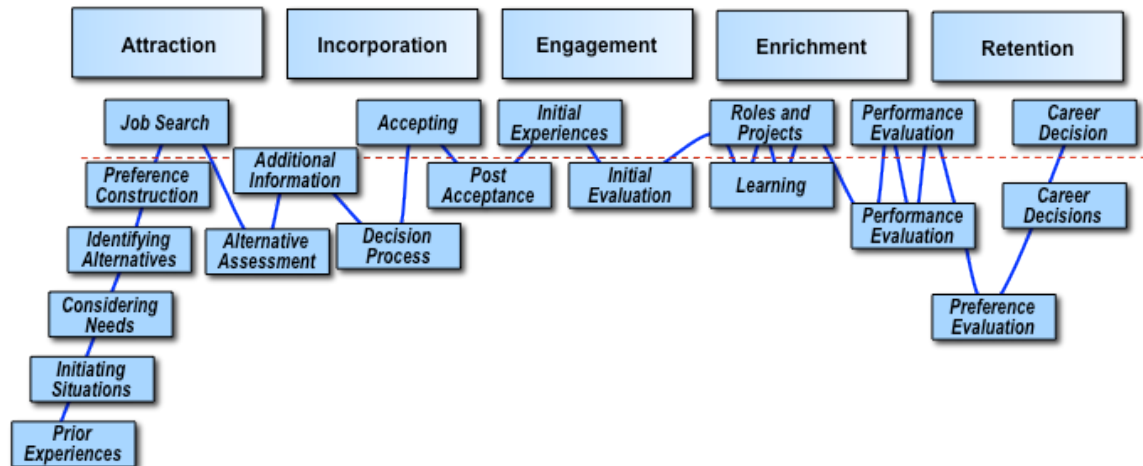


Figure 7: Employee Lifecycle

In most organizations, it is not necessary to improve in all areas of the employee lifecycle equally, or to be the best in every area. It is necessary to know where improvements in the employee experience would “move the needle the most” in the customer experience. In one situation, it may be improving engagement is highly effective for delivering a great customer experience, while in another situation attracting different people or improving the incorporation of people into the company may be the more powerful intervention.

There is a portfolio of levers used to make holistic changes in the employee experience. These levers are illustrated in Figure 8. As will be shown in the following case studies, a coordinated set of interventions is required based on the situation and the underlying organizational dynamics that must be addressed.

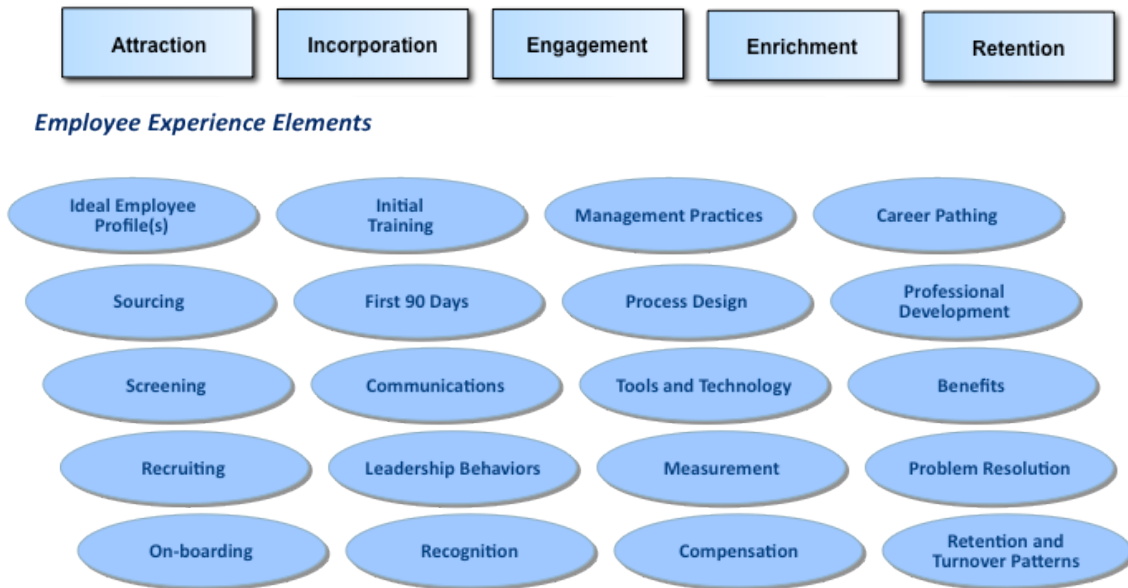


Figure 8: Levers for Shifting the Employee Experience

Case Study: JewelryCo

“JewelryCo” strives to delight people who want to give the gift of quality jewelry to celebrate their most important relationships, but who are uncomfortable in the typical high-pressure jewelry store environment. Its mission is to deliver a differentiated customer experience focused on “friendly guidance” that helps customers select the perfect piece of jewelry to mark their relationship.

JewelryCo describes its intended customer experience as follows:

- The quality of our customer experience is a direct result of the quality of our employee experience.
- We fundamentally transform and become an essential part of the customers’ experience buying and giving jewelry.
- We pride ourselves on building unbreakable lifetime relationships with our customers.
- We focus on building long-term value of the relationship rather than just making the sale today.
- We deliver an extraordinary experience to every guest who enters our stores, not just those that buy today.
- We recognize our customers’ trust, loyalty and advocacy are a reflection of our loyalty to them.
- We show loyalty to customers by getting to know them, earning their trust and exceeding their expectations.
- We guarantee customers’ complete satisfaction with purchases made from us.
- We provide extended service and ring sizing on every item sold, free of charge.
- We purposely exceed customers’ expectations when making returns and exchanges.

Based on internal research, JewelryCo created a set of ideal employee behaviors it believes will help employees fulfill its mission:

- **Capture the butterfly shopper.** Draw exploratory shoppers into the store.
- **Greet the customer.** Build rapport, trust and respect from the first interaction
- **Guide the customer to the perfect selection.** Sell “consultatively” rather than forcing decisions.
- **Reinforce value and satisfaction.** Ensure customers are comfortable with the value they’ve received for the price they’ve paid and that they understand JewelryCo’s commitment to their total satisfaction.
- **Innovate the giving experience.** Help customers create a better gift-giving experience for themselves and the gift recipients.
- **Create a “Wow!” on returns and exchanges.** Follow a no-questions-asked return process.
- **Drive the second sale.** Take action to encourage customers to come back for the critical second sale.

JewelryCo’s research revealed facets of its employee experience that raised barriers in its customer experience intentions. The company addressed these barriers in several ways:

- **Dramatically revamping its ideal hire profile.** JewelryCo had been hiring people based largely on being convinced the prospective employee was not going to steal from the company. Its new primary criterion for hiring is whether the individual can deliver the kind of customer experience that JewelryCo wants. It initiated rigorous screening to match people to its ideal employee profile and later tracked its new hires’ first-year performance against the test scores during the screening process to refine the screening methods and set new thresholds for acceptance. It also allotted more time for managers to recruit local people who initial screening showed could be high-potential candidates.
- **Providing more effective training.** The company set a goal to have employees across the nationwide chain consistently deliver a differentiated customer experience. All employees receive one day of structured training at a regional training store. JewelryCo evaluates investments in initial training based on measurable improvements in rookie productivity. A previous intolerance for “wasting” limited store payroll on marginal performers was replaced with an approach to help those performers fill in the gaps in their selling skills. Annual training reinforces critical elements of the customer experience, including greeting, consultative selling and gift-giving advice.

- **Instituting a formal mentoring program.** All new employees have mentors who work with them during their first 90 days. Mentors are selected from the ranks of performers who make strong contributions to store performance, and they are trained on how to guide performance of new associates. Mentors simulate customer interactions with new employees to help them learn positive techniques for building rapport, guiding the customer and closing the sale. They also observe new employees with customers and provide real-time feedback and coaching. Mentors' incentives are based on the performance of their new employees. Once an individual reaches "A" player status, he or she can take on the role of mentoring junior associates.
- **Balancing individual and team performance evaluation.** All individuals are given the training, tools and encouragement to succeed, and rigorous measurement and management of rookie productivity helps newcomers succeed. Compensation changed so once an individual reaches \$300,000 in annual sales, additional incentives are based on store level performance metrics that include customer satisfaction and employee engagement. This encourages actions and behavior such as mentoring others that improve the performance of the entire store.



Case Study: Total Quality Logistics

Cincinnati-based TQL was founded by former produce distributor salesman Kenneth Oaks and Bryan Legg in 1997 as a non-asset-based provider. They have since changed the basis of competition in the third-party logistics industry by developing an intense employee recruiting and training strategy and building an IT platform optimized for vastly better customer service standards. Non-asset-based providers contract with carriers but do not own any transportation vehicles themselves. Wal-Mart, Kroger, ConAgra, Sara Lee and Publix Markets are among TQL's nearly 5,000 customers. The company finds dependable carriers, monitors trucks through delivery and handles all problems. It contracts only for full-load shipments.

TQL uses some 255 logistics sales account executives (LAEs) to manage client relationships. It is highly selective in its hiring, to say the least. In 2006, 11,000 people applied to TQL for sales trainee positions; its internal staff of 12 recruiters hired less than 4% of applicants. It focuses much of its recruiting effort at colleges, holding dozens of recruiting events every year at schools in Ohio, Kentucky, Indiana and West Virginia.

LAEs are responsible for learning and understanding customers' day-to-day needs and for placing actual loads. In a program that lasts between three and six

months, future LAEs are trained to provide exceptional customer service. About half the training time is spent learning the trucking business and the other half in learning how to sell the company's services. Training is both classroom and hands-on and includes one-on-one work with professional trainers (a permanent staff of 20 people) and senior-level sales professionals. TQL operates its own on-site training facility.

The process of becoming an LAE is rather complex. TQL mainly attributes its success to its "intense interview process where applicants complete four or five phases before being offered employment with TQL." This system allows every new hire to know exactly what to expect before accepting a position at TQL. The steps to being hired include:

- Online assessment in which applicants create and manage a personal profile online
- Phone interview
- A two-hour and 15-minute interview, which includes applicant testing (30 minutes), a 45-minute interview with HR Personnel, and 30 minutes shadowing an LAE
- A one hour and 20 minute interview that includes 30-minute shadowing of an LAE, a 30-minute interview with a group sales manager and a 20-minute interview with a sales director

Each client has one LAE – a single point of contact – who is available all day every day (365 days, 24/7). They manage problems and check in with the carriers twice per day. LAEs are paid on a commission basis alone (no salary) and get a percentage of the profit from each truck load they broker (25% upon reaching the level of LAE). They also enjoy a range of benefits including discounted child care, flexible spending accounts, sports leagues, on-site oil change and fitness facility and group discounts on insurance coverage and at local businesses.

Employees are able to work from home and have very flexible hours. President and CEO Ken Oaks says the company requires employees who travel out of town to take time off, usually within a week or so of returning, while those gone two days must take a half day off and those gone three days must take a full day off.

Employees are given great latitude to do their jobs. Oaks says the company does not try to micromanage employees; it trains them to do their jobs and offers support but not much oversight. It also promotes from within more often than not. Three quarters of sales managers were already employees and 100% of senior salespeople started as sales trainees.

Technology gives all LAEs complete real-time visibility on shipment status. The system is proprietary and built to track information on each logistics account, sales and marketing, prospect database, truck load dispatch, routing and in-transit tracking, accounting and billing and performance of contract carriers.

All this pays off for customers who enjoy reliable performance, personal service and visibility into the management of their loads. TQL's technology platform

enables provision of services to customers that include electronic data interchange, Web-based shipping and tracking, email status notification and customized reports. TQL can find any truck at any time, and customers can see where all their loads are at all times. Each of the carriers' drivers and dispatchers are graded for each delivery, which also gives TQL the ability to move loads to carriers that have the best customer experience records.

"If the above scares or concerns you, please do not go further in our interview process and waste your time and ours. However, if this fires you up, keep reading, and we will hopefully be talking to you soon."

Message on the TQL Logistics Sales Management Training Program Web page under an email from the company president to trainees with a story of how hard they will work.

TQL won the 2006 Transportation Sales Organization of the Year (Stevie Award) and was a finalist in 2006 and 2005 for Greater Cincinnati's Best Places to Work. It has experienced phenomenal sales growth: revenue of \$192 million, up from \$101.2 million in 2005. Since 2005, the workforce has grown from 170 to more than 650 in 2007. The company now moves over 200,000 loads annually for customers.

(Sources: "Seizing the White Space: Innovative Service Concepts in the United States," Tekes (Helsinki), 2007; Total Quality Logistics (www.tql.com); "Supporting role," Smart Business Cincinnati, November 2005.)

Case Study: Quick Food Restaurant Company

A leading U.S. quick food company has done extensive work to develop and deliver powerful employee and customer experiences. For the past five years, the company has focused on understanding and designing the customer experience, and embarked in 2008 on creating the employee experience that delivers what it has designed for customers.

In 2007, the company conducted ethnographic studies of its customer base using a small sample. The program involved having a third party organization follow five specific customers for several weeks through their entire experience. They watched customers at home as they made the decision to go to one of the company's restaurants, accompanied them in the car on the way, watched them as they ordered from the take-out window or inside the store and observed their experiences in the store or in the car.

In an interview, a senior HR manager listed several significant customer service improvements that are rooted in the work of the ethnographers:

- The company has provided strollers to mothers who bring their children to the stores. While mothers were grateful for the strollers, as the

ethnographers watched how the moms actually used them, they noticed several things: the basket on bottom was too small, the stroller was hard to fold (it pinched the moms as they folded it), the awning did not shade the children's faces and the cup holder was too small. While they loved the idea of having a stroller available, customers actually had less than ideal or intended experiences with the strollers, and the company is changing this service to improve the experience.

- Ethnographers also watched mothers watch their children at the store playgrounds. Ninety percent of the time, says the HR manager, moms arrived between 11:00 and 11:30 a.m., and the children played and ate and played and ate. But because their hands were not clean after they played, mothers repeatedly had to clean their hands. To solve this, the company installed hand sanitizers outside to make it easy for mothers to clean their children's hands.
- Ethnographers noticed parents cut up food for their small children and, as the children ate, sometimes the food touched the table. The company now provides table mats with kids' meals and other sanitary items. The company is investigating providing "lapkins" that would serve a similar purpose for drive-through customers.

The company is so impressed with the early results of its ethnographic work with customers that HR received approval to conduct a similar effort among employees, beginning with an extensive survey employees could take in phases at their convenience using the stores' cash registers as the interface. The HR manager explains, "We aim to discover how they think about how they are doing work, their uniforms, the equipment, the people they interact with, the break room – all are important." The company embarked in parallel on an extensive program to train managers to interpret survey data and make improvements. The company ultimately intends to certify its general managers as "people managers."

According to the HR manager, "There is no one pivotal person in the restaurants." Everyone must work in concert; however, a new role – hospitality coach – is going to be key to improving employees' comfort with and ability to deliver customer service. The hospitality coach will help bring employees in the restaurants to a higher level of service, in part by teaching younger workers about hospitality, what it means and how to deliver it. "At 16 or 17, it is hard to look customers in the eye, speak enthusiastically and make a connection. Hospitality is an acquired skill like language, but many younger employees have never pulled out a chair or feel comfortable smiling at every customer. The coach's role is to teach, polish and demonstrate 'extra-mile skills' to team members. We want to deliver comfortable service, not fast food service."

"We have a process. We make bets on people."

HR manager for the quick food restaurant chain

"We believe optimized customer experiences are supported by optimized

employee experiences,” the manager says. “We are trying to make sure employees understand what is different about our company, take pride in the differences, and are able to articulate them to other people.”

The company is now looking outside the industry for new ways to differentiate its employee and customer experiences. “While our practice in the past has been to compare ourselves against others in the industry, we now believe it is more meaningful to compare ourselves to other service companies such as Marriott, Starbucks, and The Container Store.”

Limitedbrands

Case Study: Limited Brands

Very often, a company is quite happy if it has developed and motivated employees who do heroic things for customers. But when they have to resort to individual heroics, employees are trying to overcome flaws in an organizational system. Too often, there is too little understanding of the true customer experience. Lacking that understanding, companies fail to specify the intended customer experience to begin with, making consistent delivery impossible.

As related in *Beyond HR*, clothing retailer Limited Brands recognized that talent decisions in their stores were being made without thorough analysis of how they affected business outcomes. It found talent decisions were made for a variety of reasons, such as which stores asked first, which stores were highest-performing or which stores operated the most hours per day – none of which were based on metrics and analytics, and none of which delivered repeatable results. Sales were the product of individual initiative, unsupported by thoughtful, planned talent management.

The company did a thorough analysis of what was actually occurring in the stores that made a difference to customers and to business performance. It developed a measurement system that tracked how customers and employees moved through the stores. It combined data from this tracking system with point of sale data, customer interviews and customer demographics to develop a clear picture of how employees’ actions and interactions with customers led to sales and customer satisfaction.

Limited Brands developed a simulation tool – a “labor scheduling architecture” – that incorporates data about customers, employees, employee behavior and store performance to enable store managers to optimize employee scheduling and management. The company engaged its operations engineers to develop this tool, which models various scenarios to mitigate risk at the same time it improves a store’s ability to respond quickly to changing circumstances in any variable.

Limited Brands’ analysis led to several revelations that in turn led to changes in the way it staffed and managed employees on the store floor:

- The company discovered customers were two or three times more likely to buy garments they had tried on, so store managers track how often employees succeed in getting customers to try on clothes.

- The company developed a scheduling system to ensure adequate staff to handle the highest traffic and sales patterns. This included scheduling its best-performing employees on weekends because a significant portion of sales comes then. Previously, high-performing employees were deliberately not scheduled on weekends as a reward for their performance. Most agreed to work weekends when they were shown how much more they would make in sales commissions.
- The company also revised the division of employees' time between floor and stocking after it found that employees often were spending too much time on the latter.
- Analysis showed customers tended to move through the stores in a basic "figure eight" pattern. So the company stationed employees at the intersection of the figure eight to increase interactions with customers.

Chapter 6

No Matter What Business You're In, You're in the Hospitality Business

I recently gave a keynote speech at a customer experience conference in New York. As part of the event, participants and speakers could share dinner with Danny Meyer at his restaurant, Eleven Madison Park. For those not familiar with the New York restaurant scene, it's an understatement to say it's highly competitive. Danny Meyer is the chief executive officer of the Union Square Hospitality Group, which includes several of New York's other favorite restaurants, including Union Square Cafe, Gramercy Tavern, Tabla, Blue Smoke, and The Modern. Danny recently published an exceptional book called, "Setting the Table: The Transforming Power of Hospitality in Business."

Over the course of the evening, Danny Meyer shared his thoughts on the distinction between service (the things we design our processes and train our employees to provide) and hospitality (the sum of all thoughtful, caring and gracious things we do to demonstrate we are on the customer's side). Service is a monologue; it's about technical delivery, standards and execution. We decide what to do and how to do it. Well designed and executed service usually does a good job of meeting customers' rational needs and expectations. On the other hand, hospitality is a dialogue; it's about watching a customer's experience with every sense and following up with a thoughtful and appropriate response. Hospitality is the component that addresses customers' more important emotional needs and creates real loyalty.

It's natural to think about hospitality if you're in the hospitality business.

However, it's not hard to see creating a ***hospitality experience*** can apply to just about any business that wants truly loyal customers. Hospitality is the concept that reframes customer loyalty as the business' loyalty TO the customer.

Unfortunately and fortunately, true hospitality is rare in the business world. Very few businesses actually deliver it and, as a result, are unworthy of any real loyalty FROM their customers. This creates an opportunity for highly committed competitors. There certainly are organizations that differentiate their experience based on hospitality. For example, I consistently have a ***hospitality experience*** with [Nordstrom](#) and am increasingly willing to pay a premium to shop there.

In his talk, Danny Meyer emphasized an organization's ability to deliver hospitality has to do with who you hire and how you manage them, core components of the employee experience. The characteristics he believes are critical to a hospitality experience are:

- ***Optimistic Warmth.*** Genuine kindness, thoughtfulness and a sense that the glass is always at least half full
- ***Intelligence.*** Open-mindedness and an insatiable curiosity to learn
- ***Work Ethic.*** A natural tendency to do something as well as it possibly can be done
- ***Empathy.*** An awareness of, care for and connection to how others feel and how the individual's actions affect others
- ***Self Awareness and Integrity.*** Understanding what makes you tick and a natural inclination to be accountable for doing the right thing

In parallel with hiring individuals who exhibit these characteristics, there are several specific elements of the management environment, managers' behavior and management practices that Danny emphasized:

- ***Infectious Attitude.*** Managers have a positive attitude and the ability to stay positive in the face of adversity.
- ***Charitable Assumption, Patience and Tough Love.*** Managers assume the best in other people; understand and capitalize on unique strengths; and build accountability.
- ***Long-Term View of Success.*** Management maintains a focus on the long-term value of the employee and the customer experience.
- ***Sense of Abundance.*** Enlightened generosity with employees and customers rather than operating from a sense of scarcity.
- ***Trust.*** You can't motivate, empower or collaborate with people if you can't trust them.

In the time since this event, we've had the chance to work with many clients on the role of hospitality in their business. In most cases, this deceptively simple concept has led to a fundamentally different way of thinking about delivering a differentiated customer experience; one that is intimately linked to and reflective of the employee experience.

Delivering true hospitality can't be scripted. You must create elbow room for employees to do the right thing for the customer. This requires a deliberately

designed pattern of interventions in the employee experience including recruiting, incorporating, training, communicating, measurements and rewards. It also involves surfacing the unwritten rules that may be driving employee behavior inconsistent with the desired customer experience

Chapter 7

Summary:

Getting the Employee Experience “Right”

- The experience customers have with any organization is the product of behavior that emerges from a complex organizational system.
- Every organization is strongly predisposed to deliver the current customer experience based on deeply entrenched legacy effects, beliefs, values and unwritten rules. These legacy effects are reinforced by employee experiences at every level of the organization.
- Most customer experience efforts significantly underestimate the difficulty of shifting legacy effects. In some cases, organizations create a vision for the desired customer experience that is fundamentally at odds with the character and culture of the organization. As a result, their initiatives fail to produce a noticeable shift in the customers’ actual experience.
- Any effort to fundamentally improve the customer experience must first decode how and why the organizational system produces the current experience. This understanding allows executives to identify what changes are feasible and what specific interventions are necessary. Without this understanding, efforts to change the behavior of the organizational system are likely to be naïve.
- Delivering a substantially different customer experience requires a holistic, end-to-end perspective on the employee experience. Within that holistic perspective, targeted employee experience interventions must address and

rewrite any “unwritten rules” that produce behavior inconsistent with the intended customer experience.

- By creating a strong linkage between the customer experience required to drive profitable growth and the employee experience required to generate this customer experience, a company can justify and prioritize investments in the employee experience.

Recommendations

- **Describe the experience you intend to deliver to customers.** Describe what customers are trying to accomplish and map the end-to-end activities customers follow to accomplish those things. Then detail the experience you want them to have. What do you want customers to feel after their interactions with you? What are the company’s ultimate goals for delivering a powerful customer experience beyond the transaction itself – for example, additional sales, word-of-mouth marketing?
- **Identify the organizational and individual behaviors required to generate that customer experience.** What do people and the organization need to do consistently to create the intended customer experience? What specific changes in behavior are needed? What must front-line employees do differently, and what decisions should front-line employees be empowered to make to solve customers’ problems? How do the work and behaviors of behind-the-scenes employees, plus their interactions with the front line, affect customer experience?
- **Identify the business processes, practices and unwritten rules that have to change to produce the required behaviors.** Diagnose how and why your company generates the current customer experience. This must be based on rigorous examination of the experience from your customers’ perspective. Identify where bottlenecks in service occur, where the smooth flow of customer interaction is interrupted. Measure alignment of customer-facing processes, roles, measurements and rewards, and surface the unwritten rules that drive individual and group behavior related to the customer experience. What exactly do the unwritten rules encourage people to do, and how do the resulting behaviors facilitate or interfere with the intended customer experience?
- **Design specific employee experience interventions that remove the barriers and rewrite the unwritten rules.** Map the end-to-end employee lifecycle and identify what your employees experience along the way. Model and segment employee populations, measure their fit with “ideal employee profiles” for different roles and correlate with customer experience and business performance. The appropriate interventions may be in how you attract, incorporate, engage, retain or enrich employees’ work. Because useful interventions can be made anywhere in the employee lifecycle, you must be rigorous in determining where to intervene and

where to invest in employee programs. The goal is not just to design a compelling customer experience, but to enable employees to understand their connections with the customer experience and feel empowered to deliver the designed experience.

Onward and upward!

About the Author

Frank Capek

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Frank Capek has spent more than 25 years helping leading organizations design products, services and experiences that positively and profitably influence people.

His work includes everything from designing retail stores and restaurants to creating distinctive products, services and technology for a range of financial institutions, healthcare organizations, high-tech and consumer products companies, as well as business services providers.

Frank is an expert on the integration of design and behavior. In the course of his work, he's pioneered many of the most effective tools for profiling and influencing how people perceive, interpret and act on their experiences. These tools are the backbone of the influence modeling and design methodology employed by Customer Innovations.

Over the past decade, an increasing amount of Frank's work has focused on intentional design of leadership and employee experiences that generate desired customer experiences.

Frank's clients include: American Express, AARP, Chase, Chick-fil-A, Comerica, Dominion, Entergy, Humana, ING, Jiffy Lube, Kaiser Permanente, Merrill Lynch, Michelin, MIT, Nationwide, Novartis, Principal Financial, United Van Lines, Western Union and Zale.

Frank is a highly rated, entertaining and engaging presenter and workshop facilitator. He provides keynote addresses, conducts executive working sessions, and leads experiential learning events for leading companies around the world.

Frank founded Customer Innovations in 1998. In addition, he's held strategy and design practice management roles with *CSC Index*, *eLoyalty*, and *The Concours Group*. He studied design, mathematics and cognitive sciences at MIT, State University of New York and the Courant Institute.

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