Chapter One

Machine of Mediocrity

Corporate Machine on Autopilot

For whatever hallucination-induced state I've been living in for the past twenty-five years, my entire career has been dedicated to driving the customer agenda inside highly respected corporate machines. The most important skill required for the job: pushing back on the answer "no." *"No, we can't change that policy. It makes too much money." "No, customers don't need us to resolve their problem on the first call." "No, no, no. There is no reason that we should talk to customers to understand why they left!"*

In the best of times, this work has enlightened companies to cultivate change in how they work to deliver experiences to customers. This is when we customer crusaders rejoice . . . as we recede into the background and the ideas blend into how the company begins to think and act. But then there is the state we usually live in. Like the guy at the circus spinning plates on those sticks, we get one change going and move on to the next, only to notice that the first is wobbling erratically and about to crash.

Why does it take such a push to wrap the focus of a company around the customer as the source of their revenue? I'm no shrinking violet, and I can tell you that for every battle I've won, I've lost just as many. The big question is, Why has it been a battle? Why have I even had a job? Largely reporting to company presidents, my charge has been to advance the customer commitment and drive action to achieve customer profitability. In a nutshell, I've been paid to be as annoying as the sound of fingernails on a chalkboard—to get the attention of decision makers (and frequently the president who hired me) so they consider the customers' perspective and the revenue impact of their business decisions.

For all the beating of breasts about the customer as king, we still haven't gotten very far. Why? In my experience, it's been because of the corporate machine and how we citizens of the machine have been programmed to achieve our success and reward.

The corporation has become a machine of mediocrity to its customers. Over the years, the organizational model has been cast as pushing widgets out the door. What goes out is defined by the traditional silos created to drive competency vertically: marketing, sales, shipping, and operations. Those in charge of building the competencies are motivated to create performance standards within their span of control. And those of us working inside the silos have learned that success can be achieved most easily through compartmentalizing our work and staying singularly focused on our mission. These separate standards inhibit executive leadership's ability to comprehend and manage their company's total situation with customers, as they are served up only a slice of how the company performs by silo. This frequently accounts for the random, reactive, and less-than-strategic responses I've seen presidents call for time and time again regarding customers. When squeaky-wheel issues are fixed per executive mandate, these efforts are heralded greatly, while pressing and strategic customer issues lie in wait as the corporate machine scurries to fix the one random issue that landed on the president's desk.

Squeaky Wheel Whiplash: Spinning the Heads of the Phone Personnel

A highly regarded financial services company with a strong marketing department convinced leadership that they could get a lot more sales with every inbound customer service call. The solution: get the telephone personnel to up-sell and cross-sell customers when they call requesting help. Payout to the phone personnel was calibrated according to how many customers were convinced to take the offers and buy the value of the add-ons. Simultaneously a new effort was rolled out within customer service to improve the phone personnel's ability to build customer rapport and increase brand value in the customers' eyes. An elaborate system of surveys was created to measure customers' attachment to the brand. These results linked down to the phone rep so they could be held accountable for the results.

In order to win the payout for the up-sell and cross-sell promotion, the phone personnel had to stay within a talk-time boundary. At the same time, the new behavior to build customer rapport prompted longer conversations. Talk times naturally stretched over those previously tracked. There was payout for up-selling and cross-selling (read: "We care about this so we pay for it"). But there was no payout associated with achieving a customer-rapport phone call (whiplash! "We care about this too but don't pay for it"). So here's how those calls went. With one eye on the timer clocking minutes and prompting them to end the call, they'd try to build rapport. Then with talk-time dwindling, they'd rapid-fire offers to up-sell and cross-sell.

The result was uncomfortable customers, disappointing additional sales, and frustrated phone personnel. What caused these are classic. A single silver bullet was shot through the air to get more cash out of customers. It was fired from the marketing silo, which did not have the benefit of knowing what else was going on. That disconnect made a tangle of things for both customers and the reps trying to serve them. While the phone personnel wanted to build rapport, they also wanted to make their payout. The mixed messages about what was important drove them to go where the money was, compromising the results of both efforts.

The Big "Aha!"

The corporation does not live in rapport with its customers because the customer doesn't experience a company through its silos. The customer experiences a company horizontally, *across* the silos. The typical silo structure bumps the customer disjointedly along to deliver the outcome of its experience. It's only when the silos clang and clash into one another that the total experience comes together. And the customer becomes the grand guinea pig, experiencing each variation of an organization's ability, or inability, to work together.

This outcome is the brands' defaulted customer experience, and it's what it becomes known for in the marketplace. Companies don't plan their brand experience; they leave it to chance. They leave the determinants customers use to decide if they'll return—their impression of the company, brand values, differentiation, and how they are treated—to *chance*. And they hope it will be all right.

But it isn't. Across the world, after all these years of supposed focus on the customer, up to two-thirds of all customers leave due to poor customer service (Tepe, 2003). This means that the breakdowns in the execution of our basic interactions with customers make them exasperated enough to walk. And customers are doing a lot more walking these days. That bit of information Frederick Reichheld (1996) delivered about the typical U.S. corporation losing half its customers every five years had us all aghast. That was just the beginning of customers' growing willingness to depart for the competition. Between 32 and 94 percent of all customers right now are thinking of walking away from the companies that currently serve them (Haughton, 2005). But it appears we have gotten somehow numbed by that dismal performance because we haven't done much to make those numbers change. What we have now is a frenzied awareness of a problem that often leads to an even more frenzied approach to a "solution."

CEOs asked by the Conference Board in 2005 to rank the challenges that keep them up at night (Barrington and Tortorici, 2005) put customer loyalty and retention third overall in the United States, just behind steady top-line growth and consistent execution of strategy by top management. Those three things are linked, yet another big aha! A company challenged to consistently execute across leadership divisions is also likely to experience challenges delivering a cohesive customer experience. This will have an impact on their ability to keep and develop profitable customers. The worldwide Conference Board results for this study expose yet another telling fact. Across the world, CEO respondents from companies classified as "more successful" (those that earned the highest average return on assets) more frequently listed customer loyalty and retention as a chief concern over CEOs of "less successful" companies.

The bottom line is this. The organizations we've built, the ways we've compensated and motivated people, and the accountability we've demanded have created a neat and ordered world for *us* to run our businesses. But for the most part, we've let down our customers. It's as if we're all working with one hand tied behind our backs. To see what I mean, answer these questions: Do you have to lobby other silos to work collaboratively so you can get the best outcome for customers? How much time do you spend lobbying versus actually working together? How many of the completed ideas look vaguely like the one you started with? And (the kicker), how many of them end up delivering something better for customers? I've spent much of my time inside the corporate machine lobbying; it sometimes amazes me when things get accomplished. I can't tell you the number of three-hump camels I've been involved in building:

A Three-Hump Camel Story

We're in a conference room—a whole mess of us. In attendance are sales, service, and marketing and operations people. We're all there at the behest of our chief executive to establish a loyalty plan for a segment of customers. One executive "sponsor" was in the room. And that's all we needed for the show to begin. The ideas started flying. "We could give points!" "What about a birthday club?" "Let's offer discounts." The fact of the matter was that a bunch of information we had gathered indicated why we weren't keeping these customers: we had increased prices on services, reduced our availability, and were slower in responding to requests and resolving issues. My team had tabulated and followed the trends on these issues for a few months, so we knew what was up. And the latest customer feedback validated that information. When we presented these data to the group, it was pretty much seen as a wet blanket on those initial ideas. There was a pause. Then the three humps began to build. What we ended up with was an outbound phone call made by a telemarketer to offer the customer a discount on his or her next purchase. At the end of the call, a question was asked if there was anything the customer wanted to discuss about the company.

This was not exactly the rethinking of the service processes our team was primed to push for. The bone thrown our way was that question at the close of the call. In the end, this turned out to be a mediocre effort. It just had too many agendas. What we did was build a three-hump camel. *And* we spoiled many customers' dinners with our pointless telemarketing phone call.

The Power Core

Who approves the camel's design and the function of the camel can usually be traced to the power core of the organization. Most companies have a predominant power core. Frequently it is the strongest skill set in the company or the most comfortable to senior executives. Because executives know the power core best, people gravitate to perform in that area. Success in the power core competencies are assuredly met with acknowledgment and reward. The power core can be the most influential in directing the silos and is one of the biggest determinants of how success, metrics, recognition, and company growth are defined inside the corporate machine.

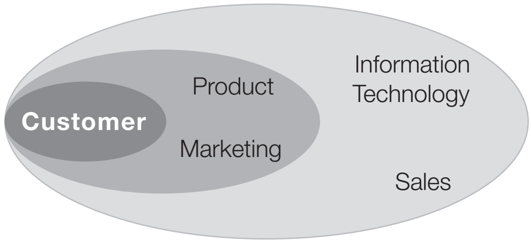
The complexity and scale of work required to drive customer profitability and loyalty into the business model is greatly affected by the strength of the power core and its distance from the customer.

When I left Lands' End and moved on to other companies, I had many watershed moments. Understanding the power core and its impact on the customer has repeatedly proven itself to be a crucial first step in assessing how to proceed. Why? Because understanding the company power core zeroes in on the corporate machine's motivation and ability to drive movement toward customer relationships and customer profitability.

At Lands' End, the power core was the customer (Figure 1.1). Almost everything we built was created from the customer perspective out. Performance metrics and recognition were grounded in how we delivered on the promise and guarantee made to customers. I can say unabashedly that it was highly rewarding personally and professionally to be in this type of environment. It spoiled me for the other experiences that were to come as I kept searching to replicate the Lands' End experience. However, it gave me the strong tools and abilities I needed to weave the customer perspective into companies where the power core resided elsewhere.

I got a loud wake-up call when I moved to the automotive industry and observed that the power core was not the customer but the sales and marketing of the product. During my time in the industry, the economy was shrinking, and the automotive product market was shifting and on the cusp of understanding customer value and retention. At that time, automakers relied heavily on what historically had brought them success: conquest sales, heavy

FIGURE 1.1. When the Power Core Is the Customer: The Case at Lands' End



marketing, events, and incentives. Sales and marketing was the power core. Even a meeting presentation was called a "pitch." And I needed to understand how people processed and prioritized pitches in order to even make it onto a meeting agenda. If I wanted to talk about loyalty, it needed to be about a certain vehicle, not overall brand loyalty. To get attention, it was best to first provide sales numbers, followed by the customer retention and repurchase information. The lessons from that experience continue to ring true: know the source, methods of operating, and priorities of those with their fingers on the power button.

Understanding the power core source and its impact is key to framing how to proceed with the customer work. Whenever I work with companies now, early on I assess where the company power core resides and measure its impact in driving the corporate agenda. This yields an immediate understanding of the complexity and scale of the job required to integrate the customer experience and customer profitability into the business model. Chapter Two provides thorough information on the power core concept and a process for you to diagnose and understand your company power core and its impact on customers. As strong as the power core is, it can put up blinders to the other corporate competencies required to drive customer profitability and deliver a powerful customer experience. Chapter Two also identifies the potential customer profitability hot spots and potholes a company may encounter for each power core and offers a diagnostic tool for identifying the scale and complexity of work ahead.

Dueling Silos

As the mechanics of running the business take over, the corporate machine goes on autopilot and begins to lose sight of its customer. The machine moves further away from the strategic relevance of customers in business decisions. And then the customer gradually sinks out of sight. This is usually not purposeful, but it occurs repeatedly. In a company's quest to meet the numbers, strategy is bypassed for short-term hits, and the grueling work of figuring out how to deliver what's most desirable to customers is short-cut or avoided. To get me off their backs, I've even seen executives pick a date, create a push to drum up action, and commit their leaders to pledge to push them through. And that's when we tend to muck things up even more as a proliferation of tactics and messages gets cooked up that randomizes both the customer and the company.

You can recognize dueling silo agendas at work when short-term revenue requirements compromise long-term revenue efforts. It's when lack of clarity on what's really important to differentiate the company for the customer is not understood the same way by everyone who needs to know. And it's when there is an imbalance between the culture to drive revenue and the understanding and purpose of including customer investment to meet those goals. In their rush to push the customer thing forward on the corporate agenda (for what could be more blasphemous than not committing to the customer?), many organizations fail to address the metrics, the motivation, and the mechanics of just how to move the machine to improve with regard to their customers.

Dueling Silos at Work: Funky Task Forces

Think about the number of task forces you've been involved in around customers. Did anyone have a clue, beyond the first few meetings, on how you were going to get the wild things done that the brainstorming had birthed, where you were going to get the funding from, and who was going to lead the effort? How many of these have you been involved in during the course of your career? And WHY do executives keep calling for these things?

See if this sounds familiar to you: Alarm! Alarm! "Our customer satisfaction scores just came in. . . . We [expletive] at our scores. Let's get some people together to see what we can do about this." Everyone here means well. No doubt, the room is filled with your brain trust on the subject: the technical wizards, the customer service people, the marketers, and all of the others until you've got a room busting at the seams. There is great talk, great enthusiasm, and agreement to have another meeting. Everyone goes back to their corners of the business. Many, many more meetings and time and debating and finger-pointing later, little has changed. And the beat goes on. Here are three reasons why: (1) the customer thing is still considered something layered on to the existing work, (2) there's no one clearly in charge or able to take charge of knitting the pieces together, and (3) there are dueling silos. Unless you've been working in a non-Dilbert world somewhere, you'll know what this means.

Hope in a Case Study: Even Harrah's and Royal Bank of Canada Had Funky Task Forces

Harrah's is the gaming and hospitality company admired by many because of its ability to target and develop its customer base and customer profitability. Senior vice president of business development Rich Mirman described Harrah's version of the funky task force as the "huddle after the huddle." This is the same as what we've all experienced in the halls before or after meetings where people make a decision in groupthink about how much they "believe" what is being advocated and how much they're thinking about lining up behind it. Heads nod in unison in the meeting, but as even Harrah's experienced at the beginning of its journey, you've always got some cat herding to do. For Harrah's, the individual casino properties would do the nod to a companywide approach being pitched and then would go back and decide if it applied to their market. They would dissent in private. Said Mirman, "All of a sudden you're spending 25% of your time trying to get people to run the play" (Gulati and Oldroyd, 2005, p. 10).

The same rang true at Royal Bank of Canada's credit card division. Product folks agreed in principle to the customer-focused approaches but dissented by continuing to do their own thing in marketing. When the metrics proved that current customers were more open and likely than noncustomers to become credit card customers, the tide began to turn.

DUELING SILOS AT WORK: ANNUAL OPPORTUNITY MISSED

Annual planning is a missed opportunity for driving customer profitability inside the corporate machine. The silos usually pick their projects and plan their budgets independent of one another. Short-term tactics with outcomes easily attributable to individual departments (for purposes of "clean" compensation and metrics) comprise annual plans and financial commitments. These often come at the exclusion of messier companywide efforts that could resolve customer issues and subsequently yield more significant long-term revenue.

Frequently all the money invested in the big satisfaction survey can't even be applied, since the results are out of sync with the planning cycle. Some of the companies I have worked with did the hand wave to "customer satisfaction" when the annual survey results came in. Then, based on the culture, there was some rushing around to change some things, especially if we had egg on our faces from the results. The customer surveys typically come out of the annual planning cycle, so defining what's needed is usually out of whack in planning investments. This is hardly a continuous improvement effort with progressive metrics to drive an increase in customer experiences, customer profitability, and customer loyalty. There is typically no baseline for each of those three dimensions or goal line. Yet this is how most companies continue to approach the customer thing. Without common accountability targets, actions will continue to be planned tactically, based on the individual annual plans of the silos. Companies need to have an ongoing roadmap to define where they want to make progress in customer profitability, customer loyalty, and customer experience delivery. For example, they need to take a strategic look at how much prospecting for new customers or business needs to be done every year to replace the revenue lost in the previous year. They need to have annual goals for the movement of customers from one level of purchase behavior to another. Without these customer-centered goals, the company continues to focus only on business outcomes; wheel spinning continues, and companies continue to stand still regarding customers without knowing exactly why.

Motivation, Metrics, and Mechanics

Three areas are most accountable for creating the chasm between the corporate machine and the customer: motivation, metrics, and mechanics. When they don't factor in the needs of customers, they advance the corporate machine's lackluster performance, driving the advance of mediocrity and the decline in customer profitability. But when they are strategically executed to manage customer relationships and profitability, they can reverse the course of brand and customer erosion. Most important, they enable the corporate machine to work from a unified platform with customer profitability and company revenues as the unifying force. All three of these—metrics, motivation, and mechanics—are interdependent, just as the silos should be. And all of them have to be worked on. I've never seen a company (not even those whose power core is the customer) avoid sinking into at least one of these quicksand ingredients that form the muck of our dysfunctional relationship with customers.

Because of how we have been conditioned to act inside the corporate machine, the frenzy of activity that occurs throughout the company doesn't necessarily aggregate to mean anything to customers. Lack of clarity on what's really important to differentiate the company for the customer is not crystallized. It's certainly not understood the same way by everyone who needs to know. And the customer sinks deeper and deeper into the quicksand. Chapter Three provides more information on the obvious and unspoken impacts of the natural dueling that occurs between silos. There you'll also find diagnostic tools to determine how deeply each of these is being ignored or executed inside your corporate machine, as well as how to prioritize the execution of the elements based on needs and the reality of executing them in the short and long terms. That chapter also offers field-tested tools and approaches to try to keep those plates spinning in some semblance of order for the customer.

Let's now revisit those "no" comments from the beginning of this chapter to see some more customer quicksand at work.

- *"No, we can't change that policy. It makes too much money. Customers are ready for it."* This was a debate about how to ease in a contract change that would commit customers to a longer term of commitment than they were used to. A strong argument was made to earn the right of customers to want to commit longer by first understanding and resolving issues and fully training the field force in how to roll out the new policy. There was huge push back because the revenue upside had already been calculated and people wanted to see the additional revenue rolling in now. The initial source of the push back was finance. They had run the numbers on a cost basis to quantify the benefit of the policy change. The president was convinced of the revenue boost to the balance sheet and did not want to wait. Since this affected the sales force, the sales vice president was a powerful advocate for moving forward sooner rather than later. The result was high customer frustration and backlash for the decision. A massive and expensive process was put into place to try to rectify the situation. The company is still trying to make up for the customer ill will generated from the decision based on an internal quest to drive speedy revenue for the corporate balance sheet.

- *"No, customers don't need us to resolve their problem on the first call."* This push back came from the call center leader. He was evaluated and compensated based on his cost management ability so was in favor of a system that first triaged customers into buckets and then put them in a callback queue, or a holding pattern. This put customers into voice mail hell as they bounced through a system trying to classify them and get them to the right party, usually requiring a call back. It has been proven that the longer customers with a problem wait, the more they stew about it and the bigger the problem looms in their minds. The "fix" must then include not only resolving the initial problem but also resolving the miserable experience of trying to get the problem solved. This is exactly what happened here. Any costs saved on reduced calls through the triage process were more than spent with the additional salvos that had to be applied to overcome the bad experience it caused. (*Triage* is a term that drives me crazy. If customers weren't feeling sick at the beginning of the call, they got that way after they'd been triaged.)
- *"No, no, no. There is no reason to talk to customers to understand why they left!"* This scenario played out in the financial services industry where service agents had convinced the sales leadership that price, not service agent performance, was pushing customers away.

Outbound calls to find out the reasons were considered costly and not necessary. A great appeal was made, suggesting that if we could speak with these customers, perhaps not only could we find out why they had left, we could also potentially solve the problem and convince them to return. Finally, the funding was approved to make the calls to a sample of customers who had left. Customers who didn't renew their service agreement were asked why they had left. The result: 75 percent said that service agent quality was largely factored into the reason for their split. Armed with this information, the company secured funding to add more call center personnel who were especially trained to speak with customers who expressed issues with the company and who had left. Thirty percent of the lost accounts contacted reestablished contracts because (1) someone noticed they had left and contacted them (hint: know who's leaving you and ask them why) and (2) they had the issue that had caused them to depart resolved.

Conclusion

The bottom line is that the organizational behavior we've all become proficient at has forced us into the narrow role of pushing our individual widgets out the door. What goes out is defined based on the silos we're in; marketing, sales, shipping, operations. It is true that the intent of the silo structure is to build strong competencies vertically. But it cuts the customer out. What they receive is frequently compromised to meet the agenda of the corporate machine.

And we all wonder why we haven't made more progress on the customer front.

It is these so-called soft elements that have become our quicksand. Examples of leadership balancing a culture of revenue and customer investment are extremely rare. In our quest to push the customer thing forward on the corporate agenda, we have failed to address the metrics, the motivation, and the mechanics of how to move the machine in concert to deliver meaningful customer experiences.