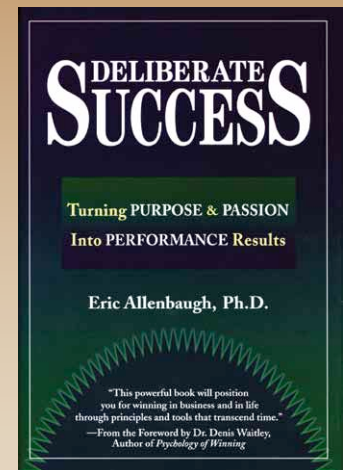

SUSTAINING A CUSTOMER FOCUSED CULTURE: *The Rules Have Changed!*[®]

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DELIBERATE SUCCESS:
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Your deliberate success is our business!

SUSTAINING A CUSTOMER FOCUSED CULTURE: *The Rules Have Changed!*[®]

“Profit is the applause you get for satisfying customer needs and creating a fulfilling work environment.”

Ken Blanchard

The days of merely satisfying customers are over – customers expect far more than mere satisfaction. Peak performing organizations recognize this fundamental shift in customer expectations and, instead, integrate “delighting customers” into every aspect of their culture. From the CEO to the newly hired entry level employee, serving the customer is a way of life as my following experience demonstrates:

The Salish Lodge, in the State of Washington, seemed like a great place to facilitate a strategic planning retreat for a particular corporate client. The lodge has excellent conference facilities, a reputation for outstanding service, and a pleasant environment to encourage creative thinking.

By the end of the second day, my client had generated numerous ideas regarding their new

vision and core strategies. I volunteered to take all of their rough draft flip chart papers to my hotel room that evening to synthesize their ideas into a more user-friendly format for our final planning day. With that intention in mind, I removed all of their flip chart papers from their conference room walls and stacked them on the floor to await my return from dinner.

After dinner, I entered our conference room to retrieve the charts. Consistent with my experience at the Salish Lodge, the conference room had already been cleaned and meticulously prepared for the following day. Their peak performing housekeeping department had completed their work with thoroughness and attention to detail – except for one thing! They assumed that the flip charts on the floor were intended for disposal. The charts, representing two solid days of strategic planning work with corporate executives, had been trashed. And the housekeeping staff had already gone home. I was in deep doo-doo.

Fortunately, I could recall most of my client’s ideas and was able to prepare the synthesized version for their consideration the next day. I always, however, want to work off of their documents and to have those present for comparative purposes. Obviously, this was not an option.

The following morning, I arrived early to get things set up in the conference room for the final strategic planning day. A Salish Lodge catering employee also arrived early to set up the coffee and continental breakfast. I talked with her about the problem I experienced regarding the missing charts. Clearly understanding the significance of the issue, she looked me in the eye and said “I’ll take care of it.” Something in her voice gave me a ray of hope.

When the executives arrived, I explained the situation to them and apologized. While they understood, no one was happy with the circumstances, especially considering the significance of the missing data.

Thirty minutes into our conference, the same catering employee arrived through the back door of the conference room and unobtrusively whispered to me: “I have your charts!” Not only had she climbed into the large trash bin at the back of the hotel to find and retrieve my charts – she ironed them!

After placing the charts on a table in the back of the room, she started to leave. I said to her, “Wait a minute – come up here! Every time we have asked you and others here at the Salish Lodge for something, you always exceed our expectations. Tell us about that.”

At that point, this first-line employee gave my executive clients a ten-minute presentation about the customer-focused culture at the Salish Lodge. After first stating that “we are particular about who we hire,” she went on to describe their mission and values, their commitment to bringing out the best of every employee, and how their culture supports serving customers at the highest level.

My top executive clients sat in awe as they listened to a front-line employee, who had been with the Salish Lodge only four months, effectively demonstrate and communicate their mission, values and customer service commitment. At that point, the corporate president said to me: “What do we need you for – we have her!”

Organizations achieving deliberate success integrate customer service into their culture and empower employees to do and be their best. When one of your employees is put to the test – like the catering associate at the Salish Lodge – how well will she perform? Since employees reflect what leader’s value, what messages are your employees getting about the importance of customer service?

CUSTOMER SERVICE – The Rules Have Changed

Everything – well, almost everything – in business seems to be changing. Product life, customer expectations, product delivery methods, technology, global competition – and the list goes on. Some surprising changes are also happening. Several of the most sacred “rules” related to customer service are now obsolete. And your business needs to be tuned in to the New Rules:

- The Old Rule:
"Customers want to be satisfied."
- **The New Rule:**
"Customers expect to be delighted."
- The Old Rule:
"The customer is Number One."
- **The New Rule:**
"The employees are Number One."
- The Old Rule:
"The customer is always right."
- **The New Rule:**
"Some customers should be fired."

These new rules fundamentally change the way you do business. And if you don't pay attention and sharpen your competitive edge, your competitors will likely edge you out. Remember the days when merely satisfying customers resulted in long-term business relationships? No longer can you count on *satisfied* customers, however, for return business. In fact, an increasing number of *satisfied* customers aren't returning at all – they are leaving for your competitors! Why? The rules have changed. Expectations have risen far beyond mere satisfaction – customers now expect to be *delighted*! Customers now seek significantly higher value than they settled for in the past. Being good doesn't cut it anymore. Your whole organization – that means everybody – needs to focus on providing great service.

***"If you don't take care of your customers,
somebody else will."***

Ken Blanchard

Customers themselves are getting more discriminating and more demanding. In this highly competitive market, they have an increasing number of options from which to purchase

products and services. Customer loyalty, the old standby, lasts about as long as your kid's melting ice cream cone on a hot summer's day. At this very moment, your competitors are seeking ways to attract your customers with better service, quicker delivery time, higher quality products, internet transactions, home delivery, lower costs, personalized attention, and better results. Are you up to the challenge?

The cost of generating a new client ranges from five to eight times the cost of retaining an existing client. If a company spends \$10 million on marketing efforts and sales promotions to attract new customers, it would wisely invest at least \$2 million to keep its present customers. The Marriott Hotels considers this just good business by hiring the right people, budgeting generously for people development, and investing in a culture that supports customer service. J. Willard Marriott, Jr., Chief Executive of Marriott Hotels, accepts clear accountability for generating a customer service environment: "*My job,*" he says, "*is to motivate them, teach them, help them, and care about them.*"

Because the rules have changed – and will continue to change – your business success depends on delivering innovative products and services in innovative ways. In a Tom Peters' seminar I attended, he said: "*People need banking services, but they don't need banks.*" Look around, it seems that everyone is getting into the "banking business." My neighborhood Safeway store has a Wells Fargo "branch office" next to the check-out line. My stockbroker now offers more banking services at greater convenience than my former bank. Internet banking services are available twenty-four hours a day, and I don't have

to wait in line or even lick stamps. It seems that people don't really need banks at all. Perhaps your customers don't even need your business – at least in its current form.

A major law firm and client of mine discovered three somewhat painful ways in which the rules are changing. One – its major corporate clients are setting the legal fees they will pay. Two – a number of their clients are now providing their own in-house lawyers. Three – new competitors are arising from unanticipated sources, including the expanding “legal” services provided by accounting firms and CPAs and the growing involvement of mediation consultants.

Whether in banking, lawyering, or manufacturing, new competitors show up on the scene from both expected and unexpected sources. Customers demand a greater say in the design, quality, delivery, and cost of products and services. Clients are beginning to act more like “business partners” than they were as traditional customers in the past. Service is all about developing and nurturing a conscious, consistent, and caring connection with your customers. Stay in touch with your customers, and they will stay in touch with you.

“We pay too much attention to prospects and not enough attention to customers.”

Tom Peters

Dissatisfied Customers Usually Leave Silently

Why do customers leave? Both the Forum Corporation and the Technical Assistance Research Program (TARP) reached essentially the same

conclusions: 15% of customers leave because of finding a better product and 15% leave because of finding a cheaper product. The most significant factor, however, related to the human element: 70% switched to a competitor because of lack individual attention or because the moment of contact was so poorly handled. A significant majority of customers leave because of one bad experience with one of employee.

The average business never hears from 96% of its unhappy customers – they leave in silence. Those who do complain, however, are more likely to do repeat business – especially if the company listens and quickly responds to their complaints. For every complaint received, according to the TARP consumer behavior study, there are twenty-six (six of which are serious) who will never tell you of their distress. To your detriment, however, they will tell others about their negative experience – for years and years later. How well are you l-i-s-t-e-n-i-n-g to your customers and effectively responding to their needs?

Have you ever stopped doing business with a company because of one bad experience with one on their employees – one “moment of truth” that went astray? Consistent with consumer behavior statistics, I also tend to tell others about those experiences. This personal experience demonstrates my point:

While driving home from a leadership workshop I conducted in Seattle, I stopped for gas at a “service” station in Olympia. The station had just recently installed new self-service gas pumps that accept the customer's credit card – standard procedure for most states. In my own home state of Oregon,

however, attendants fill your tank, so I was unfamiliar with the routine. It seemed simple enough, however – just three easy steps complete with pictures on the pump to guide me through the process. I inserted my credit card into the appropriate slot, but the pump did not activate. After checking to see that I inserted the card correctly, I repeated the procedure. Again, the pump did not activate. I checked to make sure that the black stripe on the credit card was in the right position, and repeated the process.

At this point, I felt a bit frustrated and a little dumb. Within moments, a booming voice over the public address system stated: “Person on pump number eleven, you have your card in upside down.” Where was this voice coming from? And surely they were not talking to me. I looked up only to discover that I was at pump number eleven. Other customers looked my way with smirks on their faces – they knew I was from Oregon and couldn’t figure out how to pump my own gas. I felt even dumber and more than slightly embarrassed.

I re-read the simple instructions, studied the three pictures designed for illiterates, and less confidently reinserted my credit card. No luck. Then the booming voice returned on the PA system: “Person on pump number eleven, come into the office. You are doing it all wrong!”

Basically, I am a peaceful person. Yet, I was now on a hunt. Into the station I go and find this twenty-one year old kid standing behind a microphone at the counter. He thought he was hot stuff. I momentarily forgot all the

principles I teach about win-win conflict, pausing, seeking first to understand, and listening. I was mad. Even though he was much bigger than me, I wanted to deck him – but fortunately elected not to pursue that option. I didn’t need to have a PA system, however, to get his full attention as I boomed: “Don’t you ever speak to me or any customer that way!” While I momentarily felt better, he, of course, did not get my point.

Without apologizing for his poor customer service tactics, he then ordered a young co-worker to accompany me to the pump and show me how to use the system. She and I shuffled back to the infamous pump number eleven, with all eyes following us. She inserted my card properly into the pump – and it didn’t work! The pump had a malfunction! I was doing it right all along! Yes!

Do you think I will ever go back to that service station? Not on your life! Even if I were out of gas and had to walk miles past that station to get to the next, I would do it.

Customer feedback is a gift! Make it easy for your customers to share their concerns and train your associates to listen, listen, listen. Proctor & Gamble has a toll-free customer service hot line to facilitate and encourage customers to unload their complaints. Given the huge range and volume of products P&G produces, the company receives a significant number of customer complaints – more than 200,000 per year.

P&G loves to hear from their customers – even those who complain. L-i-s-t-e-n-i-n-g to the input of customers continues to be an exceptional source

of innovative ideas for new product development. And it’s simply good business to stay connected with valued customers.

“*Dissatisfied customers,*” according to Peter Block, “*teach us how to do business.*” Block also challenges us to consider that people who do not use our services teach us how to sell, and other departments that are angry with us teach how to improve our product, our service, and way that we work with them. The very thing that you resist hearing usually contains within it your greatest learning opportunity. Listen, listen, listen. Then respond in a way that exceeds their expectations. By so doing, you build trust, confidence, and customer loyalty. Your genuine attentiveness will keep customers coming back – especially if you provide a unique response to their needs as described in this brief article from Peter Block that the contributed to my book, Deliberate Success:

CUSTOMERS: Adapting To A New Relationship

Contributed by Peter Block, Ph.D.

Author of Stewardship and The Empowered Manager

“We have awakened to the existence of customers, but only barely. Customers want a unique response. They want us to make an exception in response to the specifics of their requirements. Customer service runs deeper than friendliness, listening skills, and positive attitude.

“Customers want more control over the relationship with us. They want to choose who serves them; they want influence over

the terms of the sale; they want choice in the way the product or service is delivered; they want to contact one person, even though their answer may require the cooperation of four different departments.

“Can an organizational structure that demands control, consistency, and predictability deliver, on a timely basis, the highly adaptive responses to clients who require greater and greater choices over where and how to get their needs met? I think not. A consistent response to a customer will no longer insure our survival. Customers want a unique response to their requirements.”

Peter Block, Ph.D.
www.peterblock.com

CUSTOMERS DON’T WANT WHAT THEY SAY THEY WANT!

Customers are funny sometimes – they usually don’t tell you what they really want. A customer comes into a hardware store, for example, and asks for a drill. He doesn’t want a drill – he wants to make a hole. Once tool manufacturers learned that customers didn’t want drills, R&D folks developed creative new products that make holes – and sales increased.

A customer doesn’t want the life and disability insurance for which she pays big bucks. What does she actually want? Peace of mind. Insurance companies that think they are in the business of selling policies will soon become extinct in this competitive market.

Customers are not really interested in buying your products or services. They don't want your drills and they don't want your insurance policies. They want a result that benefits them. They want to be delighted by what your products and services will do for them. And they want to be delighted by your personalized, innovative, accessible service. It's just that simple!

A manufacturing client of mine thought they were in the business of selling their underground trucks and scoops to mines throughout the world. I asked them: “*What if someone invented a way of getting the ore out of the ground faster and cheaper than using your trucks and scoops. Would your customers continue to buy your trucks and scoops?*” They clearly responded: “*No!*”

They realized that those big, wonderful yellow trucks and scoops they manufactured were not what the customers really wanted. As a result, they made a fundamental shift in their company mission that now reads “*...to enhance the profitability and productivity of our customers by providing superior mining products, innovative solutions, and quality services.*” Not just words on a piece of paper, this fundamental shift positions the company to constantly focus on providing innovative products and high value services to their customers. This shift ultimately enhances the profitability of the company and the profitability of the customers they serve.

Bob Farrell opened his first highly successful Farrell's Ice Cream Parlor in Portland, Oregon, in 1963. Focusing on superior customer service and having fun, he grew the business to 55 stores before selling his ice cream kingdom to the Marriott Hotels only ten years later. What was

the foundation of his success? “*I didn't sell ice cream,*” Farrell reported to *The Oregonian* about of his years with the ice cream parlors. “*I sold a good time. Ice cream was the vehicle.*”

According to Jay Abrahams, the \$3000 per hour marketing consultant, the greater, the clearer, the more powerful you are at expressing, articulating, demonstrating, illustrating, and comparing how you render that advantage better than anybody else, the more business you get. Customers are buying a result, a benefit, or an outcome that serves their needs and interests. “*The only reason people do business with a company,*” according to Abrahams, “*is that they see an advantage in it for themselves.*” Your job, then, is to make sure that every aspect of your corporate culture aligns with and exceeds the changing expectations of your customers.

THE 6 GREAT EXPECTATIONS OF CUSTOMERS

Sharpening your competitive edge requires staying in tune with what your customers currently value and with their changing interests. Pay attention to what you can do to not only add value to the customer, but create value where it did not exist before. Businesses will purchase your products or services if they increase their profits, their productivity, their market share, or their competitive position. Customers are purchasing results and how those results provide value to them. While you may be interested in a sale, they are interested in value.

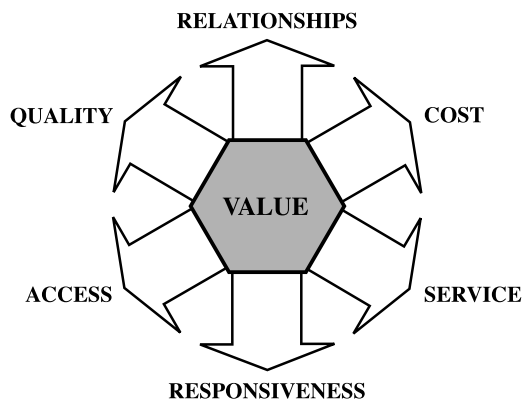
You cannot assume that you know how they define value – you have to be on speaking terms with

them! What one customer highly values may not even register on another customer’s radar screen. Tuning in to those differences and doing a class-act job of meeting those needs will make you their provider of choice.

Customers seek value, benefits, and results from your services and products. Even as you read these words, your known and perhaps unknown competitors are actively seeking to provide even higher value to your customers. Your commercial customers are actively looking to enhance their productivity and profitability. To what extent are you meeting – or exceeding – their needs? Your retail customers are seeking some form of pleasure or peace of mind. To what extent are you meeting these interests? Your internal customers expect quality, completed work from you to make their job easier and more fulfilling. How do you measure up?

Customer value is a function of six key elements: 1) cost, 2) service, 3) access, 4) responsiveness, 5) relationships, and 6) quality. Through the eyes of your key customers, to what extent are you viewed as providing high value in each of these key factors?

THE 6 GREAT EXPECTATIONS OF CUSTOMERS



1. Cost. While not always the sole criteria for making a purchasing decision, cost-conscious customers very closely monitor your pricing structure. And they seem to be increasingly less loyal to established business relationships. In the past, you had much more control regarding what you charged for your products and services. Now, the market in general and your customers in particular seem to be telling you what you can charge. For example:

- Managed healthcare companies determine what they will pay hospitals and physicians for their services.
- Major corporations set the level of compensation for the corporate lawyers they retrain.
- Informed buyers use the internet to make instant product price comparisons on anything from caviar, to computers to cars – and your prices better be competitive.

The rules have changed. Your customers, your competitors, and even third party payers set the stage for you to drive costs and prices down. Are you sharpening your competitive pricing edge?

2. Service. “What about your business,” challenges Jay Abrahams, “gives greater advantage, greater benefit, and greater result to your customer than your competitors?” Why would a customer select you over another provider? How do you know for sure? At the conclusion of your interactions with a customer, ask: “What can I do next time to make my services even more valuable in meeting your needs?”

IBM has long identified “customer service” as one of its most important values. As you

know, however, IBM ran into significant trouble during the late 80’s and early 90’s. They became complacent about “customer service” as their competitors claimed chunk after chunk of IBM’s former market share. IBM finally responded to their corporate “wake-up call” through their “Back to Basics” initiative that refocused on the “customer service” value that had served them so well for decade after decade. According to a Business Week article, the succeeding President that got IBM back on track spent approximately 40% of his time staying connected with customers – and it worked. How much time are you spending with your key customers?

- 3. Access.** “Location, location, location,” a fundamental criterion for business success, takes on new meaning in today’s global economy and e-commerce environment. The concept advocated by Tom Peters that “*people need banking services but not banks*” applies here. If you are locked into a certain way of making your business available, you are probably already in trouble – or soon will be. Customers want easy access to your services. If you make it tough for customers to get access to your products and services because of inconvenient location, obsolete systems, or rigid policies, your competitors will find a way to serve your former customers more effectively.

“In business, the competition will bite you if you keep running; if you stand still, they will swallow you.”

William Knudsen Jr.

With easy internet access and next-day delivery to the customer’s door, your competitors may now be half-way around the world, yet only six-tenths of a second away

by computer time. Easy access to products and services will continue to produce profits as busy customers seek instant results.

Electronic commerce and network marketing are transforming the form and function of serving customers. Amway reinvented itself to become Quixtar – an e-commerce driven, multi-level marketing business that now provides easy internet access to a vast array of goods and services while capitalizing on both “high tech and high touch.” The exponential growth of network marketing and electronic commerce is a function of low transaction costs, high-tech distribution methods, prompt access to a wide range of products, and person-to-person business relationships. Thousands of small, independent business owners engage friends, associates, and others in user-friendly, e-commerce systems that move billions of dollars of products. No longer an alternative business practice, the “sleeping giant” of network marketing has awakened in Corporate America.

- 4. Responsiveness.** Responsiveness takes on two forms: 1) actively seeking to delight a customer, and 2) quickly and effectively addressing customer complaints. In this increasingly competitive market, customers rapidly size up your ability to perform on both the “pleasers” and the “displeasers.” The expectations of customers continue to rise while their tolerance for mediocre performance has sharply declined.

“It’s not my job.” “It’s against policy.” “You will have to talk to my supervisor about that.” How do you react when, as a customer yourself, you hear a disempowered employee make these kinds of statements to you? Instead of working through obstacles to meet your

needs, they create obstacles! Chances are that you will do business someplace else the next time around. And the same goes for your customers.

Funny thing, you do not hear these disempowered statements at Nordstrom, Southwest Airlines, Disneyland, Les Schwab Tire Service, Johnson County Community College, or the Ritz Carlton Hotels. Peak performing organizations understand that they are in business to provide something of value to their clients, and they empower their employees to do just that. In these organizations, leaders create a customer-focused culture and empower even front-line staff to serve the needs of customers.

You also need to have the courage to say “no” to your customers when appropriate. If you allow a customer to pressure you into making a promise you cannot keep, client relationships will suffer. Stay focused on the principle of “*under promise and over deliver.*”

Even the best of organizations, on the other hand, make mistakes. When they do, however, they respond quickly and effectively in correcting the situation. Let me share a story about my experience in a Ritz Carlton Hotel:

I was invited to be a keynote speaker on “Peak Performance” at a conference in Los Angeles. My client arranged for my wife and me to stay at a Ritz Carlton Hotel near the Los Angeles International Airport. Staying in a class-act hotel brought a smile to my wife’s face.

Everything about their service was impeccable — except for one flaw. After servicing our room one morning, they forgot to replenish the bathroom with towels and soap. Upon returning from

breakfast, my wife noticed the discrepancy and asked me to take care of the situation. (I seem to have a “Honey-Do” list even when traveling.)

I called the concierge to advise her of the problem. She responded with an apology — not an excuse — and said she would take care of it immediately. Within minutes, a reassuring knock at our door signaled the arrival of fresh towels and other supplies. They handled the problem quickly and efficiently.

But, at the Ritz Carlton, quick and efficient problem resolution is not enough. Customer relations, in their culture, requires going beyond expectations. A few minutes later, another knock at our door sounded the arrival of the unexpected. This time, a stately man in a white uniform presented a silver tray of gourmet chocolates. A personal note from the concierge accompanied the chocolates and apologized for our inconvenience. Wow!

They couldn’t have self-corrected more appropriately. My wife is a chocoholic! (She has authored the Chocolate For A Woman’s Soul series of books.) She then started looking around to see if she could find something else that was “wrong” with the Ritz Carlton in anticipation of how they might respond next time!

While several customer service rules have changed, one remains constant: “*Under promise and over deliver.*” In any organization, it’s important to promise great service and deliver even greater service. Even when making a mistake, the customer usually will stay with you if you respond quickly and with

a touch of class. Thank you, Ritz Carlton Hotels, for reminding us of the importance of doing the basics – exceptionally well.

- 5. Relationships.** You don’t need to be reminded of the importance of building positive customer relations. Yet, an amazing number of companies simply don’t get it. And they pay a huge price for that insensitivity as their customers take a hike to their competitors.

Building positive customer relations just makes good business sense from a financial, friendship, and customer loyalty perspective. The following example demonstrates power of building solid business relationships:

A heavy equipment distributor I studied developed a unique “Profit Partnership,” engaging the manufacturers, itself as the distributor, and its retail customers. Several times a year and at his own expense, the distributor assembled top executives from the manufacturing and retailing companies to join him in exploring ways to improve customer service, enhance their products, refine their distribution and delivery systems, and increase their collective profits. This “Profit Partnership” created a safe forum to exchange innovative ideas for enhancing customer service, improving their products, and generating higher profits. (The president of the distributing company understood the distinct benefit of tending to both The Bottom Line and The Human Element.)

One of his retail customers experienced financial problems and could not make payments for the items they had purchased

from the distributor. A typical business response to this dilemma would have been for the distributor to send out strongly worded collection letters, turn the account over to a collection agency, or even sue for damages.

This distributor, however, looked upon the financial crisis as an opportunity to build relationships while simultaneously enhancing profitability. Instead of taking action against his “Profit Partner,” the distributor made two of his most seasoned financial experts available without cost to his financially troubled retailing partner. The two financial wizards spent several days in the retailer’s business seeking ways to strengthen their financial position. The sound counsel of the experts paid off handsomely for the retailer, and their company returned to a profitable status. As a result, the retailer paid off their debt to the distributor.

More importantly, however, the generous, sensitive, and professional manner in which the distributor handled the retailer’s crisis solved the immediate financial problem and positioned them for long-term financial viability. Considering that a new customer costs from five to eight times more to attract than retaining an existing customer, the return-on-investment for working with this customer was nothing short of profound. In fact, that retailer continued to purchase the distributor’s products long after a new competitor moved in with a foreign alternative that cost less and offered more features.

*Building a solid business relationship,
especially under difficult financial
circumstances, created a customer for life!
It doesn't get better than that!*

Your customers do not want consistency – if that means being treated just like any other customer. They want you to recognize their uniqueness. Customers want you to make an exception when meeting their needs. They want more control in how you do business with them. And they want to interact with someone who has the authority to deal with their needs and interests on the spot.

Arthur Blank, CEO of Home Depot, reported in the January 24, 2000, issue of *Forbes*, that “*We're in the relationship business, not the transaction business. People can buy this merchandise somewhere else. The challenge is always remembering to walk in our customers' footsteps, not in our own.*” Keeping that focus on relationships contributed to a significant increase in stock value since its first offering. Paying attention to the human element is smart business.

*“The only thing that your competitors
can't steal from you is your relationship
with your customers.”*

Ken Blanchard

- 6. Quality.** “*If you are not committed to being the best in your field,*” according to Brian Tracy, “*you are unconsciously accepting mediocrity. If you are not continually getting better, you are probably getting worse.*” Sustaining your competitive edge requires that you continually enhance your products and services and that you hold yourself accountable to produce world-class quality. To settle for anything less almost assures that your customers will walk.

At this very moment, your competitors are hard at work improving their products, enhancing their service, and refining their quality. Even your most “loyal” customers actively compare your prices, quality, and service with your competitors. How do you measure up? How long can you sustain that competitive advantage? How do you know?

Customers rightfully expect that you build quality into every aspect of your products and services and that you understand their changing interests. A number of industries have learned powerful and painful lessons by not paying sufficient attention to consumer interests. Detroit auto makers lost a significant share of their market to foreign manufacturers who paid much closer attention to quality and innovation. Fortunately, Detroit is finally paying attention to their “wake-up call” and addressing the quality issues commanding attention.

Banks, hospitals, auto manufacturers, internet providers, home-builders, computer manufacturers, and perhaps even your company are getting the message that being “good” is simply not good enough. Sophisticated and discriminating customers clearly expect that you knock their socks off with legendary service and outrageous quality. If you don't – they will find a competitor who can perform. It's just that simple.

So, my friend, your customers don't want your products and services. They want something of value that those products and services represent. They want to increase productivity, to enhance profits, or to experience some form of pleasure or peace of mind. When you do a particularly good job of providing consistently high value, you can take the results to the bank!

CUSTOMERS COUNT – BOTH OF THEM!

A customer is defined as anyone who receives your work. You have, then, two important customers: 1) your traditional, external customer, and 2) your fellow associates or internal customers. Delighting both your internal and external customers becomes the benchmark for sustaining peak performance and sharpening your competitive edge. Many of us have been taught that the external customer comes first. Not necessarily so! Marriott Hotels supports a philosophy that the employee comes first, the guests are in second place, and the stockholder third. When employees are treated particularly well, they will likely treat the customers particularly well. When that happens, count on the guest returning – making the stockholder happy. Paying attention to The Human Element can and does have a favorable impact on The Bottom Line.

The output of one team becomes the input for another team. We need to assure that the hand-off between teams is as smooth, quick, and efficient as a relay runner passing the baton on to the next runner. In track events, relay runners pay careful attention to the hand-off. The speed and effectiveness of the hand-off often makes the difference between a winning or losing event.

One of the key roles of a leader or coach is to facilitate horizontal relationships and interactions (“hand-offs”) between functions and departments. Rather than focusing on traditional vertical relationships, the “coach” now coordinates activities, opens channels of communication, removes interdepartmental obstacles, cuts red tape, and does away with barriers to creativity.

The coach engages in activities to facilitate intra and inter-departmental hand-offs.

In a reengineering workshop I attended with Michael Hammer, author of The Reengineering Revolution, he likened interdepartmental turf to old fiefdoms – complete with castles and moats. Many departments perform their functions within castle-like isolation, and, according to Hammer, “catapult” their “completed” work over the wall into the turf of the next castle. This next group performs some function on the project, and catapults it on to the following group until the product is eventually completed. All the while, Hammer claims that each fiefdom protects their turf rather than coordinates, withholds rather than communicates, and hides rather than shares. It’s amazing that anything can get done under those circumstances. A high price tag and questionable quality often accompany these dysfunctional activities.

Delighting both our internal and external customers must remain a high priority to achieve productive and profitable results. The same principles of serving external customers apply to serving internal customers. Tear down the walls. Get rid of the turf. Build bridges. Create synergy. Build a culture that honors, supports, and sustains what Ken Blanchard appropriately describes as “*legendary customer service.*”

The Finance Department in one of my client organizations had a clear, yet unstated, mission: “Catch other departments doing something wrong!” They considered themselves to be the organizational cops and auditors. Other departments lived in fear of these self-appointed financial police. Managers throughout the organization

creatively worked around the Finance Department and hid any information that the financial cops might use against them.

The folks in the Finance Department, on the other hand, complained about “them” – their internal customers from operations who paid little attention to budgeting, forecasting, and financial analysis. For some reason, the operational managers seemed highly uncooperative. Obviously, the Finance Department did not get it!

After years of poor financial performance and sustained combat with their internal customers, the financial gurus decided to do something differently. Rather than fighting with their internal customers, the financial cops mustered up the courage to look at themselves.

In a planning and team development workshop I facilitated with the Finance Department, we revisited their mission and the outcomes they sought to achieve in the organization. What did they want? They wanted managers to drive out excess costs and generate new revenue opportunities. They wanted operational managers to skillfully use the financial data available and to call upon the technical expertise of the Finance Department. They wanted all levels of managers to consciously and willingly participate in creating sustained profitability and financial health. In short, they wanted the operational managers to function in a spirit of partnership to achieve financial viability.

I challenged the financial experts to explore “if you don’t like what you are getting back,

take a look at what you are putting out.” They wanted partnership yet functioned as financial cops. That does not compute! They got the point and began a new journey that significantly revised their mission, their culture, and customer service values.

Their new mission? “In the spirit of partnership, trust, and open communication, our mission is to assure the long-term profitability and fiscal viability of (our company) while functioning as financial consultants and resources to our internal customers.” They consciously shifted their own focus to be “95% consultant and only 5% cop.” Wow! What a difference.

The paradigm shift from “cop” to “consultant” occurred in both spirit and practice. But they had a terrible internal reputation. In an effort to assist their internal customers see them differently – very differently – they formed a kazoo band and marched unannounced into each of the departments they served and demonstrated their newly learned musical talents! They proudly announced their new mission and committed to being of service as financial consultants to their operational partners. Not stopping there, the newly self-appointed “financial consultants” met individually with their operational partners to explore how they could be of service.

Things began to happen – good things! Trust began to build. Instead of hiding their financial concerns, operational managers began to expose their financial vulnerabilities and look to the financial consultants as important resources. This conscious shift in both their ways of being (The Human Element) and doing (The Bottom Line) began to produce

positive and productive results in enhancing the overall fiscal health of the organization.

“Life is simultaneously a journey, a destination, and a state of being.”

T.S. Eliot

SOME CUSTOMERS SHOULD BE FIRED!

Customers are not always right, and leaders need to have the courage to support the mission, vision, and values of their own organization – even if it results in “firing” a customer. Some years ago, I interviewed the general manager of the Hard Rock Cafe in New York City. His highly profitable restaurant emphasizes *“being of service, but not servants to”* their customers. If a customer treats an employee poorly, that customer is invited to leave!

Some years ago at Southwest Airlines, Chairman Herb Kelleher responded to a series of complaint letters from a particular passenger who wanted assigned seating and something other than peanuts for dinner. His message to her? *“We will miss you!”* Kelleher recognized that Southwest Airlines cannot be true to its mission by being all things to all people.

“Firing” an external customer, obviously, requires great thought and care. To prevent this difficult situation from arising in the first place, clarify your core business and your market niche. Qualify your customers to assure that your products and services fit their interests, then delight them. If an existing customer or client cannot be effectively served, chances are great that both your customer and your

business will benefit from making a change. If you find it necessary to “fire” a client, assist them to find a provider that better meets their needs and interests. Be of service to your customer – even as you assist them in relocating to a “new home” with a competitor. In the long-run, you will discover that being selective about your customers is good business!

Ken Blanchard and Michael O’Connor, noted for their customer service advocacy, contributed the following article titled “Managing by Values: Becoming a Fortunate 500 Organization” for publication in my book, Deliberate Success.

MANAGING BY VALUES: Becoming a “Fortunate 500” Organization

Contributed by

Kenneth Blanchard, Ph.D. &

Michael O’Connor, Ph.D.

“John Naisbitt, author of Megatrends and co-author of Reinventing the Corporation, shared his dream with me that “someday there will be a list of Fortunate 500 companies.” While a Fortune 500 company is defined by size and volume, a Fortunate 500 company would be defined not only by its profitability, but also by the quality of service available to its customers and the quality of life accessible to its employees. I was immediately intrigued by the idea. With Naisbitt’s encouragement, have continued to explore and develop the concept.

“An organization that can find solid footing in all its key business relationships, when so many others are slipping and sliding around, is indeed a fortunate one. A relatively simple and truly strategic plan exists for achieving this: CEOs.

C stands for Customers

E stands for Employees

O stands for Owners

S stands for Significant other groups

“A Fortunate 500 organization focuses on delighting customers. You want customers who brag about you and become part of your marketing force. You have to treat customers in such a way that they become raving fans of your service.

“A Fortunate 500 company creates an outstanding quality of life for its employees. Such a company creates a motivating environment for its people – one in which the employees can see that working toward the organization’s goals is also in their mutual best interest. In this environment, employees think and act like owners. Employees are honored, empowered, and acknowledged.

“A Fortunate 500 organization generates a profit for its owners or stockholders. This profit results from ethical activities that honor the fundamental principles and values of the company. A key point that distinguishes a Fortunate 500 organization from its competitors is the integrity of profit making and the related resource allocation practices by management and its owners.

“The fourth key of a Fortunate 500 organization is commitment to a mutually beneficial business relationship with significant other groups. These may be the community, creditors, suppliers, vendors, distributors, or even respected competitors. Building a win-win partnership relationship with these significant other groups enhances the quality of your products and services while building trusting business relationships. While enhancing the reputation of your industry and building customer confidence and loyalty, you are simultaneously positioning your firm for increased long-term profits.

“A Fortunate 500 corporation has a vested interest in converting its mission and values into tangible results. This organization knows what it stands for and brings its management practices into alignment with this direction and philosophy. The Fortunate 500 company keeps employees committed, delights its customers, satisfies its stockholders, and creates a partnership environment with suppliers and creditors who are glad to be a business associate. Managing By Values can and does make a difference.”

Kenneth Blanchard, Ph.D.

Co-author of The One-Minute Manager
and Managing By Values
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Michael O’Connor, Ph.D.

Co-author of The Platinum Rule
and Managing By Values

What does your corporate culture demonstrate about customer service? To what extent are your teams committed to serving both the internal and external customer? To what extent are you empowering each person to bring out their best in service to others?

"I believe the real difference between success and failure in a corporation can very often be traced to the question of how well the organization brings out the great energies and talents of its people."

Thomas J. Watson, Jr.
Former IBM Chief Executive

To receive additional free articles in the "Leadership Article Series," please refer to Dr. Allenbaugh's website at www.Allenbaugh.com.

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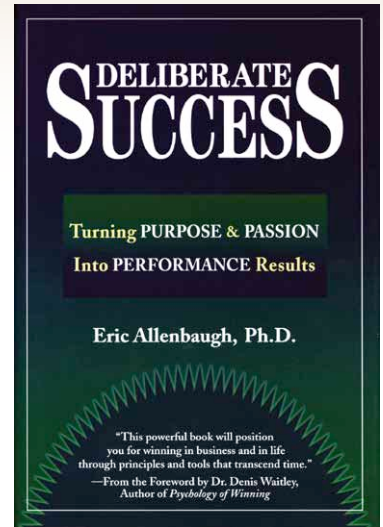
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