



Low Cost Customer eXperience Management

Sell More. Save More.

“Profit in business comes from repeat customers, customers that boast about your product and service, and that bring friends with them”,

W. Edwards Deming, *Out of the Crisis*

The paper at a glance

Customer Experience (CX) products and services are popular and widely available, but the economics of CX mean that a large investment may not deliver benefits for a long time, if ever. “Low Cost CX” is a response to this challenge.

CX management ensures the dynamics of the relationships between an organisation and its customers generates change within the organisation so that it continues to create value for the customer. It can make an organisation wonderfully profitable with happy customers at the same time, but only if it shifts from spending on failure (making unhappy customers happy) to investing in success (making all customers happy from the start). Making that shift presents an opportunity to reduce your costs by 25-50% and increase your revenue by 10-30%.

CX programs fail because they require organisations to accept significant change in order to receive the benefits, but significant change programs are notoriously likely to fail.

Low Cost CX uses a much cheaper and less risky approach to change. Although it may not deliver all the potential benefits of “full blown” CX, it is more likely to be successful and its success will provide a sound platform for expansion of your CX program. It uses existing data – from inside and outside the organisation – and simple, easy-to-learn techniques to identify and address issues that adversely affect customer experience.

The fundamental challenge of CX is that achieving the very high customer satisfaction and higher profits available through CX requires a different approach to managing the organisation – away from the view that making customers happy is a cost that is incurred at the expense of profit. The new approach is progressive management of which there are a number of philosophies, but few are in common use, or taught in business schools, or promoted by fashionable influencers.

Low Cost CX – An introduction

The purpose of a business

Peter F. Drucker (the “father of modern management”) has a view that to satisfy the customer is the mission and purpose of every business and that a business has to produce enough profit to obtain the capital it needs at minimum cost.

Those who have worked for any time in a business managed in the traditional way would be forgiven for thinking that Mr Drucker had the two concepts confused – that the purpose of a business is to make a profit and that it must produce enough happy customers, at minimum cost, to keep the revenue flowing!

It is because organisations have long operated as if customers were less important than shareholders that “customer experience management” CX is a growing field.

In the modern way, “putting the customer first” has been turned into a plethora of products and services – a “CX market”, with a lot of money being made by the leading providers in that market.

But doesn’t it seem strange that making your customers’ experience a pleasant one is so complicated and expensive?

When it comes down to it, all that customers want is for their needs to be met at a price that represents value to them, and to be treated respectfully as human beings. But they also understand that, for your organisation to be around to continue to serve them, you need to earn enough from them to be profitable.

Traditional and “Low Cost” CX

There are a great many software products available that support “customer experience management” (CX) in some way, shape or form. There are also many consulting firms offering CX-related services - from the global firms to local providers. I’m impressed by a number of these software products and the services of some of these consulting firms and have seen good examples of CX success from them.

But an organisation working to greatly improve its CX performance can very easily spend a great deal of money doing so. I don’t believe it necessary to do so while still making a big impact on the quality of your customer relationships. This paper is not a criticism of the CX “movement” or any particular firm, I simply offer an option of Low Cost CX. If you take this approach the return on your meagre investment will be sound, and you will be well-placed to extend your success using the software and services from CX firms.

Nothing here contradicts or prejudices your progression to “full blown” CX in fact hopefully it will assist in that progression.

What is "Customer Experience (CX)?"

Qualitrics - a leading CX vendor recently acquired by SAP - states that customer experience is more than tracking promoters or satisfaction scoring - you have to know how your customers are changing, which ones matter most, and, essentially, how to attract them to your brand.

And an organisation needs to see the world through the customer’s eyes and to redesign functions to create value in a customer-centric way. The management task

begins with considering the customer—not the organisation—at the centre of the exercise according to McKinsey. They see CX as being *how* an organization delivers for customers" which is "beginning to be as important as *what* it delivers.

The Qualtrics view emphasises close attention to the dynamics of the relationships between an organisation and its customers, whilst McKinsey sees that an organisation must change so that it continues to create value for the customer. These respective definitions reflect the business models of the two organisations, but together they provide a good overall definition of "customer experience management".

CX management ensures the dynamics of the relationships between an organisation and its customers generates change within the organisation so that it continues to create value for the customer.

Experience management has become mission critical according to Qualtrics while Gartner has built a service offering around it, claiming its customer experience pyramid drives loyalty, satisfaction and advocacy" and that CX leaders "report they will compete mostly or entirely on CX.

Whatever it is, it's hot!

But why is management of CX so important and such an active area of business attention? The economics of CX provide the answer.

***TIP** - Learning more about CX: Some book and articles are listed at the end of this paper; consulting groups are good sources of case studies and some vendors run very good free seminars and webinars.*

The Economics of CX

CX costs

CX costs include the costs of attracting customers and of continually creating value for them and serving them. If you are 100% successful in doing this, that is your total cost.

If you're less than 100% successful, you spend the same on an unhappy customer as you do on a happy customer **plus** you incur the costs of:

1. Doing it all over again, but to their satisfaction
2. Providing a mechanism and staffing for them to let you know they're unhappy (service desk, surveys etc)
3. Finding out what caused them to be unhappy and fixing it
4. Acquiring a replacement customer if they defect
5. Foregone revenue when existing customers do business with your competitors
6. Foregone new customer revenue due to a poor reference
7. Higher sales and marketing costs for the same revenue contribution
8. Warranty claims, penalties, legal claims, fines etc.

It doesn't take much imagination to see that these could add up to a considerable hit to your top and bottom lines!

The costs of CX can be represented by this equation:

$$\text{Cost (CX)} = \text{Cost (happy customers)} + \text{Cost (unhappy customers)} + \text{Cost (CX program)}$$

We can see from this that your overall cost of CX will be excessive unless the rate of reduction of the cost of unhappy customers is greater than the rate of increase in costs of your CX program.

***TIP** - Get help from the finance, marketing and sales operations functions in quantifying your current Cost of CX..*

CX benefits

Again, CX benefits depend on the extent to which you create and maintain happy customers, but they include:

1. Increased revenue - through up-sell and cross-sell
2. Increased revenue – from new customers
3. Increased revenue – from new products and services (through better understanding of customer needs)
4. Increased market share from outselling your competitors.

The benefits of CX can be represented by this equation:

$$\text{Benefit (CX)} = \text{Benefit (happy customers)}$$

The benefits of a CX program are indirect in that they contribute to making more customers happy. Only the rate of increase of the benefits from happy customers determines the rate of increase in the benefits from your overall CX.

***TIP** - Get help from the finance, marketing and sales operations functions in quantifying your current Benefits of CX.*

Bliss - Happy customers, lower costs and higher revenue!

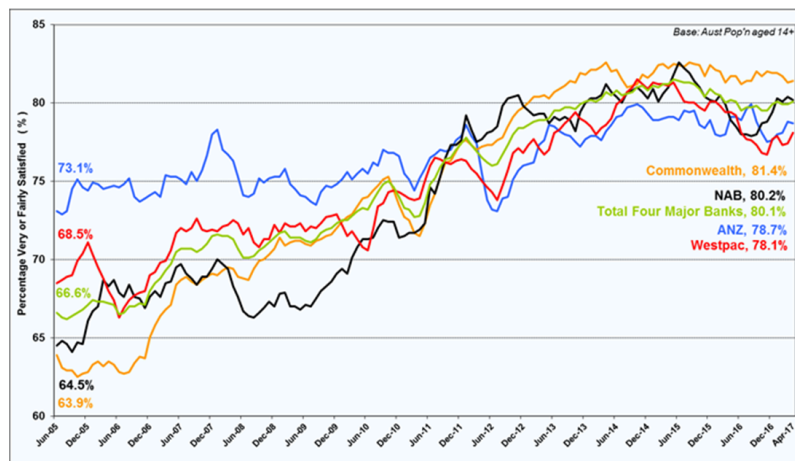
That's right! You can be wonderfully profitable and have happy customers at the same time. Spending to make unhappy customers happy may lead to more happy customers but it will not, obviously, cut your costs. Only if you **shift from spending on failure (making unhappy customers happy) to investing in success (making all customers happy from the start)** will you reach this state of bliss!

The potential of CX

The antecedents of CX measurement are customer satisfaction and loyalty measurement and Net Promoter Score determination.

My experience and observation is that the archetypical organisation scores - or would score if they measured it - customer satisfaction levels of around 70-79%. Those in decline score in the 60-69% or less range.

If your customer satisfaction score is below 95%, then you are bringing in much less revenue than you might, and you are likely suffering significant customer churn (although an oligopolistic industry may be somewhat protected - as we can detect in the following graph of the performance of Australia's top 4 banks):



Source: Roy Morgan Consumer Satisfaction Report, April 2017, average 6-month sample n=25,000.

Survey consultants will tell you that 80%+ is "excellence" and "best practice" (similarly, NPS of 50+ is considered "excellent"). Maybe, but those scores are nothing to be pleased with. The fact that few companies achieve 80+% doesn't make it an acceptable score or reflect a sustainable situation.

McKinsey suggests revenue gains of 5 to 10 percent and costs reduced by 15 to 25 percent are available from an effective CX program. My work and studies corroborate these estimates and even indicate they are a little pessimistic.

What does this mean for your company? Most likely you have **an opportunity to reduce your costs by 25-50% and increase your revenue by 10-30%.**

***TIP** - With help from the finance, marketing and sales operations functions you can readily make a reasonable estimate of your CX potential in terms of increased revenue and decreased costs - but be careful to make your assumptions clear.*

Getting to Bliss - Why CX programs fail

In the Ryan Smith (co-founder of Qualtrics) and Luke Williams describe why CX programs fail:

1. They are not designed with change or innovation in mind.
2. They have "soft" metrics rather than real business goals.
3. They move slowly and without purpose.

In other words, making more and more customers happy doesn't occur if the organisation: doesn't accept that it must change its operations; doesn't understand the economics of CX; and, doesn't do anything about its underperformance!

***TIP** - it is not the nature of the CX program that is important, but the nature, rate and extent of the change it invokes.*

Improving CX

Standard CX

Companies tend to create their own approach to improving CX, but most adhere to the general structure of a n-step change program, such as the well-known Kotter 8 Steps:



image: Kotter Inc.

To create a sense of urgency, we often see organisations collecting data that highlights the revenue and cost opportunities described above.

The Kotter model, and most other change/transformation models, are based on the premises that the change/transformation is:

1. Clearly defined, necessary and correct
2. Led by formal organisation leadership (CxO) but coordinated by a CX "Champion"
3. Organisation-wide
4. Widely publicised inside and outside the organisation.

Low Cost CX

This traditional CX approach can readily follow a successful "Low Cost CX" approach which emphasises:

1. Leadership by team leaders and lower-level management (although a more senior executive may sponsor, quietly, the endeavour)
2. A "softly, softly" approach so as "not to scare the horses"
3. Many small changes, building over time
4. Little is known upfront on exactly what will change but the overall extent of change will be significant.

Instead of the 8 Step Kotter model, or similar, Low Cost CX involves many iterations of Plan-Do-Check-Act:

Plan

- Collect data
- Identify the customer's "pain points"
- Select an opportunity for improvement
- Define the problem from the customer's view – considering Satisfaction, Flexibility, Quality, Quantity, Timeliness
- Define the problem from your view – considering Productivity, Flexibility, Waste, Cycle time
- Collect further data
- Analyse that data for root causes
- Find possible solutions/change and select the optimal
- Determine measures of successful change
- Prepare a plan to implement the solution/change

Do

- Implement the solution/change

Check

- Monitor results and evaluate them against what was planned
- Determine the reasons for any deviation from the plan

Act

- Correct any deviations from what was planned
- Standardise the process – make the successful solutions/changes permanent
- Reflect on your achievement and celebrate.



TIP - Use Plan-Do-Check-Act as your primary framework for organisational learning and improvement

What can Low Cost CX deliver?

The approach described here may not get you to 95+% customer satisfaction or the cost and revenue results stated above. But it will establish a sound platform for doing so and deliver real business results along the way. This may take a 6 to 18 months but by then your CX expertise will be such that you'll be in a "virtuous spiral" of improvement.

Low Cost CX Fundamentals

The fundamentals of Low Cost CX are:

1. Low cost data
2. Low cost listening to the "Voice of the Employee"
3. Low cost listening to the "Voice of the Customer"
4. Low cost listening to the "Voice of the Process"
5. Low cost, successful and perpetual improvement activity
6. Low call on "senior management commitment".

Low cost data

The basis of CX is good quality data that captures the key aspects of the customer experience and that provides the information you need to bring you into alignment with your customer by illuminating the gaps in your performance.

But, guess what. If you are an archetypical company (one without a customer-focused, systematic, employee-involved improvement culture), your critical CX gaps will be the same as that of most other companies.

Look at three of the key findings of Qualtrics in the APAC region:

1. Customers demand action - 68% of customers consider it very or extremely important that an organisation respond to feedback they provide.
2. Ignoring feedback is a fireable offence - 39% of customers are unlikely to continue doing business with an organisation that does not respond to their feedback, and 32% are just as likely to leave as to stay.
3. Fix it the first time - 84% of customers consider it very important or extremely important that their query be resolved right the first time.

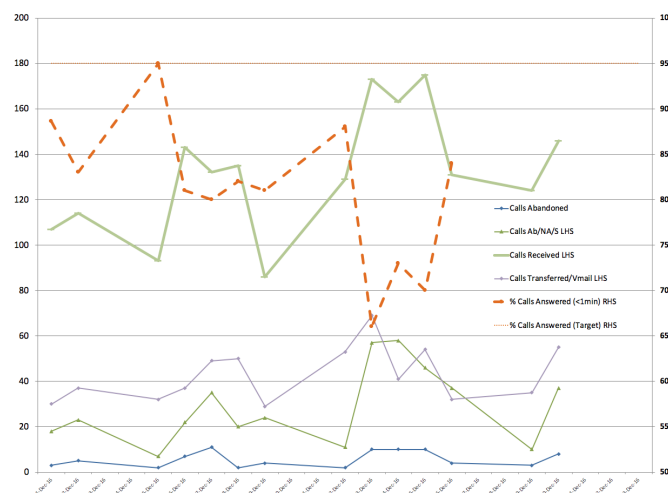
TIP - look to the free info from CX vendors, consultants, industry groups etc. on what customers do and don't like - it will almost certainly apply to you.

Most companies are not thinking much about customer feedback nor fixing it the first time so these findings (and others in the Qualtrics and other reports) will likely be applicable to your company.

The 3Ds

If you want some insight into your specific CX gaps, then use what I call the 3Ds - Data, Documentation and Doers.

1. **Data** - All companies have enormous amounts of data, most of which is "operational" data rather than "experience" data. However, much operational data can be used as a proxy for experience data or to illuminate "experience". I call this "process" data. Here's an example from a Service Desk:



This is data straight from the telephony system, showing call statistics over a 3 week period. "Calls Received" and "% Calls Answered within 1 minute" are emphasised. We can see that the answering rate drops considerably when call volumes rise. Not a great experience for the caller! This data can be used immediately to drive Low Cost CX Improvement (below).

2. **Documents** - Plans, procedures, reviews, reports, letters of complaint etc. - your organisation's documents will provide a great deal of insight into what may be crippling your CX (as does the absence of documents e.g. a "Customer Experience Plan"!)

Referring to the above graph, what might the Service Desk staffing roster tell us about how staff are scheduled for the busy days (is there a roster)?

3. **Doers** - the people doing the work can provide anecdotal insight into how happy their customers are with your organisation and why (and why not). Obvious groups are call centre/service desk/help desk staff, salespeople, and service technicians. But others also are good sources, for example, Accounts Receivable officers (why a customer is slow in paying) and accountants (insight into warranty claims, refunds etc.).

Make the data visible!

Not all the data you collect will be immediately or continually useful for improving your customers' experience. However, the data that is useful must be made available to those who can use it to improve, and it must be made available in a manner that lends itself to driving improvement. The data must be:

- Put in front of those who will use it
- Presented graphically
- Manually updated by those who will use it.

Why not use computers for this? Because computers hide the data! All your efforts to collect this valuable data will be in vain if it's not **visible**!

***TIP** - Every team should have a notice board (or similar) to record and track - make visible - customer feedback and process data and actions arising. The board should be the centrepiece of team meetings.*

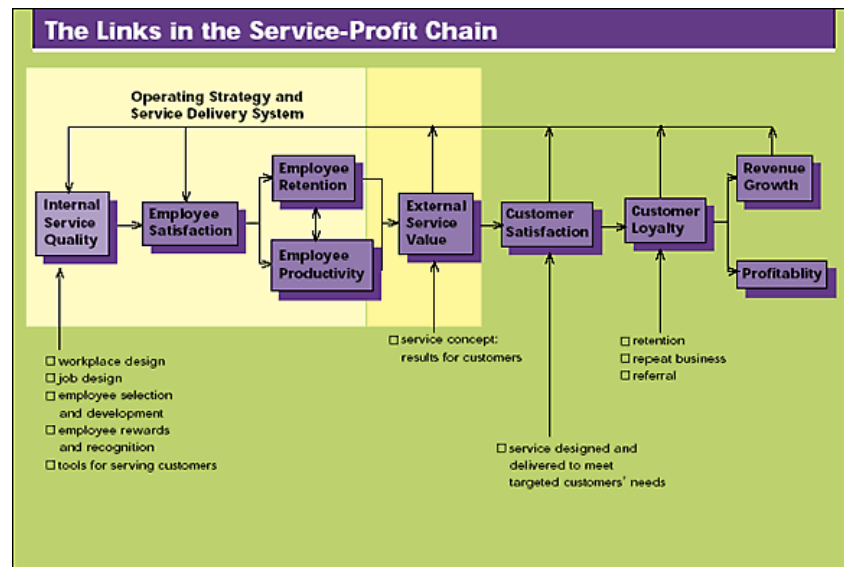
Low cost listening to the "Voice of the Employee"

How does EX affect CX?

As well as Customer Experience", there is an "Employee Experience" (EX) movement (evolving from employee satisfaction and engagement approaches).

Gallup conducts extensive global surveys of employee engagement and finds that engaged employees help their organization improve customer relationships and obtain impressive organic growth.

The Service-Profit Chain shows (see the following diagram) the linkage between how employees are treated and business performance.



Daniel Pink in his popular book *Drive* writes that human motivation has moved beyond responding to the need to survive and receive rewards; humans also have a drive to learn, create, and to better the world. He finds three elements of this new type of **extrinsic** motivation: the needs of Purpose, Autonomy, and Mastery. Pink calls it "Motivation 3.0". In the Service-Profit Chain it's the "Internal Service Quality" factors that support motivation.

For a CX initiative, these needs can be described as:

Purpose = customer focus

Autonomy = team work and team responsibility for the process

Mastery = applied competency in the skills required to do their job and in the tools of customer service and process improvement.

In most organisations, motivation is left primarily to rewards and punishment. The "deadly flaws" of this **extrinsic** motivation are that they can:

1. Extinguish intrinsic motivation
2. Diminish performance
3. Crush creativity
4. Crowd out good behaviour
5. Encourage cheating, shortcuts, and unethical behaviour
6. Become addictive
7. Foster short-term thinking.

All of these are antithetical to improving your customer experience.

How engaged are employees?

As with customer satisfaction, archetypical organisations will have employee satisfaction/engagement/experience levels of 60-70%. Gallup finds that among the best - managed companies in its database, as many as 70% of employees are engaged! And again, EX consultants will say 80+% represents excellence (and again, they are wrong).

TIP - Don't survey employee satisfaction until you have put in place processes to fully and properly act and follow up on the results - a survey should be your final activity in an "improve EX" initiative.

But the good news is that there is plenty of data around on what drives low EX, obviating the need for you to conduct your own massive survey. But if you decide to, or already have, surveyed employee experience (EX)/engagement (EE)/satisfaction (ES), then you must do something about it

immediately following the survey, otherwise you will unintentionally lower your EX/EE/ES levels!

But be aware – the big gains in EX will only come from significant change to how your organisation manages its employees. Working to improve EX without doing so will incur significant investment with very low return in terms of increased EX levels and flow-on CX, cost and revenue improvement.

How can employee engagement be increased?

Here are the Gallup's 12 employee engagement factors:

1. I know what is expected of me at work.
2. I have the materials and equipment I need to do my work right.
3. At work, I have the opportunity to do what I do best every day.
4. In the last seven days, I have received recognition or praise for doing good work.
5. My supervisor, or someone at work, seems to care about me as a person.
6. There is someone at work who encourages my development.
7. At work, my opinions seem to count.
8. The mission or purpose of my company makes me feel my job is important.
9. My associates or fellow employees are committed to doing quality work.
10. I have a best friend at work.
11. In the last six months, someone at work has talked to me about
12. my progress.
13. This last year, I have had opportunities at work to learn and grow.

These clearly are consistent with Purpose, Autonomy and Mastery and the interpersonal behaviours arising from intrinsic motivation.

TIP - the Gallup "State of the Global Workplace" is a rich source of region-specific EE data and the digital version is available for free on the Gallup website.

Gallup also proffers three general strategies to improve employee engagement:

1. Using management tools that track and improve the essential workplace conditions that keep employees engaged and motivated
2. Having a focus on identifying and leveraging the strengths of every employee

3. Developing an understanding of how to cultivate innovation and entrepreneurial talent to promote new sources of growth from within the organization

***TIP** - If you decide to survey your employee satisfaction you can use a online survey service to build a short sharp survey that you can regularly conduct and quickly analyse.*

Low cost listening to the "Voice of the Customer"

People hearing without listening

CX data is, in essence, quantified information on the quality of your organisation's interactions with your customers. Most companies have people throughout the organisation hearing the voice of the customer but not listening to it.

You won't see improvement in your CX until the whole company starts to listen. You do not need to survey to know what your customers like and dislike; you need to listen to what they are already telling you. Everyone in the organisation must be involved:

- Marketing should be talking to customers who accepted offers, and those who didn't, about their experience
- Sales people should be talking to customers who bought from you, and those who didn't, about their experience
- Finance people should be talking to customers who paid on time, and those who didn't, about their experience

... and so on throughout the organisation.

All should be passing on what they are told to all management and staff. This feedback should be systematically captured, and action assigned and tracked to completion. Avoid using spreadsheets and other software – they make invisible your customers' feelings towards you!

***TIP** - Make this information visible, too! Don't use PM, CRM or other software - display it all on team noticeboards and in meeting rooms.*

One software company asked me to advise them on their planned customer satisfaction survey. They had an in-house survey tool and were keen to use it. After our first chat I realised that they had a quite diverse customer base (from project managers to CxOs), using a range of products, for a wide variety of purposes. When I asked why they wanted to survey their customers the response was "to find out if they are happy or not", but they couldn't define "happy". To my questions of what they would do with the data, they said it would be passed onto the account managers to address any issues – no root cause analysis, no reflection any broader implications or where the source of the problems lies; no, simply throw it to the salesperson (who wants to be left alone to sell)!

If you decide to, or already have, surveyed customer experience (CX)/satisfaction (CS)/loyalty (CL), then – as with employee surveys - you must do something about it immediately following the survey, otherwise you will unintentionally lower your CX/CS/CL levels!

***TIP** - Don't survey your customer satisfaction until you have put in place processes to fully and properly act and follow up on the results - a survey should be your last activity.*

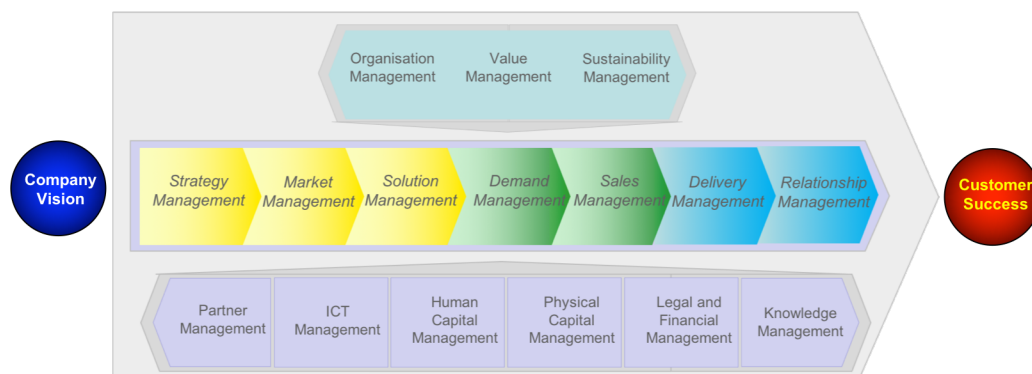
But be aware – again, as with employee surveys - the big gains in CX/CS/CL will only come from significant change in how your

organisation manages its employees. Working to improve CX without doing so will incur significant investment with very low return in terms of increased CX levels and cost and revenue improvements.

Your customer value chain

Too often, organisations confuse responding to customer issues (through the “service desk”) with providing customer service. True and effective customer service (the “customer experience”), however, is a consequence of your complete value chain.

The BusinessSPM Value Chain Model illustrates how all aspects of your organisation determine your customers’ experience of working with you:



We can see that the quality of your relationship with your customers is determined by everything from your strategy through to how you sell and deliver, as well as your ongoing contact.

But it is not only the “core” value chain items that impact your customer. Each of the elements of the model include interactions – directly or indirectly – with your customers. For example, ICT is responsible for your website and your CRM software; Legal for your contracts and agreements; human capital management for your people competencies and numbers; and, your value management approach will determine what your people see as being important when they interact with your customers.

***TIP** – It’s quick and easy for a cross-functional team to map your organisation’s value chain and identify the key functional interactions that determine your customer experience milieu.*

Note also that, as well as your ultimate customer (the **external customer**), the value chain shows how individual functions - such as Sales - have **internal customers** (for Sales the primary internal customer being Delivery teams) and are themselves internal customers (Sales being the primary internal customer of Demand Generation teams).

Low cost listening to the "Voice of the Process"

Let’s look again at the service desk graph (above). With the operational data plotted against time, we can see how the service desk process performed over the three weeks and can see some cyclic aspects of customer demand (inbound call volume) and how the service desk team handled that demand. If we assume the demand will have a similar profile next week, then we can predict how the team and the process will perform. We can also readily identify potential improvement opportunities, as described above. This is “**listening to the voice of the process**”.

But this “listening’ is different to listening to employees and customers. Here, the listening is through observation not hearing (somewhat akin to sign language).

The service desk example shows that we can begin to understand the process and its affect on customers without recourse to formal analysis (though this could gainfully be conducted). Simply graphing the operational data is valuable. Consider what would be the result of reviewing the raw numbers each day, or even a table of the data over the three-week period:

	Calls Abandoned	Calls Ab/NA/S LHS	% Calls Answered (< 1min) RHS	Calls Received LHS	Calls Transferred/ Vmail LHS	Calls Transferred
1-Dec-16	3	3	88.6	107	30	24
2-Dec-16	5	5	83	114	37	29
5-Dec-16	2	2	95	93	32	29
6-Dec-16	7	7	81	143	37	30
7-Dec-16	11	11	80	132	49	41
8-Dec-16	2	2	82	135	50	41
9-Dec-16	4	4	81	86	29	22
12-Dec-16	2	2	88	129	53	47
13-Dec-16	10	10	66	173	69	41
14-Dec-16	10	10	73	163	41	30
15-Dec-16	10	10	70	175	54	35
16-Dec-16	4	4	84	131	32	21
19-Dec-16	3	3		124	35	29
20-Dec-16	8	8		146	55	36

Can any of our earlier opportunities be readily gleaned, and predictions made, from this representation?

TIP - Extract operational data from your key value chain processes and graph them over time; contemplate what the processes are telling you about your customers’ experience.

Low cost, successful and measurable improvement activity

Effective improvement has two major prerequisites:

1. Knowledge and understanding of the process to be improved and the system in which that process operates
2. Competence in improvement tools techniques.

Accepting this will show why improvement (well, change really) that is commanded from high up the management hierarchy is unlikely to be successful – managers know little about what really happens at the working level of the organisation, and they do not equip staff and low-level management with the skills and tools to make effective improvements.

The people working in the process know what’s happening, what is working and what is not. But they will almost certainly not know the root cause of problems nor how to fix them once and for all. But it doesn’t take much training to overcome this skill and knowledge gap.

TIP - See these tips on better problem solving and decision making.

Here are a couple of real-life examples of how improvement can be readily made by the teams doing the work (in the process).

Example 1 – A warehouse

A small team (five staff and one team leader) was responsible for a local warehouse in a large global company. They ordered goods from head office when a sale was made, maintained inventory of mainly high demand goods and shipped goods to customers.

The local CFO told the team leader that inventory value was too high, and had to be reduced. At the same time, customers and salespeople were complaining about shipping errors and damaged goods being delivered.

The team had recently been through company-wide training in sustained customer-focussed and measurable process improvement and the team leader decided to apply this knowledge.

They started by seeking to understand the problem by analysing current inventory and past customer complaints. Once they believed they had isolated the key issues they applied a Plan-Do-Check-Act (see above) approach to the problem. Each week at the team meeting they examined what they had observed and learned, and then standardised their success in team procedures or modified the changes if there was still a quality gap.

After several months, **inventory had been reduced by an order of magnitude and customer complaints had almost disappeared**. Fewer staff were needed in the warehouse, but they found other roles in the company - in sales and consulting - as they had developed new skills and knowledge in customer service, company products and software development (building their own tools in support of improvement e.g. a complaints database).

Example 2 – A service desk

This team of three officers and one part-time team leader handled calls, emails and online requests from other employees of the company. The team leader introduced the team to some basic service concepts such as failure demand and the Seven Basic Tools of Quality.

While the team leader conducted some analysis of demand type and flow, the team discussed the key problems they were observing and those being experienced by functional team staff who resolved many of the issues raised by employees.

***TIP** - If are not already employing TQM, Lean and/or Six Sigma and so forth, you don't need to launch such a complex and time-consuming company-wide improvement program - just learn and apply some simple improvement tools and techniques such as the Seven Basic Tools of Quality.*

This developed into some simple changes in process flow and responsibilities and led to better service for employees and happier functional team staff, but also allowed the service desk team to spend more time on further improvements including “reaching out” to their employee-customers to understand and address their pain points.

Low call on "senior management commitment".

Most articles, books and presentations dealing with significant change or transformation projects will have “senior management commitment” heading the list of critical success factors or reasons for its failure.

***TIP** - If you need and seek senior management commitment as part of your CX program, make sure you tell them exactly what that means so they can make a meaningful personal commitment.*

Usually, the commitment sought is not spelt out and so is not meaningfully given.

Truly meaningful commitment from a senior manager requires them to clearly and correctly understand:

- What you want them to do (provide funding, visit customers, presenting awards, mandate participation, restructure the organisation, ...)
- Why this level of commitment is necessary for the success of the CX initiative
- When you want them to honour this commitment.

Your challenge is that the type and extent of the commitment needed for a full-blown CX program is high and will demand significant change to how the organisation operates and is managed. Getting such commitment is difficult; maintaining the commitment as change progresses is extremely difficult. Be aware that the management hierarchy will support change only if it does not make excessive demands upon them to change. Once change percolates up to their level of authority, their commitment will likely wane as the perception of risk grows.

Think to the behaviour of the IT salespeople who deal with your company. They will be selling “change” benefits (headcount reduction, process compliance, and so forth) but they will do this selling “high” – that is, to a management level that is above where the change will occur and so will be unaffected by the change.

One ERP salesman confided to me that he was nervous about a “sandbox” session for a potential customer where users would try applications from the short-listed vendors. The salesman said that their product did not match the competition in usability and that they always lost the sale if they couldn’t restrict deliberations to the CFO (who does not use the system).

What’s the “low call” approach? There are two key aspects:

1. Keep the CX initiatives “local”
2. Emphasise the top line (don’t promise savings)

Keeping the initiative local means keeping it within your team or between your team and related teams (your internal customers and internal suppliers). Focus on the top line means emphasising better customer service and more sales, not efficiencies (although they will certainly come). Any mention of efficiency risks being immediately converted into FTEs and set in stone. When you achieve the promised efficiencies, the FTEs will be taken from you and your CX initiative will die.

As set out at the start of this article, improving CX by focusing on the customer will identify inefficiency and by addressing that inefficiency you will need fewer people to

do the same work. But you want to keep those people – who are now experienced in process and customer satisfaction improvement – to create further improvement and to help other teams improve.

TIP - *Never speak of any efficiency (headcount reduction) outcomes, always talk in terms of revenue and customer outcomes.*

The fundamental problem facing CX

Why there are unhappy customers

Happy and unhappy customers do not arise randomly across organisations and time. They are a product of the complex system which is your organisation, and the complex systems within which it operates (market, country etc). An organisation acquires and

serves customers through its value chain (above) and it is the performance of the value chain that determines if customers are made happy or unhappy. The performance of the value chain, in turn, is determined by its design (whether deliberate or evolutionary) and its management. Therefore, the experiences of your customers when dealing with your organisation are determined by design and management, and most organisations are designed and managed in a way that creates ~70% customer satisfaction levels. They are systems for creating unhappy customers!

The **fundamental problem** faced by CX leaders is **how to change the way organisations are managed.**

What is it about the way organisations are currently managed?

To improve your customers' experience and at the same time reduce costs – wins for shareholders, customers, and employees - requires a change from the traditional management approach (or paradigm) that is adopted by almost all managers (in the Anglo-American sphere, anyway). For customer satisfaction, traditionally managed organisation peak at levels in the low 80s%.

The traditional management paradigm is one of win-lose as it embraces a view that making customers and employees “happy” costs money – money that would otherwise go to shareholders (whom include most senior managers). They believe they must “balance” profit and customer/employee satisfaction, which helps explain why few companies have customer satisfaction levels above 80%

The concept of balancing shareholder and customer interests presumes that one or the other can increase only if the other decreases. Logically then, in a state of balance, both are below their potential maximum. To improve both is impossible in this paradigm, so the paradigm must change. Increasing customer satisfaction by increasing profit is absurd but increasing profit by working to improve customer satisfaction is sensible and proven.

Traditional managers look inward and tend to behave as though customers exist to buy the products and services that we “push” to them, rather than looking outward and offering products and services that customers “pull”. They believe that efficiency arises from functional specialisation, scale and internal competition. These fracture the flow of the value chain and lead to functions working against each other and the building of internal “empires” at the expense of internal and external customers.

Management see staff as “assets”, “resources” and “capital” (not living, thinking and feeling people) who belong to the organisation and that must be directed and controlled. In large organisations this cannot be achieved by personal direction and so remuneration (compensation plans) are used as a proxy – extrinsic motivation that we have seen is counterproductive.

Commissions and bonuses remind me of in 1991 when the First Gulf War began. CNN footage showed cruise missiles flying down a Baghdad street, turning a corner and disappearing. These “fire and forget” weapons are like variable reward systems – the manager can set the target, load the reward and “fire!” the projectile (the employee) at the target, and then forget it until review time.

Traditional managers believe they are fully aware of all that is happening in the organisation, resulting in the adoption of a top-down, command-and-control

approach to managing. But they cannot know what is happening – they are many levels away from the “work”; and they falsely believe that what they have commanded to be will be done – not realising that people will do what is necessary to make it appear that the work has been done and/or appear that the target has been reached.

A lot has been written about resistance to change and most centres on how ordinary workers resist change. The real resistance to improving CX is managers' determination not to change its paradigm for fear of not being in control of the organisation.

Is change possible?

Managers may see potential in different approaches, but they will only move if the approach has been legitimised within the organisation or by influencers (for example, Jack Welch with Six Sigma). They will adopt the tools of the new movement (e.g. hiring a Black Belt) and will sanction its use only at low levels of the organisation (approving only “point” Six Sigma projects).

The challenge for most managers in changing their paradigm to one that is more progressive is twofold:

1. **They don't know of the alternatives** - their paradigm makes them blind to the problems of traditional management and the existence of other paradigms (they also never learn about the alternatives – whether on the job, in business school or from the influencers they follow)
2. **They don't want to or need to change** - they have spent their careers gaining success within the traditional paradigm and any change risks them losing what they have achieved through loss of control - everyone goes back to zero when a paradigm changes.

Change to what?

What are the alternative management paradigms? There are a number of alternatives, including:

- Deming's System of Profound Knowledge (see Baker and Deming)
- Lean Management in manufacturing (see Ohno and Liker)
- Lean Management in services (see Seddon)
- Management by Means (see Johnson & Broms)
- Semco's “managing without rules” (see Semler)
- Haier's Microenterprises (see Hamel)

For “how to” guides, I recommend Brian Joiner's *4th Generation Management* and Peter Scholtes' *The Leader's Handbook*.

What do alternative management paradigms look like? There are a few common features:

- Customer obsession
- Respect for people
- Systems thinking
- Process orientation

- Sound decision making
- Effective problem solving.

What does this mean for the success of a CX initiative?

For Low Cost CX, there is little impact – the approach assumes, accepts and adjusts to all of the above.

For “full-blown” CX, it means your task will be challenging and any progress in changing the management approach within your organisation will be susceptible to a change in senior management and to external downturn. However, there is some risk mitigation you can undertake:

1. **Be aware of the risk** – expect resistance from management, watch out for signs of it, and take it seriously when it appears
2. **Look for opportunities to quietly “sell” CX** and a new management paradigm, leveraging managers’ need to maintain their position and power
3. **Understand that radical change is led by “outsiders”** – keep an eye out for prominent influencers promoting progressive management; look for eager and ambitious managers within your organisation who might see benefit in being “disruptors” and whom you can enlist in your cause.

How to kill a CX initiative

The following is not a recipe! It is an alert to some actions that will kill, or at least severely maim, a CX initiative:

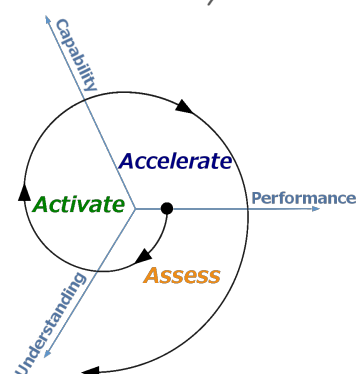
1. **Converting efficiencies and waste reduction into “headcount” reductions.** Doing so will immediately demoralise and demotivate any (remaining) employees who participated in the initiative and will discourage others from any future participation.

***TIP** - Successful CX leadership requires protection and development of the people doing the improvement work; ensure you create possibilities for them both inside and outside your organisation.*

2. **Succumbing to the “Tool Heads”.** Energetic people who want to make a difference often want to emulate the success of others or their own success in another environment. They tend, however, to see that success as being as a result of the use of tools and techniques that can be applied in the new context. TQM, Lean, Six Sigma, Agile etc all have been so reduced. What is missed is an understanding of

***TIP** - Performance comes from building Capability through Understanding of the challenge and how it must be met, as seen in the BusinessPM AAA virtuous spiral.*

why those tools and techniques were developed and applied so successfully, and investigation into whether those factors really do pertain in the new context.



3. **Taking the “Big Bang” approach.** Low Cost CX is designed to replace this, but overeager managers (and consultants) enjoy the thrill of company-wide

initiatives that are more readily announced than implemented. These fail more often than not.

TIP - Keep your CX initiatives contained and low key until you can publicise success and gradually expand the number and scope of your activities; use Low Cost CX!

4. **Being an overbearing CX Champion.** CX “Champions” cannot make customers happier, they can only help “doers” make them happier. A CX Champion must convince others to change what they are doing or the way they are doing it. Telling them, even if the logic and evidence is impeccable, won’t be fruitful – they need to be helped. Champions who “direct” managers and staff to change will generate terminal resistance; instead, they must assist them to change and this begins with concerted effort to understand them and their work.

TIP - If you, as a CX Champion, observe a process that you believe is deficient, talk it through with the team to understand why it is the way it is - the team has probably already tried to improve it but has been stymied by someone or something; you may be able to help them address that hindrance and win their support in turn for your program.

Further Reading –eXperience Management (XM)

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BusinessSPM works with you to transform your total organisational performance - sales, service, operational support and customer relationships. We boost revenue and profitability, market share, and customer and employee satisfaction.

Contact Philip Radburn, Managing Principal

philip.radburn@businessspm.com.au