

Creating a High-Performance Organisation

What do Virgin, The Banyan Tree Hotels and Resorts, Harley-Davidson, Amazon.com, First Direct, The Geek Squad, Pret A Manger and Tesco all have in common? The answer is that their founders and many of their senior directors share an approach to business that is uncommon in industry today. We admire these organisations because they have strong brands, enthusiastic customers, proud employees and their own unique way of doing things.

Andy Milligan and I set out to find out what makes these brands unique and their companies 'tick'. The result is a book, called 'Uncommon Practice – People who deliver a great brand experience' which tells the story of nineteen unique brands in the words of their executives.

We found that their approach to business is not the norm, that these companies often do things that are unusual and even defy conventional business wisdom, 'daring to be daft' to paraphrase Richard Branson. But what gives them the confidence to operate in this way and what is it that their leaders do that is different?

Uncommon Practice not Best Practice

We were speaking at a large Customer Service Management conference. Senior executives from Disney, Southwest Airlines and Ritz-Carlton gave presentations and the audience was clearly enthralled with how these organisations operate. Perhaps it is no coincidence that these three brands are often the first port of call for organisations wishing to benchmark in the US. Indeed, they each offer public workshops to teach their best practices. Yet, this is dangerous. One of the first principles of business strategy is to differentiate rather than be 'me too'. To attempt to copy these organisations runs the risk of being second rate, at best, and totally inappropriate at worst.

For example, Julian Richer of Richer Sounds takes a very uncommon approach to creating a distinctive employment experience for his best performing "colleagues". Richer Sounds has one of the highest sales per square foot of any retailer in the world. Why? Because Richer believes that the customer and the employee experience are inextricably linked and so he uses uncommon ways to create a great employee experience and reward them for creating an exceptional customer experience. Robert Stephens, Founder and Chief Inspector of The Geek Squad uses humour to help deal with the stress from customers experiencing computer glitches. Robert's vision for the future is "Widespread empathy". This is not your typical computer repair firm.

The issue is not **what** these companies do, but **why** they do it? Best Practice assumes that what will work for one company will work for another. In our view, it is far more important for organisations to **first** decide their purpose and strategy and **then** decide how they can bring it to life through creating an aligned culture. Only then can internal processes and policies be designed to reinforce this. Having done all of this there *may* be a case for benchmarking against best practice processes -- but not before.

Sir Terry Leahy, CEO of Tesco the global supermarket chain, told us that the key to Tesco's success was "The day we stopped following Sainsbury and started following our customers". In other words they focused on differentiation and meeting the needs of their target customers rather than simply copying competitors. Since then the brand has focused on creating value for customers to earn their life-time loyalty. Tesco's slogan of 'every little helps' describes the enormous attention to detail that enables them to ensure that processes, people and products operate seamlessly to deliver value.

Gary Loveman at Harrah's, the largest entertainment and gaming company in the US, was similarly uncompromising in his focus on the most profitable customer segments. As he liked to joke with his employees "God created all people equally: She did not create all customers equally". This focus on creating a branded customer experience built around what these highly valuable customers valued drove customer spend up by 17%.

Many of the leaders of the companies in our book do not have formal MBA training. Attitude and passion are the key factors that characterise these unique brands and they dare to hire for 'fit' more than 'wit'; For example Pret A Manger recruits new hires (including directors) by paying them to work in a shop for a 'Pret Experience' day. At the end of the day the front-line people are asked to vote to decide if the person should be taken on. Only five per cent of candidates are ultimately hired. Most who fail do so because they do not demonstrate the passion for food, passion for people and passion for Pret that is a cornerstone of the culture. What Pret realises is that the culture and the way that people treat each other is the DNA of the brand. When human resource processes support the customer experience and brand in this way you can be sure that the magic will be sustained.

There is probably not a large organisation today that does not talk about 'satisfying customers' as a core value. Yet the sad fact remains that the experience most customers receive is mediocre and largely undifferentiated. Think of retail banking. Until First Direct entered the UK market the sector was defined more by its sameness than its service. To talk about 'service' is to focus on the company to talk about the 'experience' is to focus on the customer. The difference between the way most executives talk about customers and how the Uncommon Practice leaders do is very different. It is not *one* of the things that they pay attention to it is the main thing they pay attention to. They understand that in order to exceed expectations the brand, the customer experience and the strategy must be aligned. For example, the words 'First Direct', describe the brand, their strategy for differentiating and their unique way of dealing with customers.

When an organisation brings these three elements into alignment it is able to deliver a 'Branded Customer Experience'. In other words a customer experience that is so unique, so satisfying and so valuable to target customers that the experience defines the brand. The Banyan Tree is a luxury chain of hotels and resorts that has been voted Asia's best resort experience and one of the world's best places to stay by Conde Nast Traveller magazine. The brand is targeted at couples and it promises 'Sanctuary for the Senses'. Nowhere is this promise more vividly demonstrated than by the 'Intimate Moments' service which is available to guests if they wish. The brand has taken the mundane turn-down service that every luxury hotel offers and turned it into something which is a 'Branded Customer Experience'.

An experience of this kind requires careful attention to customer service, operational processes and products so that together, they create something special for customers. Some strategists say that in order to win in the market you have to differentiate in one of these three and that it is very difficult to be good at them all. We agree, yet we found that many of the Uncommon Practice companies excelled at customer intimacy, operational excellence and product leadership. A case in point is Amazon.com. This company has grown into a world-wide brand in a very short space of time. What is its dominant strategy? In fact, Amazon's initial strategy was product leadership through offering the widest range of books in the market. Yet it was able to do so at a low price point and deliver excellent service through its processes.

In 2004 Harley Davidson, the motorcycle manufacturer, celebrated its centenary. It is hard to believe that this company had a near-death experience in the early 80's and was close to losing its market to the Japanese manufacturers. The turnaround can be traced back to 1981, when a group of 13 senior Harley executives led by Vaughn Beals bought the company. The leaders started the turn around by identifying customer needs through a process they call 'Super-engagement' This involves the managers riding on a regular basis with customers and hearing their feedback directly and turning this feedback into improvements for customers. This focus on zealously acquiring and using customer knowledge has resulted in 25 years of growth for the company.

So, differentiating your business rather than copying others, hiring for attitude rather than qualifications and being passionate about customers; common sense -possibly- but for most organisations it is still uncommon practice. Yet herein lays the opportunity. It is the challenge of leadership. It took a management buy-out to turn Harley Davidson into the iconic brand it is today, First Direct took a different route to its parent Midland Bank and The Geek Squad and Virgin and make a virtue out of being different.

Virgin is one of the few brands that have successfully 'stretched' from one industry to another. The reason it has been able to do this is that Richard Branson has developed very clear values for the brand and is passionate about being customer focused. The result is that customers trust the Virgin brand to give them good value and good service. We found that the leaders of the Uncommon Practice companies are profoundly customer-centric. Richard Branson told us; "Virgin loves to take industries and shake them up and make sure they're never the same again. We've done it to the airline industry, we've done it to the financial services industry; we will do it to the rail industry". Who will do it in your industry?

Shaun Smith speaks and consults internationally on the subject of the customer experience. His first book 'Uncommon Practice- people who deliver a great brand experience' investigates how leading brands differentiate, his second book 'Managing the Customer Experience- turning customers into advocates' is considered to be a landmark text book on how to create branded customer experiences. His latest book 'See, Feel, Think, Do – the power of instinct in business' investigates the role of instinct and innovation in customer experience. www.shaunsmithco.com

The Uncommon Practice Assessment

How does your organisation measure up against the 'Uncommon Practices' that characterise these great brands?

Read the practices over the page and rate each on the following scale by circling the appropriate number.

1- Strongly disagree

2- Disagree

3- Neutral

4- Agree

5- Strongly agree

Uncommon Practice Assessment

| | |
|---|-----------|
| 1) CUSTOMER-CENTRIC LEADERSHIP | 1 2 3 4 5 |
| There is ownership of the customer experience at executive level | 1 2 3 4 5 |
| Our leaders 'Walk The Talk' when it comes to modelling a focus on customers | 1 2 3 4 5 |
| Our leaders spend significant time with customers and employees hearing first-hand about their experience | 1 2 3 4 5 |
| Our back-office functions focus on supporting the customer experience | 1 2 3 4 5 |
| 2) DISTINCTIVE STRATEGY/PROPOSITION | 1 2 3 4 5 |
| We have a strategic vision that permeates the company | 1 2 3 4 5 |
| A profound understanding of customers' needs informs our strategic direction | 1 2 3 4 5 |
| Our company has a clearly articulated Brand Promise | 1 2 3 4 5 |
| In our company, the Customer Experience, the Strategy and the Brand are inseparable | 1 2 3 4 5 |
| 3) SUPERIOR PRODUCTS, PROCESSES AND PEOPLE | 1 2 3 4 5 |
| We constantly innovate to create more value for target customers | 1 2 3 4 5 |
| Our products and services are distinctive | 1 2 3 4 5 |
| We effectively apply technology to support the delivery of a competitively superior customer experience | 1 2 3 4 5 |
| Our front line service representatives demonstrate superior customer service skills and capabilities | 1 2 3 4 5 |
| 4) INTERNAL CULTURE THAT SUPPORTS THE STRATEGY | 1 2 3 4 5 |
| Our internal values are aligned with our brand values | 1 2 3 4 5 |
| We have a distinctive culture and a brand 'DNA' that permeates our company | 1 2 3 4 5 |
| We are passionate about delivering our brand promise | 1 2 3 4 5 |
| Our employee experience is as distinctive as our customer experience | 1 2 3 4 5 |
| 5) ALIGNED HR SYSTEMS | 1 2 3 4 5 |
| Our HR strategy, systems and training support the customer experience | 1 2 3 4 5 |
| We hire for attitude and fit with our culture | 1 2 3 4 5 |
| Our reward systems reinforce the behaviours we promote around serving customers | 1 2 3 4 5 |
| Our performance management system includes clear consequences for good and bad performance | 1 2 3 4 5 |
| 6) BRANDED CUSTOMER EXPERIENCE | 1 2 3 4 5 |
| We deliver a customer experience that is consistent, intentional, differentiated and valuable | 1 2 3 4 5 |
| Our company is obsessed with protecting and managing our brand | 1 2 3 4 5 |
| Our entire company is focused on delivering the desired customer experience | 1 2 3 4 5 |
| We demonstrate a strong alignment between marketing, operations and HR around the brand | 1 2 3 4 5 |
| 7) EXPERIENCE MEASUREMENT | 1 2 3 4 5 |
| We have a clear focus on target customers | 1 2 3 4 5 |
| Our customer measurement systems provide performance data on the customer experience, not just satisfaction | 1 2 3 4 5 |
| We gather feedback to/from the front line of the organisation | 1 2 3 4 5 |
| Our executive team focus on the leading indicators that drive value to customers, employees and shareholder, not just the bottom line | 1 2 3 4 5 |

For more information on the practices and some great stories about these brands please see 'Uncommon Practice- people who deliver a great brand experience'

Published by FT Prentice Hall June 2002. ISBN 0-273-65936-7 available from www.amazon.com

