

## **1% for 10%: Executive Strategies for Customer Care**

by

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### ***Abstract***

*This paper avoids the linear route to establishing where the biggest impact on customer service lies and instead examines the influences on the quality of the customer experience from all angles in an organisation. From the culture and policies of the organisation itself, to the front-line individuals and their managers, it is evident that customer satisfaction is influenced at many levels and this directly affects organisational success and competitive standing.*

*The Cranfield Top Executive Leadership studies, across 12 countries, examines senior managers' commitment to customer focus. The sample's division into three distinct groups according to their customer focus commitment levels highlights a range of arguments about individual, management and corporate dedication to levels of customer satisfaction with hints at where these may conflict with each other. By taking a rounded look at the customer focus process from all its pivots within an organisation, potential bottlenecks in the process are also highlighted.*

*Most interestingly, by the end of the journey, it is concluded that there is actually little difference between the groups in pure quantitative terms but that it is that small difference indeed which makes all the difference to a substantial increase in positive customer experience.*

## ***Introduction***

'Customer is King', has been a familiar mantra since 1876 when John Wannamaker restored an abandoned Philadelphia railway depot into a department store (*The Economist*, 2005). Peter Drucker further imprinted this focus into the managerial mind and reminded businesses that their primary purpose was indeed to satisfy customers, which in turn would have a positive causal effect (Drucker, 1993). In support, Oakland and Oakland (1998) emphasised that there was considerable research and anecdotal evidence to indicate that there is a strong relationship between meeting, and perhaps exceeding, customer satisfaction and the subsequent bottom-line results. Equally, Knapp (1999) indicated that it is the customer who often rules and sits at the top of the organisational hierarchy. How employees interact with these customers then can determine the organisation's ultimate success or failure. Most researchers and practitioners would agree that realising customer satisfaction is an essential business goal (Ward *et al*, 2004).

## ***Customer Focus***

Adhering to a customer-oriented way of doing business is a necessity for success in today's market (Knapp, 1999). Romani (1998) revealed that there are two concepts that are inextricably intertwined in such a 'Customer is King' perspective. Within this two way street the first concept is actually orienting the whole organisation, its people and processes, towards fulfilling customer needs and demands. The second starts at the other end, from the customer perspective, and relates to how they view and respond to this.

In support, numerous writers strongly suggest that the focus on the customer depends on the organisation's overall value proposition (Ward *et al*, 2004). Where and how, in the organisational process, decisions are made would suggest the degree of customer focus within.

Kakabadse *et al*, (2005a) reported that all businesses operate under an overriding philosophy that dictates what is important when organisational decisions are being made. Two such propositions, namely, the financial-value proposition and the customer-value proposition are organisational values that, in themselves, are not exclusive (Eisenhardt and Martin, 2000; *The Economist*, 2005). Focusing on the customer value proposition, Flaherty *et al* (1999) explained that true customer-orientation pivots on a management philosophy striving to satisfy customer needs through a deliberate co-ordination of activities which allows the organisation to achieve its sales and marketing objectives by matching those customer requirements (*The Economist*, 2005).

In effect, customer-oriented behaviour stems from an organisation's marketing practice, which has customer satisfaction as its central goal, thus acknowledging customer satisfaction as the organisation's top priority (Flaherty *et al*, 1999; Hoffman and Ingram, 1991; O'Hara *et al*, 1991). Further, Wright *et al*, (1997) revealed that this very approach is clearly linked to a positive increase in competitive performance. The researchers deduced that an organisation's choice of approach to its market in this way would have a direct material impact on its competitive performance (Collins, 2001). 'If sales people perceive that their firm places critical importance on the customer to do everything possible to retain their business, they may likewise engage

in more customer-oriented selling behaviours' (Flaherty *et al*, 1999:5). So the choice of one approach clearly affects the various components of the operational processes in either direction.

### ***Antecedents of Customer Focus***

#### **Individual Employee**

Customer focus starts, and perhaps ends, with the front line and the individual. O'Hara *et al*, (1991) suggested that personal characteristics play a key role in the development of a customer-oriented approach. This is often applied by instinct and any understanding of the particular personal characteristics that influence a customer service orientation will vary considerably. Flaherty *et al*, (1999) explained that regardless of what the firm values overall, all individuals will have their own set of personal values and enduring beliefs that guide their actions and judgements towards the customer.

As well as the personal dimension, job related demographics have been identified as influencing a person's customer oriented perspective. Job tenure (linked with age) was considered in the research of O'Hara *et al*, (1991). The research revealed a negative relationship between job tenure and customer-oriented approaches in industrial sales settings. The authors suggest that older, more experienced managers become complacent in their positions and are not as diligent in meeting the needs of the customer as newer entrants to the organisation.

#### **Organisational Environment**

The findings of O'Hara *et al*, (1991) also indicated that antecedents of a customer-oriented approach may not be consistent across environments. Rather, they may be influenced by the nature of the product or service itself. Flaherty *et al*, (1999) stated that an organisation's environment includes the firm's goals, objectives and culture and it is through the corporate culture that organisational values are transmitted to employees. Markillie (2005) agrees and further expresses that these values impregnate and impact marketing strategies and practices at various levels in the organisation.

Oakland and Oakland (1998) stated that most leading organisations achieve unparalleled levels of customer satisfaction because employees are managed effectively, involved in, informed about and committed to meet, or even exceed, customer requirements. Batt (1999) agrees that involvement can have an impact on service by reporting that participation in self-managed teams was associated with a statistically significant improvement in self-reported service quality and a 9.3% increase in sales per employee.

Even if an organisation sincerely adopts a customer centric orientation, the transmission of such organisational values may, or may not, be accurately recognised or accepted at various levels in the organisation and thus may not be considered as shared values (Kakabadse *et al*, 2005a). Individual agendas or perceptions at different levels of the transmission of service may have a negative impact on the customer experience. Flaherty *et al*, (1999) suggested that employees may desire a customer-oriented practice but the nature of their job and their organisation's value set may actually encourage a particular performance to a financial target. Discrepancies arise

as a result of the difference between the employee's perception of the organisation's value proposition and the employee's desired organisational value orientation (Bingham, 2005). This conflict of interest, in turn, influences the degree to which employees engage in customer-oriented behaviour (Flaherty *et al*, 1999). Thus, the values of the organisation, their communication and the nature of their interpretation and acceptance strongly influence the customer centred nature of employees.

### **Managerial Influence**

Equally highlighted is that the leaders of the organisation (the top team) have an impact on the customer orientations of employees (Kakabadse *et al*, 2005b). The relationship of the top team with employees, as well as the culture that they nurture, directly and indirectly influences the extent to which employees engage in customer-oriented behaviour. According to Oakland and Oakland (1998) successful organisations display a seemingly relentless pursuit of what can best be described as an intense customer-centred focus that is communicated to and involves employees at all levels. As can be seen, communication and involvement emerge as two critical elements of creating a customer service focus from within and one which stands the test of time.

Further down the organisation, it was suggested by O'Hara *et al*, (1991) that the employee/supervisor relationship is an additional factor that influences the customer-oriented behaviour of employees. The researchers revealed that a positive relationship between supervisor/employee is marked by high trust, supportive interaction, acceptance of the organisation's formal/informal rewards and this results in a positive attitude to customer service. In contrast, Lam and Dale (1999) revealed

that negative customer service attitudes are often prevalent among employees as a result of demonstrated distrust towards management, irrespective of the reasons for negativity.

Additionally, certain management practices have been identified as influencing employee customer service orientation and subsequent customer care (Hoffman and Ingram, 1991). According to Hoffman and Ingram (1991) staff and lower level management often complain that although they enter their job with a positive customer orientation, it is the impact of certain management practices which discourage their desire to continue to provide good service. The initial enthusiasm is dampened at an earlier stage of customer service delivery. Again, such discrepancy is attributed to the difference between the organisation's perceived value proposition, the employee's desired value orientation and the perceived reality of the employees experience of the organisation's values (Gould and Campbell, 2002).

Flaherty *et al*, (1999) indicated that when a strong customer-orientation is displayed by the organisation, employees can be influenced by the empowering participation to engage in more honest, competent and trust building behaviours as well as become more responsive to the initial target of meeting customer interests. In contrast, an organisation pursuing a financial-orientation may constrain, or even prevent, employees from engaging in the intensive customer contact and trust building behaviours necessary for a good standard of service. Oakland and Oakland (1998) argued that employees need to feel valued and trusted to do a good job. Thus, there appears to be a need for organisations to have employees who are dedicated to meet



customer needs in order to provide high quality customer service and also a check on the processes to ensure they do not prevent them from providing it.

Recognising the personal, managerial and organisational value proposition influences on customer service practice, the following section provides an outline of an international survey on the customer orientation of senior managers, highlighting a range of organisational practices, differences in customer orientation by country, the attitudes of top management to customer service and the impact on market conditions to generating customer sensitive attitudes in staff and management.

### ***Study***

Over a number of years, data was collected utilising the validated Cranfield Top Executive Leadership Questionnaire. The sample was randomly selected from a number of business directories in 12 countries. The original questionnaire, drafted in English, was translated into the language of each country site and then back translated for accuracy of interpretation. The respondents interviewed were senior managers within each organisation. Training sessions were held prior to data collection using two of the research team to ensure that the questions were compatibly interpreted across the countries.

### ***Results***

The sample was clustered using the level of respondents' belief as to whether the customer was all-important. Although most of the sample were positive to the view that the 'customer is king', one group stood out as most positive, comprising 84% of the sample and were termed 'Customer Focused'. A second group, containing 10% of

the sample, were less positive and this group was named the 'Moderate Positive Group'. The final group contained those members of the sample who were least positive towards customer orientation. This group constituted 6% of the sample and was identified as the 'Least Positive Group'. Following the formation of the three groups, a discriminant analysis was conducted to identify those variables on which the three groups were separated.

Demographic analysis highlights that the average length of time the members had spent in their respective companies indicated that the 'Customer Focused' group held the longest tenure (mean 2.65), the 'Moderate Positive Group' (mean 2.56) was next and the shortest tenure was the 'Least Positive Group' group (mean 2.43). Length of tenure was measured on a scale of 1=under 6 months to 11=26 years and over. The difference between the 'Least Positive' group and the 'Customer Focused' group was significant at the acceptable level ( $p < 0.05$ ). However, there appears to be no difference between the groups when length of time in the job was considered. Concerning company size, a significant difference emerged between the 'Customer Focused' group members who were employed by larger organisations and the 'Least Positive Group' for whom organisation size varied considerably. As far as other demographic details were concerned, no significant difference emerged.

### *Customer Sensitive*

Three critical perspectives towards being customer focused emerged, namely, the personal orientation of each manager towards customers (Table 1), the practices in the organisation towards customer care (Table 2) and the emerging patterns of

communication in the organisation supportive (or not) towards customer care (Table 3).

### 1. *Personal Orientation*

Those managers responsive to customer needs ('Customer Focused') emerged as positive, committed and disciplined in terms of follow through on projects and initiatives (Table 1). Equally, they reported a more 'general management' orientation to their work and role, whereas the 'Moderate Positive Group' displayed a more specialist/functionalist orientation than the other two groups.

**Table 1: Personal Orientation: Means of Variables**

Statements	Least	Moderate	Customer Focused
Enjoy the challenge of my role in the company	4.01	4.03	4.28*
Enjoy the specialist aspects of my job more than the general management aspects	2.53	2.57	2.38*
Am committed to the organisation	4.06	3.95	4.20*
Expect to be kept informed of progress on agreed initiatives	4.02	3.93	4.08*

\*sig @ p<0.05

### 2. *Organisational Practice*

Those managers responsive to customer needs emphasise that they believe their organisation enables them to introduce and apply controls and governance procedures that encourage staff and lower level management to perform rather than inhibit them (Table 2). Further, it is recognised that staff and management need to be committed to making the organisation profitable. Winning commitment and effectively implementing customer centric policies and practices is dependent on the sensitive handling of the top managers as well as managers at different levels in the organisation. In effect, customer driven organisational practice is identified as top

management developing an insightful appreciation of the strengths and weaknesses of the enterprise, nurturing commitment from their employees and ensuring continuous attention to improving their top management relations.

**Table 2: Organisational Practices: Mean of Variables**

Statements	Least	Moderate	Customer Focused
It is important to understand the various aspects of the business in order to introduce appropriate managerial controls	4.24	4.22	4.30*
The sort of people we need in the organisation must be totally committed to making the business profitable	3.60	3.65	3.88*
To ensure that policies are successfully implemented depends on my ability to handle the top team	3.60	3.56	3.72*

\*sig @ p<0.05

### 3. *Communication*

Those managers responsive to customer needs consider it critical to encourage subordinates, colleagues and management of different levels in the organisation to feel free to raise issues and concerns (Table 3). Openness of style allows for swift attention to focus on customer issues and ensures information is feedback freely from the front line so the most appropriate decisions are made. Such practice equally encourages others to raise their concerns of inappropriate customer responsiveness and care. Openness of style and the courage to speak up have already been documented as critical to improving the organisation/customer interface (Flaherty *et al*, 1999; Oakland and Oakland, 1998).

**Table 3: Communication: Means of Variables**

<b>Statements</b>	<b>Least</b>	<b>Moderate</b>	<b>Customer Focused</b>
Am regularly informed about how new developments and initiatives are progressing	3.60	3.62	3.79*
It is important to have an open management style where others can speak freely	4.27	4.35	4.50*
Encourage subordinates to discuss their work problems with me	3.96	3.99	4.07*

\*sig @ p<0.05

### *Country Differences*

Country of origin analysis identified that managers from China, Spain and, to a certain extent, the UK and Japan, are the least ‘Customer Focused’ (Table 4). Chinese, Spanish and a certain number of UK managers more inhabited the ‘Least Positive Group’ with Japanese, Chinese and Spanish managers also emerging as ‘Moderate Positive’.

However, Table 4 overwhelmingly indicates a distinct customer orientation across the twelve countries, even from managers from countries that emerge in the ‘Least’ and ‘Moderate Positive’ group. Recent press and media comment that Germany and Hong Kong have ‘slowed down’ are challenged as Finland, Hong Kong and Germany emerge as the highest rated customer responsive managers.

**Table 4: Percentage Country Respondents**

<b>Country</b>	<b>Least Positive Group</b>	<b>Moderate Positive Group</b>	<b>Customer Focused</b>
United Kingdom	8.3	7.1	84.6
Eire	7.8	8.9	83.3
France	4.2	8.4	87.4
Germany	2.3	6.9	90.8
Sweden	6.3	7.1	86.7
Spain	11.2	19.0	69.8
Australia	5.0	7.7	87.3
Finland	3.6	1.8	94.5
Japan	4.9	16.8	78.4
China	13.5	17.2	69.2
Hong Kong	4.7	3.5	91.2
USA	4.8	5.5	89.7

The larger percentage of Spanish and Chinese respondents falling in the Least and Moderate Positive Groups may reflect the fact that these two nations are relative newcomers to the more market oriented global economy. Consumer choice and product/service provider competition, the hallmark of the capitalist economies, has only come into full swing in these countries over the last fifteen years. Japan, the other country with a higher percentage in the Moderate Positive Group has enjoyed the benefits of a global free capital market but has equally been protective of local investment through high custom tariffs and labour practices. The pro-local market orientation of the government has nurtured a circumstance of limiting imports and, by implication, customer choice.

### ***Market Environment***

In order to determine the effect of market conditions on attitudes to customer service, the respondents were asked to identify the nature of the markets in which their organisation competed. Although numerous ‘descriptors’ were offered, six distinctive market conditions emerged from the study participants comments (Table 5).

The majority of the respondents consider themselves as facing competitive market conditions. However, the ‘Customer Focused’ group significantly differs from the other two groups in terms of operating in mature markets and ones dominated by a few companies.

**Table 5: Market Conditions**

<b>Market Conditions</b>	<b>Least Positive Group %</b>	<b>Moderate Positive Group %</b>	<b>Customer Focused %</b>
New	15	21	14
Opportunistic	24	22	23
Competitive	61	63	66
Mature	29	37	41*
Dominated by a few companies	23	21	26*
Plateaued	9	11	10

\* sig @ p<0.05

Thus, for the customer focused group, the need to differentiate in demanding, competitive conditions emerges as a prime consideration. Many of the respondents

reported frustration in clarifying and extending the value proposition of the enterprise. The emerging view was that each enterprise ‘looks much the same to customers’. Hence the pressure to distinguish the products and service offerings of the enterprise requires nurturing a customer service culture in the organisation.

Perceptions of competitor profile also produced significant results (Table 6).

**Table 6: Competitor Description**

<b>Competitors</b>	<b>Least Positive Group %</b>	<b>Moderate Positive Group %</b>	<b>Customer Focused %</b>
Product oriented	26	32	31
Market oriented	33	35	35
Customer oriented	31	37	38*
Competitive/aggressive	47	45	53*
Professional	26	26	27
Cost conscious	16	23	22
Insensitive to market/customer needs	5	7	5

\* sig @ p<0.05.

The ‘Customer Focused’ group identified their competitors as competitive/aggressive and customer oriented. The other two groups display a similar view of their competitors, but less strong. Emphasised is the similarity of profile across the three groups but with the ‘Customer Focused’ group viewing others as having that ‘extra edge’ towards competing and customer care.



**Table 8: Market Share**

<b>Item</b>	<b>Least Positive Group %</b>	<b>Moderate Positive Group %</b>	<b>Customer Focused %</b>
Product areas	48	56	52
Service areas	36	35	37
Geographic/regional	40	37	44*

\* sig @ p<0.05.

In terms of increasing market share (Table 8), the ‘Customer Focused’ group significantly targeted geographical/regional areas more than managers in the other two groups. This finding highlights the greater inclination to adopt a broader overview of market and competitors by the ‘Customer Focused’ group in their attempt to understand the range of customer needs according to local traits and trends.

### ***Conclusion***

Although differences emerge between customer oriented and less customer oriented organisations, the distinctions are minimal. Irrespective of country of origin, the greater proportion of respondents are identified as customer responsive. Equally, only a small difference is highlighted when segmenting the respondents database by country. One conclusion to draw is that those ‘poorer’ performing, in terms of customer service orientation, are only marginally less effective than those higher performing, irrespective of personal, managerial and organisational investment.

However, that marginal difference makes all the difference. The ‘Customer Focused’ company positions its product/service portfolio to be competitive by country/region trusting its managers to position pricing, cost, efficiency and service quality according

to locality and regional demand. Less customer inclined organisations are more likely to compete according to corporate centre driven principles.

Further, the 'Customer Focused' company is more attentive to enhancing communications within the organisation, as well as building the trust necessary to encourage both staff and management to raise concerns that, if unattended, undermine the enterprise/customer relationship. Part of adopting a more open and transparent style is attentiveness to the quality of interaction at top team level. It is recognised that the example provided by senior management sets the tone for the rest of the organisation.

The aspiration for customer orientation and, through so doing, building brand and organisation loyalty, needs to be matched by a desire to uncover the blockages and 'less-than-welcome' practices within the organisation that undermine customer responsiveness. At times, for the customer centric enterprise, it may feel that considerable effort is invested and 'pain' experienced, for what seemingly is making not much difference. However, the motto to emerge from this study is, '1% for 10%' namely, make that 1% extra investment towards customer care realises a 10% gain in loyalty and sales.

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