

Customers and Commitment: It Pays to Listen

What does the employee-customer linkage look like?

We've studied many companies that are winners in their industries.

Here's a model of what we've found:

• When information is properly managed, members of the organization form perceptions of what is important—the organization's value system.

• The value system signals to employees what behavior is desired of them.

• Employee behavior creates products and services.

• Customer perceptions of an organization's products and services influence customer buying decisions.

• Customer feedback represents information the organization uses in its continuous improvement efforts.

Leaders of winning organizations know the strong connection between the quality of their communications with employees and the quality of products and services to customers.

That's why they manage communication to generate employee commitment to the customer.

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Let's look at each of the model's segments.

Employee Information

The model's upper left segment represents information that's shared within an organization. It includes formal media, informal meetings and hallway gatherings, the rumor mill, leadership behavior, working conditions and reward/recognition systems. We know employees perceive and judge everything that crosses their path, so the segment also includes anything that signals what's important or unimportant, from parking space allocations, office arrangements and internal mail distribution to promotions, signing authorities and meeting agendas.

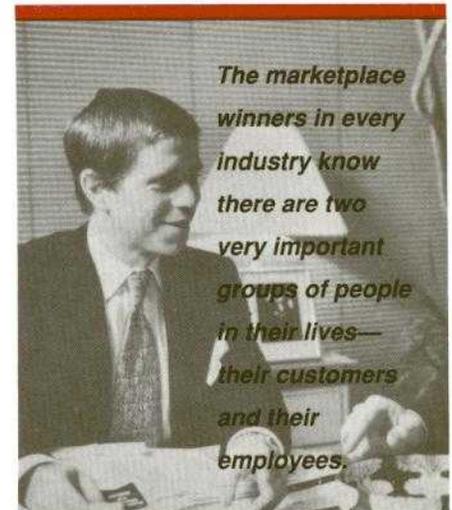
Organizational members keep a watchful eye on any tidbit of information that signals the organization's priorities, what's important, or, as employees tell us, "what it takes to get ahead around here."

Employee Perception

What it takes to get ahead around here! This is the organization's value

system, those principles and standards that ultimately drive behavior.

Every organization is continuously emitting messages that signal what the organization values. An organization can't not communicate, even when the formal



The marketplace winners in every industry know there are two very important groups of people in their lives—their customers and their employees.

media are silent. In winning organizations, there's a strong congruity among the messages that are communicated.

But unfortunately, leaders of too many organizations in today's highly competitive and risky business environment fail to work the connection between communication, perceptions and behavior. Here's what happens when messages conflict:

- Memos say quality is important but questions focus on the numbers—quantity.
- The president says customer service is important but employees recall the last 15 memos from the president's office that dwelled on administrative minutiae, petty policies and bureaucratic procedures that restrict an ability to serve the customer.
- The official media say superior performance is valued, but the organization rewards non-performers and performers alike.
- The organization's leadership extols the virtues of innovation, but it promotes those who don't rock the boat, who delicately mold political relationships or

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S E R V I C E

who outlive everyone else and get promoted by default.

- The management says new ideas are welcomed, but it distances itself on the top floor of the building, remaining out of touch with new ideas or the rest of the organization.

Employee Behavior

Conflicting messages create confusion in employees' minds and cause behavior inconsistent with desired values. The result: Quality, service and value suffer. It causes airplanes not to take off on time. It produces rude and indifferent salespeople, tardy deliveries, cold food in restaurants and phones that don't get answered promptly.

In short, employee behavior is driven by what the organization communicates as desired behavior. Desired behavior is signaled as "what it takes to get ahead around here."

Customer Information

Customers glean information formally and informally from contacts with an organization's people, products and services. From these concrete experiences the customers deduce that:

- The organization's products work well or they don't. They last as long as they should or they don't.
- Friendly, polite and patient employees empathize with their problems. Or they don't.

Customer Perception

A customer's experience with an organization and its products and services provides information which customers use to create perceptions of the organization, perceptions such as:

- "The organization is a quality company."
- "They meet and usually meet my expectations."
- "I receive good value from them."
- "Their people make me feel important—like I'm special."
- "They're a good organization to do business with."

Customer Behavior

Perceptions drive customer buying decisions. Purchase and repurchase. Or

try someone else's products or services.

Organizations that are customer attentive—that listen hard to their customers—use information they gather from their customers as feedback that then drives efforts to continuously improve all the organization does.

The process never ends.

Let's look at four organizations whose businesses were suffering because they poorly managed their employees' behavior and how they regained momentum by focusing on the employee-customer linkage.

Case Study: Adding Value

Soon after announcing a price increase, a large financial services company's sales declined considerably. Drawing upon the model, we interviewed customers and employees to learn what had gone wrong. Price increases alone don't necessarily result in reduced sales.

Here's what customers said:

- "The quality of your products is very low. In fact, eight out of every 10 items we receive from you have errors, from minor typographical errors to major mistakes."
- "You're not keeping up with your competitors. Your products and services are getting stale."
- "You move too slowly. Turn-around is very slow. You're losing business because you can't react quickly enough."
- "I can't rationalize paying your new price with the quality what it is."

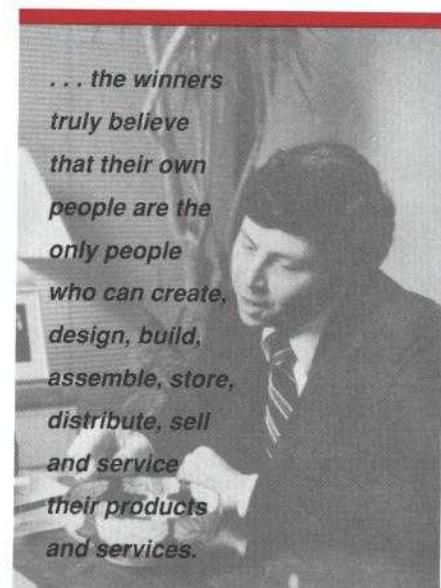
These customer comments didn't surprise us because earlier the same day we had visited with employees in a series of focus group discussions. Here's what they had told us:

- "They don't train us to do these jobs right. Five, 10 minutes training at best." (Lack of proper training communicated to employees that doing the job right wasn't all that important. It wasn't valued).
- "No one asks us for ideas or new ways to do things. We're just told to do as we're told. (Lack of listening, lack of pursuing better ways to do things signaled to employees that innovation wasn't important. The value system directed employees only to "do as they were told. " Nothing more. And that's

just what the company got).

- "We spend too much time focusing on the process—the bureaucracy rather than results." (Clearly when employees focus more on abiding by the process rather than producing results—making sure the procedures are followed—their focus isn't on results—doing what's right by the customer).

In this organization, the customers and employees identified the problem. The fix lay within the employee information segment of the model: Proper training, improved listening, adopting a continuous improvement mindset and focusing on the customer. As the organization improved its quality and service, it was able to differentiate itself in the market, add value and justify its higher prices. Sales improved.



Case Study: Improving Quality

The president of a small furniture distribution company called more than mildly frustrated because he was confronting \$1 million a year in warehouse damage, a hefty piece of baggage.

Again, we turned to the principles of the model. We talked to customers and employees to find out why employee behavior was generating such a high damage toll. From them we learned a lot more than why \$1 million in damage was sitting in their warehouse.

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Here's what customers told us:

- "When you guys bring the furniture in the door, sometimes it's already broken."
- "Your employees don't act like they care—like they give a damn."
- "They leave footprints on the carpet. They just aren't quality people."

And employees told us:

- "Our buyers buy junk to begin with. Why should we worry about quality?" (Buying decisions were communicating a value within the organization: You don't buy quality, you must not value quality).
- "They just gave me that damned machine (a forklift) and told me to get moving—get the crates in the trucks. No training; no nothing." (Again, poor training signaled that doing the job right wasn't important).
- "I don't think I've ever heard the word quality since I hired on nearly six years ago." (Quality isn't a given any more than is teamwork, innovation or ethical behavior. Its importance needs to be repeated. Over and over again. And again).

We looked to the employee information segment of the model for a solution to this company's problems. We helped the organization's leaders align their communication and behavior to reinforce the values of quality and customer service. The company changed its buying procedures, its advertising, its scheduling. In fact, using employee involvement teams changed almost every aspect of its operations.

As we demonstrated to the company's leaders, the warehouse damage was merely a symptom of much deeper problems related to employee perceptions, knowledge (or lack of it) and behavior. Within a month warehouse damage dropped by 37 percent because of an intense focus on the damage issue. The company avoided Chapter 11. Today, it's a revitalized organization known for its dependability and product quality.

Case Study: Customer Service and Rewards

The CEO of a company based in the Southeast called us about his two-year campaign to improve customer service. He said the company newspaper had run feature stories about customer service and

its importance to the company's success. "I even did a video on customer service," he told us. But, he said, "It seems the more I say about it, the ruder our customer service department gets. They seem to be getting worse. They're turning customers off—and it's killing us."

Drawing on the model, we interviewed customers and employees in the customer service department to find out what behavior was turning off customers. We suspected the customer service department employees were decent folks who didn't get up in the morning with a feverish desire to be rude. Instead, we suspected something within the organization's system was producing rude employees.

Customers confirmed that employees seemed to hurry their phone calls. "They seem to want to get us off the phone fast. This strikes me as uncaring, like they don't really want to help me with my problem," one customer told us.

We met with employees in the customer service department and told them what the customers and CEO had said.

"We read all his messages," one employee said of the CEO. "We saw the video. But, we're not walking the walk. You see, every time we complete a customer call, we put a check mark down here on this form," he said pointing to an elaborate complexity of lines and boxes on a single sheet of paper. "The more check marks we make, the more we get paid."

"So you see," said another employee, "we could theoretically get paid more for telling customers to go to hell than we could for satisfying 10 customers over the same time."

"We know what's important—get the calls made, get the calls made. Forget about happy customers. We don't like it any more than he does. Kinda crazy, isn't it?"

Crazy indeed—by design and with considerable regularity—the customer service employees were doing exactly what the reward system was communicating that the way to get ahead was "get the calls made."

Unless the system was fixed, the company could with astonishing predictability guarantee a specific number of dissatisfied customers every month. Like clockwork.

We helped bring revisions into the pay system that rewarded customer satisfac-

Only the behavior of their people will determine whether the products are of superior quality and service and exceptional value.

And they know the behavior will be managed by the values established and reinforced by the communication process within the organization.

It's that simple. It's that complex.

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H O N O R S

Former Chairman Charyk Named To Satellite Professionals Hall of Fame



Joseph V. Charyk, former Chairman, CEO and President of COMSAT and a sitting director who has served on the Board since COMSAT'S creation, has been named

to the Society of Satellite Professionals International's Hall of Fame.

The award will be presented to Dr. Charyk at a black-tie dinner, Wednesday, February 13 at the Ramada Renaissance Techworld Hotel here in Washington. The Satellite Hall of Fame Award was created

in 1987 to honor the men and women whose contributions have created and furthered the satellite industry.

Dr. Charyk, considered the moving force behind COMSAT from the founding until his retirement in 1985, is joining some illustrious company. Past recipients include scientist James Van Allen, author Arthur C. Clarke, and Santiago Astrain, the first Director General of INTELSAT.

One can't recount the history of COMSAT or the satellite communications industry without mentioning Dr. Charyk. His association with the company began in November 1962, when Philip Graham of the *Washington Post* woke him in the middle of the night to recruit him for a corporation that existed only on paper.

Dr. Charyk was an incorporator and COMSAT's president for the first 20 years. The major events of his tenure

read like a history of the satellite communications industry: the launch of Early Bird; the frantic initial stock issue; the decision to go with a geosynchronous satellite system; the development and deployment of five generations of INTELSAT satellites; the founding of INTELSAT and INMARSAT—all took place under Dr. Charyk's guidance.

In 1983, Dr. Charyk became Chairman and CEO of COMSAT.

Dr. Charyk's achievements have not gone unnoticed elsewhere. Some of his past honors are: the Distinguished Service Medal; the Marconi International Award; and the Television Arts and Sciences Directorate Award. In 1987 President Reagan honored him with the National Technical Medal for his foresight in implementing geosynchronous satellite communications, and his guidance of the growth of INTELSAT.

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tion instead of number of calls. Customer satisfaction improved.

Case Study: More Customer Service

In the process of helping a West Coast insurance company wend its way through the culture-change journey, we surveyed customers and employees to identify why the company was so well known for its paternalism, bureaucracy, arrogance, high prices, lousy service and contentedness. (Other than that they weren't a bad organization to do business with). Their young president was determined to have it become a fast-paced, customer-focused, highly responsive, market-driven company. Perhaps these were a lot of fashionable buzzwords, but we knew he was serious.

His customers complained that the company's rates were too high and service was bad. They said the company was once a leader but was now lagging behind, and that they would probably switch insurance companies within the next two years.

His employees told us a bundle.

- Only 49 percent of the leadership and 51 percent of the employees thought improving customer service was critical to the company's success.
- Most of the employees thought the organization was already customer-oriented.
- A high percentage of employees said the company was neither "receptive to new ideas and innovation" nor "operates cost-effectively."
- Most of the employees surveyed said the company never talks about or attempts to "eliminate bureaucracy."
- Less than 60 percent of the employees say the company "prevents waste of resources" or "motivates people to control expenses."

In summary, employees believed they were doing a good job serving customers. Controlling costs wasn't communicated as being an important value. We're helping the company link its

communication to new values that prizes customer-service behavior and focuses on problem solving to cut costs.

Summary

The marketplace winners in every industry know there are two very important groups of people in their lives—their customers and their employees. Their customers are their reason for being. While some organizations use "employees are our most valuable resource" as a patronizing nod to the unwashed, the winners truly believe that their own people are the only people who can create, design, build, assemble, store, distribute, sell and service their products and services.

Only the behavior of their people will determine whether the products are of superior quality and service and exceptional value.

And they know the behavior will be managed by the values established and reinforced by the communication process within the organization.

It's that simple.
It's that complex.

NEWS

INTELSAT Approves Purchase of Two Improved VII Series Spacecraft

The INTELSAT Board of Governors approved the purchase of two modified INTELSAT VII satellites from Space Systems/Loral at their bi-annual meeting

in Washington last month.

This brings to seven the total number of INTELSAT VII spacecraft to be purchased.

The two satellites (designated VII-A), equipped with greater Ku-band capacity and higher power global transponders that the VII series, will replace INTELSAT V-A satellites ending their operational lives in 1995-96.

INTELSAT originally agreed to purchase five VII series spacecraft from Loral, then known as Ford Aerospace. The first will be deployed in mid 1992 over the Pacific Ocean Region.

The board also approved a 20 percent tariff reduction to INTELSAT's occasional use television service, effective next July. The minimum use of IBS services was reduced to 10 minutes from 30.

Service Anniversaries and Promotions

October 1 - December 31, 1990

25 Years

John W. Talcott

20 Years

Robert Ridings
Cenon G. Usita
Joyce O. Wheeler

15 Years

Therese M. Rexford
Robert N. Yamazaki

10 Years

Fay S. Cooper
Earl Davis
Mark S. Eng
Beverly A. Haynes
Bruce E. Henry
Gail Miller
William L. Moore
Debbie K. Pizzo
Mentai R. Shiu
Jack E. Stitely
Elwood G. Wells
Orlando M. Wilson

5 Years

Cynthia C. Bergman
Jay L. Bolyard
Lawrence J. Brown
Susan C. Bruce
Kathleen M. Burch
Dennie Canaday
Thomas Collins
Arthur Gelven
Jennifer Heinritz
Sabrina Kepple
Joy Kohler
Timothy Latimer
Patricia A. Marsh
Paul Pizzani

Joslyn Read
Carol Seib
Charles C. Tinker
Jerry N. Wilson
Beverly O. Wester
John I. Upshur

PROMOTIONS

L'Enfant Plaza
Kelly W. Blackwell
Administrative Secretary

Glenn W. Coleman
Manager Employee Relations

Robert V. Craig
Technical Specialist

Marilyn Cumberland
Manager Data Admin. Com. Ctr.

David G. Farmer
Manager Business Services

Ellen S. Haberlein
Cash Management Analyst

Ruie Hannah
Auditor In Charge

Robert D. Keezer
Business Development Manager

Bruce A. Kibler
Marketing Services Specialist

Gertrude L. Kummerfeldt
Document and Information Coordinator



Bonnie J. Maher
Senior Product Manager, IBS

Karen Mueller
Economic Analyst

Leonard T. Ngo
Senior Applications Engineer

Clarksburg
Garrette J. Allen
Vice President, Product Planning

George Allison
Senior Software Engineer

Robert M. Baker
Manager, Pricing

Piya S. Bhaskar
Senior MTS

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Sherry L. Brashear
Executive Secretary

Carol A. Brumback
Data Analyst

Mary E. Cotton
Configuration Spec. II

Ann W. Csonka
Executive Secretary

Richard H. Dean
MTS

Debra R. Delbianco
Project Leader/Training Inst.

Linda J. Denicola
Manager, Financial Reporting and Analysis

Karl S. Diegel
Project Manager

Richard A. Harris
Project Leader/Training Inst.

Bruce E. Henry
Lead System Control Technician

John E. Horton
Software Engineer II

Mark J. Hutchins
Technical Specialist

Regina Gardner-Johnson
Manager, On-Air Promotion

Ronald L. Johnson
Vice President, General Manager, CSD International

Ajai Kaul
Senior MTS

David H. Ketcham
Applications Programmer

Christopher Kinman
Software Engineer II

Michael Klos
Financial Analyst

Brian Koenigsmark
Engineer II

Hon W. Lam
Staff Engineer

Hsi-Ming Lee
Scientist

Mary M. McGaha
Senior Technician

Jacqueline Monthe-S-Happy
Associate Program Manager

John C. Orange
Software Engineer I

Joseph M. Pfeiffer
Engineer II

Marjorie A. Ruh
General Ledger Specialist

Eric Snyder
Computer Operator

Gregory A. Tobery
Reproduction Tech II

James M. Trotz
Senior Technician

Wendy S. Tyler
Technician

Craig Van Wagner
Credit Supervisor

Southbury

Fred S. Broniewski
Facilities Helper

Richard N. Dobson
Lead Technician

Field

Earl C. Westphal
Field Engineer Spec.

Paumalu

Edward McCallum
Senior Facilities Manager

PATENT Continued from page 3

Inventors are also eligible for a \$5,000 award for "Exceptional Inventions". If management determines an invention results in substantial savings for the company or the licensing generates substantial revenue, the award may be granted. It was most recently awarded to Bob Sorbello, department manager,

satellite antennas and Amir Zaghoul, department manager, satellite systems for their work on the flat plate antenna.

The flat antenna and the B-MAC licenses were comparatively recent and were concluded soon after the basic patents were obtained, since they were technologies almost immediately useful in existing DBS business overseas and in the domestic cable TV business.

However, in general one of the frustrating aspects of technology transfer in the satellite communications industry is the time it takes for a technology to be ripe for commercial introduction, due to the long lead time between procurements and the technical conservatism inherent in decisions involving high costs for the satellites.