

Performance Improvement Relies on Customer Satisfaction Input

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You have probably read about the relationship between measuring internal customer satisfaction and fully leveraging service delivery. Companies that treat their internal service users as *customers* typically have a similar commitment to measuring the level of satisfaction with service delivery. Doing so consistently provides a quantitative baseline for comparing results over extended time periods that enables fact-based decision-making.

But customer satisfaction measurement (CSM) is not a core service for most business units, functions or even dedicated internal service delivery groups. When done as a non-core activity, there tends to be less and lower-quality data collected, and the data is not integrated with service-based costing. If the data doesn't provide the information needed for action planning and performance improvement, why bother gathering it in the first place?

CSM is most effective when it is shifted into an entity where it is core to service delivery and can be leveraged. The value proposition here is based on the same rationale that compelled many companies to move non-core services, such as payroll processing and accounts payable, from their business units into leveraged service units, such as Shared Services organizations.

As with most any type of data collection in a high-tech services environment, the process of amassing customer satisfaction data is a low-value activity. The high value-added potential occurs *after* the information is collected in assessing what the data means, what analysis is needed and what needs to be done differently to improve action planning, continuous improvement and moving the enterprise forward.

The Internal Customer Difference

Where people frequently get bogged down in data collection is not knowing what data to collect nor how best to get it. Most surveys conducted by in-house personnel are done by the market research function. While these people may be knowledgeable about customer surveying, they generally lack specific knowledge of *internal* customer surveying. There's a world of difference.

External customer interactions are grounded in the products or services a company manufactures, not in the delivery of internal services to their own employees. External customers typically have direct knowledge or are more focused on competitor pricing, features and benefits and so, a company's exterior customer satisfaction focus is usually based on how it is performing against competition. Conversely, internal service providers often have no direct competition, so measuring internal customer satisfaction is quite different, requiring a ground-up approach regarding which services are most important and how well they are being delivered.

I have worked with hundreds of service delivery organizations and have found few who really wanted to hear about whether their customers were happy or not. While many organizations do a commendable job of leveraging service delivery costs, few really care whether their internal customers love their service delivery. Senior management is primarily concerned with cutting service delivery costs, not customer satisfaction. Most

service providers feel that while it would be nice if their customers were happy, it really doesn't matter much because customers have no choice but to buy from them anyway.

Our survey work indicates that in-house providers rarely ask internal customers, whether users or payers, if they are satisfied. When they are asked, the questions are often irrelevant. When customers provide feedback, improvements rarely occur. As one frustrated business unit executive said, "You ask which services are important to me or whether they are being delivered satisfactorily, but if you're not going to do anything to improve them, why should I take the time to respond?"

True Customer-Service Orientation

Organizations truly concerned about customer service and maintaining a customer-service orientation demand regular feedback regarding how their service providers are doing so they know if they are working their way towards becoming their internal customer's *supplier of choice*. The feedback also alerts them to investigate any customer issues that may exist. SCM and the resulting feedback are essential in order to put some teeth into customer-service orientation.

Most managers in high-tech industries realize that not all services are equal and that at any point in time, different services have different importance to customers. But how do you discern that? Your service providers can't presume to know which services are most important and why unless their customers tell them. Lacking that input, providers may be spinning their wheels, directing a disproportionate effort towards services that are unimportant to their customers.

Service providers have no way of knowing *how well* they are fulfilling each service without CSM. They may perceive unit cost as the basis for satisfaction while their customers may see responsiveness or reliability as the issue. It's not unusual for providers in transaction processing to be so focused on unit costs and cycle time that customer satisfaction is neglected. How can providers fulfill their role of serving their customers without measurement? How can customer service be the overriding priority if providers have no idea whether they are improving customer service on a year to year basis? Without customer feedback, there is no reliable data available upon which to evaluate customer service.

Steve Welch, president of SBC Procurement/ Corporate Real Estate at Southwestern Bell Corp., believes customers develop greater trust once they realize service providers truly care about their interests, evidenced by the fact that they become less interested in formal service agreements. Welch feels his internal service delivery organization has an inherent competitive edge over external competitors because they can get closer to their customer's real requirements faster than an outside company, and spend a lot of time developing processes that clearly define customer requirements. They meet with customers several times each year to review their portfolio of products and projects with the goal of meeting their customer's competitive needs and creating strategic value.

Says Welch, "Once our satisfaction measurements told us we were delivering superior service, we knew we had the ability to go beyond transaction-based excellence and move toward creating strategic value for our customers by delivering elements of their business plan that would make them successful. We developed a mission statement that called for creating and converting opportunities into bottom-line business results that met the strategic objectives of our customers. We then worked collectively with our internal customers to drive bottom-line results in their business plans which had strategic value from their perspective. The customer satisfaction surveys delivered feedback on their satisfaction with and the impact of services on their operation, including servicing their own outside customers. We are determined to deliver strategic value, not merely good transactions."

I Don't Want to Hear About it

CSM is an attempt to get providers to drive to a greater degree of integration with their customers. In my experience, most managers really don't want to hear what their customers think about service delivery. It's a major impediment to CSM. The unspoken policy often assumes that if no one is complaining too loudly, the service must be okay. Of course, if you don't ask how you're doing, you don't have to worry about getting feedback that says you need to do better. Then too, service providers have a history of believing that they are the experts on customer service who know what's best for their customers. Now the concept of surveying customers on performance suddenly emerges. Service providers are faced with the proposition that while they may have functional expertise, they lack a customer perspective as to whether services are being delivered in a way that meets customer needs and expectations.

Despite widespread acceptance of CSM, relatively few companies that embrace the concept achieve significant performance improvement. One reason is that most do it for the wrong reason. Typically, an executive in the organization attends a seminar or Shared Services conference and hears someone bragging about the "score" they achieved doing CSM. The executive becomes enthused, and not wanting to be left behind, launches the company into a CSM program.

In short, most companies do CSM because other companies are doing it. They do it because Honeywell, SBC, American Standard and other pioneering companies do it and so it has become safe for the lemmings to do it as well. They don't understand that the reason to do CSM is to get the feedback so they can better serve their customers. And the way to tell if they're getting better at serving their customers is to use CSM feedback to do improvement action planning based on fact-based decision making. Most are focused on their *scores* versus what the implications of CSM scores are on their costs. They have no clue how to use CSM to improve performance. Instead, they use CSM to rationalize their existing performance. If they can show senior management an acceptable CSM score, then they must be doing a good job of satisfying their customers.

Most companies view their score as the most important element in CSM. But it is not about scores; it's about getting consistent, accurate feedback from customers on which to base improvement action planning. Few companies actually analyze the data to determine which services have higher importance and lower fulfillment to their customers. Few ask themselves "what's going on here? What don't we understand? Is this purely a service delivery issue or is there something our customers want or need that we are not delivering?"

Asking those types of questions would put them in a position to meet with their customers and do a formal customer discovery requirements process. Here the two sides try to identify specific service levels in terms of quality attributes, that is, defining the bulls-eye in clear, objective, measurable terms so that providers understand exactly what customers expect of them. Providers can then begin to modify their processes to achieve those expectations.

What If We Are the One Percent?

Federal Express (FedEx) has earned a reputation for dependability, for delivering packages by 10am the next day. They are extremely reliable and if they were to survey customer satisfaction in terms of on-time delivery, they would no doubt do very well. Let's assume they would achieve a near-perfect on-time delivery score of 99%.

That's pretty impressive. As a FedEx customer, I have come to expect delivery of overnight packages by 10am every time. But what if FedEx messes up on a package and it happens to be the package containing my airline tickets for today's flight overseas? All of a sudden, their 99.9% score is meaningless to me because while it probably wasn't critical for most of those FedEx packages to be on my desk by 10am, it sure was critical for me to have my airline tickets in time to make my flight. So while I

may consider 99% fulfillment as admirable, FedEx has no way of knowing whether that one package in a hundred that was late was crucial to me. So 99% on-time service can still leave me feeling very *dissatisfied* as a customer.

That's the point most service delivery organizations don't understand. They don't define their customer requirements in terms of the importance of various service levels. Instead they survey their customers, get a score that satisfies senior management, but fail to use the feedback to improve their performance.

Organizations that do CSM often fail to define service requirements thoroughly, which contributes to their inability to run their organizations like a competitive business. Defining requirements is something outsourcers invariably do when negotiating a service contract in order to defend their fees while ensuring they can make an acceptable profit. Service delivery organizations should follow a similar requirements discovery process and employ the same rigor as outsource firms, but most do not.

Those that define requirements for each service and service level find they must address questions of whether their providers really care about service and what degree of commitment they have towards fulfilling the requirements on a daily basis. That's a whole different dimension of requirements discovery. It's not unusual for providers to adopt a mindset that if they can achieve a 90% score, they are doing just fine. But that attitude creates a problem in that providers lose sight of what is most important to their customers, and the likelihood of their hitting the bulls-eye is random. So even though some organizations define customer requirements, if they don't equip their providers with the necessary skills and knowledge to focus on requirements as their primary objective, gathering the information is a costly waste of time.

The Service Level Agreement Boondoggle

The need for providers to define requirements with their customers spawned the Service Level Agreement (SLA), an engineered artifact designed to force providers to engage in conversation with customers, and ultimately to augment the customer discovery requirements process. The role of providers in these meetings is to listen and learn what customers want. Once they had gleaned those requirements from a business standpoint, they could document and incorporate them into a simple letter of understanding, the SLA. The operative word here is *simple*.

The SLA is a document that records the discussions between providers and customers. Its intent is to ensure that the provider hears correctly, the customer articulates what is actually needed, and both have a basis upon which to review the progress made by the provider in terms of meeting customer needs. Altruistically, the SLA also leads to the service delivery organization becoming the supplier of choice and a true business partner.

Unfortunately, as with most everything else done in large corporations, the SLA has become something much bigger than originally planned, taking on a life of its own and an importance far beyond its original intent as a simple document of mutual understanding and learning. Major consulting firms saw the development of the SLA a golden business opportunity. Staffed by *specialists* that preached every enterprise needed an SLA, they sought to convert what was essentially a brief document into a 40 or 50 page manifesto. Size alone inhibited anyone from ever actually reading these monstrosities, and since they served to obfuscate, rather than enhance, the provider-customer relationship, these tomes were relegated to executive coffee tables or bookshelves. Few leaders stopped to question why they needed a 40 page SLA or whether the additional cost, complexity and bureaucracy were justified.

The SLA is intended to be an enabler, a means, not an end unto itself. The means is the conversation, the end is to ensure both providers and customers understand each other's needs, and what they are each committed to do. The SLA is no different

philosophically than what an organization might do with an outsourcer, i.e., establishing the basis for evaluating delivery against requirements. Despite how dysfunctionally the SLA has been treated by auditing firms and some other consultants, the notion that it impels people to come together, talk and learn are still at the heart of its importance.

Knowing What's Important

The success of any high technology service delivery organization is largely based on the knowledge, skills and ability of its providers to deliver services at required levels. Inherent in that capability is having regular input from customers as what services are important. The only way to accurately gain this data is through regular customer satisfaction measurement. But surveying customers is not enough. The right feedback must be obtained, and it must be analyzed, interpreted and acted upon in order to achieve improved performance.

Unless an organization is willing to address both ends of the equation, it may be better off going about its business and ignoring how its customers feel about service delivery or service levels. At least the organization won't be wasting any money on unnecessary consulting fees.

Service providers who wish to solicit their customer's perceptions and use that information to make fact-based decisions regarding performance improvement must educate customers about the services they perform, the results delivered and the joint opportunities for improvement. Then, they must listen to what customers say about the ongoing efforts. As customers become more knowledgeable, their expectations and requirements will change, but service providers can anticipate the changes by continuing dialogues with them. Doing this will allow service delivery organizations in the high technology sector to construct the foundation for a permanent partnership with customers and position themselves to ultimately become the supplier of choice.

BIO

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Prior to founding AGL, Dr Forst served as Director of the Board and partner of A. T. Kearney, Inc. He holds a PhD in Organizational Theory, a MS in Personnel and Industrial Relations and a BA from the U of Massachusetts. He has served as a professor at CUNY, Adelphi and Cornell Universities, is a Certified Management Consultant, a member of the Institute of Management Consultants and a board member of IMC's New York Chapter. He currently serves on the University of Massachusetts School of Management's Business Advisory Committee.

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