



ENGINEERING A SERVICE CULTURE TRANSFORMATION

**How to establish a strong service culture
and improve service quality *fast***

by Jochen Wirtz & Ron Kaufman



Almost all companies *want* to provide great service. We know instinctively that being able to do so is the difference between success and mediocrity. We want to win our customers’ loyalty and we want our customers to say good things about us. If we can achieve these objectives we will increase market share, shareholder value, and share of community goodwill.

So yes, there are powerful reasons for dramatically improving service. However, the traditional approaches to customer service improvement often do not work. For example, many organizations start their journey toward service excellence with frontline staff training. This often means a new customer service training initiative is stacked on top of older and deeper-rooted problems. In our experience, this approach simply doesn’t yield sustainable results. Other organizations try to evolve their service improvements incrementally, but these efforts tend to run out of steam before customer experiences become palpably better. Worst of all, many organizations approach service improvement as a mere “add on” effort, failing to appreciate the deep and wide cultural changes required for sustainable success.

There is a better way to build a culture that quickly and dramatically improves customer service. While many people think changing an organization’s culture takes a long time, we have had the opportunity to experiment and observe a wide variety of companies for the past 25 years. We have been part of many innovations and successes. We have also seen—and learned from—occasional errors and failures. In the process, we have identified and developed a small number of key principles that significantly improve the chances for success in quickly building a culture of service excellence. And while each of these principles is effective, when implemented together they have dramatically improved the odds of



achieving positive and rapid results. In short, we've identified a set of rules that can help you secure a successful "service culture transformation".

Is this transformation "rallying cry" meant for your company? It depends. We'll start by saying we are not writing for traditional well-known service organizations which already have service excellence built into their DNAs. This approach is not suitable for Disney, Nordstrom, The Ritz-Carlton Hotels, Singapore Airlines, Southwest Airlines, USAA, or Zappos. In these widely-recognized organizations, a strong culture of delivering excellent service already permeates every level, aligns every function, leads to an enviable service reputation, and accumulates quantifiable value with loyal customers and long-serving employees.

For many large organizations, however, such passionate focus on delivering exceptional service was not a part of their early growth, nor is it part of their existing culture. The pressing need for service improvement, or competitive differentiation based on quality of service, often appears only as product lines become commoditized, margins are squeezed, customer expectations rise, loyal customers start to leave, and new competition looms large. CEOs and other senior leaders now realize that improving customer experience is becoming increasingly critical as more value is delivered through services surrounding core products rather than through the products themselves. The need for rapid, wide-scale service improvement can also arise in merged companies which need to build a new culture quickly and want the focus to be on service, or in rapidly growing start-ups which initially focus on technology and sales, and then face an urgent need to also deliver quality service.

Whatever their reasons or motivations, few leaders of large organizations have clear ideas about how to effectively lead this dramatic cultural shift. Many have reached senior positions through their strategic or technical competence, financial skills, or years of marketing and sales success. It's not easy to quickly change the mindset and behaviors of thousands of people, and more challenging still if those thousands are working in diverse lines of business or are located across many regions or even around the globe. But in a successful cultural transformation this is exactly what must be achieved.

Lou Gerstner recognized the power of culture and the challenge of changing it:

"If I could have chosen not to tackle the IBM culture head-on, I probably wouldn't have. My bias coming in was toward strategy, analysis and measurement. In comparison, changing the attitude and behaviors of hundreds of thousands of people is very, very hard. [Yet] I came to see in my time at IBM that culture isn't just one aspect of the game — IT IS THE GAME." Lou Gerstner, former IBM CEO, in "Who Says Elephants Can't Dance".

Our efforts to spark and orchestrate service transformations span many industries with work in 15 languages across six continents. Critical success factors include the widely recognized need for senior management



commitment, an engaging service vision, timely internal communications, motivating recognition and rewards, bringing voice-of-the-customer into the organization, service process refinement or redesign, attention-focusing service metrics, and effective service recovery policies and procedures.

However, we have also found a small number of widely-followed practices that were counterproductive, and where organizations could dramatically improve their odds of success if they followed a more counter-intuitive approach. We call these contrarian views “The Four Rules for a Service Culture Transformation”. They are:

Rule #1: Don’t start with customer-facing employees. Instead, involve everyone, with a special focus on internal service providers.

Rule #2: Don’t start by training people on specific service skills, scripts and procedures. Instead, educate them first to a better understanding of what service excellence really means.

Rule #3: Don’t pilot the change. Instead, go big and go fast to build momentum for the new culture.

Rule #4: Don’t focus on traditional KPIs during the service transformation (such as satisfaction, NPS, operational measures, and sales). Instead, focus on leading “transformation indicators” (i.e., number of ideas generated and ideas implemented) to generate value-adding ideas and new service actions.

We have seen these four rules applied in organizations all over the world. In virtually every case, when they were implemented properly in conjunction with general leadership and change management practices, they helped companies stage dramatic, measurable, and sustained turnarounds in their culture and in the quality of the service delivered externally to customers and internally to colleagues. Let’s examine them one at a time.

Rule #1: Don’t start with customer-facing employees. Instead, involve everyone, with a special focus on internal service providers.

It seems obvious to focus your early service improvement efforts on employees who interact daily with external customers and clients. In fact, many organizations ask us to help them do precisely that. But this is a common mistake.

Customer facing employees instinctively recognize the importance of creating satisfied customers as they are the first to receive compliments and complaints. But for many who work inside the organization, the idea of colleagues as recipients of their service, and the need to continually



improve internal service, may not be as thoughtfully considered. Motivating frontline service providers with more training and incentives may work as a short-term “shot in the arm,” but we find this approach rarely produces dramatic cultural change across the organization, and can even be counter-productive in the long term.

For example, asking someone who is customer-facing to go the extra mile for a customer is difficult if the operations and administrative teams are not already providing the frontline with extra mile support. Focusing service improvement efforts on the frontline not only frustrates those serving in front; it also upsets team members in the back who don’t understand why their colleagues are always asking for more. Without a shared context and commitment to continuous service improvement, employees working behind the scenes often push back at those working out in the front, which frustrates both parties.

By contrast, we observe that overall service improvement progresses more quickly and is more sustainable when internal and shared services to the frontline improve first, or improve together in synch with the frontline’s efforts. We have also found that managers of internal functions, including manufacturing, logistics, HR, IT, finance, legal, facilities, security, and others, are consistently surprised by the enthusiasm and creativity of their teams to improve internal service.

For example, we worked with a global telecommunications company, Nokia Siemens Networks (NSN, now Nokia Networks) on a global service excellence improvement program. NSN initially believed that efforts to improve service should focus on frontline sales and service staff. Their rationale was that only frontline team members interact directly with customers, and should therefore receive the majority of new service training and attention.

But the frontline team’s ability to serve customers was highly dependent upon service and support from NSN’s software developers and hardware manufacturers located far from their customers’ sites. These essential back-end functions were not included in the company’s initial service improvement efforts and therefore saw no compelling reason to change their practices or their service. As the newly trained frontline team tried to provide end customers with better service—through greater responsiveness, flexibility, or speed—the software developers and factory teams judged many of the incoming new requests as inappropriate, unnecessary, or even unreasonable. Only after months of frontline frustration did NSN bring their software developers and factory employees into the service improvement program. In the following year, with greater internal as well as external service, NSN captured many competitive wins and scored gains of up to 20% in customer satisfaction among key customers.

NSN’s then Global Head of Service Excellence, Jeffrey Becksted, expressed Rule #1 as “Don’t sell snow to the Eskimos. Your frontline typically understands customers and wants to deliver great service. But they are hindered because of the many constraints they face, which typically are



caused or even imposed by the back office and others behind the scenes. Therefore, a service transformation must start from within.”

Rajiv Suri, NSN’s then CEO of Global Services and now CEO of Nokia, launched the service excellence program with a new service vision—“*Know How, Act Now, Create Wow!*”. His objective was to shift the company’s focus from what employees knew and did to better appreciating the impact their efforts created. And while positive impact was created and delivered for customers, the mindset of NSN employees was also dramatically affected. A survey of the first 6,000 employees who participated in the service excellence program rated their satisfaction with the company’s culture

#	Category	Total (49,172)	Non-SE Participant (6,526)	SE Participants (42,640)
1	Engagement (EEI)	73.1	-0.5	3.0
2	Collaboration	71.4	-0.3	1.7
3	Communication	61.1	-0.3	1.7
4	Competitive Position	49.4	0.4	-2.8
5	Customer Focus	78.2	0.1	-0.6
6	Empowerment and Accountability	75.9	-0.2	1.1
7	External Integrity	76.7	-0.5	3.5
8	Innovation	62.2	-0.2	1.4
9	Internal Integrity	68.1	-0.2	1.2
10	Job Satisfaction	58.8	-0.1	0.5
11	Leadership	54.0	-0.3	2.2
12	Pay and Benefits	39.9	0.0	-0.1
13	Performance and Recognition	56.2	-0.2	1.6
14	Personal Development	48.8	0.0	0.1
15	Workload and Pressure	56.0	0.1	-0.7
16	Follow Up	48.0	-0.5	3.3

*Values displayed are based on % Total Favourable *Colored cells indicate statistically significant difference*

Exhibit 1: Breakdown by Service Excellence Champion (Yes/No)

significantly higher than their peers in eight categories, including engagement, collaboration, and communication. But at the same time, those who participated in the program rated the company significantly lower in the category of competitive position. This lower score was actually welcomed as it confirmed that employees with a clearer focus on service excellence were less satisfied with their own past performance and less complacent about the company’s competitive position.

Tan Suee Chieh, a new CEO at NTUC Income, Singapore’s largest insurance company, declared the need for a widespread “cultural revolution” as soon as he arrived. He recognized the need to quickly and dramatically improve service in a market where his government-backed insurance company was losing appeal and market share to an increasingly affluent population. And while most contact with policy holders was delivered through external agents and brokers, Tan recognized that the company must launch his revolution with recognizable service improvement between internal departments—product development, marketing, actuarial, agency



support, human resources, finance and IT—as well as to agents and brokers who served the company’s policy holders. The service excellence program flourished under the banner “*Service Alive!*” and included training in cross-functional teams, new contests and incentives, updated and frequent communications, as well as a company-wide rebranding. The internal focus of the initial program was so intensive that it was soon paraphrased by employees as “*Alive Inside*”.

Two years after the transformation began, with internal service and service to the agency force dramatically improved, the company made a very public display of their commitment to revolutionary service. A small squad of specially trained drivers was deployed onto Singapore’s busy highways with orange three-wheel emergency vehicles. Their initial purpose was to locate drivers and cars in distress, provide assistance, and secure accurate information on the spot, thereby preventing fraud. However, the dispatch team and drivers were so focused on creating positive roadside experiences that stories and testimonials about the “Orange Force” flourished in the media and online. In fact, more than 50% of those served on Singapore’s highways were not even NTUC Income’s policy holders, which boosted the company’s perceived commitment to service even higher and delivered an unexpected boost in brand perception, new customer acquisition, and customer loyalty.

Four years after the transformation began, customer compliments were up by 185%, complaints were down by 56% and customer satisfaction had increased above all competitors as measured by the Customer Satisfaction Index of Singapore (Singapore’s equivalent of the American Customer Satisfaction Index).

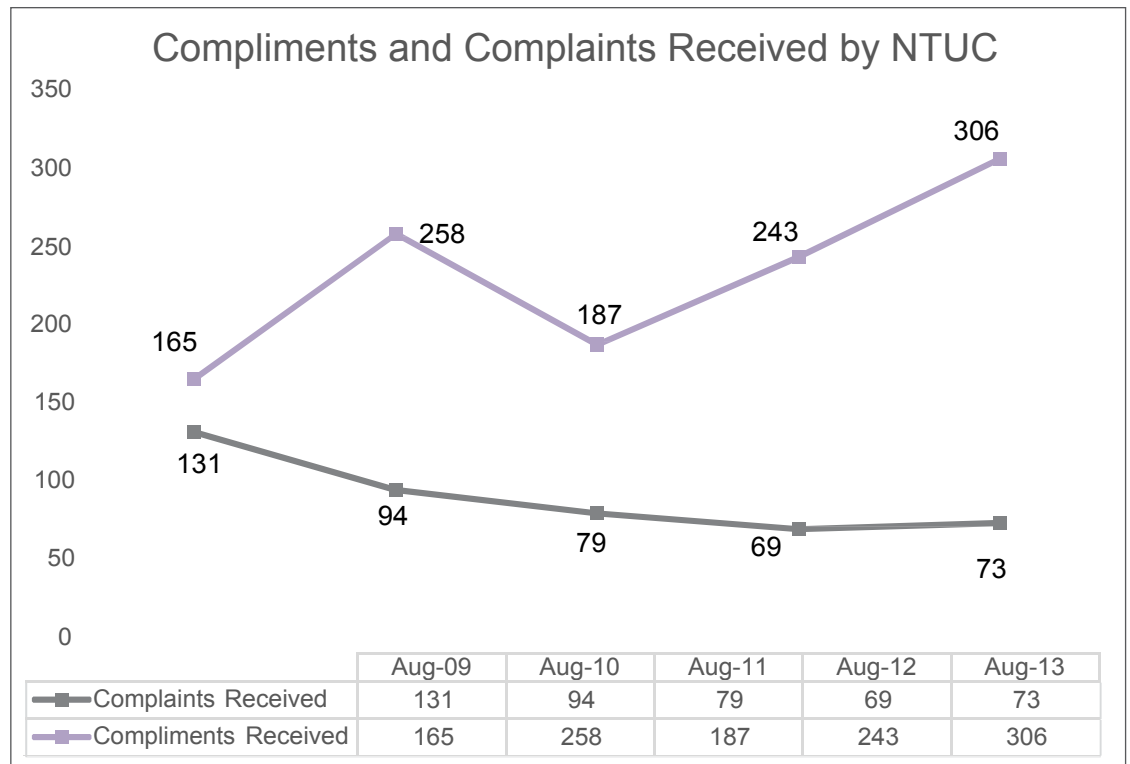


Exhibit 2: Compliments/Complaints Received by NTUC

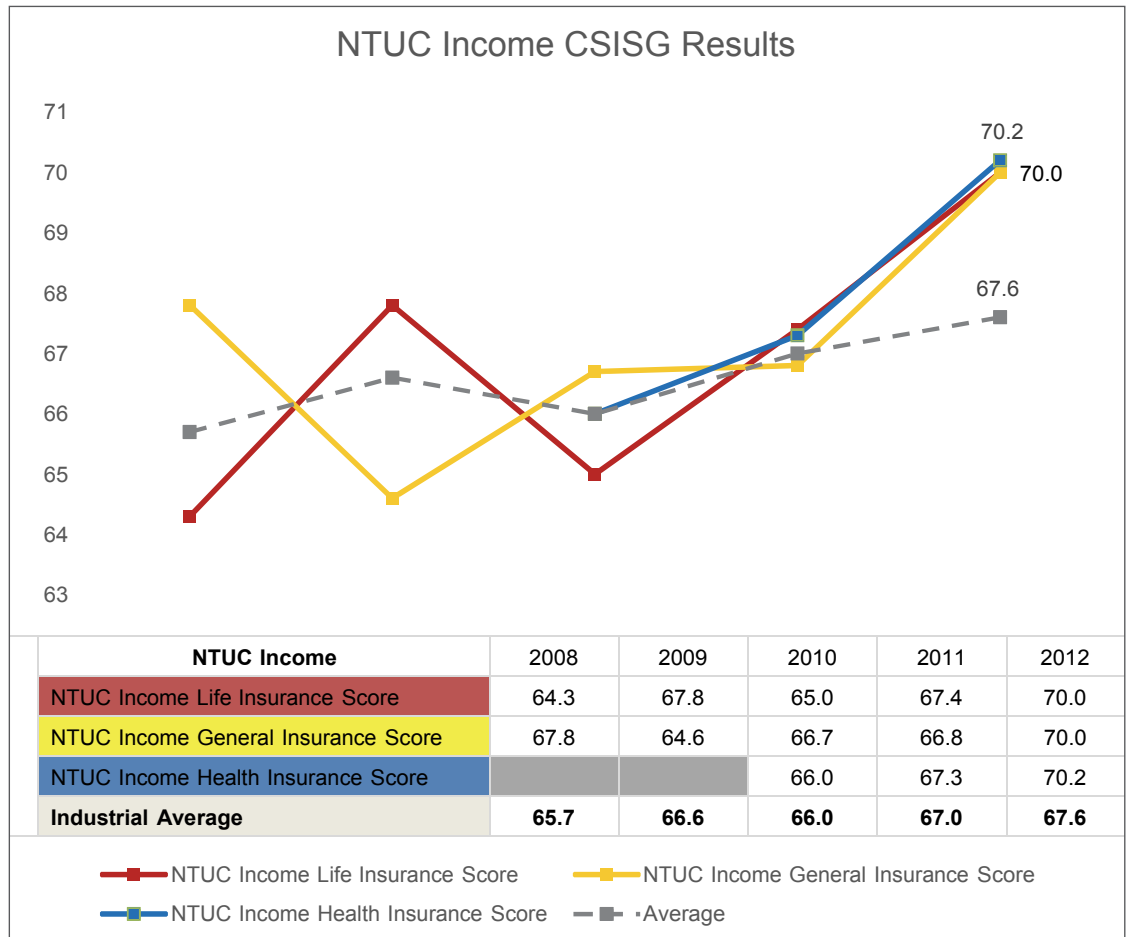


Exhibit 3: NTUC Income CSISG Results against Industrial Average

Rule #2: Don't start by training people on specific service skills, scripts and procedures. Instead, educate them first to a better understanding of what service excellence really means.

Millions are spent annually on customer service training with little lasting improvement to customer satisfaction levels. When companies decide to improve service, they often try writing better scripts, or training and retraining intensively on product knowledge and procedures. Then they introduce mystery shopping to make sure people are following the procedures, and listen in on telephone calls to see if employees are following their checklists.

One example is a large US-based computer company (Dell) that transferred customer service calls for North American customers to an offshore location and provided those employees with intensive training in customer service scripts and procedures. While the offshore team adhered closely to defined scripts and service level agreements, satisfaction plummeted as customers found themselves trapped in inflexible and unfulfilling conversations.



Another example is found in some European airlines (Lufthansa, Finnair) which train heavily on specific skills, scripts and procedures. Although they score high in efficiency, they suffer from poor reputations as service providers.

For companies that do want a dramatic and successful “service transformation”, we have found that the problem is not a lack of service standards, procedures or training. The problem is a lack of understanding about what service excellence really means. In our experience, training and monitoring the frontline to better control their behavior is the wrong approach, at best delivering limited impact that usually fades away.

We have discovered a different approach that delivers fast results as well as an ongoing appetite to provide better service. Instead of focusing on tactical skills, procedural compliance, and product knowledge, “transformational” companies start by building a better understanding of the meaning of service excellence. Educating employees to understand and act upon this meaning appears to be the spark that ignites successful transformations.

We can define service as taking action to create value for someone else, a definition that applies to both external and internal service providers. Understanding this definition means that service can no longer be seen as “someone else’s job” or be restricted to external customers. Rather, it becomes the essential purpose of every job, which sets the stage for organization-wide cultural change.

The problem is that most customer service training focuses on what actions to take and how to take those actions correctly. But the real purpose of taking any service action is not the action itself, it is the value created that counts towards customer and colleague satisfaction. So the outcome of service (the value you create) is achieved by appreciating someone else’s concerns (the person you serve) and only then focusing clearly on what to do and how to do it. Furthermore, different customers and colleagues often value different things, hence training that focuses on scripts, standards and procedures can lead to robotic responses with inconsistent and sometimes even deeply dissatisfying outcomes.

We found a dramatic shift in understanding service excellence when people started to ask/and answer these questions: “Who am I going to serve? What do they really want? What do they need? What is it that they value? What do they care about most?” In companies where we have seen and enabled service transformations, cross-functional teams learn this approach together, and then naturally and curiously ask these questions of each other. This often leads to better understanding, which leads to better internal service, which in turn enables the same teams to deliver better service experiences for their external customers.

On top of this understanding of service, we found it effective to also challenge employees with a new understanding of excellence that is not tied to any existing metric or external benchmark. Rather, to build a



mindset for continuous improvement and to drive new actions, service excellence is defined as delivering a higher level of perceived value than you previously delivered. A customer's or colleague's assessment of the value you create now—and whether you are creating more or better value than before—becomes your guiding standard for service excellence. This view is also supported by an understanding that customers' and colleagues' expectations are rising and that complacency is therefore dangerous anywhere inside the organization.

We have seen Rule #2 deliver extraordinary results in a company that desperately needed a fast and effective service transformation. Naiade Resorts was a hospitality group with properties in three countries. The company was under-performing the industry, suffering from low occupancy, and accumulating losses. When the global financial crisis hit, the company was on the verge of collapse.

A new CEO, Paul Jones, led a program to rebrand the company as LUX* Resorts, focusing on delivering a “lighter and brighter” style of luxury that featured more attentive, personalized, and creative service. The problem Jones faced was not a lack of customer service skills, as each department was well-supported by industry standards, practices, procedures, and documentation. The problem was igniting an urgency and passion in a labor force with low morale, and doing it with no available funds to upgrade the properties or incentivize the staff.

Rather than focusing his spare resources on customer service training about “what to do”, Jones focused everyone on embracing a new service vision: *“We Make Each Moment Matter”*, and a purpose: *“Helping People Celebrate Life”*. Understanding these statements required every team member to better understand their guests by asking: “What matters to each guest? Where is the next possible moment to serve this guest? What can we do to make that moment a celebration of life?” After all, from the moment a resort guest arrives, his or her most precious and dwindling resource is time. Families want to play together and create memories. Frequent travelers want to enjoy new experiences. Executives want to de-stress (and do it quickly). Honeymooners arrive with the highest of expectations.

LUX* cascaded and supported this new vision with a company-wide educational program that involved every employee in every department and at every level. LUX* promptly followed the training with three company-wide innovation contests to stimulate the generation and implementation of new service ideas. Throughout the group, new ideas to deliver service excellence rapidly emerged with greater collaboration between departments and faster benchmarking across properties. These successes were shared proudly in multiple languages with employees through Jones' weekly “Moments” email communication, and with customers, tour operators, and travel agents through intensive use of social media.

Prior to the transformation, most of Naiade's resorts had never placed among the Top 10 on Trip Advisor. Two years after the transformation began,



LUX* dominated the category with 4 of their 5 properties in Mauritius ranked in the Top 10, LUX* Isle de La Reunion achieved the #1 position, and LUX* Maldives was ranked #6 out of 171 hotels. Team members' morale was similarly transformed, and one consequence of LUX*'s improved

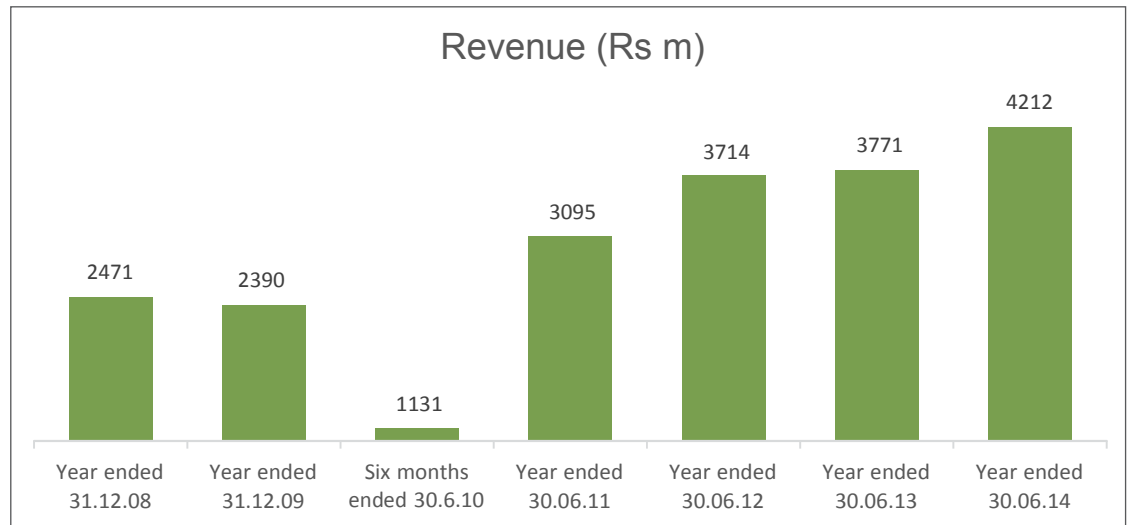


Exhibit 4: LUX* Revenue 2008 - 2014

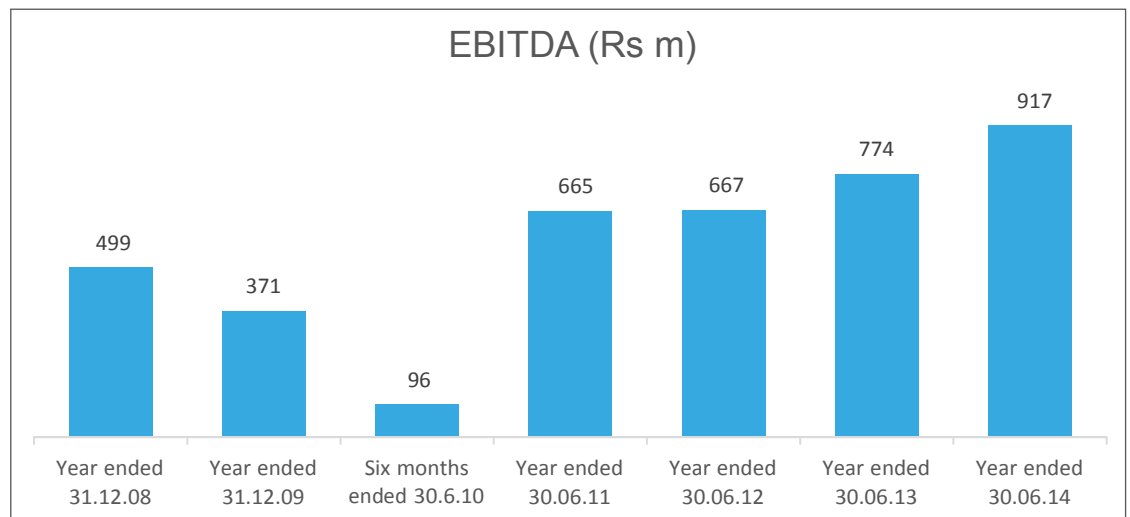


Exhibit 5: LUX* EBITDA 2008 - 2014

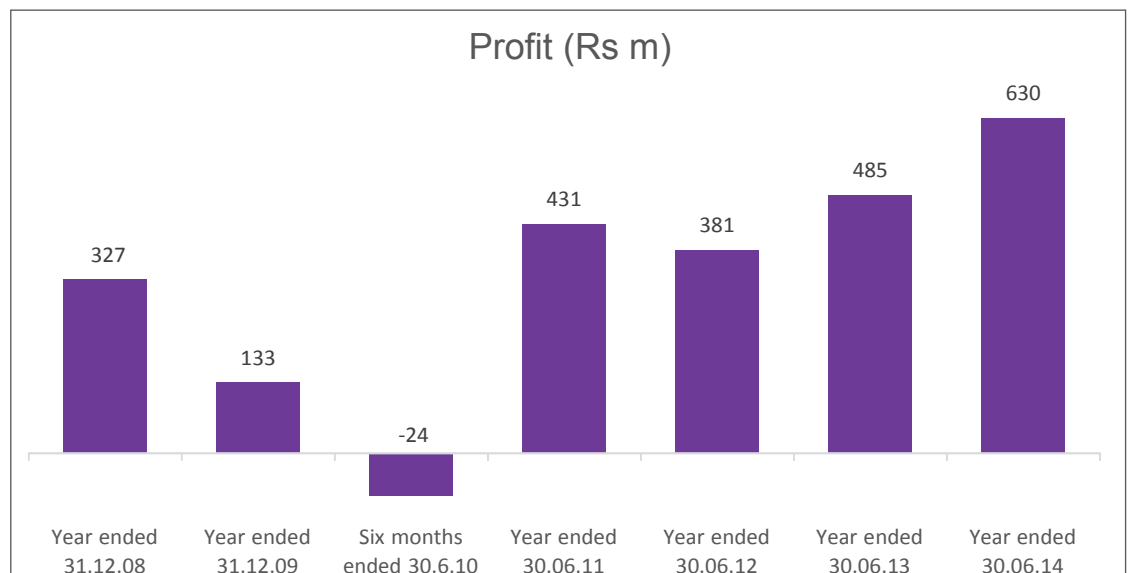


Exhibit 6: LUX* Profits 2008 - 2014



reputation was that employees were frequently sought by other resorts. Yet employee satisfaction with the LUX* culture kept rising and staff retention reached at an all-time high. In the three years prior to the service transformation, revenue, EBITDA and profits declined by more than 50%. In three years after the transformation began, occupancy rose, average room rate increased, and revenue, EBITDA and profits all grew by more than 300%. That's a successful transformation.

At Globe Telecom in the Philippines, Globe was #2 in a 3-player market and was gradually losing market share and revenues. The #3 player was carving into the customer base with aggressive pricing while the #1 player had a strong grip on the mass

market segment. To reclaim market share in a highly price-sensitive market, Globe's CEO, Ernest Cu, sought to differentiate with a transformation based on service excellence. He declared, "The lack of customer centricity in public utilities has long undermined the level of professionalism demanded of a true service provider. We are purposefully strengthening the culture which sets us apart."

Rebecca Eclipse, Globe's Chief Customer Experience Officer, noted the depth of the existing problem, "Our processes were broken with our frontliners penalized more for breaking financial rules than for not serving a customer properly. They found it easier to say 'no' to the customer just to make their own lives easier." While process improvements were needed, Cu and Eclipse determined that a change in mindset was essential to lead the way. Eclipse said, "First, we started to change mindsets with *"The Globe Way"*. We defined our vision as having the *"Happiest Customers and Employees"*. We created our *"Circle of Happiness"* as having *"Engaged Employees, Delighted Customers, and Satisfied Shareholders"*. And we declared our mission to *"Create a Wonderful World for People, Businesses and Our Nation"*.

All these superlative slogans risked falling on the deaf ears of unmotivated employees. But Globe engaged every employee—plus thousands of third-party service partners and dealers—in vigorous conversations about who they serve, what value they provide, how they can create more value through better service, and only then began training them on new and revised procedures.

Within one year, Globe's mobile revenue market share increased from 34% to 36% and the following year to 40%. These gains have continued



as Globe's transformational culture of service excellence grows deeper with increases to 41% and 43%. Net Promoter Scores have increased 8% over the same period, and Globe's new culture of service excellence has been affirmed by industry awards including Customer Service Leader of the Year, Merit Award for Innovative Customer Care Solution, Best in Customer Experience, and Mobile Service Provider of the Year.

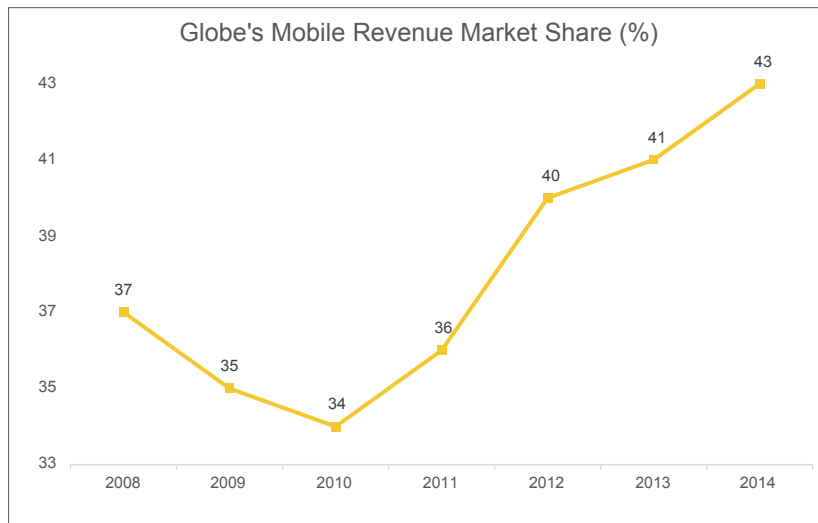


Exhibit 7: Globe's Market Revenue Market Share, 2008 - 2014

Transformations require a compelling reason to embrace dramatic change. Training employees in service standards and skills does not provide this reason. However, educating employees to

appreciate the concerns of other people, to see themselves as capable of addressing those concerns, and challenging them to do so better than before creates a rationale and motivation for change.

Rule #3: Don't pilot the change. Instead, go big and go fast to build momentum for the new culture.

Evolution succeeds through many small and gradual changes. Transformations succeed through quick and dramatic change that generates substantial momentum in a short period of time. This is true in science, in politics, and in transforming the service performance and service culture of an organization.

There will always be people who are comfortable with an existing culture and resistant to change. In our experience, taking a gradual approach to cultural change can allow outdated behaviors and mindsets to endure or resurface as the campaign moves slowly across the organization. A rapid and comprehensive attack leaves far less room for suboptimal behaviors to hide.

These dynamics can be seen in the case of large US-based software company (Microsoft) who engaged us to help improve service to their customers and partners. Our initial point of contact was the licensing division whose employees were responsible for the "last mile" of software delivery and support. Rapid deployment of a well-planned service excellence pilot program throughout this division resulted in many small



but immediate improvements. Larger improvements, however, required the involvement and cooperation of many upstream functions including software development teams, business units, industry and geography divisions. While dependent on these groups, those working on the “last mile” had no power to insist on improved internal service—or even understanding—from their colleagues working upstream. Frequent meetings were held with widespread agreement on the need to work together more effectively, but the company’s matrix style of management meant that authority to commit time and resources were widely dispersed. Ultimately the transformation stalled and delivered only incremental gains.

By contrast, at Marina Bay Sands (MBS) in Singapore, the service transformation was big, fast, and badly needed. MBS is the world’s first integrated resort, a complex facility with 2,600 hotel rooms, 1.3 million square feet of convention space, 300 retail outlets, 50 restaurants, 2 Broadway-style theaters, an ice skating rink, an infinity pool on the 57th story, and a casino with a revenue of about half of all casinos in Las Vegas combined. MBS was built quickly and was staffed with similar speed. 90% of all team members across all functions—6,500 employees—were recruited and hired within 100 days of opening day. With a labor force so large and diverse, and with so little time to build a culture, it was not surprising that MBS service quality ratings on Trip Advisor launched and lumbered below 75% for more than nine months.

At this point we worked with MBS on an organization-wide service culture improvement program with an aspiring vision: “*Journey to Magnificence*”. This comprehensive program included two days of service excellence

education for all employees in cross-functional groups within 4 months, a new set of service metrics across all departments, and greater collaboration and cross-selling to leverage the integrated nature of this resort and to keep guests’ dining, shopping, and entertainment activities all on site.

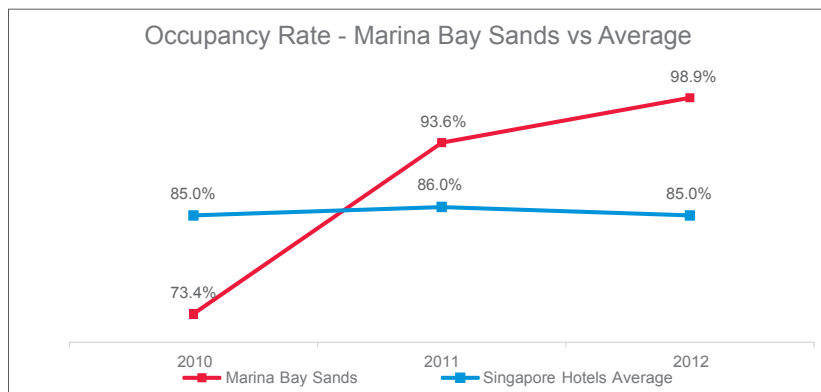


Exhibit 8: Marina Bay Sands Occupancy Rate vs Average

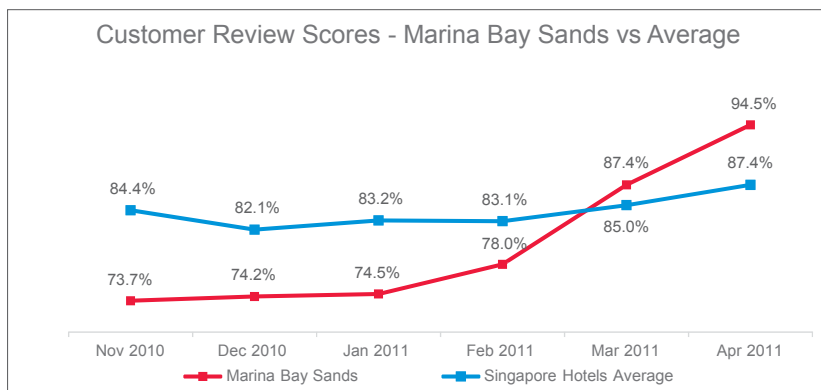


Exhibit 9: Marina Bay Sands Customer Review Scores vs Average



Within 4 months, MBS tracked a 15% improvement in overall guest experience. Trip Advisor scores jumped from below 75% to 94.5%. And today, even with occupancy rates consistently at close to 100%, MBS scores remain in the top 10% on Trip Advisor in national hotel rankings.

We also helped a service transformation succeed in a national airline, Air Mauritius. The airline was struggling with financial losses, poor customer service ratings, and low staff morale. Set in a difficult global environment, the airline struggled with union- management tensions, intense competition from Middle Eastern airlines, and with jet fuel priced in US\$ while passenger fares were paid largely in declining Euros.

A new CEO, André Viljoen, proposed a bold and improbable challenge, aiming to return the airline to profitability within 24 months and simultaneously leap from a 3-star Skytrax industry ranking (where they were clustered with 145 other airlines) to the more prestigious 4-star level (with only 35 other airlines in the category). Given the economic, cultural, and financial challenges he faced, this was a gargantuan task demanding bold action, urgency and speed-to-scale.

To accomplish this simultaneous service and financial improvement meant changing the attitudes and behaviors of thousands of employees. Viljoen knew he had to go big and go fast to build momentum for the new culture and to prevent outdated mindsets and behaviors from resurfacing. The airline rolled out a company-wide service excellence program including leadership workshops, train-the-trainer for selected employees, an intensive course in service problem-solving for all employees, a cross-functional committee to identify, review, refine and then implement new actions. Within one year these new actions included a refreshed economy class, enhanced business class, better caring for infants and children, a broader choice of magazines, an enhanced in-flight entertainment system, new meal concepts, an improved liquor service, and stepped up ground services with a new home-airport lounge. This surge of education and groundswell of new action generated the momentum needed to overcome the cultural status-quo of cynicism, resignation, and avoidance of personal responsibility.

The meaning of service excellence was captured in Air Mauritius's clarion call for the transformation: *"Stepping UP Together"*. These three words addressed the challenge and the opportunity. First, everyone needed to move to a new level of action. Standing still was not an option: *"Stepping"*. Second, the airline needed to raise service levels and customer perceptions at every point of contact: *"UP"*. Third, the entire workforce needed to change attitudes to collaborate more effectively: *"Together"*.

Within two years both of Viljoen's challenges were achieved. Not only did Air Mauritius return to profitability, it also achieved the coveted Skytrax 4-star status and was named among the world's "Top 10 Most Improved Airlines". Customer perceptions rose dramatically as the number of compliments to complaints—averaging 1-to-1 in 2012— rose to an as many as 12-to-1 just two years later.



“Stepping UP Together” was achieved and today Air Mauritius aims even higher. With characteristic urgency and optimism born from revolutionary success, the company has already embraced a new vision for the future: “Taking the Next Step UP”.

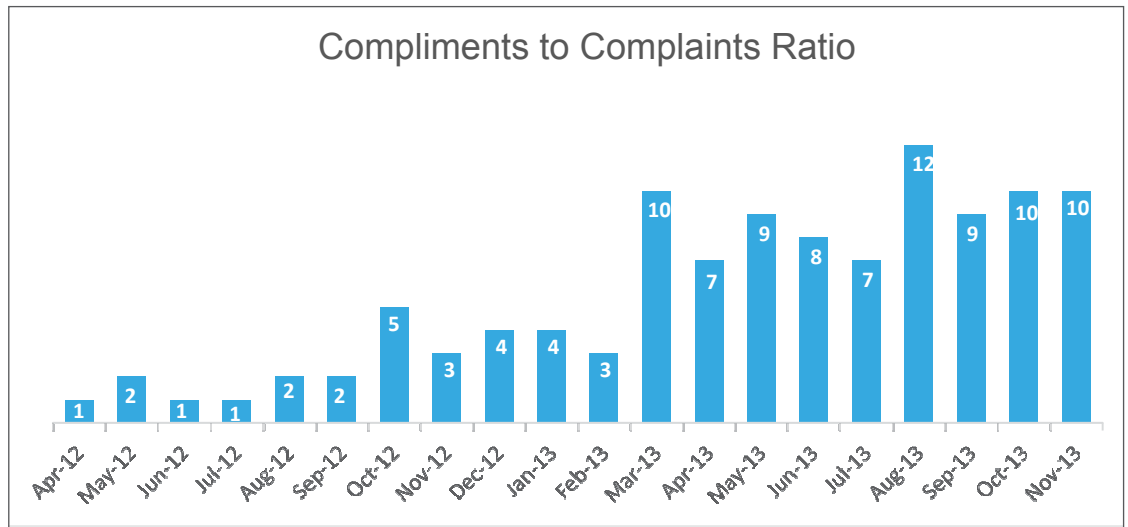


Exhibit 10: Air Mauritius Compliments to Complaints Ratio, Apr 12 – Nov 13

Rule #4: Don't focus on traditional KPIs during the service transformation (such as satisfaction, NPS, operational measures, and sales). Instead, focus on leading “transformation indicators” (i.e., number of ideas generated and ideas implemented) to generate value-adding ideas and new service actions.

It's easy to be confused about how best to measure service because so many things can be measured: customer satisfaction, NPS, complaints, compliments, performance to standards, customer loyalty, referrals, share-of-wallet, share-of-mind, market share, and more.

We are not saying that any of these traditional measures are wrong or unimportant. However, the companies we have seen achieve dramatic service transformations have cut through this confusion and focused everyone on measures that matter most during a service transformation. These are not the traditional and lagging indicators of good service, but rather the leading indicators of value-adding service ideas and number of new service actions taken.

It's easy for a company to become mired in surveys and data, and NSN initially struggled with this problem. The annual customer satisfaction survey had ballooned over time to accommodate many internal requests for data and details on customer expectations, perceptions, priorities, and competitive comparisons.



Customers did not enjoy this annual assessment process. Most ignored it and many who did complete the survey used it as a hammer to hit the company hard with their complaints. Employees did not appreciate the survey either as it was difficult to decipher and hard to fathom what to do. Even worse, individual incentives were tied to very specific changes in one part or another of the survey, leading to individual actions that did not align well across the organization.

“Our customer satisfaction survey consisted of more than 150 questions,” says Becksted. “We thought that the more information we could collect, the better we would be able to respond. But, imagine the effect of 80 thickly detailed PowerPoint presentations descending on our organization all at the same time. We simply had too much data for us to digest in a meaningful time frame.”

“It was obvious that we had to take a fundamentally different approach to surveying our customers,” Becksted says. “We were focusing on too many areas, and not asking action oriented, value-creating questions. So, we started over. Instead of asking clients how they rate our service, we asked them to explain their challenges, their goals, and the ways in which we could help them in their future—not how we’ve served them in the past.”

“It’s a simple change,” says Becksted. “The question ‘How did we do?’ which is a lagging metric of past performance becomes ‘What can we do?’ which is a leading indicator of future success. Companies don’t put limits on process improvement, product development, and the bottom line. Why put a cap on improving service by simply reaching customer satisfaction? The goal needs to be constantly adding value. Instead of asking a client to tell you how they perceive your service, ask them to tell you about their needs, challenges, desires, and goals. It doesn’t matter how well you’ve done as much as it matters how they see you in their future.”

With the annual customer satisfaction survey abandoned, NSN’s transformational measure of service success was tallied in monthly meetings with each client, identifying and quantifying service value created in the prior month and agreeing on new service actions to create more value in the months ahead.

By contrast, NIIT Technologies Ltd (NTL) implemented Rule #4 from the beginning of their service transformation. NTL is based in India and initially served the Fortune 1000 with cost-saving business-processing and IT maintenance services. But as the company grew, NTL’s customers sought more than just savings; they wanted value-adding advice and recommendations for the future. Furthermore, increased deal sizes resulted in greater complexity for the company, both in dialogue with customers as well as internally between departments. These changes were difficult to achieve in an existing culture that was designed to deliver predictable, low-cost, and consistent service performance.

To accomplish a fundamental shift in thinking and behaviors across the



company, we worked with NTL's leadership team to draft an innovative and future-focused vision: *"New Ideas, More Value"*. This statement was chosen to stimulate creative thinking and align everyone with the meaning of service excellence. NTL quickly followed the creation of this vision with a cascade of service education, senior management and cross-functional workshops, company-wide town halls, and intensive internal communications.

NTL then launched a contest called *"Number of New Ideas"* that tracked the volume of innovative service suggestions submitted by each department. Harnessing a natural appetite for internal competition, employees quickly generated more than 2,000 ideas to improve service inside and outside the organization. Within months, this avalanche was followed by a second contest to measure *"Number of New Ideas Implemented"*, which resulted in each department sifting through the volume to identify those ideas with greatest potential for rapid implementation. Finally, a third contest was launched to measure the ultimate outcome of the company's new actions: *"Value Created for Customers"*.

In an awards ceremony helmed by NTL CEO Arvind Thakur, many teams were recognized for achieving improved internal results including reductions in cost, effort, storage, and CPU processing time. But the ultimate contest winners were those who delivered the most new value to customers as documented by customers' words and actions.

Thakur summarized the results of this leading indicator focus. "These value-creating initiatives helped us create stronger bonds between our customers and NTL teams. Today, when customers require additional resources onsite or offshore, they are more likely to select NTL in good faith and without going through a multi-vendor selection process. In short these new ideas and initiatives changed customer mindset and perception of our service capability in a very positive direction. They believe in our capability to serve them."

Perceptions are not all that have improved at NTL since the transformation began two years ago. Number of "New Idea" campaigns increased by 400%, percentage of projects that were customer-facing increased from 61% to 99%, while number of ideas implemented increased from 8% to 20%. As a result of these initiatives, clients' willingness to assign new projects to NTL, and to expand existing projects without competitive tender, have both increased. Ian Johnston, NTL's Portfolio Manager at British Airways, expressed his satisfaction with the company's ability to take over new areas of work. "NTL completely delivered complex changes from start to finish. This breaks the stranglehold professional services outfits had on our ability to make changes and represents fantastic value for money."

Again, we are not saying that traditional service metrics are unnecessary, inappropriate, or out-of-date. But for a service transformation, these indicators come too late and do not stimulate new thinking, new conversations, or new and better actions. To get a service transformation



Parameters	Pilot	Cycle 1	Cycle 2	Key improvements over the runs
Scale of Launch	SEI, SITA and BA	Company wide	Company wide	
Launched in	July 2013	July 2014	February 2015	Driven by TIC
# Campaigns	31	96	74	Enhanced customer-facing campaigns
# Campaigns that were customer facing	19 (61%)	42 (44%)	73 (99%)	
# People participated	194	1075	920	Increasing relevance and involvement
# Ideas Logged	479	2144	1697	
# Ideas Selected	224	450	897	
# Ideas Implemented	3 (8%)	227 (10%)	300 (17%) + 61 (3%)*	Increasing focus on implementation
Highlights	<ul style="list-style-type: none"> Pushed by ODC Head 	<ul style="list-style-type: none"> Pushed by BU Heads Inward-looking campaigns 	<ul style="list-style-type: none"> Self-initiated Customer facing campaigns 	Increasingly internalized
Recognition	Idea implemented - crowns	Idea given - appreciation meal Idea accepted - mug Idea implemented - crowns Best campaign - ignited shield	Same pattern of recognition as Cycle 1 used Launch of next cycle delayed so that more ideas can be implemented	

Exhibit 11: New Ideas Campaign Breakdown and Details at NTL

going, we believe the most important first fuel is volume of new ideas, and the most important second fuel is the number of new actions taken (or improvements implemented) to deliver greater value. After the transformation a company may switch focus back to more traditional outcomes. But to get the cultural change going and growing, focus on the transformational indicators to build enthusiasm and participation rather than focus on lagging outcome metrics.

Putting the Rules Together

Each of these four rules is powerful on their own, and we often see organizations implementing one rule are more likely to embrace and implement another. Occasionally, however, a company launches with all four rules at once.

Wipro Ltd is a Bangalore based IT services company with more than 120,000 employees worldwide providing call center, back office and business processing services, website maintenance, and mobile platform



development. When we began working with Wipro they were highly respected but widely perceived as a reactive, low-cost vendor that could meet service levels agreements. Wipro leaders were concerned about the company's reputation in a world of growing competition, increased commoditization, and increased pressure on profit margins. They planned a service transformation and created a new vision to challenge the existing standards and compliance focused culture: *"Proactive Value-Adding Service Partners"*.

Rather than starting with sales and service teams, those with natural and frequent contact with customers, Wipro conducted launched their transformation with "end-to-end" teams who served selected customers, including project leads, engineers, and team members from sales, service, software development, maintenance teams, and help desk support (Rule #1). A highly customized educational program taught them the meaning and principles of service excellence (Rule #2).

Rule #3—Go Big, Go Fast—must be carefully calibrated when a company has many thousands of employees across the world. To implement this rule effectively, Wipro initially selected 35 "end-to-end" teams serving customers exclusively inside India. With a primary focus on tactical service improvements, the results were immediate with customer testimonials received from all 35 clients within two months.

Wipro's Chief Quality Officer, Jagdish Ramaswamy, knew that vision and education alone would not sustain the transformation and that many new actions must be taken to secure long-term success (Rule #4). "After the training," he said, "we developed X-Serve projects which required each employee to develop a new idea and implement that idea with action. Then he had to get a testimonial about the impact of his idea and action from the person he served." This approach to "close the loop" from education to ideas to action generated credibility and fuel for the transformation.

Wipro followed this initial success with "end-to-end" teams serving the company's eight largest and most important key accounts, this time delivering both tactical improvements and greater value-adding strategic value. When these customers showed 15 point gains in Net Promoter Scores, Wipro expanded the program to 30 additional accounts, and then to 300, ultimately engaging 27,000 employees in the service transformation within three years.

Conclusion

Throughout this article we have seen many companies call for dramatic service improvement with new visions and rallying cries: NSN's "Know How, Act Now, Create Wow", NTUC Income's "Service Alive!", LUX* Resort's "We Make Each Moment Matter", Globe's "The Globe Way", Marina Bay Sands' "Journey to Magnificence", Air Mauritius' "Stepping UP Together", NTL's "New Ideas, More Value", Wipro's "Proactive Value-Adding Service Partners". But



it is not a vision or rallying cry that produces successful transformation. It is the harder work of igniting transformational passion and spreading a commitment to new behavior that produces real cultural change.

One transformation we care about the current social transformation from an intensive focus on individual achievement to greater concern for our collective well-being. We believe this change will contribute to more satisfying work environments and more fulfilling lives. We believe that a worldwide service transformation, in our companies, our schools, and our communities, can focus everyone on appreciating the needs and concerns of others, and on taking new actions together to create more and better value. We hope the four rules presented in this article will contribute sparks and fuel for this transformation.



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