

## **DEATH BY DISENGAGEMENT: A COMPELLING CASE FOR ERADICATING THE SILENT KILLER IN YOUR WORKPLACE**

- **51% not engaged, disconnected.**
- **17.5% actively disengaged.**
- **More than two-thirds of the US workforce is not engaged.**
- **Many of these disengaged employees are within your company. They show up in time and turn the wheels in some way or another until five o'clock rolls around.**
  
- **On the surface, business is running smoothly, but internally, vitality is wilting. What is the remedy?**
- **Engagement. And it all starts with you and a change in your corporate culture.**
  
- **Disengagement is serious—in fact, it's lethal to business and morale. And in *The Crisis of Disengagement*, Andrew J. Sherman stresses to business executives that the people within the company must be reignited to achieve both personal and overall company growth.**
  
- **Quantitative rewards are simply not enough. Learn ways to inspire true joy, pride, and passion in all facets of your company as Sherman explicitly delves into the impact of disengagement in the workplace, backed by his own professional experience, academic research, and consulting-firm reports, further supported by the expertise of the following guest contributors:**
  - **Bob Rosen,**
  - **Shelby Scarbrough,**
  - **Alaina Love,**
  - **Philip R. Styrlund,**
  - **Kaihan Krippendorff, and**
  - **Robert Gappa.**

**Following is the chapter written by Robert A. Gappa:**

## **Measuring and Inspiring the Engagement of Your Team Members, Customers, Channel Partners, and Franchisees**

**Authored by: Robert A. Gappa  
Founder & CEO of Management 2000**

### **Engagement = Meaningful Connections that make me want to come back.**

Anyone who has been engaged to be married and was truly in love with the person, and then got divorced knows what it means to be both “engaged” and “disengaged.” The activities engaged and disengaged people do together are similar in process and different in frequency and intent. For engaged people the end result is to make the other person desire to repeat the experience – with them. For disengaged people the end result is “to get it over with.”

So it is for rock concerts and theatre plays. When the curtain drops or the last song is played the musicians and actors want their audiences to clap for an encore. And the audience is there anticipating to receive an “encore experience.” If we experience an “encore performance” we are likely to go to the play again and to the rock concert when the band returns.

Likewise for every shopping experience whether it is the grocery store, the doctor’s office, a movie, a vacation, or an on-line purchase. When we spend money with a person, or a business, we are anticipating to receive at the very least, a pleasant transaction. All each of wants is for the person or persons to whom we are paying money to: “make me want to come back and spend money here again!”

This chapter is about how that is done and how it is done on a large scale.

Engagement begins with the belief and desire to find what behaviors make customers, team members [includes all employees from C-level to part-time hourly individuals, franchisees, and channel partners] grateful and thankful for the relationship they have with us and an enthusiastic anticipation of continuing and deepening the relationship.

To accomplish this we need to determine **why** each of these persons and entities are in a relationship with us as team members or customers. In other words; “What are their personal and business goals that we contribute to being achieved, either partially or completely?” When we know the answer, we can determine what: beliefs, behaviors, processes, and technologies can be utilized to select, orient, train, develop, lead, and manage people who will have a desire to create inspiring, encore, experiences, which make people want to come back.

Some of these experiences are face-to-face and some are digital. When our intent to inspire team members is successful we realize we have created a “Great place to work.” We could be one of the “100 Best Companies to Work For,” and we discover retention, satisfaction, referrals, and productivity metrics improve. When our intent to inspire our B2B and B2C customers is successful we realize we have created a “Great place to shop and spend money.” Our retention of new and existing

customers, as well as frequency, satisfaction, loyalty, and lifetime value metrics all improve.

## **Inspiring Engagement Is Your Brand's Most Sustainable Competitive Advantage**

Everyone knows the perceptions people have about us affect their attitude about being around us. And everyone also knows we have a lot of control over the formation of these perceptions. We also know there are no silver bullets, no easy fixes when it comes to winning the minds and hearts of team members and customers.

During the past 30 years almost every possible source of competitive advantage has been maxed out. Where can value be found when price becomes less and less of a factor, and customers are tired of hearing that every Brand's product or service is the "best?"

Consumers know better. So what do we do to retain a solid customer base and at the same time retain our most productive team members? The answer, is to create a "great place to shop and spend money" by connecting with customers on an emotional level thus creating feelings within customers which drive frequency.

When connections are made with customers positive feelings, while providing them with a product or service they value, you create more than loyal customers. You create emotionally engaged customers, who will promote and recommend you to their friends, family, and spheres of influence.

A great place to shop and spend money is half of the competitive formula. Simultaneously, great organizations create a "great place to work" in which their best performers can use their individual strengths, while they implement the processes and technology which make up the customer experience, to create magic memorable moments for each customer.

This challenge for personalizing a set process energizes team members and customers alike creating happy, satisfied, grateful, and engaged. Customers are engaged because they see you care about them as individuals. Team members are engaged because they are enhancing what the individual customers' value with their unique approach, within the process, to each customer. When engaged team members utilize their strengths to create both a "great place to work" and a "great place to shop and spend money" they are providing the Brand with an instantaneous, constant, long term, real time sustainable competitive advantage that drives profits and growth.

The positive emotions both the team members and the customers have as a result of these experiences results in the customers receiving more than a product and a service. They receive feelings which have real value to them. These feelings are like currency, "emotional currency." This is the moment where everything changes, the paradigm of business shifts. We are no longer exchanging our goods and services for the financial currency of the customer. We are exchanging the ways we feel about the customer [most have already decided to buy our goods and services], our "emotional currency" for their "financial currency." This "currency exchange" is



the essence and core of understanding the new “experience economy” we are living and working in at this very moment. Dan Hill, the author of “*Emotionomics*” has created a mantra to help us understand the impact of emotions on our financial success: “Emotionomics Drives Economics.”

We are all faced with extreme competition. We cannot maintain our margins from what was “normal operations” in this environment. What causes this situation and problem is a customer relationship based solely on price. Competing on price makes a business a commodity. The solution is having a relationship with the customer overriding price. This demands managers and leaders are more adept at psychology than economics. These leaders and managers understand how each individual team member connects with your customers and with your company.

A “Great place to work” is one that nurtures team member’s strengths and uses them to create great experiences for customers. The profit, growth, and long term success of a Brand depends on this dynamic. Management 2000 has an Assessment Process to help our clients identify where changes need to be made to create a competitive advantage for their Brands by creating a “great place to work” for team members, and a “great place to shop and send money” for their customers. We conduct the Assessment using over 100 questions and look at 12 areas of the organization’s competency.

Customer engagement is created when a brand designs processes and technologies designed to enhance what their customers value and which are performed by team members using their personal strengths resulting in individualized experiences which elicit and embed, within the customers, the feelings that:

- The Brand can always and everywhere, be trusted to keep the promises it makes,
- They are happy, belong, and comfortable before, during and after doing business,
- They will be treated fairly and will stand behind its products and services, solving any problems,
- Customers will have pride in being associated with the Brand and its products and services.
- The Brand is essential to their lives and somewhat irreplaceable creating “separation anxiety” if the Brand went away, because the Brand fits with the customers’ personal needs.
- The Brand provides its customers with knowledge, information, and resources, through various medium, to enhance their lives, and the lives of their family and the communities to which they belong.

Some companies are very good at making emotional connections with their team members and with their customers. Most, however, are not. Companies that are successful benefit from stronger results, not only in cash flow and profit, but in market share, and shareholder value.

This chapter has much intellectual stimulation regarding the history and development of engagement. Engagement goes back to our earliest ancestors. With engagement comes peace and prosperity and without it comes conflict and anxiety. You will find

concrete examples of how others have engaged team members and customers. There are checklists and processes plus dos and don'ts. Hopefully some of your beliefs and behaviors will change as a result of reading this book, and some of your personal and work related processes will evolve and become more effective at creating a great place to work for yourself and your team, at the same time a great place to shop and spend money for the customers of your Brand.

Hopefully this chapter will help you create an evolved “you” and will help you evolve your team members and customers into a more engaged community comprising your Brand.

### **A Most Revealing Engagement Question: What are you paid for?**

One very simple way to determine if a person is engaged is to ask them; “What are you paid for?”

I have found most people either do not know the answer, or they answer with a functional description of their job, i.e. “to serve food,” or “to give you great service.” At one customer-centric hotel brand the answer was; “Three results, you are very satisfied, you will return here or to one of our other locations, and you recommend us to your colleagues.”

If you are a manager and your team members know the answer to this question, you can ensure each person has mastered the skills, knowledge, and abilities [SKAs] needed to implement the processes, use the technology, and manifest the behaviors needed to create guest experiences that get guests to return and recommend the hotel to their colleagues. And the results can be measured. Once measured the team members can be involved with and own how to improve their SKAs, processes, technology, and behaviors to improve retention, frequency, and new guests from recommendations. Team members will be engaged. Each team member will have in their immediate consciousness the question; “What can I do with this guest to ensure they return here, go to one of our other locations, and recommend us to their colleagues?”

If you consider yourself a leader, in addition to being a manager, and your team members know the answer to “what they are paid for,” you can lead and inspire them to achieve these three results for the guest. Both you and your team members will be engaged in accomplishing common inspirational results, and guests will have very strong, positive emotions, about your Brand. They will be bonded to the Brand. They will be engaged guests, loyal to the Brand, faithful to the Brand because of the experiences they have, created by team members who know getting them to return and recommend the Brand to colleagues is what they are paid to accomplish. Your team members are a team precisely because they have unified beliefs, thinking and results, which enables them to work together for the desired guest experience.

However, if as a leader and a manager, you and your team members DO NOT KNOW what they are paid for it is impossible to manage getting the desired results, communicating, and inspiring people because not one of the team members will be sure why you want things done in certain ways, what your communications mean, or why you talk about what you talk about.

So begin to ask team members, everywhere you spend money, “What are you paid for?” and you will be amazed at the answers you receive. It will help you understand what you need to stop, start, keep, change and improve in your beliefs, thinking, and behaviors to become a more engaged, inspired, and inspiring manager and leader.

### **Disney’s, The Masters of Engagement and Inspiration, answer to: “What are you paid for?”**

Walt Disney understood the essence of engagement was accomplished by ensuring team members and guests experienced memorable magic moments making them feel happy, comfortable, like they belonged, pleasure, inspiration, and joy. From the beginning he wanted to create “The happiest place in the world.” Walt Disney also wanted Disney to be a “source of joy and inspiration to the world” and it continues to be both.

Around 1940, Walt Disney said each of the cast members are paid; *“To do what I do so well that they will want to see it again and bring their friends.”* They are paid to create encore experiences for one another and for guests. One of his geniuses was to transform ordinary jobs into parts in a play. To manage every process and technology, and to lead people to think, believe, and behave, while implementing the processes and reflecting their personalities in their behaviors, toward “doing what we do so well they will want to see it again and bring their friends.”

Walt was a master at engagement. Disney team members, individually and collectively, have unified believing, thinking, and behaving. They measure what they manage, and manage what they measure. They have focus and concentration. Disney is the quintessential example proving individuals and their Brand can lead, manage, measure and inspire the engagement of team members and guests. The results, since Sunday, July 17, 1955 are: new guests, the retention and frequency of existing guests, the profit and growth of the Brand, and the happiest place in the world. If he can do it for so long there is hope for the rest of us.

Before reading further, ask and answer the following questions;

- What am I paid for?
- What percentage of our team members know what they are paid for?
- What percentage of our team members are fully engaged, right now?
- [If appropriate] What percentage of our Channel Partners and Franchisees are fully engaged, right now?
- What percentage of our customers are fully engaged, right now?
- How many of our customers are true believers in us, that we and only we can give them the kind of experience they expect, want, and need?
- What precisely do we need to do to double that number?
- Do I, and the team, know what results I am managing to achieve?
- Do we measure what we manage?
- Do the team members know where I am leading them?
- How many customers, NOT transactions, does it take to produce your past 12 months previous sales?
- What would your sales be if each customer came in and purchased once more over the past 12 months?

- If I could only have two financial metrics to determine the health of my Brand, what would they be?

### **Engagement and Inspiration Are Part of Management and Leadership**

Disney is both well managed, and well led. They also know who their customers are, what their customers' value, and how to enhance what they value. Disney delivers to the customers, through their processes and technologies and delivered by their well-trained team members, personalized experiences making their guests feel like they have received more valuable emotional feelings than the money they spent. These intense, valuable to the guest, personalized memorable moments, emotions and feelings are considered “emotional currency” conveyed to the guest for the “financial currency” received by Disney from the guests. Disney knows as long as their emotional currency has more value to the guest than their financial currency Emotionomics will drive economics.

Most of us have been taught; “What we measure we can manage.” We also know **management is a science**. The science of Management, according to Peter Drucker involves 7 processes [research, planning, organizing, delegating, directing, communicating, and coordinating], applied to each of five resources [people, money, materials, time, and space], toward the achievement of results.

**Leadership**, on the other hand, **is an art**. Leadership is about teaching people the ways they need to believe, think, act, and behave, for the enterprise to be successful.

- Management is head and leadership is heart.
- Management is intellect and leadership is emotion.
- Management is bones and leadership is spirit.
- Management is understanding and leadership is meaning.
- Management is commitment and leadership is conviction.
- Management is six sigma while leadership is human sigma.

So the questions are:

- Can we measure the engagement of our customers and team members? And, If yes,
- Can we manage what we measure? And, if yes,
- Can we inspire, measure, manage, and lead the engagement of customers and team members?

### **A Tribute to History: A Personal Reflection**

In 1976 I had the privileged good fortune to join Joe Batten's Management Consulting Company, BBH&S. Joe had authored *Tough-Minded Management* in 1963, and it became a best seller, printed in 40 languages. He wrote a number of other bestselling management books, including *Beyond Management by Objectives*, *Developing a Tough-Minded Climate for Results, Expectations and Possibilities*, and *Tough-Minded Leadership*. Joe did not know it at the time but he was establishing a set of Management and Leadership beliefs, philosophies, behaviors, processes, and technology to engage team members in creating great places to work, and a great



place for customers to shop and spend money. We had clients who were some of the leading and emerging Brands of the day, like Marriott, IBM, EDS, etc.

Here is the system we used then with our clients to increase productivity. Keep in mind what Joe called productivity is today called Engagement. He believed there is only one reason why each and every team member is working in a company, and that is to achieve their personal goals, which for Joe were directly related to growth for themselves and for those they cared about; customers, team members, spouse, neighbors, children, society.

I remember when I interviewed with Joe Batten and he asked me what my biggest concern was in joining BBH&S? I said; "I have never sold anything." His response was; *"I don't want you to sell. I want you to help clients discover we can help them solve problems and take advantage of the opportunities. In other words I want you to be of service. The client will not be surprised when we send them an invoice."*

This advice is the essence of inspiration and engagement as it reinforces the need to: Being of service to one another and to customers, meeting one another's needs, meeting customers' needs, and enhancing what customers' value.

I started Management 2000 in 1982, with the conviction that a company with a strong culture, focused on teams providing products and services customers wanted and needed would be successful. Here we are 35 years later, with over 1,450 clients on our client list. Our mission, then and now, is "To give people what they expect and more." Our purpose is to help individuals and Brands achieve profitable growth. I hope this chapter will help you achieve profitable growth.

### **When Measuring and Inspiring Engagement with Team Members and Customers Got Intense**

Peter Drucker, in 1964, had great insight into inspiring the engagement with team members and customers through the product, when he said: *"The customer rarely buys what the business thinks it sells him. One reason for this is, of course, that nobody pays for a 'product'. What is paid for is satisfaction. But nobody can make or supply satisfaction as such – at best, only the means to attaining them can be sold and delivered."*

The September-October 1991 issue of the *Harvard Business Review* had an article, **THE SERVICE-DRIVEN SERVICE COMPANY**, by Leonard Schlesinger & James Heskett. The article challenged business leaders and stirred a debate and discussion within many companies, down to the present day, about the reason, purpose and result of a business. Peter Drucker, in his 1964 book, *Managing for Results*, defined the **reason** for a business as **economic performance**, achieved by fulfilling its **purpose**, to **create a customer**, and its **result**, a **satisfied customer**. The thinking and concepts in this book influenced, and continues to influence, CEOs to ask questions and shift paradigms. The questions go something like this:

- Do we want more sales, revenue, and profits, or do we want to create and retain more and more very satisfied promoter customers who consume more and more of our products and services?
- Do we sell stuff or do we establish relationships?
- Do our customers buy our stuff, or do they buy a means to an end, a need and a desire to be satisfied when that need is met?
- Do we want a Brand that is well known? Or a Brand that is emotionally loved, respected and admired for the ways it makes people happy, comfortable, and like they belong to the Brand and what it represents [Starbucks, Apple, Nike]?

The groundwork was further established for what today is known as team member engagement, and customer engagement with these publications:

- Earl Sasser's book; ***Service Breakthroughs: Changing the Rules of the Game***, in 1990
- James Haslet's article ***The Profitable Art of Service Recovery*** [HBR July-August 1990]
- Fred Reichheld's & Earl Sasser's article ***Zero Defections: Quality Comes To Services*** [HBR Sept.-Oct.1990]

They did not have these words, but they had the philosophy, the processes, the behaviors, and the technology to create engagement – and they did. Inspiring the engagement of team members and customers is not new, rather it is something most of us need to catch up to structuring, doing and living in our personal and business lives.

A.G. Lafley, the Chairman of the Board, President, and Chief Executive Officer of Procter & Gamble, in the Nov. 2009 issue of the Harvard Business Review, said the following about the effect Drucker's definitions for the reason, purpose and result of a business, had on Procter & Gamble: "I learned many things from Peter over the years, but far and away the most important were the simplest: "The purpose of a company is to create a customer" and "A business...is defined by the want the customer satisfies when he or she buys a product or a service. To satisfy the customer is the mission and purpose of every business."

At P&G we keep Peter's words in mind with every decision. We declared that the consumer—not the CEO—is boss, and made it our purpose to touch more consumers and improve more of each consumer's life. When we look at the business from the perspective of the consumer, we can see the need to win at two moments of truth: First, when she buys a P&G brand or product in a store, and second, when she or another family member uses that product in the home. [She buys the product because she is anticipating a memorable moment, and when she or a member of the family has a memorable moment she is satisfied emotionally, and bonded to the Brand.]

We knew that P&G's business model was *Sesame Street* simple, but deceptively so—typical of the wisdom that was the hallmark of Peter's lifework. By putting customers first, we've nearly doubled the number served, from 2 billion to 3.8 billion; doubled sales; and tripled P&G profits in the first nine years of the twenty-first century.

## What is Engagement?

A simple definition of engagement is: “meaningful connections and memorable moments making me [team members, customers, spouses, children, etc.] want to come back and recommend you to friends.”

The reason the connections are meaningful and the moments memorable is because the person engaging the other is emotionally connected with, inspired by, driven by, and in alignment with the mission and purpose to provide an emotionally charged experience for their customers making them want to do it again and recommend us to their friends.

Engagement is all about feelings. Most men were brought up to “get over feelings” because they get in the way of commitment, dedication, and achievement. Besides, feelings made you weak, vulnerable, and susceptible to corrupting your intellectual capacity to make judgments and decisions.

Engagement is about behaving in ways that show you genuinely care about the other person, their wants, needs, desires, goals, and visions, as well as their fears, uncertainties, and doubts. It means:

- Taking the time to say “good morning” before going to your office in the morning
- Writing thank you notes to people for a job well done
- Giving 12-15 compliments each day to people when the occasion calls for it
- Knowing about and discussing personal tragedies and triumphs with team members
- Going to lunch with everyone, not just those with whom you are comfortable.

Successfully creating experiences for team members and customers making them want to experience it again and again has to do with possessing not just IQ, knowledge and understanding, but EI, emotional intelligence. Emotional intelligence is being aware that emotions drive our behavior choices and can impact people [positively and negatively], and learning how to manage those emotions – both our own and others – especially when under pressure.

Emotional intelligence is a necessary skill for managers and leaders since their emotional stability and maturity has a direct effect on the ways people feel and on the depth of team members’ and customers’ beliefs that the company is a great place to work and a great place to shop and spend money. What makes a “Great place to work” is when;

- I feel I have the resources and training to do my job with excellence
- I am working with a team of qualified people whom I trust and respect
- And who trust and respect me
- e are working toward the achievement of a common goal, and personal goals which give me pride, satisfaction, and a feeling of personal accomplishment.

## **An Example of Engagement Using both EQ and EI**

Every person who works is working to achieve their personal income, lifestyle, wealth, and equity goals and their job with a company is a means to this end and not the end in itself. The same is true for customers. Believing this makes managers want to know and care about what each of their team members' personal goals are and how working here will contribute to their accomplishment. Armed with this knowledge about their team members' motivations, the manager can make sure they and the company does everything possible to provide resources and opportunities for team members to achieve their personal goals. When team members perceive this intent on the part of their manager and the company it demonstrates the manager and the company are engaged in their life. This increases the possibility of the team members reciprocating by being highly engaged with other team members, creating a great place to work, and in creating personalized memorable moment experiences for customers.

Since it is true that engaged team members create experiences resulting in increased profit and growth from retained, frequent user customers, it is easy to see why global Brands put more and more emphasis on selecting managers who have both a high IQ and EQ.

## **The Benefits of Engaged Team Members and Engaged Teams**

It is impossible to overstate the importance of an engaged workforce on the increased growth, profitability, and shareholder value of a company.

When a company looks for its competitive advantages it needs to look to its workforce from the "C" Level to the frontline and maximize the potential of the managers to inspire themselves and others to lead and manage the greatest resource of untapped potential, the existing workforce.

The measurable results of a culture of engagement inspires those companies who one to deepen their commitment to continue evolving it. To those who do not have an engagement culture it must inspire them to evolve whatever they now have to a culture of engagement.

Here are some of the benefits of an engagement culture:

- Unified believing and thinking
- Alignment with corporate strategy
- Better quality products
- Better experiences for fellow team members
- Better feelings among all constituents
- Meeting and exceeding goal expectations
- Fewer sick days
- Lower health care costs
- Decreased training costs
- Higher quality results

- Higher team member retention
- Promoting from within
- Greater contributions to innovations
- Higher receptivity to change
- Higher new customer acquisition
- Greater customer retention
- Increases in customer frequency
- Increases in average spend per visit
- New customers from referrals of existing customers
- Fewer customer complaints
- Customer trust of the Brand increases
- Customers promote the Brand
- A more stable workforce
- The Brand is perceived as more admired
- Increases in the number of loyal customers
- Higher profitability and shareholder value

We know the accountability of evolving an existing culture to an engagement culture lies with the “C” level of management, while the responsibility to make it happen resides with everyone. Below are statistics that might cause us to wonder how our company might do with these statements. Management 2000’s research shows:

- 72% of senior business leaders say the customer experience is the new competitive battleground and is the source of competitive differentiation
- 100% of senior business leaders said leadership was important, but....
- Only 25% could give examples of how leadership was reinforcing a customer experience culture in their businesses
- 15% of senior business leaders say their companies are capturing customer’s emotional experiences
- 88% of senior business leaders said they had emotional brand values
- Only 45% could name them, and....
- Only 15% said they were ensuring their Brand values were embedded in their customers’ experiences
- 46% of manager team members & 37% of non-management team members know what their company stands for and what makes it different from its competitors
- Less than 50% of hotel guests actually felt they were valued during their stay



- 5% of consumers say social media influences their buying decisions, and 62% say they have no influence, but friends' recommendations, commercials, in-store displays, and even direct mail have more influence than social media

Engaged team members tend to stay with their current employer at a considerably higher level than those who are disengaged [85% vs. 27%], minimizing the cost of replacing a person, which can be 150% of base salary [www.blessingwhite.comEEE-report](http://www.blessingwhite.comEEE-report)

- Total shareholder return [TSR] increases with team member engagement increasing. In companies where 60%-70% are engaged, the average TSR is 24%; where 49%-60% are engaged the TSR drops to 9.1%; and where less than 25% are engaged the TSR is negative. [www.dofonline.co.uk]
- The top 25% of public companies with the highest levels of team member engagement have an EPS [Earnings Per Share] growth rate 2.6 times that of below average companies. [www.dofonline.co.uk]

Today the research indicates the “number one thing driving engagement with team members is their view of what senior management says and does; whether or not management is truly concerned about their well-being. There is a misconception that money is the biggest motivator. In reality, team members are motivated by leaders that *inspire* and demonstrate true commitment to them and the company. The idea certainly contradicts conventional wisdom, but proves that companies have a great opportunity to improve engagement levels; beginning with listening to their team members.” Gary Rhodes & David Whitlark, *Allegiance Engagement*, included in **Engagement [an E-Book]** <http://www.maritzcx.com/library/>

According to Target Training International more than 60% of all customers stop dealing with a company because of perceived indifference on the part of a team member. Could one imagine the team member perceived indifference toward him or her causing them to be indifferent to the customer? <http://www.ttisuccessinsights.com/>

## How Engagement Got Started: Creating Engaged Brands

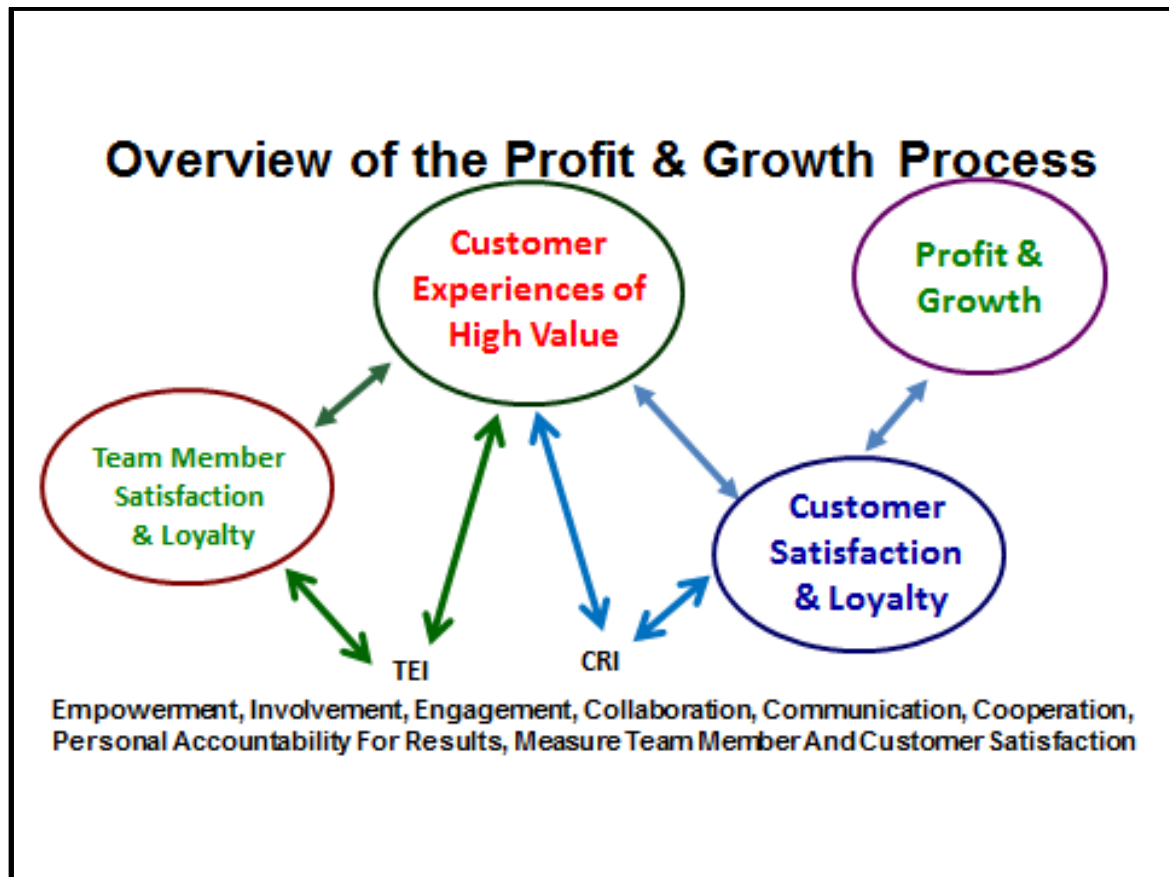
Edgar Schein, the guru of culture research, defines culture as; “*A pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, which has worked well enough to be considered valid and therefore, to be taught to new members as the correct way you perceive, think, and feel in relation to those problems.*” When the business paradigm changed, beginning in the 1960’s it meant the traditional “*pattern of shared basic assumptions*” was being questioned and slowly being replaced by new shared assumptions, such as:

- The reason for the existence of a business is economic performance
- The purpose of a business is to create a customer

- The result of a business is a satisfied customer who is committed to returning and recommending the business
- Everyone is not your customer, so you must know, who YOUR customers are [various kinds of segmentation], what they value [what are they buying vs. what you are selling], and how YOU can enhance what they value [processes, behaviors, technology].
- Team members need to be involved in decisions affecting them
- Contribution is the new work ethic
- People want to work in teams
- Positive emotions at work are important to job satisfaction
- Results are more important than activities
- The difference between good and great is discipline, i.e. having the skills, knowledge, and ability to follow a well-designed process and using technology appropriately to achieve consistent outcomes.
- Personal goals drive business goals, i.e. when the success of a business means personal goals are met or exceeded it creates a high performance organization
- People want to have their strengths developed and utilized

Through the decades of the 60's, 70's, 80's, and 90's, Peter Drucker, Walt Disney, Bill Marriott, Thomas Watson, Sr., Tom Peters, Michael Porter, Robert Kaplan, David Norton, Peter Senge, Edgar Schein, Joseph Pine, James Gilmore, Leonard Schlesinger, James Heskett, Earl Sasser, Fred Reichheld, and Dan Hill [see the book list at the end of the chapter], frequently through articles in the *Harvard Business Review*, were teaching a new paradigm for business success. This paradigm was: *Well trained, developed, and equipped team members who love doing what they do with quality, executing processes and using technologies designed to enhance what customers value, will create and retain very satisfied, loyal, frequent user, promoter customers, who will drive the profit and growth of a Brand.*

The new paradigm emulated the work done by Juran, Deming, ISO, TQM, Six Sigma, and created Human Sigma. GE is an example of a Brand who utilized this paradigm. The Experience-Profit Chain paradigm is illustrated this way:



Since as Joel Barker, futurist, author, and paradigm expert, has taught us; *Once a paradigm shifts everything goes back to zero.* In business this means, when you ask a CFO, with the new paradigm; “If you could only have one metric to tell you the health of the organization, what would it be?” He will respond, “I need two, but if I could only have one, it would be **Customer Retention**. If I could have a second, it would be **frequency of purchase**. A third would be the **lifetime value of the customer**, and so on. This new paradigm takes metrics that previously belonged to HR and made them the new Predictive Analytics of Customer-Centric Brands. But the past financial metrics were not abandoned. The result was what Harvard called the BSC, or the Balanced ScoreCard. Below is an illustration of a Balanced ScoreCard. These kinds of metrics are the new normal of financial indicators.

<b>THE BALANCED SCORECARD</b>	
<u>TRADITIONAL METRICS</u>	<u>PREDICTIVE ANALYTICS</u>
Revenue	New Customers
Cost of Goods Sold	Customer Retention %
Labor	Satisfaction %
Material Costs	Frequency %
Margin	Loyalty %
Marketing	Employee Turnover %
Research & Development	Employee Satisfaction %
Fixed Costs	Average Ticket Price

Jan Carlzon, the CEO of Scandinavian Airlines, in his 1989 book, *Moments of Truth*, talked about the real assets of his company being his team members who engaged millions of customers every day in small 15 second “moments of truth,” which would be “memorable moments” and determine the future success of the airline. He encouraged and trusted his team members to do the right thing but take care of the customers.

Carl Sewel, a very successful Cadillac dealer in Dallas, in his 1990 book, *Customers for Life*, implemented one of Peter Drucker’s business principles; “*Ask customers what they want and give it to them again and again.*” As more and braver business people implemented this paradigm its success became well known as not just isolated phenomena, but a tried and true new way of doing business. One of the measurements of its success when implemented over a period of years is illustrated below for the years 2009-2012.

Comparison of Performance Measures, Fortune's 100 Best Places To Work Versus Companies in the Standard and Poor's Fortune 500						
Average for four years	Average Growth in Revenue		Average Growth in Profits		Average Growth in Market Value	
	100 Best	S&P 500	100 Best	S&P 500	100 Best	S&P 500
	19.25%	9.25%	116.25%	11.25%	69.5%	22.25%

Christopher W. Hart in his March 2007 Harvard Business Review article *“Beating the Market with Customer Satisfaction,”* noted “the companies with high customer-satisfaction scores have blown the S&P 500 out of the water, especially over the last few years. Not only have they produced higher stock returns, but their stock values and cash flows have been less volatile.” These kinds of validations are still the case today. In addition more and more Private Equity funds are using, for their valuations, customer and team member data as mentioned when discussing the Balanced ScoreCard: new customers, new and existing customers retained, frequency of visits, satisfaction, loyalty, engagement, team member engagement, and team member retention. Management 2000’s technology platform, XPERIENTRIX™ measures these metrics and delivers the results by location, manager, shift, type of purchase, franchisee, customer segment, etc.

After many years of implementing the new paradigm into Fortune 500 Companies, in their book *The Service Profit Chain*, Heskett, Sasser, and Schlesinger, lay out an integrated way of assessing and then following a detailed set of actions and corporate values designed to change the business paradigms. This change is from a manufacturing mentality that sells stuff to a marketing and relationship mentality that establishes inspiring relationships between and among team members and with customers resulting in increased profit and growth. Among these detailed set of actions is the mandate that *everyone in a company needs to be involved in helping to create positive customer experiences*. Recently, Haskett was asked how difficult it has been for organizations to implement this approach of creating happy customers, who are comfortable and believe they belong to the Brand? Haskett replied; “Service



*profit chain concepts are deceptively simple. They require an integrated set of management initiatives to achieve. The initiatives have to address team members first, then customers. And they take time.*” He went on to say the hardest challenge is to change the assumptions that are the foundation of the existing culture and ask if these beliefs, values, behaviors, and processes reinforce service profit chain relationships. Often they do not.

And, it is hard to let existing paradigms go because we “*don’t really understand the new paradigms,*” or we know what is wrong with today’s paradigms but we do not know the devil in the new ones, and there is the frustration of the time it takes to transition from the old to the new.

Haskett continues; “*The difficult decisions include having to let people go who, for whatever reason, are not managing by the new beliefs, values, behaviors, and processes. That is a difficult step for many organizations to take.*” But it must be taken because for team members to be emotionally engaged and inspired they must be supported by managers who lead by example, and provide behaviors consistent with the beliefs and values of a team member and customer-centric culture. When this happens, team members become highly engaged and a “Great place to work” is created and sustained.

“84% of highly engaged team members believe they can impact the quality of their company’s work product, compared with 31% of disengaged.”
“72% of the highly engaged believe they can impact customer service, versus 27% of the disengaged.”
“68% of the highly engaged believe they can impact costs in their job or unit, versus 19% of the disengaged.”
<a href="http://www.insurance-canada.ca/humanres/Canada/Towers-Perrin-Workforce-511.php">www.insurance –canada.ca/humanres/Canada/Towers-Perrin-Workforce-511.php</a>

## Managing Yourself to Engage Team Members

What would the impact on the climate of your organization be if each of your managers made the following pledge to their team members?. Do you think having this pledge in place would change the ways managers currently behave? Do you believe these behaviors would result in higher levels of team member engagement, profit and growth? Consider making such a pledge.

A Manager’s Pledge to Their Team Members: **I pledge:**

1. To set the right example for you by my own actions in all things.
2. To be consistent in my temperament so you know how to “read” me and what to expect from me.
3. To learn what personal goals you each have that are motivating you to work here.
4. To involve you and get you opinions and recommendations on decisions affecting you.

5. To learn your personal and work related strengths as well as the tragedies and triumphs of your lives – on an ongoing basis.
6. To be fair, impartial, and consistent in matters relating to work rules, discipline, and rewards.
7. To show a sincere, personal interest in each of you without becoming overly “familiar.”
8. To seek your counsel on matters that affect your job, and to be guided as much as possible by your judgment.
9. To allow you as much individuality as possible in the way their jobs are performed, and in the ways you inject your unique personality into providing memorable moments for customers, as long as the quality of the end result is not comprised.
10. To make sure you always know in advance what I expect from you in the ways of conduct and performance on the job.
11. To be appreciative of your efforts, to demonstrate gratitude for your contributions, and to be generous in praise of your accomplishments.
12. To use every opportunity to teach you how to do your job better and how to help you advance in skill level, responsibility, and accountability.
13. To show you I can “do” as well as “manage” by pitching in to work beside you when my help is needed.
14. To help and support you in advancing your career and taking on new and challenging opportunities.

### **How Companies Measure Team Member Engagement**

Management 2000, with its technology platform, called XPERIENTRIX™, measures the following Engagement Themes:

1. Pride in the company
2. Satisfaction with the company
3. Job, Role, and Function satisfaction
4. Personal goals are met, creating a feeling of fulfillment, as a result of my relationship with the company
5. Opportunity to perform well in challenging circumstances
6. Recognition and positive feedback for results achieved
7. Personal support from management
8. Performance beyond expectation
9. Understanding of how one’s job, role and function is linked to the company’s Mission and Brand Promise
10. Opportunities for personal growth and increases in accountability and compensation.
11. Depth of belief in staying related with the company for a longtime.
12. Ability to contribute to change and innovation.

### **Quantitative Customer Experience Metrics Are Not Enough**

Qualitative research can reveal how customer’s feel and what the company needs to stop, start, keep, change, and improve in its beliefs, behaviors, processes, and technology to create experiences for customers resulting in their becoming lifetime, promoter customers.

This research can help companies determine which touchpoints have the most emotional significance. An example is the amount of time it takes to process your credit card for payment at a restaurant after the meal is over. This single touchpoint can turn a 9/10 experience into a 5.

The touchpoints which carry the most emotional significance are called “Moments of Truth.” Moments of truth are great opportunities for team members to create memorable moments and significant memories with customers. This will only happen if the team members realize the why of the way they are asked to behave and if they emotionally commit to making sure they create the why for the customer.

A client of Management 2000’s in the quick lube automotive aftermarket industry has some interesting data:

- 85% of their oil change customers were women
- Primarily single women
- Focus groups of women revealed they felt high negative emotions when they were approached by the male attendant, clip board in hand, to take information regarding their oil change
- The women felt the man was taking the opportunity to look at their breasts and legs as he stood next to their open car window.
- This left them unhappy, uncomfortable, and angry, and no longer a customer for an oil change.

The result of this feedback was:

- A process that included the male attendant kneeling down next to the customers open window to take the information regarding the servicing of their car.
- The focus groups also provided feedback regarding what the tangibles and ambiance of the waiting and reception areas should have in them to make women feel happy, comfortable and like they belonged.
- The training and development program for corporate and franchisee managers and team members included sensitivity training and do’s and don’ts behaviors regarding age, sex, diversity, etc.

Without the focus groups we would not have been able to distinguish between feedback on the experience and feedback on what was remembered about the experience. Nobel Prize winner Daniel Kahneman, a leading pioneer in behavioral economics, explains the power of memory this way: Each person perceives reality from two different and sometimes competing perspectives, -- the *experiencing self* and the *remembering self*. The *experiencing self* is present at every touchpoint throughout the customer experience, but the *remembering self* takes inventory of the emotional significance of each touchpoint and ultimately decides which memories to keep. We want the “remembering selves” of our customers to be kept in the forefront of our frontline engaging team members so our customers remembering selves remember pleasant emotions.

## Finding the Moments That Matter

Management 2000's team member, franchisee, and customer quantitative experience platforms collect data at every touchpoint.

They cannot differentiate which moments are the most memorable and which matter most to team members, franchisees, and customers. Since some moments will matter far more than others by combining quantitative analytics with qualitative data collection and analysis. Management 2000 helps its clients explore which team member, franchisee, and customer touchpoints carry the most emotional significance -- and which are the most likely to build team member, franchisee, and customer engagement. Once these are identified training and development can focus on how team members can inject their personalities into making those moments memorable for the customers.

One of the global Brands in Casual Dining asked Management 2000 to analyze its restaurant guest behavior to determine the touchpoints that had the greatest impact on customer engagement. Management 2000 used qualitative and quantitative research methods to study guests such as carefully observing their behavior across every customer touchpoint. This qualitative research determined that customers experienced 77 touchpoints with the Brand before, during and after a typical dining occasion. After further analysis, Management 2000's predictive analytics identified the 11 "Moments of Truth" touchpoints, memorable moments, which contributed to guests' most vivid memories -- the key drivers that had the strongest influence on customers' emotional engagement with the company.

Identifying the key drivers didn't mean the company and its team members could ignore the other 66 touchpoints, just because failure to deliver at one or more of these touchpoints would not likely disengage a guest. But focusing on them as "Moments of Truth" would yield a marginal return on investment compared with focusing on the key engagement drivers.

So team members were selected, oriented, trained and developed to behave, while implementing the processes designed to enhance these "Moments of Truth" for the guests. Quantitative measures tracked their success with guests, and this success was correlated to guest retention, frequency and average ticket. We also tracked the team members' satisfaction, loyalty, retention, etc. With this system of both qualitative and quantitative measurement and validation in place, together with root cause analysis to determine what needed to be improved in the beliefs and behaviors of team members, as well as what changes needed to be made to the processes and technology, managers improved their abilities to engage their team members and team members improved their abilities to turn "Moments of Truth" into memorable moments for the guests. The restaurants increased their economic performance.

## **Team Member and Customer Well-Being Affects Engagement**

Much research has been written regarding the positive effect of the following team member well-being has on creating the real perception that the company is being loyal to them first. Some examples include:

- Providing health care programs to part-time and full-time lower wage team members
- Having a zero tolerance work-place violence policy
- Flexible work hours
- Tele-commuting
- Workout facilities
- Child care

## **The Key Drivers of Inspiring the Engagement of your Team Members**

1. The Brand has a Mission and Purpose each person believes in and can directly contribute to being accomplished
2. Each person has at least one personal goal that is dependent on their job success for its being achieved
3. Each person understands their duties and responsibilities, and what is expected of them at work
4. Each person has the opportunity to learn and grow
5. Each person can manage their time and duties
6. Everyone is held accountability for their behaviors
7. People treat one another with respect and dignity
8. People can rely on what they are told at work
9. Individuals can provide input and believe their input counts
10. The work environment is friendly
11. Fellow team members complete their work
12. Individuals and teams have period performance reviews
13. Having friends at work is encouraged
14. People enjoy what they do
15. Career advancement is available for those who want it
16. There is no discrimination in the work place
17. People trust their managers
18. The workplace is safe and free from any and all physical, emotional, or psychological intimidation or violence of any kind

## **Embedding Mechanisms Drive Inspiration**

Noted psychologist Edgar Schein identified five primary mechanisms and five secondary mechanisms by which leaders change cultures.

### **Primary Embedding Mechanisms**

These are the main ways by which leaders' effect cultural change through their visible actions.



- **Attention**  
The values, beliefs, priorities, and so on of the leader appear in where they place their attention. Followers look at what the leader is looking at and pay close attention to their emotions. When a leader gets particularly passionate or annoyed, then followers assume that the subject being attended to is important.
- **Reactions to crises**  
In a crisis, people's deeper values are exposed, for example whether they go into self-preservation mode or whether they gallantly seek to help others first. The higher level of emotion in crises also means that we will remember what happens then more than at other times.

The result is that in a crisis, the leader's actions will be both remembered and also taken to be a truer example of who they really are.

- **Role modeling**  
People listen to leaders and they watch carefully what they do. When there is a conflict between these, they will believe the leader's actions before their words. People also assume the behavior of leaders is what is right and will hence emulate them. How leaders behave is how their followers will tend to behave.
- **Allocation of rewards**  
Rewards, from praise to promotion, are assumed to reflect desired behavior *as well as* desired results. If a cultural change to more collaborative behavior is desired and someone gets a bonus for achieving outstanding result but using selfish behavior, then it will be assumed that selfish behavior is OK. To change the culture, it would be necessary for that person to be censured, not rewarded, for their selfish behavior.
- **Criteria for selection and dismissal**  
Recruitment, promotion and dismissal are all critical for choosing who does what and also the forms of reward and punishment. The criteria used should consider the style and personality as well as the technical competence of the person involved. In this way, the cultural aspects of the organization may be included in the selection and dismissal processes.

### **Secondary Embedding Mechanisms**

These are additional methods by which a leader may indirectly change the culture.

- **Design of organizational structure**  
Function follows form is a common saying and applies here. It has also been said that 'First we create our organizations and then they create us'. The hierarchical shape of any organization will have a subtle effect on how they operate. Thus, to change the organization, changing its structure can be highly effective.

- **Design of systems and procedures**  
The systems by which an organization is run have a wide effect on how people think. This includes budgeting, information systems, performance reviews and management development activities. Deliberate design of these can ensure alignment with desired cultural directions.
- **Design of facilities**  
The layout of offices often reflects subconsciously the values of an organization, both in terms of who sits near whom and also in the differentiation in benefits that individuals are given. More space, thicker carpets, window seats, bigger desks and more are all symbols of superiority. In some traditional organizations, there are chosen very carefully according to management grade. In other companies, everyone has the same sized cubicle with very little differentiation between management levels.
- **Stories, legends and myths**  
The stories that people tell and re-tell in organizations typically reflect the values and beliefs of the culture. Hence, changing the stories will tend to change the culture. This is particularly powerful as it is spread at the individual level and hence has grass-roots support and credibility.
- **Formal statements**  
Formal statements by the organization, although not always as credible as grass-roots whisperings, are the public face of the organization, and hence demand attention. They also may later form the basis of formal arguments and actions, from decisions around allocation of resource to discipline and dismissal.

### **Examples of Embedding Mechanisms Management 2000's Clients Have Used to reinforce the Mission, Vision, Purpose, and Core Values**

**First Example: Payday:** Each payday the manager of a team meets individually with each team member and goes through the following process:

1. Good morning Mary. As you know today is payday and I would like you to tell me what our mission is, please.
2. Mary responds: I'd love to. Our mission is "To create a friendly, inspiring, shopping experience for our customers resulting in their saying, 'I'll be back'.
3. Manager says: Thanks Mary. Will you share with me one or two times during the last pay period when you challenged to live the mission, but you did, how you did it and if it made you proud, and why?
4. Mary says: I'd be glad to. She tells the one or two examples, and why it made her proud.
5. Manager says: Mary I want to ask you, of your many strengths, which you feel you used to make those situations successful?
6. Mary responds: Well I believe the strengths I used were [Mary names her strengths]

7. Manager says: I agree those are definitely some of your strengths. In addition I believe you used your [manager inserts additional strengths and continues] all of which make you a very valuable team member.
8. Manager continues: Today you are receiving your share of the customers' money which we have because you and the rest of our team members create such great, inspiring, shopping experiences that the customers come back again and again. Thank you very much for living our mission with one another and with the customers.

**Second Example:** Begin **every** meeting, of two or more people with the recitation of the Mission ["To create a friendly, inspiring, shopping experience for our customers resulting in their saying, 'I'll be back'"] and Purpose [To inspire people to live a beautiful life]. Then discussions, recommendations and decisions are made with the mission, purpose, vision and core values as guidelines. This primary embedding mechanism is repeated every payday and it motivates team members to live the Mission more intensely so they will have incidences to share on payday and for which they are proud. This embedding mechanism creates memorable moments and makes for more engaged team members who will inspire customers.

**Third Example:** Each team member, or the team as a whole, decides at the beginning of each month which core value each will work on individually and as a team to live more consciously. Agreement is reached for each member to give others compliments when they notice examples of the core value being lived and when it is not being lived to have a discussion as a team. At the end of the month, in a meeting, the team provides progress on living the core value and a new core value is chosen. This embedding mechanism creates memorable moments and makes for more engaged team members who will inspire one another and customers.

**Fourth Example:** When prospective team members are being interviewed make the first question, after rapport is established and the interviewee is comfortable, to be: "As a member of our team what do you think you will be paid for?" [The answer is the Mission and Purpose] If the interviewee misses the answer provide her/him with a card with the Mission and Purpose on it and ask them to spend a few minutes memorizing them and then resume the interview with the same question: "As a member of our team what do you think you will be paid for?" This embeds the Mission and Purpose within the emotional psyche of the person, and they will not forget either and this will be a memorable moment.

**Fifth Example:** New team members wear either a T-Shirt or a button that says: "Ask me what I am paid for?" When a customer asks the question, the new team member says; "To create a friendly, inspiring, shopping experience for YOU today, resulting in you saying, 'I'll be back'," how can I do that for you today? This embedding mechanism creates memorable moments for both the team member and the customer. It also communicates more than the purchase as the reason for being a customer, and it reinforces the importance of living the mission with every customer within the emotional psyche of the team member.

**Sixth Example:** The new team member training is called "Creating Inspiring Experiences" and the CEO always "drops in unexpectedly" and asks new team

members in training to recite the mission and purpose statements and tell why they are important. The CEO is given something personal to say about each person in the training class. This embedding mechanism will definitely create a memorable moment for the new team members and it will make them more engaged.

**Seventh Example:** Team members, during the selection interviewing process, are asked what personal goals are linked to being employed with you in order to be achieved. This embedding mechanism is linked to something said earlier in this chapter; “Every person who works is not working for a company, rather they are working to achieve their personal income, lifestyle, wealth, and equity goals and their job with a company is a means to this end and the end in itself.”

**Eighth Example:** Have each manager commit to giving 20 genuinely deserved compliments every day when they observe achievements reflecting the use of a person’s strengths or the living of the mission and purpose. This embedding mechanism provides team members with something they value and which creates engagement: recognition.

**Ninth Example:** Have each new and existing team member make their strengths more productive by listing a minimum of 100 of their personal strengths and having them categorize them according to how they are used, for instance, those that make me a better; [1] team member, [2] spouse/significant other, [3] parent, [4] citizen, [5] person, etc.

Also have each person lists the work related strengths that, if developed, would make them more valuable to the company and to the customers. The manager can be collaborative in this process and give feedback. This embedding mechanism will create memorable moments for the team members and the manager. It will let the team members know the manager cares. And, it will build the self-esteem and confidence of the team members which will create engagement. “Making Strengths Productive” was suggested by Peter Drucker, the author of “The Practice of Management” and “Managing for Results,” in his 1966 book, “The Effective Executive” as one of five habits or practices to effectiveness.

**Tenth Example:** The manager asks their team members for feedback on what they, the manager, needs to stop, start, keep, improve, and change, in the ways they believe, think, behave, and act [processes they use] to make them more effective at creating a “Great place to work” for each of the team members and for the team. This embedding mechanism will demonstrate vulnerability, listening, and a willingness and readiness to change. It will create memorable moments for each person and it will create the same vulnerability within each team member.

**Eleventh Example:** Managers MUST know each individual, i.e. are they married, single, living with others, have children, are parents dead or alive, what tragedies have they lived through [or are living through], what are their greatest accomplishments [and disappointments], and what sad and glad events are going on in their lives. Managers MUST celebrate the glad and have empathy for the sad. The manager needs to keep in mind the workplace may be the place where people find that contributing, during times of both glad and sad, can be motivating and

provide a safe and comforting place to be. This knowledge about each person will create memorable moments and increase engagement.

### **Using Predictive Analytics to Drive Lifetime Value of Team Members and Customers**

Management 2000's technology platform, XPERIENTRIX™ can measure:

- if team members see opportunities
- if they have their personal goals met by working for a company
- if they have confidence in the future of the company
- if they are as productivity as they could be
- if they intend to stay with the company.

We can measure if your franchisees:

- are proud to be associated with the brand
- if being associated with us helps achieve their goals
- if they believe they would recommend you to other potential franchisees.

When we know these metrics, it is like stepping on a bathroom scale and when we look down we see a number. That number is the result of measurable key performance indicators reflecting if people are living the Brand's beliefs, behaving correctly, following processes, and using technologies correctly.

### **Do Rewards & Loyalty Programs Translate into Customer Engagement?**

The answer is a qualified yes and a qualified no. Loyalty programs can be correlated to frequency of purchase, but not to the depth of commitment the customers who are using the loyalty program have to the Brand.

The loyalty created by customer engagement measurements needs to be correlated with those customers using the loyalty program to determine if the most engaged and emotionally committed customers are also the most frequent users of the loyalty program. If they are not, other strategies can be put in place to show recognition, appreciation and gratitude to them for their commitment to the Brand.

But these two do not often come together. What bonds us to a Brand are the memorable moments, the emotional experiences, we have with team members [Nordstrom's], with the products [Apple], and with the website [Amazon]. When a customer is bonded to the Brand because of the reward points they receive, it is most likely because they have had an emotionally satisfying and personally enjoyable experience for which they are accruing and will use the points. Their personal goals drive their business decision to do business with a particular Brand. The broader and more varied the uses of points the more consumers will be attracted to that loyalty program. Loyalty is really to the emotional satisfaction customers get when they redeem their points and have their experience.



Consumers are aware of the fact that if companies did not have to have a rewards program they would not. The true key to winning the minds and hearts of customers is to ensure each and every customer's experiences has at least one memorable moment, and that the other parts of the customer's experience are delivered flawlessly. Customers remember memorable moments, not how many points they earned. Loyalty programs designed to create new, retain existing, and build frequency with customers because of the ongoing feelings customers retain about the Brand after the experiences they have will be successful at building real loyalty. On the other hand when customers are loyal to the Loyalty Program and not the Brand, the company will benefit from their loyalty program until a better one comes along from a competitor.

For more on this topic study the **2015 Bond Brand Loyalty Report**  
<http://info.bondbrandloyalty.com/the-loyalty-report-2015>

### Steps to Improve Team Member and Customer Engagement

1. **Assess the current culture** to establish baseline data for measuring to what extent your company has a "Great place to work" and a "Great place to shop and spend money." Segment team members and customers by engaged, passive, and disengaged categories.
  
2. **Analysis the current key influencers**
  - a. **The philosophy [beliefs] of the company:** What do various people and departments believe regarding; people, promotions, compensation, diversity, opportunity, customers, suppliers, the Brand, departments, senior management, etc.? How is the company philosophy conveyed and embedded?
  - b. **The processes:** Are they documented and are people who implement them trained so they have mastered their delivery? Are processes designed to enhance what customers' value? Are team members selected, and on-boarded with an awareness and commitment to; "What they are paid for?"
  - c. **The behaviors:** Are "behavior do's and behavior don'ts" clearly defined for situations between and among one another and with customers to create optimal experiences and memorable moments for team members and customers?
  - d. **Technology:** Do customers and team members say the technology used for customer interfacing contributes to creating a "great place for customers to shop and spend money?"
  
3. **Establish a plan and a ROI for the project.**

A multi-unit retail chain with 500 locations projects if both team member and customer experiences were improved by 10%, 2015 vs. 2016, in six [6] key result areas [new customers, new and existing customers retained, total number of customers, average number of visits and average spend per visit] the [ROI] would be significant and definitely worth the effort.

	2015	2016
Locations	500	500
Customers + 10%	1,000,000	1,100,000
New customers each year +10%	2,000,000	2,200,000
New customers retained is 20% +10%	400,000	484,000
Existing customers retained is 60% +10%	600,000	726,000
Total number of customers +10%	1,000,000	1,210,000
Average number of visits annually is 20 +10%	20,000,000	26,620,000
Average spend per visit in 2015 \$80.00 + 10%	\$1,600,000,000.00	\$2,342,560,000.00
<b>Difference</b>		<b>\$742,560,000</b>

4. **Involve a representative number of team members** who are high influencers / early adopters, and high influencers / high resisters, to work on a task force to beta test the changes and measure the results to validate the value of changing the culture.
5. **Design an algorithm to produce predictive analytics**, i.e. if the team member and customer engagement metrics changed by 10% and customer retention improved by 10%, and customer frequency improved by 10%, and the average spend improved by 10%, and team member retention and satisfaction both improved by 10% what would be the impact on the company?
6. **Implement the beta test**
7. **Implement system-wide:** Measure, analysis, evaluate, improve, implement, repeat,
8. **Involve everyone in decisions that affect them.**  
Involvement leads to intellectual understanding, intellectual understanding leads to emotional buy-in, and emotional buy-in leads to implementation, and implementation of changes leads to improved results.

**Gallup Research from 2008 – 2014; State of the American Consumer** [25 million completed team member surveys]

To win customers, and gain a larger share of the marketplace, companies must first win the hearts and minds of their team members.

Something Gallup research validates, which is not taught in business school is: The single biggest decision companies make, bigger than all of the rest, is who you name as managers. When you name the wrong person manager, nothing fixes that bad decision. Not compensation, not benefits, nothing. And the toxicity it creates lasts longer than one can ever imagine. From Gallup Research:

- **Great Managers** produce engaged, inspired, team members who create great experiences and magic memorable moments for customers
  - Of the approximately 100 million people in America who hold full-time jobs, 30 million (30%) are engaged and inspired at work, so we can assume they have a great boss.
- **Poor Managers** produce disengaged team members who create horrible experiences and hellish moments for customers
  - 20 million (20%) team members are actively disengaged. These team members, who have bosses from hell that make them miserable, roam the halls spreading discontent.
- **Mediocre Managers** produce unenthusiastic mediocre team members who create bland commodity experiences for customers
  - The other 50 million (50%) American workers are not engaged. They're just kind of present, but not inspired by their work or their managers.

### **The variables management controls that create a “Great place to work” and have a direct impact on the customers’ experiences**

- Who is appointed managers
- The processes
- The technology
- The embedding mechanisms
- The reward for performance
- What behaviors are highly valued and highly rewarded
- Team member mastery of the skills, knowledge, and abilities required for excellent performance
- How people are lead
- The internalization of the Brand’s Mission, Core Values, Vision, Positioning, and Promise
- Team member recognition
- The identification and utilization of individual team members’ strengths
- Knowing who your customers are, what they value, and how you can enhance what they value
- An understanding of human behavior and the emotional connections that create full team member and customer engagement and drive motivation, performance, and business outcomes [results].

## **Emotionomics Is the Process of Producing Emotional Currency**

Consumers are increasingly inclined to spend money with those businesses whose team members behave in ways that evoke positive emotions within them, making them *feel good*. Since these “evoked emotions” are of high value they are referred to as “emotional currency.” Loyal customers return for these emotions more than for the product or service purchased. Dan Hill refers to the production, accrual, and transfer of these positive emotions as “emotional currency” and the process as “Emotionomics.” He coined the phrase for this new economic reality as: “Emotionomics Drives Economics.”

## **Why Team Member and Customer Engagement Matters?**

Engaged customers tend to be “Loyal Customers for Life.” If you have 100,000 loyal engaged customers who are your customers for a lifetime, and recommend you to others, they are of more economic value to you than 100,000 customers who do business with you for one year and then stop.

We have a client with 45 million customers in their data base who have an average of 2.5 transactions per year and each transaction is worth \$9.00. Retention and frequency are their most important metrics. Increasing the average 2.5 transactions to 3, with no change in the \$9.00 would be additional revenue of \$202,500,000.00. Since this client is a franchise with a 5.5 % royalty, the additional royalty to the franchisor would be \$10,125,000.00. With all of this information, you can calculate the lifetime value of these customers.

## **What can be done to drive team member engagement?**

Develop a selection and on boarding process focused on four areas:

1. Everyone knows what outcome they are paid to produce, and live in their behaviors, i.e. a loyal, frequent user, promoter customer [The Mission: *“To do what I do so well that they will want to see it again and bring their friends.”*].
2. Each team member has a personal goal that is dependent on their work goals being accomplished.
3. Each team member knows and understands the why of their job and how to convey the why in their behaviors [The Brand’s Purpose: To create “The happiest place in the world.”].
4. Each team member knows how they need to behave in order to contribute to the why. [They use the uniqueness of their personality to create magic moments for customers].
5. Ensure each team member has mastered the skills, knowledge, and abilities required to implement the processes and use the technology to create the magic moments.

6. Encourage and expect team members to see themselves as actors in a play delivering encore experiences for each customer.
7. Have team members consciously create memorable moments for their fellow team members as well as for each customer.

### **What can be done to drive Customer Engagement?**

1. Develop a strong Brand Mission and Promise expecting each team member to live the Brand Mission and Promise between and among one another and with customers in everything said and done.
2. Deliver great individualized customer experiences by fully, completely, and consistently implementing the processes and using the technology correctly, thereby increasing customer engagement.
3. Increase customer engagement by designing processes and behaviors, for each touchpoint within the customer's journey, to enhance what we know our customers' value and conveying consistent messaging and perceptions about the Brand's promise.
4. Choose to measure the metrics that matter in the 21<sup>st</sup> century. The two financial metrics that matter the most are:
  - Customer Retention, and
  - Customer frequency.
5. Measure Emotion. Historically, if someone had positive or negative feelings we simply, especially if you were a male, would say "they will get over it." Today we know customers do repeat business with a Brand believing they will get a great experience the next time. What Management 2000 measures for our clients:
  - a. Management 2000's CRI [Customer Recommendation Index] tracks how the customers feel at the moment of a particular experience. This is very important for analyzing changes or improvements needing to be made to team member behaviors, or to the processes and technology used when creating customer experiences.
  - b. Management 2000's CBI [Customer Belief Index] tracks the "depth of belief" customers have regarding whether or not future experiences will be excellent and emotionally gratifying. These beliefs reflect the depth of the customer engagement reflected in their behaviors.
  - c. Management 2000 has a Franchisee Engagement Index [FEI], and a Franchisee Belief Index [FBI] to help validate, for prospective new Franchisees the worth, value and depth of validation existing Franchisees will demonstrate to candidates deciding to join a company.
  - d. Management 2000 also has a Team Member Engagement Index,[TEI] and a Team Member Belief Index [TBI] to measure their perception of the



company as a “Great place to work” and the degree to which they believe the company will continue to improve as a “great place to work.”

The reason for measuring the depth of beliefs for customers, team members, and Franchisees is because a high 9-10 score might be given for a particular visit by a customer, but give a 5 to their belief that this 9-10 experience will be a pattern in future visits. The same is true for team members and Franchisees who give a high score for a particular period of time but not a belief in this being sustained over time.

The CBI score is one of the most reliable Predictive Analytics providing the most valid correlation to future growth, revenue, profits, and shareholder value.

### **Customer and Team Member Engagement Drives Financial Performance**

Gallup and Management 2000 have found that fully engaged team members do a better job at creating customers being fully engaged. Well trained and committed team members who live, in their behaviors with one another and with customers, the Brand’s beliefs, while they are implementing the processes and using the technology comprising the customer experiences, will engage customers in the creation of magic moments. This makes the customers feel happy, comfortable, like they belong to the Brand, and committed to returning and recommending the Brand to their sphere of influence.

The measurement of these emotional and psychological attachments to the Brand and its products, the CBI, are definite, reliable, and predicative analytics.

It needs to be noted that both the [CEI] Customer Engagement Index and the [CBI] Customer Belief Index scores can measure different shifts, different managers, different franchisees, area supervisors, field consultants, stores of different configurations, various segmentations of customers, etc.

Correlations can be made showing the highly engaged managers and team members have higher customer retention and frequency of purchase rates than highly disengaged team members.

- Highly engaged customers of casual dining chains make 56% more visits per month than actively disengaged customers
- Fully engaged hotel guests spend 46% more per year than actively disengaged customers
- Fully engaged bank customers bring 37% more revenue to their bank than the actively disengaged customers

### **Brand Alignment and Brand Engagement is Accomplished by:**

- Making ***everything*** people believe, think, do, and achieve related to the enhancement of the Brand.
- Embedding the belief with each team member that they are the Brand.
- Having team members know and understand the Brand Promise and the Brand Positioning.

- Involving and engaging each team member in discussions regarding how they can influence enhancing the Brand.
- Ensuring the Brand creates feelings of pride and respect within team members because of what the Brand does for customers, team members, and society.
- Empowering team members with the resources and permission to make decisions regarding protecting and delivering the Brand Promise in difficult and unusual circumstances.
- Including an understanding of the Brand Promise in the selection and orientation, and on boarding process of new team members.
- Ensuring team members can see and believe they have an impact on customers' perception of and commitment to the Brand.
- Recognizing the team members who have the customer facing roles when measurements show they are achieving the goal of creating and retaining engaged customers.
- Regularly involving all team members in coming up with new and better ways to live the Brand Promise and the Brand Positioning between and among one another and with the customers.
- Publish internally the measurement numbers when they reflect either an increase or a decrease in fully engaged customers and involve the team members in the root cause analysis of what changes need to be made to team member behaviors, processes, or technology to stop negative trends or increase the number and frequency of fully engaged customers.

### **Engaging Customers with Marketing & Social Media**

- The 2015 Gallup "State of the American Consumer" has the following statistics regarding what influence social media has on purchasing decisions:
  - 5% "a great deal of influence,"
  - 30% "some influence,"
  - 62% [Millennials 48%] "no influence at all"
  - 3% "don't know."
- The Gallup Report says;
  - "But, in reality, consumers have always talked about what they like and don't like. Social media just makes it easier for them to have these discussions on a more public and widespread scale."
  - "Regardless of the hype surrounding social media, consumers are still most affected by their off-line experiences."
- Marketing is linking and establishing a relationship between a product and a service with the emotions customers' value. Examples:
  - Maserati – The exact opposite of ordinary
  - Nike – Just Do It
  - McDonalds – I'm Lovin' it
  - Coke – Open Happiness
  - Disney – The Happiest Place on Earth

- Subaru – Love, It's what makes A Subaru, A Subaru
- Allstate – You're in Good Hands
- Apple – Think Differently
- L'Oreal – Because You're Worth It
- Wal-Mart – Save Money – Live Better
- Wheaties – Breakfast of Champions
- Hard Rock Café – Save The Planet
- Servpro – Like it Never Happened

## Conclusion

Management 2000's clients are not those of McKinsey, Accenture, The Boston Consulting Group, and Bain, but we have great admiration for and spend lots of time studying their philosophies, theories, processes, programs, and practices.

Management 2000 made a commitment, when we began 35 years ago, to help apply those state-of-the-art business practices and the most traditional, solid, and avant-garde, cutting edge, business thinking, practices and behaviors to the small and medium sized Brands that make up the 1,450 Brands on our client list. If you have questions or would like to discuss anything in this chapter, please contact us and let's discuss how we might help you become a "great place to work" for your team members and a "great place for your customers to shop and spend money."

Robert A. Gappa  
CEO & Founder



P.O. Box 69130  
Oro Valley, AZ 85737  
520-818-9988 Main office  
800-847-5763 Toll Free  
Email: [bobg@mgmt2000.com](mailto:bobg@mgmt2000.com)  
[www.mgmt2000.com](http://www.mgmt2000.com)