



# You Say You Want a Revolution: Build a Customer-Centric Culture

Want your employees to go the extra mile for your customers? Start by creating a customer-centric culture and aligning it with management practices.



## WHY THIS MATTERS

Companies like Nordstrom and USAA have known for years that a customer-centric culture is the key to their success. And decades of research have confirmed this to be true. Leaders who understand the fundamental characteristics of a customer-centric culture can take actions and implement practices that create and reinforce that culture.

A customer-centric culture, however, must be vigilantly monitored and maintained. By listening to feedback from both customers and employees, leaders can quickly learn when their companies may be falling short and where they need to make changes.

## KEY FINDINGS

### **A Customer-Centric Culture Has Six Core Dimensions**

Six core dimensions provide the foundation for a customer-centric culture. These characteristics shape employees' attitudes and behaviors and how they relate to customers. A customer-centric culture is characterized by an environment of trust, open communication, and learning, where customers are clearly the top priority and employees are empowered and recognized for doing what it takes to deliver a great customer experience.

### **Management Practices Bring Culture to Life**

While a customer-centric culture directly influences employee engagement, culture is only part of the story. A company's management practices — the tangible practices that

companies put in place to support, encourage, and recognize great customer service — also have a big impact on frontline engagement. These practices are what turn customer-centric values into customer-centric actions.

### **When Customer-Centric Culture and Management Practices Align, Employees Deliver a Better Customer Experience**

When management practices align with the six dimensions of a customer-centric culture, frontline employees become more engaged in activities that produce a better customer experience. Companies that develop robust feedback loops can determine when and where their practices are out of alignment and can adapt more quickly to customer expectations.

# TABLE OF CONTENTS

A Well-Defined Culture Drives Customer-Centricity at Scale.....	4
Culture Should Support a Company’s Core Value Proposition.....	5
Culture Influences How Frontline Employees Relate to Customers .....	6
A Customer-Centric Culture Has Six Core Dimensions.....	8
Management Practices Bring Culture to Life.....	10
Culture and Practices Align to Create Engagement.....	14
Conclusions and Implications for Practice.....	15

In 1975, a customer walked into a Nordstrom department store in Fairbanks, Alaska, with two snow tires. He had purchased them at the previous business on the site, a tire store, and wanted his money back.<sup>1</sup> Recalling Rule Number 1 in the Nordstrom employee handbook—“Use best judgment in all situations”<sup>2</sup>—the clerk calmly found the price of the tires, reached into the cash register, and handed the delighted customer \$145.

This true story has been passed down through the generations at Nordstrom as a laudatory example of the Seattle-based retailer’s famous customer-centric culture.<sup>3</sup> USAA—the bank and insurance company servicing members of the US military and their families—is also consistently ranked as one of the best customer-centric organizations and has a similar culture. At USAA, customer-centricity starts with building empathy between employees and customers. Each new employee attends

a 10-week "boot camp," which includes role-playing exercises that immerse employees in challenges similar to those service members face when serving. As part of their training, employees read deployment orders, strap on helmets and 65-pound backpacks, eat military ready-to-eat meals, and take orders from a drill sergeant, all so they can better identify with military life.<sup>4</sup> USAA’s customer-centric culture has helped the company achieve a customer retention rate of 97.8 percent<sup>5</sup> and an enviable employee turnover rate of only seven percent.<sup>6</sup>

Many companies would like to duplicate that kind of success. But it’s not easy. According to one Bain & Company report, 81 percent of leaders surveyed said they believe an organization that lacks a high-performance culture is doomed to mediocrity.<sup>7</sup> Yet fewer than 10 percent of those leaders said they’ve actually succeeded in building such a culture.<sup>8</sup>

# A Well-Defined Culture Drives Customer-Centricity at Scale

All companies want to please their customers. But when they become bigger and more spread out, it becomes more difficult to stay in touch with their customers' needs and expectations. Adding new locations, stores, call centers, and the like not only makes it more challenging to maintain a consistent culture across business units and functions, it also requires putting in place more rules and processes to keep everyone in line. Unfortunately, as operations become more complex and rule-bound, it becomes harder to shift direction and more difficult to innovate. Because of this, companies find it more difficult to adapt as their customers' expectations change over time, which they inevitably do.

Many companies have come to realize that a strong, customer-centric culture can be one of the most effective ways to counter the challenges of growth, complexity, and inertia. A customer-centric culture can create an environment where frontline employees better understand the company's values, know where to direct their energies, and, as a result, engage more fully in providing great customer experiences. Not only that, it can also encourage and empower employees to identify changing customer expectations and come up with innovative ways to meet those expectations. This helps their company be more responsive. However, as we discuss below, it takes more than culture to create customer-centric engagement at the front-line. Management practices must align to make a customer-centric culture real.

A strong customer-centric culture can be one of the most effective ways to counter the challenges of growth, complexity, and inertia.

What's the best way to build a customer-centric culture? It helps to start with some basic definitions about what culture is and how it influences employees.

Culture can be defined at three levels:

**Unconscious assumptions.** At the deepest level, culture consists of the unconscious assumptions that guide people's actions at work. For example, in some companies, everyone knows that getting ahead requires looking smarter than your peers, whereas in other companies, collaborating and building consensus are most important. While no one may talk about these beliefs, they certainly guide what people pay attention to and how they act.

**Stated norms and values.** At the next level, culture includes explicit norms and stated values.

At Nordstrom and USAA, delivering great service is an explicit norm and core value that guides what people do. It is unambiguously stated in corporate communications and training. And it consciously drives employee behavior.

**Patterns of behavior.** At the third level, which is the easiest to observe, culture is the day-to-day patterns of behavior reinforced by a company's people and systems over time.<sup>9</sup> It is how employees actually act. A company may claim in its annual report that customers are its number one priority. But if employees don't provide the service customers expect, the culture is not really customer-centric.

In short, culture is made up of unconscious assumptions, explicit norms and values, and patterns of behavior. Together, they create a social control system that influences what employees do in their jobs and how they behave in their every-day work.

## Culture Should Support a Company's Core Value Proposition

While general definitions can be a good place to start, most companies care about the specifics. They want a certain type of culture—one that will reinforce their value proposition in the market and help them achieve competitive advantage. To do this, academic research tells us that a culture must be strategically relevant, widely shared among employees, and adaptive over time.<sup>10</sup>

With these general parameters in mind, the Medallia Institute set out to examine what makes for a customer-centric culture. We wanted to know: What qualities does a culture need to reinforce a value proposition that includes a great customer experience? What are the specific cultural characteristics that create customer-centric assumptions, norms, and values, and drive employees to behave in customer-centric ways?

We also wanted to explore how culture improves frontline engagement. We wanted to understand the mechanisms by which culture works to engage frontline employees more in delivering an exceptional experience to their customers.

To this end, Medallia conducted a survey of one thousand customer-facing employees—individual contributors and supervisors—working in a variety of jobs across five industries in the United States. The survey consisted of 140 items that asked front-line employees to assess various aspects of their workplace. These included:

- Values and norms that characterized their company's culture
- Specific practices relevant to delivering great customer service
- Attitudes and feelings that described their experience at work
- How well teams and individuals worked together to satisfy customers (or didn't)
- Specific behaviors indicating whether employees were highly engaged and committed to satisfying customers

Finally, we asked respondents about their overall satisfaction with their workplace, the extent to which they would recommend the company or its products to others, and their intentions to stay with or leave the company within the next six months. We asked these questions because many companies track these metrics, in particular, when assessing the vitality of their workforce.



# Culture Influences How Frontline Employees Relate to Customers

Scholars and practitioners alike have long asserted that employee engagement leads to customer loyalty, which, in turn, leads to profitability.<sup>11</sup> According to a 2013 *Harvard Business Review* study, 77 percent of companies that place a high priority on employee engagement believe that it has a considerable, direct impact on customer satisfaction.<sup>12</sup>

While there is some debate about whether employee engagement drives business performance or business performance drives employee engagement, there is little debate about the importance of employee engagement for customer-facing employees working in roles like sales and service. Studies have documented a clear statistical relationship between increases in frontline engagement, increases in customer service, and revenue growth.<sup>13</sup>

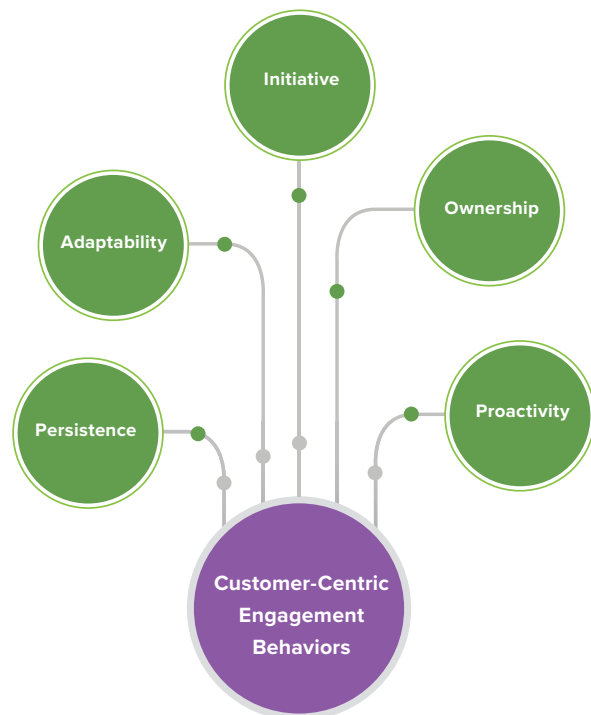
We designed our study thinking that frontline engagement was one-dimensional, but our analyses<sup>14</sup> revealed that there are actually two dimensions to an employee's customer-centric engagement: customer-centric behaviors (how an employee acts) and attitudes related to those behaviors (how an employee feels).

**Engagement behaviors.** Customer-centric behaviors are employee behaviors and actions that typically have a positive impact on the customer experience. When employees demonstrate more customer-centric engagement, they act in ways that are more likely to satisfy and delight their customers. These engagement behaviors include:

- Taking *initiative* to ensure that customers are happy
- Assuming *ownership* of customer problems and their resolutions
- Being *proactive* by anticipating customers' needs and going above and beyond what they expect
- Demonstrating *persistence* in doing whatever it takes to satisfy customers
- *Adapting* to changing customer expectations and requests

When the frontline engages in these types of behaviors in interactions with customers, it is easy to see why customers are more likely to be satisfied with their experiences.

Figure 1: Five Customer-Centric Behaviors That Indicate Greater Engagement



Source: Medallia Institute, Frontline Employee Survey, 2015

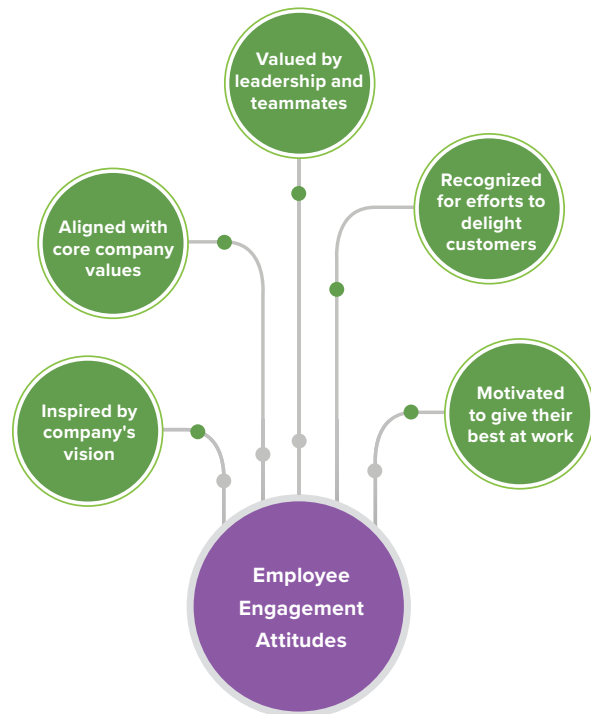
**Engagement attitudes.** There are also certain attitudes that lead employees to be more engaged in serving and satisfying customers. When employees have these attitudes, they also tend to be satisfied with their work and stay longer with their employer. This benefits customers because more experienced employees develop a better understanding of what customers want. They also become more skillful in meeting customer needs and build stronger relationships with customers over time. Our findings indicate that employees tend to engage in more customer-centric behaviors and to be more satisfied with their work when they feel:

- *Valued* by their leadership and teammates
- *Recognized* for their efforts to delight customers
- *Motivated* to give their best at work
- *Inspired* by their company's vision
- *Aligned* with the values their company says are important

Employees who described themselves as highly engaged also described their companies as having similar cultural characteristics.

As we discuss next, frontline employees who described their behavior and attitudes in these terms, on average, also described their organizations in similar ways. Those employees who described themselves as being highly engaged in delivering a great customer experience also tended to describe their companies as having similar cultural characteristics.

**Figure 2: Five Attitudes That Indicate Greater Engagement**



Source: Medallia Institute, Frontline Employee Survey, 2015

# A Customer-Centric Culture Has Six Core Dimensions

Having clarified important dimensions of customer-centric engagement, we turned our focus to the cultural characteristics that impact engagement. In Deloitte's 2015 report on human capital trends, executives globally ranked "culture and engagement" as the most important talent challenge facing their organization.<sup>15</sup> The following year, Deloitte asked executives about culture and engagement separately, noting that the two concepts are distinct, yet critically linked: "When a company's culture is aligned with its values, it attracts those who feel comfortable in that culture, which in turn helps companies to motivate people, leading to a high level of engagement."<sup>16</sup>

Using a technique called structural equation modeling,<sup>17</sup> we examined how highly engaged frontline employees described their companies. There were six cultural dimensions that these highly engaged employees consistently cited:

**High trust:** When employees feel a high degree of trust, they believe they can count on others—both their managers and their teammates—to support them, even when they're not present. Trust is what frees employees to put their full energy and commitment into serving customers.<sup>18</sup> When there is a culture of trust, employees feel free to use their creativity and judgment to resolve customer problems without fear of retribution. This makes trust one of the most important building blocks of a customer-centric culture.

The Ritz-Carlton hotel—often considered gold standard of customer service—trusts and empowers its employees to spend up to \$2,000 per guest to solve any customer problem and ensure that guests have a great experience. Moreover,

it allows employees to take action without seeking a manager's opinion or permission.<sup>19</sup> Similarly, the Taj Mumbai, a high-end hotel in Mumbai, India, widely recognized for its high-quality customer experience, teaches employees to improvise rather than do things according to a set of standard practices. Managers insist that employees know how to deal with guests without consulting a supervisor.<sup>20</sup> In each of these cases, employees are trusted to make good decisions and to act with the customers' best interests at heart.

**Customer-oriented:** When companies are truly customer-oriented—rather than product- or technology-oriented—they encourage employees to place the customers' interests above all else. When trade-offs have to be made, customers are the number one priority. Customer-oriented companies design their products, systems, and processes around the customer to maximize customer value and enhance the customer experience. Similarly, employees are selected based on their attitudes and demonstrated experience serving others.

When companies are truly customer-oriented, they place the customers' interests above all else.

At Singapore Airlines, service personnel go through a rigorous recruiting process that involves multiple interviews and attendance at a tea party with management. During the tea party, managers evaluate applicants' poise, confidence, communication skills, and positive attitude toward work and service.<sup>21</sup> This not only ensures that people with a service mentality are selected to perpetuate the airline's world-renowned dedication to quality, it also strongly signals the company's commitment to delivering an outstanding customer experience.



In 2015, Singapore Airlines was ranked second in customer satisfaction by the World Airline Awards,<sup>22</sup> the largest passenger satisfaction survey in the industry. And it consistently ranks at the top of numerous other industry benchmarks.

**Learning-oriented:** Companies with learning-oriented cultures encourage employees to come up with new and better ways of doing things. They view mistakes as opportunities to learn, and they are committed to continuous improvement. They also value innovation and widely recognize employees for coming up with new ideas that enhance the customer experience.

At Virgin America, the US-based airline, employees are not only empowered to satisfy customers in any way possible, they are also publicly rewarded by the company's iconic founder, Richard Branson, for coming up with creative solutions.<sup>23</sup>

**Open communication:** Companies with open communication ensure transparent and clear dialog between management and the frontline. Transparency and open lines of communication are critical for employee engagement and for fostering a culture of trust between leaders and employees. A 2013 employee engagement survey by the *Harvard Business Review* found that 70 percent of executives believe employees are most engaged when senior leadership continually updates and communicates the company strategy.<sup>24</sup> Open communication the frontline to leadership is equally important. When a major electric utility suffered a big outage, leaders discovered that the outage could have been predicted—and likely prevented—if the company

had done a better job of monitoring employee feedback. The company decided to listen to employees more carefully, and today it uses text analytics to continuously monitor feedback from the frontline.<sup>25</sup>

**Living its values:** Values describe what's important to an organization. Companies live their values when all of their employees—from the CEO to the frontline—act in ways that reflect what the company believes is most important, like creating a great customer experience. When companies do not practice what they preach, they risk not only alienating their employees and customers, but also jeopardizing their business. Enron's demise provides a powerful example of the damage that can be done when a company proclaims one set of values but acts in ways that are inconsistent with those values. The former US energy, commodities, and services company outwardly professed a culture of high ethical standards and innovation. But actions by senior leadership created

a climate of greed that encouraged unethical behavior at all levels.<sup>26</sup> The corruption and mismanagement that ensued ultimately led to Enron's collapse and a shock to the entire US financial system.

**Action-oriented:** Action-oriented companies not only listen to their customers and employees on a regular basis, but also take action based on their feedback. According to Adele Sage, principal advisor at Forrester Research, "You get no ROI from listening or interpreting. None. Zero. Zip. You only get business results from actually improving the [customer] experience."<sup>27</sup> However, Sage also points out, "Taking action on the data is the



hardest part of a Voice of the Customer program as it mainly involves convincing others, which requires a mixture of art and science.”<sup>28</sup>

As we move deeper into the digital age, technology is helping to fuel a faster, more action-oriented approach to customer service. Best-in-class companies today distribute customer feedback broadly across the entire company, in real time, so that feedback can be acted on quickly, driving everything from product changes to improvements in purchasing and logistics.

Taken together, these six dimensions form the foundation of a customer-centric culture, regardless of a company’s business or industry. This is not to say that other values and dimensions are unimportant. Companies most certainly may have other values

and norms that shape their employees’ behavior and that are critical to their identity. But, if a company wants to be truly customer-centric, these six cultural dimensions form the necessary conditions that must be in place for frontline employees to feel motivated, driven, and highly engaged in delivering exceptional customer experiences.

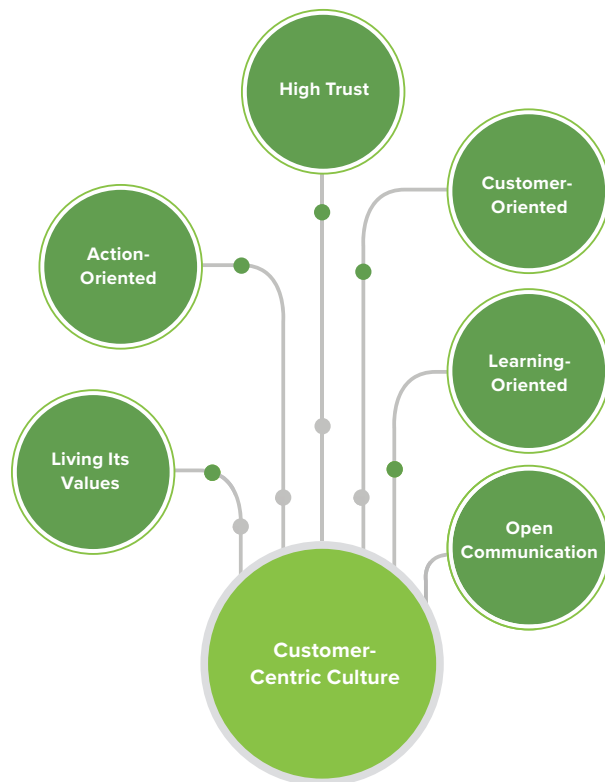
## Management Practices Bring Culture to Life

In his book *The Hard Thing About Hard Things*, Silicon Valley venture capitalist Ben Horowitz asserts that “the world is full of bankrupt companies with world-class cultures.”<sup>29</sup> This isn’t to say that Horowitz views culture as unimportant. Quite the contrary. He argues that culture plays an important role in distinguishing a company from its competitors, ensuring that operating values like “delighting customers” persist over time, and attracting employees who fit with the company’s mission. But he also believes that it takes more than a great culture to make a great company.

While our initial results provided evidence that aspects of a company’s culture influence the extent to which employees demonstrate customer-centric engagement, they did not tell us how culture works to influence engagement and whether other factors might also be important. To answer these questions, we dug further into the data.

When we looked more closely at the responses of our frontline participants, we discovered that a customer-centric culture is only part of the story. The magnitude of culture’s impact on engagement depends largely on the tangible management practices that a company puts in place — practices like leadership direction, goals, empowerment, and training. More specifically, it is the extent to which these tangible practices align with the six

Figure 3: Six Dimensions of a Customer-Centric Culture



Source: Medallia Institute, Frontline Employee Survey, 2015

Figure 4: Management Practices Bring Culture to Life and Influence Employee Engagement



Source: Medallia Institute, Frontline Employee Survey, 2015

dimensions of a customer-centric culture that determines how much culture actually influences employee engagement, including the actions that ultimately shape the customer experience.

We identified six management practices that appear to bring a customer-centric culture to life. Similar to the six cultural dimensions, these practices were cited more frequently than others when highly engaged employees were describing the companies they worked for. The more the practices reinforced the culture, the greater the employees' customer-centric engagement. However, when a company's management practices were described as less customer-centric, employees appeared to be less fully engaged in serving customers, even when the core cultural dimensions were in place. In a nutshell, customer-centric practices appear to be the key to turning a company's customer-centric values into customer-centric actions.

The six management practices<sup>30</sup> that stood out in this study as being critical to customer-centric employee engagement were:

**Leadership direction and support:** The most important aspect of a customer-centric work environment is the extent to which employees believe there is mutual trust and respect between themselves and their leadership. In our study, highly engaged employees were more likely to say they could count on their managers to remove obstacles to delighting customers. More engaged employees also indicated that they felt safe voicing their opinions to their direct managers.

When Jim Donald became CEO of Extended Stay Hotels (ESH) in 2012, the US hospitality chain had recently emerged from bankruptcy, and its employees lived in constant fear of layoffs.<sup>31</sup> Donald set out on a crusade to transform ESH into a place of high trust and leadership support. As CEO, he spent 65 percent of his time in the field, making himself accessible to his employees.<sup>32</sup> To boost trust within the company, he gave his frontline employees "get out of jail free" cards, which allowed them to take risks in the quest to delight customers, without any questions or penalty. Within a year of Donald coming on board, ESH was named America's Most Improved hotel brand.<sup>33</sup> As Donald puts it, all he

did to achieve this was “spread the word that there was a new way forward” and that he “would be the voice behind it.”<sup>34</sup>

**Resources and training:** Another key management practice for customer-centric companies is providing employees with the training and resources they need to provide a great customer experience. At Singapore Airlines, cabin crews attend a demanding four-month training program described as a cross between a finishing school and military boot camp. The airline uses this initial training program and regularly scheduled retraining programs to reinforce its service culture.<sup>35</sup>

At Amazon.com, frontline employees are not the only ones who are trained to understand and serve the customer. Every new employee, no matter how senior or junior, is required to spend time in

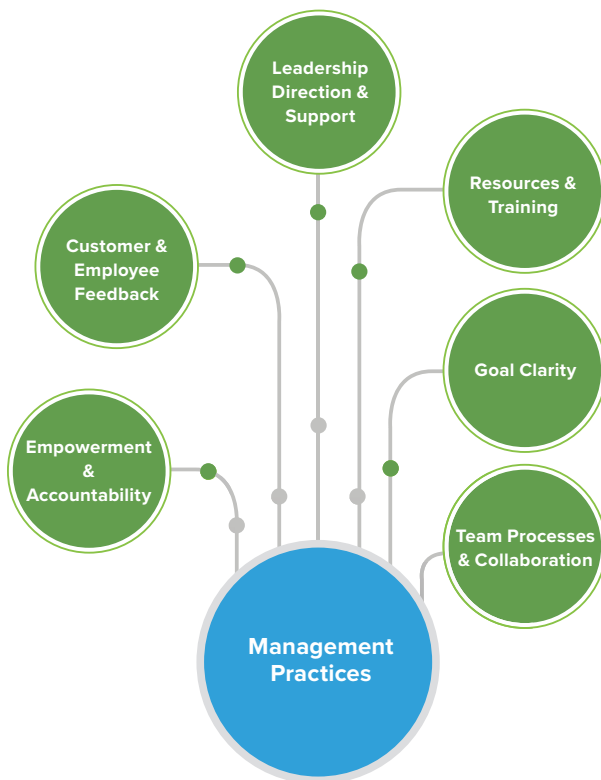
the company’s fulfillment center within first year, and to perform customer service in call centers or other service roles every two years. This helps to keep all employees focused on the customer, which founder Jeff Bezos believes is essential to continuously improving the company as a whole.<sup>36</sup>

**Goal clarity:** It’s easier for employees to succeed when they have a clear understanding of what they’re trying to achieve. When companies communicate clear goals, they help employees understand how their efforts contribute to the company’s strategic objectives. In order to make good decisions and take appropriate actions when serving customers, employees need to have visibility into the way their specific role contributes to the larger business plan. Netflix’s famous “Culture Deck” asserts that “high performance people will do better work if they understand the context.”<sup>37</sup>

David Neeleman, JetBlue’s founder, attributes the airline’s success to how well its employees truly understand the company’s key strategic goals.<sup>38</sup> JetBlue’s culture of transparency is reinforced by numerous initiatives that help employees know what is expected of them and how their efforts impact customer experience and the bottom line. Each employee attends JetBlue University to learn about the company’s core values, its business model, and how their role fits into the big picture. JetBlue hosts monthly “pocket sessions” where senior managers discuss pressing company issues and take questions from the entire organization.<sup>39</sup> Driving alignment through communication and shared clarity has been instrumental to JetBlue’s success.

**Team processes and collaboration:** When frontline teams fail to work well together, not only is performance negatively impacted, so are customers. A collaborative team environment is key for both a team’s success and a company’s overall performance. The US grocery chain Trader Joe’s fosters a culture in which team collaboration is critical to providing great customer service.

**Figure 5: Six Management Practices Turn Customer-Centric Values into Customer-Centric Actions**



Source: Medallia Institute, Frontline Employee Survey, 2015

“TJ’s employees aren’t working independent retail jobs—they’re working on interlocking pieces of a project, and that project is to make customers happy.”<sup>40</sup> Store managers share responsibility with the frontline for delighting customers, and they are often seen sweeping floors, stocking shelves and tending to customers.<sup>41</sup> Even innovation is a team sport. Employees from all levels are encouraged to ideate together and come up with new ways to improve store operations and customer experience. This collaborative culture has helped Trader Joe’s sustain a low annual employee turnover of 4 percent,<sup>42</sup> and top the American Customer Satisfaction Index for years.<sup>43</sup>

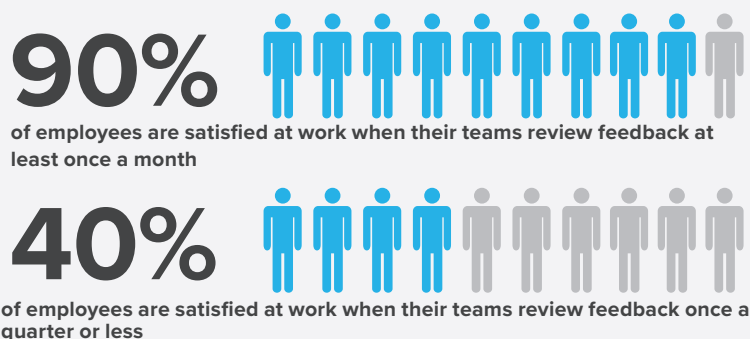
**Empowerment and accountability:** Empowered employees are encouraged to use their creativity and discretion to provide exceptional customer service. Empowering employees has a number of benefits. For one, it gives employees permission to use their judgment in the moment, when interacting directly with customers. In today’s fast-paced, information-rich environment, addressing customer issues quickly is critical to maintaining satisfaction and loyalty. Empowering employees also increases their flexibility. Giving employees the flexibility to respond creatively to customer needs goes a long way toward ensuring that customers get what they want, when they want it, from wherever they happen to be.

When frontline teams fail to work well together, not only is their performance negatively impacted, so are their customers.

At Zappos, a leader in customer experience, employees are fully empowered to go the extra mile for customers. Customer service reps never read from scripts and are encouraged to do whatever it takes to make shoppers happy. This includes everything from sending flowers to loyal customers to overnighting a free pair of shoes to a best man in time for a wedding.<sup>44</sup> But empowerment involves a lot more than simply giving frontline employees permission to act. As Forrester correctly points out, companies must also provide clear guidance as well as the resources and training that employees need to make good decisions and take the right actions. It’s only then that employees are truly empowered to deliver a great experience.<sup>45</sup>

**Customer and employee feedback:** Medallia research suggests that when companies capture customer feedback more frequently and encourage employees to review it regularly employees are not only able to act quickly, learn, and use that information to improve their organization, they also report greater satisfaction and loyalty (see Figure 6). Companies that listen to both their customers and their employees on a regular basis fully leverage their organization’s collective intelligence to address concerns and realize opportunities.

Figure 6: When Employees Engage with Customer Feedback More Frequently, Their Satisfaction Improves



Source: Medallia Institute, Frontline Employee Survey, 2015

REI, the outdoor clothing company that has been on Fortune’s “100 Best Companies to Work For” list every year since 1998, not only uses employee surveys to get a pulse on its workforce but also utilizes its own social media forum for employees and leadership to share ideas and engage in creative discussions. Forbes reported that, in the year after the forum was launched, over 4,500 of REI’s 11,000 employees had logged in at least once, “demonstrating that having a voice matters to engagement.”<sup>46</sup>

## Culture and Practices Align to Create Engagement

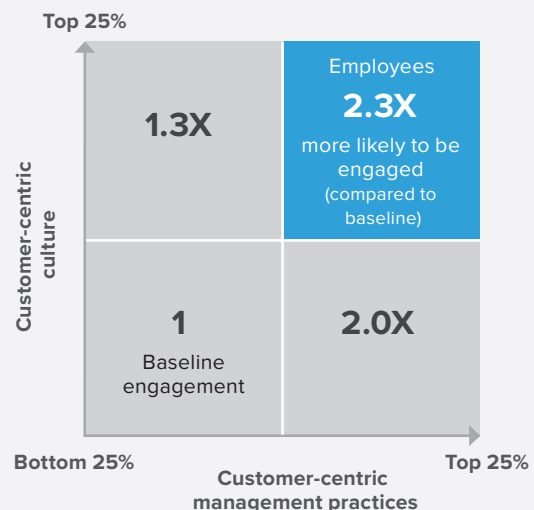
Putting in place management practices that support, encourage, and recognize great customer service increases the likelihood that employees will be willing and able to deliver a great customer experience. But given the competing demands and priorities that large, complex companies typically have to balance, keeping culture and practices aligned is far from easy. Changes made for good reasons in one part of an organization can quickly become out of sync with changes in other parts.

Despite the difficulty of aligning customer-centric culture and management practices, it appears to be this alignment — rather than culture or practices alone — that has the greatest impact on customer-centric engagement at the frontline. To test this, we constructed two indices: one that measured the extent to which employees described their culture as customer-centric (i.e., high on the six customer-centric characteristics) and one that measured the extent to which employees described their companies’ management practices as customer-centric.

We found that, when frontline employees worked for companies that scored in the top quartile of both customer-centric culture and customer-centric practices, they were 2.3 times more likely to be engaged than employees who described their companies as being in the bottom quartile on both (see Figure 7). Moreover, these employees were more likely to be engaged than employees who described their companies as ranking in the top quartile of one but not the other. In short, frontline employees were most likely to be engaged in truly satisfying customers when their company’s culture and management practices aligned to reinforce the attitudes and behaviors that ensure exceptional customer service.

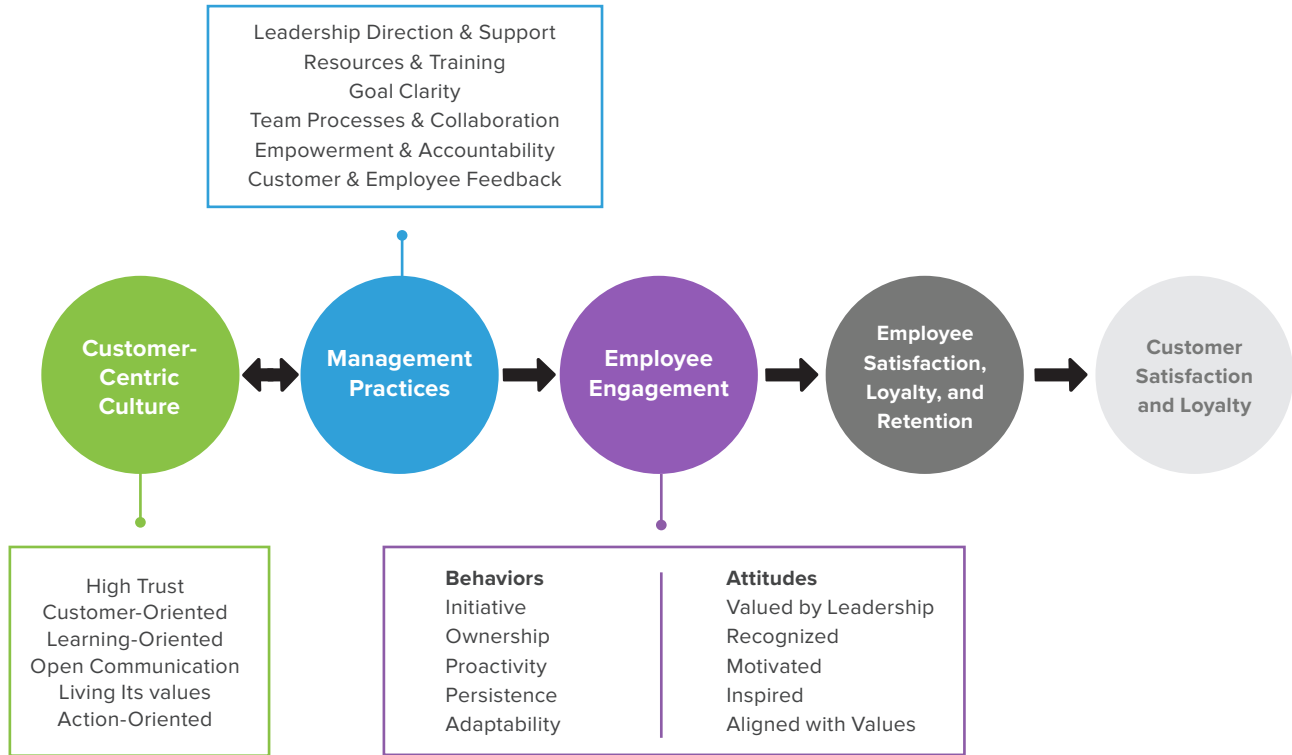
**Figure 7: Customer-Centric Culture and Management Practices Align to Create Greater Employee Engagement**

Employees who describe their companies as ranking in the top quartile of both customer-centric culture and practices are more likely to be engaged in providing great CX than employees who describe their companies as ranking in the bottom quartile of both. They are also more likely to be engaged than employees who describe their companies as high on one, but not the other.



Source: Medallia Institute, Frontline Employee Survey, 2015

# The Path from Culture to Customer



Source: Medallia Institute, Frontline Employee Survey, 2015

## Conclusions and Implications for Practice

Companies like Nordstrom, USAA, Zappos, and Ritz-Carlton view a customer-centric culture as an important element of their success. These companies have turned customer-centricity into a competitive advantage and critical source of differentiation. But these companies also recognize that a customer-centric culture is effective only to the extent that it encourages greater employee engagement at the frontline—the direction, energy, and inspiration that motivates employees to deliver exceptional customer experiences.

Consistent with decades of academic research, our findings confirm that a company’s culture does indeed influence frontline engagement. However, the magnitude of culture’s impact depends critically on the extent to which a company’s tangible management practices align with and reinforce the core cultural dimensions that are most important to a company’s customer-centric value proposition.

There are three implications for companies that view customer-centricity as essential to their value proposition and critical to their success:

**1. Focus on strengthening the core dimensions of a customer-centric culture.**

Companies that want to increase customer-centric engagement at the frontline should assess whether customer-facing employees view their organization as high on the six characteristics of a customer-centric culture. Do they view their workplace as an environment of trust, open communication, and learning, where customers are clearly the top priority and employees are empowered, recognized, and held accountable for doing whatever it takes to deliver a great customer experience? If not, improvement efforts should focus on those dimensions that appear to be lacking.

**2. Align management practices to promote and reinforce customer-centric values.**

If there are indications that one or more of the core dimensions of a customer-centric culture are lacking, look for specific management practices that may be failing to reinforce that dimension. For example, if frontline employees indicate that trust is low and they are unclear about expectations, examine whether leaders are providing the proper direction and support. Are frontline supervisors setting clear goals and helping employees overcome obstacles that may be getting in the way of delighting customers?

**3. Create robust feedback loops to continuously assess alignment and identify potential points of misalignment.**

Because organizations change constantly, maintaining alignment is never easy. Moreover, different departments and functions have jurisdiction over different practices. For example, operating units may determine the structure of frontline teams and processes, while HR may control training and incentive systems. There are no definitive solutions for alleviating cross-functional silos or reducing change, but there are strategies for managing them more effectively.

One of the most effective strategies is building feedback loops that can identify when and where specific practices may be out of alignment with a company's desired culture. By creating reliable systems that collect and distribute both customer and employee feedback, companies can strengthen their ability to detect misaligned practices and adjust accordingly.

Companies that actively monitor how well their management practices align with their customer-centric values and priorities—and recognize when and where to make changes—will not only be better equipped to meet customer expectations, but also better equipped to adapt over time as those expectations change.



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## METHODS

Medallia conducted this panel survey in October 2015. The survey polled 1,000 customer-facing employees (supervisors and their direct reports) working in the U.S. automotive, banking and financial services, retail, telecommunication services, and travel and hospitality industries. Respondents were limited to individuals employed by companies with a minimum of 250 employees, with almost half of the employees in the sample working for companies with 10,000 or more employees.



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