A Conference Board survey of 658 CEOs in multiple industries around the world rated “sustained and steady top-line growth” and “profit growth” as their top two priorities. These same CEOs also indicated that sustained top- and bottom-line growth is difficult to attain.

The Forum Corporation, curious about the leadership practices that drive and sustain growth, conducted a research study to explore the challenges related to creating and sustaining profitable growth, as well as to identify the best practices of firms who are succeeding in this area.

The research showed that many companies favor organic growth over other growth strategies, such as alliances and mergers and acquisitions, to achieve their growth targets. And there is good reason for this. In several studies, including one by Marakon Associates, organic growth was identified as the growth strategy that is most profitable and most likely to increase shareholder returns.

We learned from our research that leaders who seek to drive growth, no matter the strategy, cannot ignore the customer. In fact, one of the two behaviors common to all growth strategies was to keep an external focus on customers’ needs, those that are met and especially those that are unmet. (The other behavior was establishing a climate of employee ownership.) High-performing growth leaders outperformed their on-par counterparts consistently on that practice.

The emphasis on customers is particularly important in organic growth. Superior customer focus enables:

- Innovation in the form of products and services that are valued by the customer
- Identification of opportunities for existing offerings in new markets
- Generation of additional revenue from current customers and existing offerings

So why do leaders stumble when it comes to customer focus? According to our research, the two most common challenges leaders face in driving organic growth are “cultivating a loyal customer base” and “responding to customer pressure for improved products and services.” These seemingly common sense items are apparently uncommon leadership practice. While companies may say customer loyalty is critical, and may even launch initiatives in support of it, that is often the extent of their commitment. Forum’s research on customer experience found that the leadership of top management is rarely mentioned as being essential to creating a differentiating customer experience. But building customer loyalty is exactly what is on the agenda of top executives in companies that offer an exceptional customer experience. As we learned from one executive recently, “Focus on your current customers, because they will make or break your business.”

What Is an Exceptional Customer Experience?

An exceptional customer experience is systematically designed to meet and deliver on customer expectations at every critical interaction. In today’s competitive landscape, delivering a valuable customer experience becomes increasingly important. When products can be copied, processes matched, and store layouts duplicated, it is the people and their behaviors that create distance and differentiation from competition. It’s about the ability of employees to respond to customers based on their unique needs and to engage them emotionally in a memorable experience. Ultimately, it is about creating value—for customers, for employees, and for the company. Dov Seidman corroborates this position when he says that “sustainable competitive advantage comes more from how you deliver your products and services than what the products and services are.”

Why the Customer Experience Matters

The value created for companies who do focus on the customer experience can be significant. A study by
Accenture found that if a $1 billion enterprise improved its performance from average to high across all aspects of the customer relationship, it could achieve as much as $120 million in pre-tax profit.\(^7\)

Conventional wisdom says that increases in customer satisfaction will have a corresponding increase in customer loyalty. Unfortunately, this is not true. The Corporate Executive Board brief Climbing the Service Curve\(^8\) points out that the link between customer satisfaction and behavior is not a straight line as most people thought, but more like an S curve, with two points of inflection (see graph above). The first is the satisfaction point; the second is the experience point. The plateau in the middle reflects the zone where incremental investments in customer satisfaction will have no incremental impact on customer behaviors, and therefore, no impact on loyalty.

While both points of investment generate a return, a recent study by McKinsey gives more evidence of the financial impact resulting from the creation of an engaging customer experience. They found that managing customer migration, which they defined as “significant changes in customer relationships up or down,” has an impact on the business that is “10 times the value of (managing) defection alone.”\(^9\) In another study done by the Economist Intelligence Unit, executives said that they believe customer engagement will have “double the impact on their companies’ growth in 5 years than it does presently.”\(^10\)

The two points at which an investment makes sense is at the experience point, when a company is interested in creating customer advocates. Customers at this point on the continuum experience an exceptional customer experience; it is emotionally connecting, based on what target—most valuable—customers value. It also is consistent with the unique aspects of the company’s brand identity. These customers are on the path to becoming loyal patrons.

**The Customer Experience Is Powered by People...**

When it comes to engaging your customers emotionally, it’s your people who make the difference. Excellent products and reliable processes are part of the equation, of course, but in order to create a differentiated customer experience, you need employees who can make memorable connections with customers.

Employees must be ready to deliver a reliable yet personalized experience to individual customers. This involves a consistent understanding of the company’s brand message and possessing the skills, attitudes, and resources to handle each interaction, while also having the situational judgment, in the moment, to customize the experience to what each customer values. No script, process, or set of policies alone can substitute for the skill, judgment, and commitment of your employees.

As Danny Meyer, founder of the Union Square Café in New York City, said, “If you simply have a superior product or deliver on your promises, that is not enough to distinguish your business. There will always be someone else who can do it or make it as well as you can. It is how you make your customers feel while using your product that distinguishes you. It’s the experience.”\(^11\)
... and Especially by Leaders

Great customer experiences may be realized in those key interactions between employees and customers, but success is ultimately rooted in leadership action. A truly differentiated customer experience requires the attention and energy of senior leaders across all functions. It is up to the leaders to set the direction for others to follow. As we reported in our book Managing the Customer Experience: “Truly understanding what customers value and then executing to deliver that value requires the courage of conviction … Critical, also, is an ability to engage the troops to actually deliver the experience. It is up to the leader to unleash employee power to build and execute an experience that is untouchable by competitors.”

A large part of how leaders “unleash” the power of employees is creating the leadership climate that enables and empowers employees to deliver the experience that customers find so valuable. Climate, a concept pioneered by Forum, is defined as “a set of measurable properties of the work environment based on the collective perceptions of the people who live and work in the environment, and demonstrated to influence their motivation and behavior.”

Of the five drivers of climate, leadership practices account for up to 70 percent of the variance in organizational performance. Therefore, the impact of the leader on an employee’s willingness to deliver the customer experience is powerful. Managing the climate is the single most powerful action a leader can take.

For those who think that climate does not extend to customers, beware. Customers can perceive the climate of an organization or team in the course of brief visits or interactions, and the climate they perceive either attracts or repels them. Research on retail banks found that customers asked to rate the climate of a bank branch—based on a visit of only 15 minutes—rated the climate virtually the same as did the branch employees. When leaders work to create a customer-attracting climate—improving climate in all three zones—more customers feel positive about doing business with the company.

Forum’s Core Solution

To deliver on the customer promise, the entire organization—leaders, employees, products, and processes—must be aligned and working in concert. While Forum understands and works in partnership with all these elements, our primary focus is on equipping employees and leaders with the attitudes, skills, and tools they need to deliver on the promise.

Forum’s approach to implementation starts with a research phase to understand what target customers value most. This is the foundation upon which the new experience will be built and ultimately delivered. We then focus on three distinct types of efforts to drive the change through the organization:

- **Align:** To achieve alignment, we work with client organizations to build the picture of what the new experience will be, and begin to build the case for change. This is then shared with leaders at all levels of the organization, beginning the process of aligning and engaging all members of this organization to the new experience. The focus is not only on preparing the organization for what the new experience is, but also ensuring they understand why the experience is important.

- **Equip:** This is the effort to build skills at all levels—from the front line to the CEO—so that employees are consistently prepared to deliver the new customer experience.

- **Sustain:** Here the emphasis is on embedding the changes in the organization’s culture and on aligning systems to support the new experience. The goal is to make the initiative become “the way we do business.”

For one example of results we’ve achieved, see the box on the following page.
Häagen-Dazs Shops International, in association with Forum, embarked on an ambitious customer experience project with the aim of growing sales revenue by 10 percent. Häagen-Dazs is one of the most recognized and respected ice cream brands in the world, with strong associations with quality and luxury. However, evidence showed that customer experience in Häagen-Dazs shops did not match the status of the brand. The shops business needed to change the way it thought about and dealt with customers if it was to fight off intense competition and fulfill its growth potential.

Customer feedback indicated that service was the key driver in increasing loyalty and customer spending. This commitment to service needed to be the key component of a wider initiative to enhance the ambience and appearance of the shops and to align them with the Häagen-Dazs brand.

The core of the service work was a customer experience “blueprint” that defined the experience Häagen-Dazs’s target customers most value, and the expected and differentiated employee behaviors that must be delivered at each “touchpoint” in the customers’ journey.

The differentiated experience was piloted in four regions, over a 6-month period, with a wide variety of cultural differences and business models. Service staff and shop managers underwent an innovative learning experience to help them understand the new skills. Häagen-Dazs’s internal trainers or “learning champions” delivered and reinforced the training. Recruitment, reward, and recognition plans were also linked to the delivery of the experience.

The results in the pilot markets have exceeded expectations, with an average of 12 percent revenue growth achieved and loyalty increasing to 43 percent. Moreover, there has been a fundamental change in the way these markets view their business, which means that this work should continue to reap dividends in the long term.
Forum is a global professional services firm that mobilizes people to embrace the critical strategies of their organization and accelerate results. We help senior leaders with urgent strategic agendas equip their organizations to perform, change, and grow. Our expertise is built on decades of original research; our business insight keeps companies out ahead of their markets, competitors, and customers. Harvard Business Press published Forum’s latest book *Strategic Speed* in 2010.

For more information, visit www.forum.com.

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