Customer Experience

Leading and governing the customer-centric organization

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The uniquely cross-functional nature of effective customer-experience efforts puts a premium on smart governance. Clearly defined leadership, behaviors, and metrics are the places to start.

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What's wrong with this picture? C-suite leaders, intent on restoring their company's slipping competitiveness in today's fluid, multichannel markets, conclude a high-level strategy meeting with an announcement from the chief executive: since customer satisfaction has become a top priority for the company, a high-performing executive will take charge of a new customer-experience unit, with the goal of making the organization more customer-centric. The unit will report to the chief operating officer (COO), since the operations function is closest to where most customer interaction takes place.

What's amiss is that, while the company's impulse is right, this often-seen response overlooks critical elements in leading and governing a customer-experience effort that distinguishes leading customer-centric companies from laggards. For starters, the best customer-experience efforts begin with a "customer back" perspective driven by the customer's wants, not the company's traditional organizational structure. That makes the task of governing customer-experience efforts unique even among organizational designs that rely on a heavy dose of cross-functional collaboration. Then, leading players incorporate that complexity into choosing which customer journeys matter, which metrics to target, and which incentives to apply in energizing and motivating frontline workers to build and sustain a superior customer experience.

In our experience, adequately addressing the challenge requires a dedicated effort on three levels. First, a customer-centric leadership structure must ultimately report to the chief executive and should be designed to stimulate cross-silo activity and collaboration. Second, leaders must commit to demonstrating behaviors and serving as role models to deliver customer-experience goals to frontline workers and refine and reinforce those goals over the long term. Finally, it is necessary to put in place the correct metrics and incentives that are critical for aligning typically siloed units into effective cross-functional teams.

Perspective matters

Consider the customer's view of the experience of shopping for a pair of sports shoes. As noted in "From touchpoints to journeys: Seeing the world as customers do," on mckinsey.com, customers form their impression of a product or service through multiple interactions with an organization. The customer's ultimate satisfaction or irritation stems from his or her overall impression over the course of an end-to-end journey, rather than with individual touchpoints along the way.

In this way, the experience of shopping for a pair of sports shoes reflects more than the customer's satisfaction with the appearance or performance of the shoes themselves. It might begin with the experience of browsing the Internet to get an idea of choices; finding a store to buy the shoes; making a selection and interacting with the sales staff; considering the price, look, and quality of the shoes; undergoing the packaging and return journey; and even sharing the experience with friends on social-media sites. If one of these interactions or elements feels bad, the entire experience might be rated as bad by the customer.

This example demonstrates how many different parts of the organization are responsible for delivering the ultimate customer experience. Providing a seamless customer experience thus begins with the customer's perspective at the center of the organizational structure and requires all parts of the organization to work together in lockstep. The same holds true for customer journeys that take place across geographic regions or even across brands as part of the same organization.

Now consider the perspective of a manager who spends most of his or her day in a large organization selling products or services to customers. Unlike the customer's journey, which touches all areas of the business, the manager's time and energy is largely devoted to improving a single part of the organization. In many cases this is a typical functional area, for example, a call center.

The COO will have a strong focus on improving the productivity of back-office employees. He or she might have teams measured on average handling time for a call center, or a backlog of customer requests for the back office. This focus drives efficiency but not necessarily customer satisfaction. Tensions might arise with the sales department if the number of product options increases complexity for the COO's agents. Should a slightly longer call allow for resolving more problems the first time around, the COO may nonetheless resist because one measure of his unit's productivity might slump.

What message does this send to employees? By constantly focusing on reducing handling times at the call center rather than on raising customer-satisfaction scores, a manager will signal to employees that productivity, and thus cost, is a priority over delivering a superior customer experience. Similarly, the emphasis on department performance will motivate employees to focus locally, not across the entire end-to-end customer journey. Under such circumstances, even the best customer-experience vision and strategy will stumble under the weight of limited information transfer and poor cross-functional collaboration.

Organizing to lead end-to-end customer journeys

Leaders in customer experience pursue a range of approaches to overcome such complexity. In our experience, several elements form the core of their successful efforts. They include the following.

Setting up a dedicated customer-experience organization. Forming a dedicated team allows a company to maintain a continuous focus on customer experience across segments, brands, geographies, and functional areas. In our experience, a permanent customer-experience team of 2 to 20 members is usually sufficient, regardless of company size. The team's size and profile can be determined by the maturity of the company's customer-experience profile. In cases where customer-experience norms, values, and metrics are lacking, more formal roles and responsibilities will be required. A larger team may be necessary when its focus is on stimulating cross-functional activity and on execution versus promoting innovation.

The role and responsibility of the team should also be clearly defined within the organization. Effective customer-experience teams provide outside-in perspectives, such as industry best practices and customer insights from other sectors. They identify customer-experience-improvement opportunities and potential solutions, as well as support customer-journey performance analyses and traction. They enable change management and continuous improvement in frontline operations.

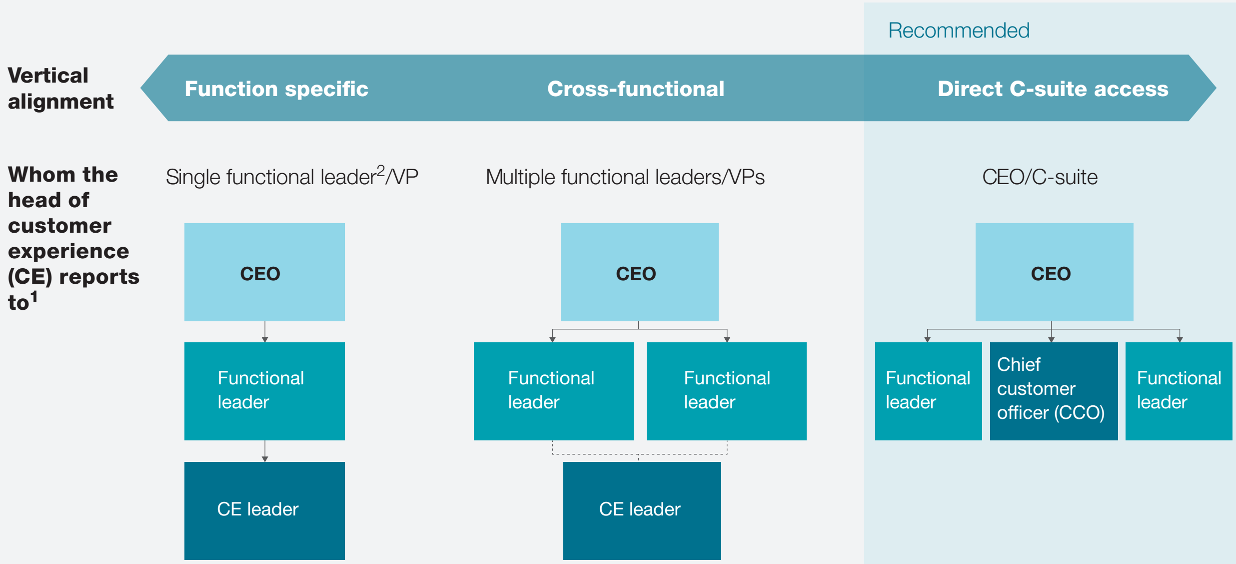
Some typical roles include a senior staff role to lead the team of managers and analysts and ensure cross-functional collaboration and oversight to implement customer initiatives at the front line; a line leader who drives frontline initiatives, supports implementation, and coaches employees; a manager who prioritizes staff and resources on customer-experience initiatives and oversees analytics and drivers of customer metrics; and analysts who work with data from internal surveys and external sources to focus on metrics and operational-performance indicators, with an eye on identifying opportunities and solutions to problems.

Establishing C-suite engagement. In our experience, the CEO must make customer experience an active priority, given the cross-functional collaboration required. For one US insurance provider, customer experience had been a key priority of the CEO for two years. Customer ratings were high. Assuming that such success could be sustained, the CEO decided to have the customer-experience organization report directly to the COO, given his existing oversight of the company's customer call center. Six months later, however, customer-experience ratings were spiraling downward, driven by a lack of priority and responsibility from other parts of the organization.

There are several different ways to structure a direct role for the CEO in customer-experience programs and to provide a customer-experience leader who is not the CEO with sufficient access to the boss to prioritize customer experience within an organization and across its operational silos.

Exhibit

Direct C-suite access is recommended as the most straightforward way to set up a customer-experience organization for success.



Factors for success

Function specific:

- Lower vertical alignment will not affect ability to influence and prioritize CE within company
- CE and assigned functional leader work closely to include CE goals/priorities
- Relationships with other functions are possible without any formal structure

Cross-functional:

- Creating additional links enhances cross-functional relations and capacity to develop and integrate a holistic customer approach
- Functional leaders are aligned on importance of CE within organization
- Functional leaders cooperate to develop and support CE leader in capabilities and strategic approach

Direct C-suite access:

- CEO has necessary interest and time to devote to CE strategy and develop CCO
- CCO role in executive team is clear and CE vision is easy to articulate
- High CE alignment will allow CCO to influence and incorporate other functions throughout company

[1] Other positions and structures may exist below or beside head of customer experience.
[2] Examples of functional leaders include chief marketing, operating, and strategy officers.

Source: McKinsey analysis

Ideally, the naming of a chief customer officer (CCO) with direct access to the CEO is the most effective way to establish the importance of customer-experience efforts and to influence change across an organization's functions (exhibit).

The virtues of establishing the CCO role include signaling the importance of customer experience to the organization, ensuring a persistent focus on customer experience in the actions the company takes, and implementing a customer-experience framework that highlights the voice of the customer in the organization. The challenge is that the CCO takes on responsibility for the customer experience and thus must align with and secure the strong support of the executive team and levels below, to manage the cross-functional nature of the customer journey.

In any case, the CCO also requires the CEO's strong support to succeed. The CCO's tasks begin with aligning leadership to embed a customer-experience solution across individual segment, brand, geography, and functional areas. It's critical to engage leaders of other functional areas, particularly marketing and operations, given their close ties to customers. Among other challenges in building a sustainable program: bringing together customer-insights research and reporting, with a focus on operational excellence and frontline changes. Within IT, the CCO must ensure that analytics are streamlined into tools and systems and that the customer experience is digitized.

Fitting the customer-experience team into the organizational fabric. Once the team is constituted and leadership assigned, it's critical that the customer-experience team fit seamlessly within the company fabric and mirror the company's principal organizational construct. If not, customer-experience transformation efforts may drown in a sea of organizational confusion. For example, the customer-experience group within one global travel and hospitality company mirrors the parent company's brand structure and delivers an end-to-end customer-journey experience for each individual brand across all functional areas. By contrast, a customer-experience focus rooted in a particular function would have emphasized the touchpoint experience, not the company's different brand value propositions, to the confusion of both customers and the organization.

Walking the walk

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the beginning. How senior leaders embrace an organization's customer orientation is at least as much a critical factor in the success of such efforts. The approach used by Disney, one of the most successful customer-centric organizations, illustrates the principle that business leaders promote the value that customer-centricity creates. Disney makes use of a simple leadership framework that links the delivery of business results to customer satisfaction and measures that satisfaction via two key indicators: "propensity to return" to a Disney experience and "propensity to recommend." Disney's framing also stipulates that the way to satisfy customers is through engaged employees. For Disney's business leaders, the logic is clear: their task is to develop excellent employees, who in turn help to create satisfied customers, leading to business results.

How can organizations apply these principles? From our work, we find four primary ways business leaders can act.

Modeling specific behaviors. Examples abound of senior executives who walk the walk when it comes to advancing customer experience. At one European telecommunications company, the CEO regularly listens to customer calls, goes on customer visits with technicians, and tries out both old and new product and service solutions to live the customer experience. The CEO of one retailer regularly works the cash register to interact with customers face to face. Other executives ask for customer-satisfaction results before they look at any financial or productivity measures, to signal the importance of customer satisfaction. Others make sure that their employees feel valued by understanding their specific needs. At one international airport, for example, security personnel did not have their own break room. They had to sit in the restaurants of the airport, leading to many passengers accosting them with questions about the airport. This was not a good way to relax. The CEO decided to build specific rest facilities for the employees where they could retreat from hectic airport activities.

Fostering understanding and commitment among employees and managers. While many managers talk up the importance of customers, how many actually know the financial impact of an additional percentage point in a customer-satisfaction score? One major financial institution wanted to embark on a customer-experience transformation. Although managers identified many improvement themes, the entire transformation did not really go beyond a few initiatives, because no one in the organization knew how much the customer-satisfaction improvements were worth. After some initial excitement, managers lapsed into focusing on other priorities. Making an explicit link between improvement in customer satisfaction and actual bottom-line impact is a prerequisite for a CEO to keep customer-experience strategy at the top of his or her agenda (see "Linking the customer experience to value," on mckinsey.com). Giving employees an opportunity to diagnose customer-experience performance, conduct interviews, and participate in feedback sessions also builds commitment.

Reinforcing new behaviors through formal mechanisms. Financial incentives can help, but nonfinancial recognition schemes are more powerful. Consider the recognition cards that senior leaders sign and hand out to employees. In the case of the international airport, it turned out the employees carried the cards in their wallets and proudly showed them to colleagues and family. The airport management even went as far as handing out those cards for special efforts across functional and organizational boundaries. For example, the manager of an airport would hand out a card to cleaning staff when he or she saw them going out of their way to help a stressed passenger find passport control. Showing teams how their actions directly affect customer-satisfaction scores can also help employees see how their contributions influence the customer experience; this in turn helps support new behaviors.

Developing capabilities and skills. Training managers and employees in customer-centric behaviors is an important first step. This starts with the recruiting staff and training. Part of this training should be an understanding of the customer-experience rules and associated behaviors. It may be necessary to create an overarching framework that explains the key principles for a good customer experience. This can include ensuring safety protocols are in place (a priority), followed by courtesy, friendliness, and efficiency. These principles may need to be nuanced for the different parts of an organization. For the customer-facing part of a bank, for example, making eye contact might be an appropriate behavior to ensure courtesy, while people in the back office need to make sure that customer requests are given priority over internal requests.

Why metrics matter

With the dedicated customer-experience organization in place, and senior leadership modeling and reinforcing key customer-centric behaviors, the next step is setting up metrics and targets that steer cross-functional collaboration at all levels of the organization. Given the cross-functional nature of the customer-experience process, it's important to avoid the stumbling block posed by organizational silos. Metrics and targets can enable collaboration that supports the continuous delivery of superior customer experience (see "Are you really listening to what your customers are saying?," on mckinsey.com).

The natural tendency of siloed business units is to first and foremost deliver on key performance indicators and financial targets. To change that, one telecommunications company's CEO started a customer-experience transformation by updating the group incentive structure for his top 30 executives. The new approach made company recommendation scores and unacceptable customer-incident scores count for 35 percent of bonuses, while local business-unit scorecards were changed to focus intently on customer experience. This prompted a shift in attention from short-term local profit and loss to long-term company growth via cross-functional customer experience.

In addition, it is necessary to encourage transparency on customer-experience performance at all levels of the company. At the executive level, the focus may be on the overall recommendation score, and at the next level down, it may be on the customer-journey experience across functions. Within a department, managers might look at specific customer touchpoints. Customer-experience performance indicators—such as recommendation scores, unacceptable customer incidents, and journey-satisfaction scores—mirror the voice of the customer and should be paired with operational-performance indicators, which employees can directly influence. These include waiting time, throughput time, or number of errors made.

For key performance indicators to be valuable, they must explicitly link to financial impact and illuminate which journeys matter most to customers. To deliver bottom-line impact and change employee behavior, all key indicators need specific target values that in turn are linked to the incentive structure. This makes all employees responsible and accountable for the customer experience and is useful for individual performance discussions, from executives to frontline agents.

Executive teams can ensure cooperation across functions through regular meetings to evaluate overall customer-experience performance. Typically, cross-functional customer-champion teams are held accountable for performance indicators and progress on improving customer-experience journeys. The cross-functional customer-champion teams must meet regularly to review performance against targets, based on indicators to measure customer journeys. These teams must then generate and implement improvements. Here the divergence between driving functional results and cross-functional, end-to-end journey experiences is critical. If managers cannot agree on a joint course of action, senior managers or the CEO may have to intervene.

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Structuring a complex organization to deliver a superior customer experience can be challenging. Leading customer-experience organizations tackle this problem by making customer experience a top priority for the CEO, by having senior leaders model the customer-centric behaviors that will engage and motivate employees on the front line, and by designing a customer-experience team that promotes cross-functional collaboration via targets and metrics. ■

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