CUSTOMER EXPERIENCE

# Designing and starting up a customer-experience transformation

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To successfully initiate a broad improvement program, decide on a structure, select the sequence that's right for your type of company, and don't forget to recruit change agents.

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As improving customer experience becomes a bigger component of corporate strategy, more and more executives will face the decision to commit their organizations to a broad customer-experience transformation. But it's not sufficient to understand that the benefits of change are great. The immediate challenge will be choosing how to structure the organization and rollout, and deciding where and how to get started.

These are critical issues because, like many far-reaching and complex business programs, customer-experience transformations frequently fail to live up to expectations. The foundations of such transformations require organizations to make cultural changes and to rewire themselves operationally and financially. Customer journeys, which are cross-functional by nature, cut across traditional organizational boundaries, and changing this dynamic is tricky.

It is important to think about program design before you start: decide on a structure, examine the best sequence for your type of company, and make sure you are engaging change agents and minimizing the inevitable resistance. You'll also want to think about where to start, so you can be sure to deliver near-term impact. This is crucial for gaining momentum and organizational buy-in and for identifying the funding and capacity to reinvest in your transformation.

## Choosing an overall architecture
The first step in setting up any customer-experience transformation is establishing the right overall architecture. A typical program involves five elements. Senior executives will want to set a clear, inspiring vision for the ideal customer experience, including a change story to underline the importance of delivering on goals. Drawing up a governance blueprint is also important, both to set up a mechanism to make decisions on cross-cutting initiatives and to align new and ongoing initiatives in each function with over-

all customer-experience objectives. Drafting an initiative road map will serve as a portfolio of actions to deliver on the vision. Metrics and initiative objectives should be set to gauge progress. It's important to monitor both "hard" metrics on performance and "soft" metrics that relate to organizational health. Finally, establishing purpose-driven change-management principles will define a new way of working, embed it in the organization, and guide frontline employees across functions (Exhibit 1).

## Drafting a road map
Other articles in this compendium have explored how to create a vision and shape an effective governance structure for a customer-experience change program (see "Developing a customer-experience vision," on mckinsey.com, and "Leading and governing the customer-centric organization," on mckinsey.com). To draw an initiative road map for a broad transformation, there are three primary decisions to make: the organizational approach, sequencing, and impact timing.

### Organizational approach
Is it better to push change functionally or cross-functionally, with a journey-by-journey focus? The critical factor in answering this question is where you think you can best build and sustain momentum.

Most companies are organized functionally, so proceeding by function often is an easy way to get going (Exhibit 2). Organizations can use the voice of the customer to identify opportunities to improve within functions. Tapping into the voice of the customer involves a range of systems that capture feedback, including satisfaction scores and verbatim opinions; it's increasingly common to use information from sources like social media, too. Typically, a central group is tasked with aggregation, analytics, and gathering internal and external insights on what truly matters to your target customer, within your industry, and for your organization.

**Exhibit 1**    **Five elements are typical of a customer-experience transformation.**

**Vision**

A clear, inspiring vision for the ideal customer experience and the capability for employees to deliver it consistently

**Voice of the customer:** what matters and to whom

**Compelling change story**

**Brand value proposition**

**Governance**

A decision structure to align on priorities and actions

**Functional alignment**

**Cross-functional decision committees and working groups**

**Initiative road map**

A portfolio of initiatives that will deliver on the vision; clear performance accountability

**Journey design** eliminating pain points and injecting wow moments

**Process and policy changes**

**Rapid test and learn**

**Metrics and initiative objectives**

The ways we know we are making progress

**"Hard" and "soft" measures** to manage performance and health

**Change-management principles**

The ways we will work differently in order to accomplish things that today's ways of working cannot

**Change agents,** including willing leaders as well as skeptics

**Frontline empowerment**

**Communications**

Source: McKinsey analysis

Over time, the voice of the customer can be used to identify upstream and cross-functional issues and address the root causes of problems. This is likely to be your approach if you're in the 80 percent of companies performing in the middle of your peer set— not broken and dysfunctional, but not a top performer, either. This approach should allow you to get started

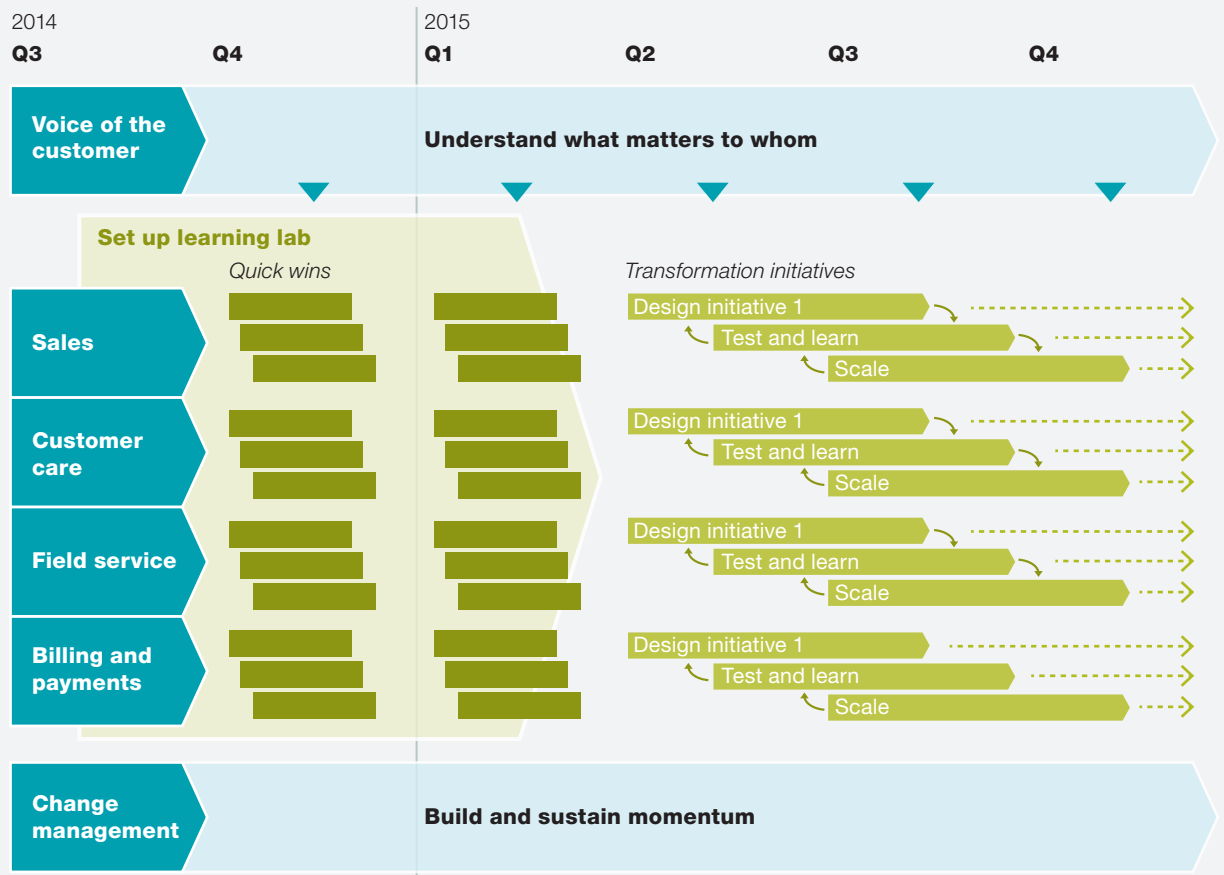and show early results within the existing organizational structure.

An alternative is to structure the transformation cross-functionally from the outset, focusing on a set of specific customer journeys (Exhibit 3). The benefit of this approach is that it emphasizes the end-to-

end experience for customers, given that they're exposed to organizations across channels and functions. The idea is to design "future back"—first determining the ideal future experience and then tackling a set of initiatives to overhaul an entire journey from start to finish. The initiatives can then be mapped onto the existing organization using different goals and metrics; in more extreme cases, you can shift the organization to mirror the customer-back, cross-functional view. Typically, the approach will evolve, as redesigning and embedding journeys at scale

takes time to implement. Cross-functional working teams should be convened to tackle these journeys.
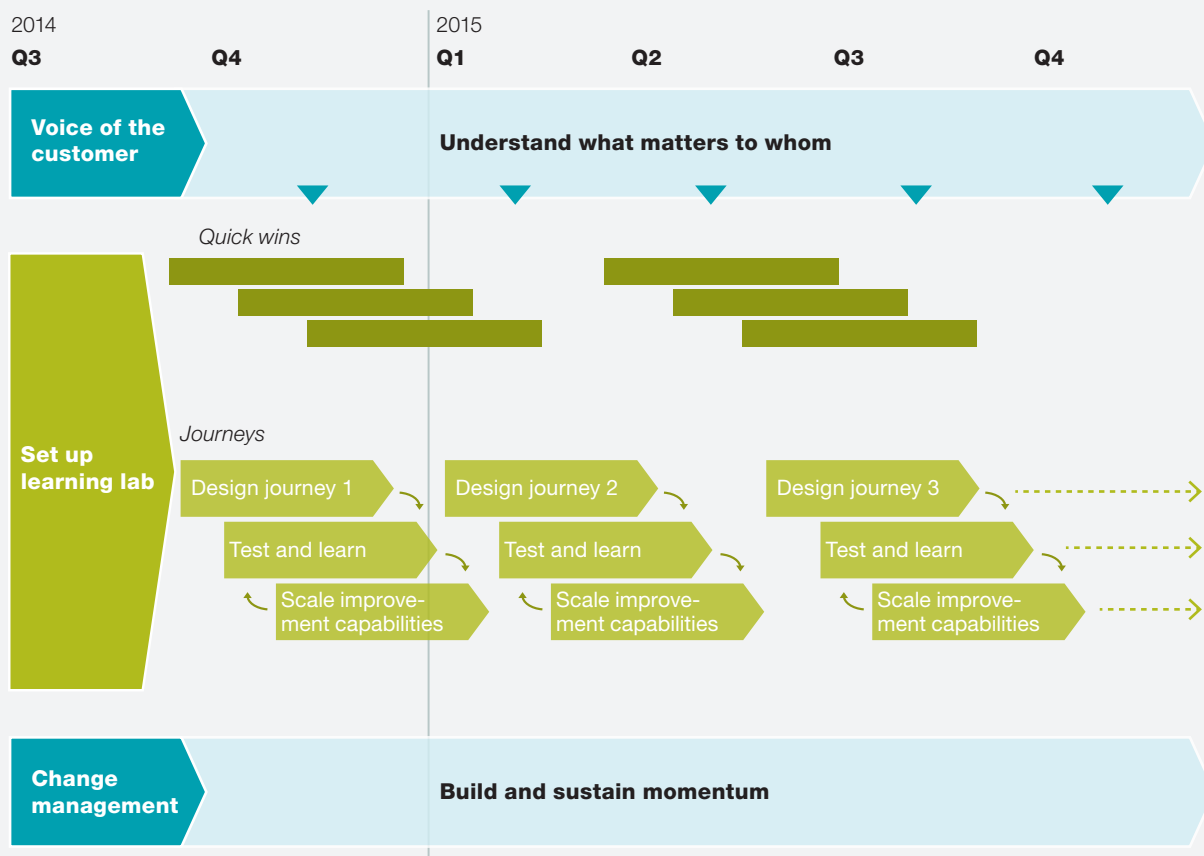
KPN, a high-performing Dutch telecommunications company, reoriented its business around cross-functional working teams. Similarly, Canadian telco Telus organized its 8,000-employee frontline team into cross-functional working pods of about 200 people each. In retail customer care and field service–oriented companies, doing so is a powerful way to bring everyone close to the customer. And

**Exhibit 2**    **A functional program road map can yield results.**

2014
**Q3**          **Q4**

2015
**Q1**          **Q2**          **Q3**          **Q4**

**Voice of the customer**    Understand what matters to whom

**Set up learning lab**
*Quick wins*

*Transformation initiatives*

**Sales**

Design initiative 1
Test and learn
Scale

**Customer care**

Design initiative 1
Test and learn
Scale

**Field service**

Design initiative 1
Test and learn
Scale

**Billing and payments**

Design initiative 1
Test and learn
Scale

**Change management**    Build and sustain momentum

Source: McKinsey analysis

**Exhibit 3**    **A cross-functional road map can also guide transformations.**

| 2014 | | 2015 | | | |
| Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |

**Voice of the customer** — Understand what matters to whom

*Quick wins*

**Set up learning lab**

*Journeys*

Design journey 1 → Design journey 2 → Design journey 3

Test and learn → Test and learn → Test and learn

Scale improvement capabilities → Scale improvement capabilities → Scale improvement capabilities

**Change management** — Build and sustain momentum

Middle Eastern bank Emirates NBD reorganized itself to concentrate on customer journeys, irrespective of channel, to create an organization-wide singular customer-journey focus.

### Sequencing
Is it better to start in one functional area, in one journey, and show what's possible before rolling out changes, or to launch in all areas at the outset?

Most companies prefer to tackle one area at first. Doing so can help build momentum by proving the benefit of the change before it's scaled up for the rest of the organization. And starting small tends to be more practical for the majority of organizations, which need to identify additional resources and change agents who can push for performance gains that are bigger and faster than the organization is used to. These change agents then become the coaches for subsequent waves in other parts of the organization.

Some companies like to launch everywhere, across functions, and take a big-bang approach.

Organizations that do this well establish a baseline with voice-of-the-customer data and feed results back to the functions. Individual operational leaders are allowed to make the decisions that make the most sense for the customer, given the capability and constraints of the function. Some companies try to use the voice of the customer to coordinate efforts and organize implementation centrally. In those cases, a central group manages analytics and prioritizes efforts. Usually, we see greater impact when this happens because investment decisions are made at a broader level.

In carrying out a big-bang approach, it's important to set goals for the entire organization. Tweak them for different groups, depending on the competitive situation (customer-experience performance is based as much on product and geographic specifics as it is on internal performance), then let the organization figure out how to achieve the goal. Establishing a central "SWAT team" can help steer improvement and provide teams with resources. When one large European shipping company with 30,000 employees worldwide and a presence in more than 100 countries adopted a big-bang approach, it linked 40 percent of every department's and employee's yearly evaluation to customer-experience improvement for two years. Then it let individual departments figure out how to implement specific initiatives, supported by SWAT teams.

Another option that is becoming more common is using digital capabilities to design an entire journey or subjourney from scratch. Such "clean sheeting" can cut through functional bureaucracies. For example, a European bank designed and delivered a completely digital onboarding experience for opening a new account by bringing together a working team with representatives from all functions that affected the process so it could be reimagined. The project's kickoff materials were a blank wall and lots of sticky notes. This method works because it quickly results in a "perfect" journey that a subset of customers experiences digitally; the longer, more incremental work is conducted in parallel to create a nondigital version of the journey across functions.

## Impact timing

Should you pick low-hanging fruit first, though it may have less impact, or move aggressively on big-ticket items?

When choosing actions, it's important to set priorities for initiatives that have near-term impact. To start, pick an area where you can affect revenue growth and reduce costs immediately. This creates momentum for the program, which will get everyone excited and can accelerate progress; it also frees up funds or capacity that can be invested in the rest of the program. As you look at different customer-experience initiatives, measure them for both short- and long-term

impact. Make sure there are wins early in the program. For example, a quick policy scrub might eliminate approaches that cost money and don't really benefit customers, tackle credits, or reduce call volume. Some pricing actions can have quick impact, though these kinds of initiatives generally will reduce—not generate—revenue in a customer-experience program. Impact is often measured operationally, through a drop in calls, fewer calls that must be elevated to managers and supervisors, and other cost measures that come from simplifying the business. Benefits from improved customer experience and heightened loyalty are lagging indicators and will come over time.

In addition to efforts that drive near-term impact, early symbolic actions can send an important signal to the organization. Companies might, for instance, reverse or eliminate policies that were put in place long ago. Or they could change the way the senior team behaves by bringing customer-experience and voice-of-the-customer principles into senior operational meetings and by getting the senior team out on the front line to interact with customers directly.

Most organizations start customer-experience transformations with a focus on reducing abrasive experiences, which can include rooting out elements that irritate customers or addressing detractors within the organization. Only then do customer-experience advocates go on to create more promoters. Targeting abrasive experiences is usually the right place to begin, particularly when there are many of them. Often, fixing a journey's broken elements affects many customers and can move customer-experience numbers in a positive direction. Once a stable base case is achieved, organizations should turn their attention to making sure each journey includes wow moments that exceed customer expectations.

### Moving to action

Regardless of the structural approach chosen for the customer-experience transformation, securing buy-in from the organization and building momentum depend on balancing two organizational dynamics: blending top-down and bottom-up activities, and addressing hard performance and softer health measures.

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### Top-down and bottom-up activities

Any program to improve customer experience is ultimately shaped by millions of individual interactions across journeys and functions as customers research, buy, use, and renew products and services. Building a customer-experience culture is about ensuring the employees who interact with customers directly and indirectly make the right choices in those interactions to meet—and, ideally, exceed—customer expectations. Programs thus need a good dose of bottom-up activity, as those behaviors have to be embraced by thousands of employees over time. For example, a global freight forwarder in China asked all employees to start delivering just 1 percent extra a month as they gradually rolled out other top-down initiatives.

Programs that are only nurtured from the bottom up, however, usually produce results that are less than ideal. Executives need to set a top-down aspiration and overarching mission to ensure everyone has the same level of ambition and the same guiding principles. But it's also important for leaders to set the structure, approach, and underlying methodology to ensure performance is consistent across the organization. Too often, we've seen organizations create conditions for change but fail to meet their aspiration or reach the overall goals for the program, though they see some improvement.

A customer-experience transformation at a large international airport demonstrated these principles. Leadership defined cross-functional working teams for each initiative that pulled expertise from the front line and midlevel managers. The teams were given latitude to test new ideas in a leadership-defined "sandbox." Formal monthly meetings, in which a rotation of teams participated, provided updates on status and impact. Finally, technology-driven crowdsourcing of ideas allowed all stakeholders who interacted with customers to shape the transformation effort more broadly.

### Performance and health measures

All customer-experience programs require hard metrics. What matters to customers? What are the underlying elements of customer experience? What goals should be set across and within functions? What priorities should be applied to initiatives to meet those goals? And so on. Where we see many programs fail, however, is in addressing the soft side of change. How do we create the case for change, especially in high-performing organizations? How do we motivate leaders to take the first steps? How do we inspire the rest of the organization to follow?

McKinsey research can be helpful in sorting through these choices in the context of a broad customer-experience transformation.[1] In the five frames of performance and health, we make the case for managing with equal rigor both hard and soft measures.

For example, in setting the customer-experience aspiration, a healthy organization will engage leaders and employees so they own goals and results. To do this successfully, there must be a compelling story about the imperative to change. The organization needs to gather input from leaders and employees, while ensuring there's a critical mass of leaders with a sense of personal ownership of the organization's aspirations.

Additionally, organizations need to understand and embed strategically important capabilities, as well as to unearth and address the underlying mindsets that can keep them from realizing their goals.

Exhibit 4

**One company aligned its customer-experience road map with functional owners.**

| Journey | Primary initiatives | Metrics | Owner |
|---|---|---|---|
| **Sign-up** | Simple offer and sales journey | Sales conversion<br>90-day contact rate | VP, sales |
| **Payment** | Simplified bill and bill-resolution journey | Reduction in billing calls | VP, finance |
| **Use** | Product-reliability improvement | Field-service reduction<br>Equipment replacement | VP, product |
| | Enhanced self-care | % digital care<br>Reduction in calls | VP, online |
| **Repair** | Customer-care service experience | First-call resolution<br>Service CSS[1]<br>Employee CSS | VP, care |
| | Field-service experience | % on-time arrival<br>Field-service CSS<br>Employee CSS | VP, field |
| **Renewal** | Streamlined upgrade program | Upgrade volume | VP, loyalty |

[1]Customer-satisfaction score.

Source: McKinsey analysis

Identify areas of health that you want to strengthen or shift, and then design appropriate interventions, such as leadership role modeling, improved incentives, and new training and career-development programs.

To check on progress as the transformation continues, make sure everyone understands how individual contributions fit into the big picture. Continue to build ownership through formal accountability and informal marketing. And constantly evaluate progress on your health-related interventions.

Hitting your performance and health targets is not the end, however. Rather, you must ensure a smooth transition to an era of continuous improvement. This requires infrastructure to maintain gains in performance and leadership to nurture advances in organizational health. Rewire your existing organization to support ongoing gains, with systems and leaders to emphasize sharing knowledge, capturing ideas for improvement, and promoting ongoing learning and dedicated expertise. For example, one service provider aligned its functional and

cross-functional initiatives with metrics that had functional owners in order to establish customer-experience gains and generate momentum (Exhibit 4).

### Starting up

The most important criteria for getting a transformation effort off to a fast start is to find the parts of the organization where the leader and at least some employees want to change. These prospective change agents can be high performers who want to get better or laggards who need to improve quickly. Either way, picking those who are most willing can ensure you get off the blocks quickly. ◼

[1] See Scott Keller and Colin Price, "Organizational health: The ultimate competitive advantage," *McKinsey Quarterly*, June 2011, mckinsey.com.

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