

*Most companies face barriers that prevent them from fully engaging customers and employees. Here are the five root causes of those obstacles -- and how to overcome them.*

## Why You're Failing to Engage Customers

by Tom Rieger and Craig Kamins

All companies strive to make the most of two key assets – their customers and their employees. Yet organizations unintentionally create barriers that prevent them from fully engaging those two groups.

In the first article of this two-part series, we outlined the key characteristics of those barriers, as determined by a Gallup study of barriers to engagement across several industries in seven countries. This article explores the root causes of these barriers and how to permanently remove them to clear a path to greater customer and employee engagement.

### The five root causes

Gallup's study identified about 200 barriers and evaluated the root causes of each. Surprisingly, virtually every barrier identified could be traced back to one of five primary causes, regardless of the industry, function, or geography of the company.

The barriers were often obvious and seemingly intractable, as they involved hundreds of variables and many job roles.

Understanding the key variables helps companies identify the specific systems, structures, processes, and people in the organization that must change to overcome the barriers. And though the barriers can seem entrenched and complex, the root causes are not.

### Root cause 1: fear

The most prevalent root cause of barriers to engagement is fear; at least one fear-based barrier existed in all the companies Gallup studied. While it may seem surprising that companies with rational, disciplined management would be subject to self-inflicted damage due to fear, the data indicate that it likely happens in all companies. Fear-based barriers restrict employee and customer engagement in several ways. Fear stifles innovation and creativity, limits an organization's flexibility in meeting customer requirements, prevents cross-functional collaboration in addressing problems, discourages empowerment, and causes turnover.

As companies grow, they begin to introduce rules, policies, and procedures that attempt to mitigate concern about loss -- loss of control, respect, or certainty that employees will "do the right thing." Checks and balances are required in all businesses, but they can go too far. Examples of institutional fear-based barriers include excessive scripting of customer contacts and lack of frontline empowerment.

Managing institutional fear may sound daunting, but it can be done. For example, the customer center of a financial services company decided that rather than scripting its customer center interactions, it would provide guidelines to encourage customer service representatives (CSRs) to use "value added phrases." The key is to establish limits while allowing employees to take some risks to meet customer or internal needs. Risks that succeed should be rewarded; risks that fail, but are attempted within the rules, should be treated as learning experiences rather than as a cause for discipline.

The second source of fear in an organization is at the individual level. Even when an organization is struggling, some employees will find power and contentment in the status quo. This leads them to resist change -- actively or passively. Typically, fearful employees fall into three categories:

- The reluctant gatekeepers: These employees tend to derail progress or innovation. Often, they are influential players who are more interested in protecting the "old way" than in adapting to a changing environment.
- The risk-averse: These workers are reluctant to challenge inefficiencies or to propose change -- in the organization or in their own department -- because they fear reprisal or are concerned about how change might affect their role or workload.
- The "speed bumps": These employees aren't necessarily in a position to directly

influence thinking in the organization. But they can, through lack of knowledge or motivation, slow down the progress of groups tasked to investigate challenges and enact change.

Managing individual fear is more challenging because this type of fear can't necessarily be conquered by modifications to process or policy. The first step is to ferret out the organizational factors leading to this fear.

For instance, change often inspires fear. One way to counteract this is to improve communication about changes by clearly establishing who is accountable for achieving strategic outcomes. This helps managers and employees look past the initial hardships of change (such as increased or varying workload, or loss of power or valuable connections) while focusing on the eventual benefits of success (such as increased efficiency and productivity, improved customer relations, or increased sales and incentive-based compensation).

## **Root cause 2: information flow**

Like fear-based barriers, information-flow barriers also existed in all the companies Gallup studied. Information-flow barriers can appear within or across departments and from the front line up to management. These barriers limit employee and customer engagement by preventing employees from getting the information they need to maximize their performance.

There are two main types of communication barriers. The first is a *transmission* failure: when information fails to flow smoothly from management to frontline employees or from the front lines back to management. Here are two examples:

- A number of the companies Gallup studied failed to provide their frontline employees with sufficient information to do their job well. This can happen when departments hoard crucial information that

other departments may need. Or, system limitations can prevent a holistic view if customer-facing employees cannot access every customer account, leading to missed opportunities and slower service delivery.

- Other companies failed to incorporate frontline input into their decision-making process. One manufacturing plant installed new equipment without input from frontline employees, even though those workers knew immediately that the machine wouldn't achieve its goal. The equipment was pulled from the line at a tremendous cost. Incidentally, there is significant evidence to suggest that involving frontline workers in decision making not only helps reduce turnover, but it also increases revenue.

The second type of communication barrier occurs when employees fail to *assimilate* information or use it effectively. The most common causes of this are a lack of time to process or understand new information or insufficient access to needed facts.

- According to executives in a public utility service center, CSRs in a call center must often absorb and implement more than 50 process changes per week. However, many call centers provide very little time for CSRs to read their e-mail (if they even have e-mail access) or learn about changes in other ways.
- A large national pharmacy and convenience store never has employee meetings, so employees don't always learn about policy changes or new initiatives promptly. When communication does occur, it often leaves out the "why" behind the change. As noted earlier, a failure to explain change initiatives can lead to fear. Without appropriate communication -- and time to assimilate it -- frontline employees struggle to adapt.

There are many ways to address transmission barriers. A good strategy is to analyze how information flows across an organization -- between departments, to the front line, and to management. Mapping communication can pinpoint where information is being lost, blocked, or distorted.

It's just as important to analyze how communication is assimilated. A particular department or group may be receiving information -- but are they receiving it when they need it? Do workers have time to read it? Is the technology used to send the message appropriate? Is the message easy to understand, and can employees apply it immediately to their work? Does it conflict with other messages? Is there a way for managers or workers to request additional information, and how quickly is it provided? Addressing questions like these is the key to providing timely strategic and tactical information.

### **Root cause 3: organizational alignment**

Successful communication alone isn't enough to ensure that operations will run smoothly between departments. In many organizations, departments work at cross purposes or fail to understand other departments' strengths. Barriers like these existed in 92% of the organizations analyzed in the Gallup study.

Lack of *goal alignment* was the most common barrier of this kind, found in 83% of the organizations. As companies grow larger and individual fiefdoms become more powerful, some departments set goals that don't necessarily mesh with the goals of other departments. Friction invariably results.

Barriers like these typically appear as conflicts between departments with competing goals: sales and service (customer acquisition versus customer retention), sales and operations (revenue generation versus cost control), human resources and operations (controlling hiring decisions versus living with them). Here are three examples of poor goal alignment:

- Promises made in the sales process can place burdens on the service organization. A balance transfer on a credit card may sound attractive, but customers may become unhappy if they later learn that "low rate" balances get paid off first, while interest on the remaining balance and new charges continue to accrue at a higher rate.
- A call center may have strict goals for handling as many service calls as it can as quickly as it can. However, if the CSRs answering the phones don't share the same goals as the field technicians, the CSRs may be tempted to "just send a technician," even though, by spending a little more time with callers, they could have solved the problem over the phone.
- Important information "left unsaid" in a mortgage loan-acquisition process, such as prepayment penalties, servicing fees, and additional closing costs may create unpleasant surprises for the customer. These surprises then must be dealt with by escrow, closing, and service personnel.

In each of these examples, departments end up working against each other at the expense of employee engagement, customer engagement, and profitability. In each case, the system rewards one group at the expense of another.

Addressing alignment barriers starts with an analysis of the company's goals. Companies that want alignment across all functions must aggressively manage their goal-setting process. Each goal should make a definable contribution to a key business outcome, such as revenue, repeat purchases, or increased customer engagement. Similarly, each employee should make a definable contribution to other departments as well as his or her own.

Goals should not be set in a parochial manner, in which local success trumps corporate success. But neither should

department goals be so focused that success on local, tactical goals isn't rewarded at all. Finding the correct mix of local and shared accountabilities with clear links to outcomes greatly improves the odds that alignment barriers won't hinder a company's success. A strong performance management system can help structure goals into appropriate success metrics and incentives.

Another manifestation of friction-based barriers is a lack of a *holistic customer strategy*. It's not unusual for organizations to treat customers more like transactions than like people, but people never see themselves that way. Business banking customers also have personal checking accounts. People with checking accounts also have credit cards. Business travelers also take family vacations. Luxury car buyers may have teenagers who need a more modest automobile. Yet companies rarely are able to cross-reference activity across channels.

Organizations frequently overlook the reality that poor performance in one channel will affect perceptions of the company as a whole, or that excellent performance in one channel may represent an opportunity to broaden the customer relationship in other areas. Both opportunities to improve are lost when the channels don't align.

Improved knowledge management systems can help companies implement a holistic customer strategy. However, employees from different departments also need to provide one another with consistent service. Too often, departments lack insight into how their actions affect other areas of the company, leading to mutual distrust and competing claims that the other departments are inefficient, uncooperative, or just "don't get it." Consistent service to internal customers -- whether it's employee to employee or team to team -- can help companies identify cross-selling or process-efficiency opportunities that can benefit external customers too.

#### Root cause 4: money

Money-related barriers existed in 82% of the companies Gallup studied. However, the actual percentage was likely higher, as these types of barriers may have existed in some pockets of the organization that were not included in each study. There are two main types of financial barriers.

First, people generally do what they are rewarded to do. It follows, then, that improperly balanced *compensation and incentives* can actually encourage the wrong behaviors. For example, if a customer service call center only provides incentives for cross sales and low handle time, CSRs will be highly motivated to rush customers, while pushing as many products as possible as quickly as possible. Worse yet, CSRs might even be rewarded for hanging up on callers before their problem is resolved, forcing customers to call back a second time.

The second type of financial barrier is related to internal resource allocation decisions. Budget battles are often won based on the best sales presentation, the loudest voice, or personal relationships rather than on a set of unbiased guiding principles, such as the impact of each budget decision on customers, employees, financials, or risk.

Even when there is a level playing field, resource allocations aren't always aligned with strategy if decisions are too closely tied to the previous year's budget. In that case, departments are unlikely to surrender budget willingly to another, even though corporate strategy or change initiatives make the other department's needs more urgent.

The best way to address compensation and allocation barriers is not necessarily to fight self-interest, as employees and department heads usually gravitate toward the money. Instead, companies should ensure that self-interest is aligned with corporate goals.

For employees, all desired behaviors should be rewarded under a balanced incentive system. For example, if a company is focused on both revenue growth and customer retention, it may want to reward sales representatives for total sales and individual account growth. This would reduce a rep's inclination to focus primarily on new sales and to keep him or her from taking the "quick win" if it comes at the expense of the long-term health of the account.

Not all incentives need to be financial. More often than many managers realize, recognition itself can be a powerful reward, especially when the type of position, a union contract, or other circumstances make praise the only way to reward employees. Specific behaviors or outcomes may be treated as milestones toward advancement or promotion, rather than directly rewarding employees through base or incentive pay.

Some allocation barriers may relate to the company's goals. As discussed earlier, a lack of shared goals may generate barriers to engagement by inadvertently pitting one department against another. However, shared goals alone don't guarantee that a company will be free from these types of challenges. Shared goals must be balanced with local and tactical objectives that address the role a business unit, division, or department plays in driving corporate strategy.

Transparency is also helpful. Resource allocation can have a strong impact on employee engagement, particularly if budgeting decisions seem to be based on favoritism or in support of "flavor-of-the-month" initiatives.

#### Root cause 5: short-term focus

These "quick-fix" barriers existed in 82% of the companies Gallup studied. The barriers included *acts of commission*, or actions taken in the interest of near-term benefits that may have a negative impact on mid- to long-term revenues and profits, and *acts of omission*,

which occur when the company takes no action in an area that requires long-term planning or analysis.

Acts of commission are common, particularly in public companies that focus more on quarterly earnings than on long-term horizons. In many cases, these acts involve significant near-term cutbacks. For example:

- To make this quarter's numbers, a company may stop hiring new employees. However, after a few months, staffing shortages may result in overtime, lost customers, and inefficiencies that far outweigh the initial savings.
- A plant may delay needed equipment repairs to save a few dollars in the short term but suffer even greater repair needs and downtime when the machine fails.

Acts of commission are not always the result of cost cutting. Some companies drive employees to the breaking point to generate an increase in near-term sales; others strive to achieve the same sales goal through extreme discounting of their products or services. Both strategies may drive short-term sales while damaging relationships with employees -- or undermining customer relationships or the brand.

When it comes to acts of omission, the most common barrier is a lack of succession planning. This goes beyond identifying potential stars for future leadership in the organization. Many companies fail to make a "plan for success" for employees in crucial but less prestigious roles. These barriers also occur when there is an urgent need to "put out the fire" without carefully thinking about how badly you have "flooded the house." For example, resources may be pulled from other projects to handle an emergency, which later causes those projects to fail or miss deadlines.

Given the realities of the marketplace, companies will always struggle with balancing

short-term and long-term needs. Adopting a short-term focus is not necessarily a barrier to engagement. To determine whether its near-term actions will have a negative impact on long-term engagement, a company needs to ask itself three questions:

1. *Do these actions achieve a strategic goal?* Some companies must take immediate measures to drive a lagging stock price or to capitalize on an opportunity to grab market share from a weakened competitor. But a myopic focus can also be a symptom of other barriers mentioned above, such as fear, communication breakdowns, or lack of collaboration between departments.
2. *What are the implications of these actions?* There are situations in which a short-term gain is justified, but a near-term focus can become a barrier when mid- to long-term implications aren't considered. Logic and discipline must be added to resource-allocation decisions to avoid these types of barriers. By implementing a set of guiding principles that balance short- and long-term costs and rewards, a company should be able to rationally prioritize long-term decisions. Guiding principles for decision making may include questions such as:
  - How will this decision affect our revenue?
  - How will this decision affect our costs?
  - To what extent will this decision decrease or increase liability or risk?
  - Will this decision prevent or inadvertently encourage any catastrophic failures that could lead to higher costs?
  - How will this decision affect employee engagement?
3. *What will these actions communicate to employees and customers?* Employees must feel that the company is making the right moves. Consistent communication about change and change initiatives is

important, particularly if the company is concerned about maintaining employee engagement. Companies should give change initiatives the appropriate resources and support even if that increases short-term costs.

### **Pulling down barriers**

If organizations want to build and sustain a great workplace that, in turn, builds strong customer relationships, it's not enough to simply measure employee or customer engagement, then hold team meetings to discuss it. Workgroups can meet to identify and address local issues, but institutional systems outside the control of managers and employees can remain thorny barriers to employee and customer engagement. Barriers like these must be systematically addressed by company leaders; organizations that fail to address them may find that they are limiting their ability to achieve strategic targets.

Having a disciplined, objective approach to identifying and removing systemic barriers related to fear, information flow, organizational alignment, money, and short-term focus can help clear a path toward organic growth.