Culture by design

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Introduction

Culture is all around us, influencing our ideas, customs and social behaviour, and culture exists within an organisation whether we are conscious of it or not. Despite its importance, managers seldom explicitly address the elements of organisational culture, or reflect on how culture can be designed to enable a system that creates superior value for customers.

At Cranfield, we've engaged with hundreds of organisations that are attempting to become more customer-centric, and a frequent headache in these transformations is culture and how it influences people. Processes and systems can be changed, but if leaders don't bring people along the journey then change won't be transformational.

Through our Customer Experience Strategy programme and on-going dialogue with members of the Cranfield Customer Management Forum, as well as through our research with companies undergoing transformations, we've developed a range of tools to help make this transition. But we also need good examples. Repeatedly, regardless of sector we hear managers identify The Walt Disney Company as a role model for customer centricity.

Disney is unusual in having a specific methodology to instil a customer-led culture, launched in 1955 when Walt Disney expanded his film studio into a highly complex service business and needed to systematise his vision. Disney has a framework to hardwire customer expectations into the heart of the organisation, and then deploys human resources strategically to permeate a customer-centric culture throughout the organisation.

Chris Humphrey and Malcolm Ross, lead authors of this white paper, spent more than thirty years between them in Disney companies, and now they are consulting with other organisations on how best to create value for customers. This positions them ideally to draw transferable lessons on how to design a culture that inspires employees and thereby creates exceptional customer experiences. This white paper draws from our rich conversations together over the past three years.

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The role of culture in customer centricity

Companies understand that they must create value for customers, but technology is multiplying the interactions that define the customer's experience, requiring organisations to become increasingly complex. At the same time, market maturity and globalisation are driving up standards, so customers demand not just the basics of a product to be right but also that every interaction with the firm should be great.

Much certainly needs improving in this omni-channel, experience-seeking world, and to address these challenges, many of the companies we deal with have programmes under names such as 'Customer First', 'Experience Excellence' and 'Customer Success'. They tend to address some or all of the components of customer experience management in Figure 1.

We need a customer strategy that simplifies all this complexity into a clear definition of our target segments and the value we will create for each one. We need experience design competence, not just product and service design skills, to map out how this value will be created over time in customer journeys. We need systems and processes that seamlessly support these journeys. We need metrics to check how we are progressing in the customers' eyes, and all this needs to be tied together by a single-minded focus on creating the value sought by customers.

But experience design has its limits. Micro-managing every detail of how our people should behave is demoralising, inefficient and impossible. A culture is therefore needed that gives everyone the clarity to stay on the same course, but that empowers people to take spontaneous, creative and flexible decisions.

1.	2.	3.	4.	5.
Customer strategy	**Experience design**	**People and culture**	**Processes and systems**	**Metrics and governance**
Identify valuable audiences and the unique problems they need solving, and make clear strategic choices.	Create the right set of experiences, including brand amplification moments, across key journeys.	Connect everyone to customer expectations and inspire consistent customer-led behaviours.	Align processes, systems and resource allocation with customer expectations and journeys.	Align feedback and measurement with customer expectations and jorneys.

Managing customer value

Figure 1:
Managing customer experience – the key components
(Source: Chris Humphrey)

All organisations have a culture. Culture forms with or without clear intent. Simply put, culture can be defined as "the way we do things around here". Organisations that do not consciously address their culture risk an ethos emerging that is internally focused and counterproductive to a proclaimed ambition to create great customer experiences. But as culture is so intricately embedded into an organisation – expressed in its implicit values, behavioural habits, language, symbols and so on - it can seem very intangible and overwhelmingly hard to change.

But although the commitment required to change culture should not be underestimated, conscious design of culture is possible. Culture embeds a group's explicit or implicit goals, so in a customer-led organisation it must be designed to keep people focused instinctively on customers. A methodology such as Disney's intentionally creates multiple ways to bring customer needs to the front of everyone's minds in everything they do, providing a solid foundation for adjusting the culture.

What makes Disney special?

A report by Disney Institute and McKinsey (Bhattacharjee et al. 2013) tells the story of a young girl and her mother coming to a fenced-off building site on a visit to a Disney theme park.

The little girl threw Belle, her favourite Disney doll, into the fenced-off area. When staff retrieved the doll later, it was spattered with mud, the dress was torn, and the hair was a mess. Staff tried to find a replacement, but unsuccessfully as a newer model had replaced this version of the doll. So, accompanied by a photographer, the bedraggled doll was taken to a makeup artist who styled her hair, then to the wardrobe department who made a new dress, and finally to a 'party' with other Disney princesses. Later that evening, and as good as new, Belle was returned to her owner, together with a photo album showing what a great time she'd had during her 'makeover'. The girl's mother sent a thank-you note describing the moment of Belle's return as "pure magic".

We have seen countless similar occasions where Disney employees have gone beyond the call of duty to provide memorable customer experiences. From such stories it is clear that the final outcome is not just the result of a single employee's effort, but requires the coordination of multiple teams across the entire organisation. People work together, but do not consult a script or check with their managers. McKinsey concluded that they do this because Disney has intentionally created a culture where going the extra mile for a customer comes naturally. We agree.

Designing a culture that empowers

We do not, however, entirely agree with another observation that "exceptional service will never emanate from mass improvisation; service must be painstakingly designed across the entire system" (Jones 2015). On the contrary, what we observe at Disney and with other leading proponents of customer experience is mass improvisation, which we define as spontaneous, flexible and personalised behaviour. The trick is how to guide this improvisation so that it adds up to the experience customers want.

This may seem paradoxical: designing a system that encourages spontaneity. But the alternative of dehumanising tight scripting doesn't work; neither does a free-for-all. We are struck by how often we see employees who are neither empowered nor equipped to make good, consistent and customer-led decisions, leading not only to unhappy customers, but also to unhappy employees. So we must grapple with the paradox of steering employees towards spontaneity. We like Meyer's (2012) insight that this challenge is like providing strong banks for a river. Without banks a river would diffuse and be hard to navigate, but with banks it can flow smoothly, while still choosing its own precise path.

Steering employees towards spontaneity is like providing strong banks for a river.

So what forms the equivalent of well-designed riverbanks? Drawing from Disney's approach as well as other leaders in customer centricity, Figure 2 presents a framework for what needs to be done. In outline:

- The organisation must define its *purpose*: a statement that encapsulates precisely what it does for its customers. Cranfield's purpose, for example, is to improve the practice of management.
- It must connect all employees to the purpose, and create the operational precision that many organisations lack, by defining *standards* and associated *behaviours.* Santander UK's considerable improvement in customer satisfaction, for example, is the result of a programme around three standards expected by customers from banking: 'Simple, personal, fair'.
- These guidelines are constantly reinforced through all four aspects of HR practice: *recruitment and induction*, *learning and development*, *internal communications*, and *reward and recognition.*
- Finally, *leadership behaviours* are crucial in reinforcing these principles rather than contradicting them.

- We next expand on each aspect of this framework, which expands on Step 3 of Figure 1.

Figure 2:
A purpose-led framework for managing people and culture

Brand purpose: linking culture to experience

A brand purpose is the essential link between external customer experience and the internal customer-led culture. A purpose statement should be a succinct articulation of what value we actually create for customers.

It should not be a fluffy statement that is divorced from customer needs or the reality of what we can deliver, an exercise that all too often, as Mark Ritson (2015) puts it, has "departed from consumer reality and entered the kind of aspirational emotion zone that only ad agencies and the most deluded brand manager actually inhabit".

Rather, a well-designed brand purpose should summarise the customer's 'job to be done'. If we think about our own experiences, when we buy a product or service we essentially 'hire' it to help us do a job. If it does the job well, the next time we're confronted with the same job, we use the firm again. The 'job' is shorthand for what an individual, or a collective such a business customer or a family, is really seeking to accomplish: jobs are "never simply about function – they have powerful social and emotional dimensions" (Christensen et al. 2016). For example, Disney takes the view that the family seeks to have a happy time, so its purpose statement is "We create happiness" (Kinni 2011).

The purpose statement itself embeds some key decisions in the firm's customer strategy about where we will differentiate. For example, Premier Inn's purpose of making guests 'feel brilliant through a great night's sleep' gives them the confidence to excel in areas that customers value such as Hypnos beds, good quality showers and a hearty breakfast, but not gyms, luggage porters or fine dining (Smith and Milligan 2015).

Similarly, Airbnb's decision to expand into unique travel experiences designed and led by locals is entirely coherent with its purpose to 'make people feel like genuine locals'. For new brands, therefore, or for brands which have become commoditised and require repositioning, a starting-point must be a deep understanding of customer 'jobs to be done', including if necessary immersive customer research to uncover both met and unmet customer needs.

A universally understood purpose drives countless important behaviours. At Disney, a governing rule is that 'purpose trumps task: it is okay to be off-task if you are on-purpose' (Jones 2015). So a room cleaner is expected to take time out to help a child, even if that meant falling behind their cleaning schedule. Likewise, some firms with call centres have a balanced scorecard that

> *A well-designed purpose should summarise the customer's 'job to be done'.*

> *The Disney philosophy: Purpose trumps task. It is okay to be off-task if you are on-purpose.*

captures not just the 'task' (for example, capturing customer information or number of calls per hour) but also the 'purpose' (for example, the percentage of 'excellent' scores for helpfulness).

A 2015 Havas Media study found that purposeful, or meaningful, brands outperform the stock market by 133%, gain 46% more share of wallet, and achieve marketing results that are double those of lower rated brands. Purpose drives value for customers, which drives value for the firm.

How we achieve purpose: standards and behaviours

Having a clear organisational purpose is immensely valuable. But on its own, knowing that our job is to 'create happiness', 'make people feel brilliant' or 'make people feel like locals' can leave employees feeling short of guidance on how to behave.

What is fundamental to Disney's renowned customer experience and consistent commercial success is having a small set of standards and associated behaviours that give the next level of detail about a customer's 'job to be done'. For example, Disney has four standards: safety, courtesy, show and efficiency. These are internalised by every employee regardless of job title or seniority, and everyone is expected to know, understand and actively demonstrate them.

These standards and behaviours should be observable, measurable and coachable. For example, an airport with safety, comfort, ease and speed as its standards has "I pick up rubbish" and "I report an area that needs attention" as behaviours associated with 'comfort'. Similarly, the behaviour "I display a calm tone of voice" is associated with "ease" (Boyarsky et al. 2017).

Disney focuses staff on four behavioural standards to ensure excellence at millions of fleeting customer interactions:

- *Safety*
- *Courtesy*
- *Show*
- *Efficiency.*

Another invaluable element of the Disney methodology is to prioritise standards in a non-negotiable hierarchy that is a tiebreaker when decisions conflict. So at Disney, safety trumps courtesy: if you have to shout to stop someone going somewhere unsafe, you do. Courtesy and show are both prioritised over efficiency.

All this clarity helps empower employees to act freely when the unexpected happens, knowing that as long as they are aiming towards the organisation's purpose and working within the clear boundaries of its standards and behaviours, they will be backed by their management for doing their best.

The essential HR effort

To achieve a customer-led culture, it is crucial to use each and every HR mechanism to reinforce it.

All too often, HR practice focuses only on hygiene factors: decent working conditions, humane management practices, fair pay and conditions, and so on. These are indeed essential to ensure that employees are happy – and undeniably, unhappy employees create unhappy customers, so this work is vital. However, in addition, all HR practices need to reinforce the brand purpose and standards if a *customer-led* culture is to result. We can all think of counter-examples: organisations that seem to exist only to make life easy for the staff. In protected markets, such as banking in many countries, and in non-competitive public services, these are all too common; but in free markets they cannot survive unchanged.

Furthermore, Cranfield research has consistently shown that organisations that have a clear higher purpose in creating value for customers are happier and have higher levels of employee engagement and therefore customer satisfaction. People who are clear about customer expectations and who are equipped and engaged will be willing to do more, and crucially will focus more precisely on what is important.

The outer blue circles in Figure 2 summarise the aspects of HR that must be intentionally designed to reinforce the brand purpose and standards. Firstly, *recruitment* must ensure that applicants whose personality naturally fits these standards are excited, and that those with the wrong fit have an early opportunity to opt out themselves. Disney structures its recruitment advertising explicitly to showcase customer expectations. Metro Bank overtly appeals to applicants with a customer service ethos. The challenger bank recruits to stores not branches "because we want them to think like retailers", and if "you don't smile during the first job interview, you're out" (Laurence 2015).

Secondly, the brand purpose and standards need to be internalised in both initial induction and all subsequent *learning and development* activities. Many customer experience leaders use role-play for this, helping people develop their improvisational skills while still remembering the standards. First Direct develops its staff by listening in on a portion of calls, as is common with call centres. Not so common, though, is that the staff are judged qualitatively on "First Directness": the extent to which employees live up to the firm's six brand values such as respect, responsiveness and openness.

Thirdly, *internal communication* needs to reinforce the brand purpose and standards. All too often, communication focuses only on financial results, rather than framing these results as the product of how well we create value for customers.

Fourthly, continuing staff *reward and recognition* forms another powerful lever that can emphasise the customer-led message – or conversely, that can dilute it with mixed messages as to what is important. Disney for example has a programme called The Four Keys Fanatic, which encourages "cast members" (as employees are called, to emphasise the standard of 'show') to recognise each other for exceptional behaviour. But it does not reward *any* behaviour, only those behaviours that specifically relate to safety, courtesy, show and efficiency – the four standards or 'keys' as they are called. To nominate a colleague, you have to say which of these four the colleague demonstrated excellence at.

Many firms seek to improve employee engagement in isolation, whereas Disney engages employees precisely by helping them gain the real satisfaction that comes from creating value for their customers. In this way, HR has a vital strategic role in contributing to customer satisfaction, and therefore to commercial success through enhanced customer lifetime value.

Michelle Harmer of Metro Bank neatly sums up the role of HR practices: "Hire the right people, immerse them in culture, train them in what they need to do, give them brilliant career opportunities, love them to death and give them an environment where they can do their best" (Laurence 2015). When these principles become routine there will be no reason for anyone to improvise counter-productively or to go rogue.

Intentional design

The authors observe large numbers of firms across the business ecosystem and notice a range of cultures. Some are straightforwardly dysfunctional, and if nothing changes it is not a surprise when these firms fail.

Some have a culture that was well aligned to a previous purpose but is not yet well aligned to a revised purpose in a changing world. Some fail to create consistency and cohesion as they become bigger and more complex. Ryanair has struggled to add some basic service standards to its previous overarching standard of efficiency as it has re-aligned its value proposition.

But we are delighted to come across some cultures that reinforce rather than contradict the value proposition, differentiating the firm strongly. When we compare these strikingly effective cultures, from Disney and Emirates to Southwest Airlines and Amazon, we see different specific *values*, as you would expect from their different value propositions. What they share, however, is a set of common approaches to *embedding* these values.

By attention to the design principles summarised in Figure 2, executives driving change have at least a fighting chance of nudging the culture to support the change rather than resist it. Nowhere is this more important than in driving customer-centric transformation.

Sometimes these exemplars rely on the forceful personality of a strong founder, as was the case with Walt Disney in the early years of his company. What brought Disney sustained success, however, was codifying the cultural approach into a transferable methodology.

The reader who is concentrating will have noticed that we have not included a section on leadership behaviours, despite this being a part of the model in Figure 2. The reason is that leaders simply need to demonstrate the behaviours they wish their staff to exhibit.

At Disney, for example, two behaviours are "I speak up to ensure the safety of others" and "I ensure my area is show ready at all times". Leaders are responsible for upholding the standards, and so when the first two authors were leaders at Disney, just like all members of staff, they would never walk past litter without picking it up. Any further words on this topic could dilute this essential truth.

Checklist for implementation

- **Brand purpose.** Do we have a deep understanding of the value our customers seek? Have we decided how we will differentiate and for what segments this offer will resonate? Have we encapsulated the value we will create in a simple statement of brand purpose?

- **Standards.** Have we defined a simple set of standards or values that break down how we can achieve the brand purpose? Are we confident that these align well with customer needs? Are they observable, measurable and coachable? Have we prioritised them? Do we communicate all this consistently and clearly?

- **Behaviours.** For each standard, have we identified key behaviours that would live up to that standard? Have we communicated these, for example through role-play of behaviours that are right and those that are not?

- **Recruitment and induction.** Do we intentionally recruit people whose personality naturally inclines them towards our brand purpose and standards, as our number one and inviolable recruitment criterion? Do we reinforce these standards in our induction?

- **Learning and development.** Do we emphasise our brand purpose and standards continually through our development of people?

- **Internal communication.** What do we communicate internally? Sales and profits? Random projects? Or do we communicate strategically and continually around our purpose and standards?

- **Reward and recognition.** Do we genuinely care for all our people, proactively managing the day-to-day work experience to make it as hassle-free as possible? And who gets praised? For what? Do we celebrate the stories of improvisation that live up to our standards and create value for customers?

- **Leadership behaviours.** Do leaders spend more time with customers or less as they become more senior? Do they exhibit our standards in everything they do? Do they treat staff according to precisely the same values with which we wish our staff to treat our customers? Do all staff feel that leaders are there to serve them and make their job easier?

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Please note: Whilst Chris Humphrey and Malcolm Ross spent more than 30 years between them in senior leadership positions in Disney companies, the views and opinions in this white paper are those of the authors, and do not necessarily reflect the official policy or current position of the Walt Disney Company.

Notes

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