PART I

Big Picture Essentials

The resort chain's first call center had been in operation for less than half a year. Its managers decided to have the reservation agents try to sell callers a guide to the resorts just after they'd handled their initial requests.

At the end of the first month of this experiment, the managers found the idea to be extremely successful; almost every agent had sold a large number of guidebooks. One agent, however, hadn't sold any.

To try to get a sense of why this agent wasn't performing as the others were, the managers listened in on one of his calls. At the end of the conversation, after he had processed the customer's reservation, he said, "I'm supposed to ask you if you want to buy a guide to the resorts, but they're not really very good. You don't want one, do you?"

The managers quickly met with the agent and asked him to explain. He told them he'd been out sick the day they'd taught the agents how to fill in the form to sell the guide, and instead of asking his supervisor how to do it, he thought it was easier not to sell any.

Did this agent have any idea what the company was trying to gain by selling the resort guidebooks? Did he have any idea how his behavior might be affecting customers' perceptions of the resorts? Did he trust his supervisor enough to confess that he didn't understand a part of his job? Did the supervisor have any idea what this agent had been doing? Did the company provide the kind of environment the agent needed to excel at his job?

It's pretty clear from this anecdote (which I heard from one of the chapter authors in this book) that there were some fundamental elements lacking in the way in which this front-line employee was trained, treated,

and tested. Yet the resort is large, well known, and successful. The agent's experience begs the questions: Was his experience an isolated event, or is it indicative of a more widespread problem? What is this business losing at the front line? What is the "opportunity cost" of the way in which its front-line employees are trained, deployed, and managed?

For a "flip-side" perspective, consider this story, told often by management consultant Stefan Sanders in his seminars, about the power of the front line:

There was a time when I was devoted to a particular brand of gasoline. Only that brand of gas could go in our tank. Well one night I was out bowling and bowling and bowling. When I finally noticed the time it was beyond my curfew. (My wife is tougher than I've ever been and I knew the consequences.) As I was blazing a trail back home, the fuel icon started to flash. The more I drove, the faster it flashed. I decided that I had better stop somewhere anywhere and put something in the tank. Put anything in the tank, coffee, peanut oil, soda anything! It just so happened there was a gas station not far from our house, but it sold a different brand.

I pulled into the station and walked up to the pay counter inside. I received a customer service shock. The person behind the counter, working the midnight shift, gave me a heartfelt greeting with a smile on his face. I thought to myself, "What have you been smoking or drinking that is making you this giddy at this time of the night?" I paid for my gas and went outside to pump, all the time keeping an eye out for this strangely happy person! I realized that I paid too much and was due a refund. This meant going back in to see Mr. Happy. The clincher for me was that when he gave me the last bits of my change he said: "Thanks for coming; come back and see us again!"

As I left I was thinking to myself: "This is what I teach. This is amazing. He wasn't being phony!" I decided to return again just to see if this was the only positive person with good customer service. To my surprise I discovered that it didn't matter what time I came in, it didn't matter who was behind the counter; the quality of service was still outstanding. Because of this, I now look for this new brand of gasoline.

It should be noted that the switch was not due to poor customer service by the original company. The switch was produced because one person working a midnight shift alone did it so well that it created brand loyalty. The frontline employee is vital to every organization.

The first six chapters of this book address the big-picture essentials of managing front-line employees. How do front-line employees fit into your strategy? How is your organization set up to serve its customers? What do your customers expect from the people they interact with at the point-of-purchase, or point-of-service? Do your front-line employees have what they need to do their jobs well? How will you know?

CHAPTER 1

Organizing the Front Line: Turning Decisions into Actions

Paul Rogers and Jenny Davis-Peccoud

A telltale sign of any high-performance organization is the engagement and focus of its front line. Those vital employees can build lifelong relationships with customers by delivering the right kind of experience through sales, customer service, and delivery time after time. Employees in the "back room"—the buyers at a retail company, for instance, who decide the next season's assortment of merchandise—are a vital part of the front line, along with cashiers staffing the checkout lines. The best way, indeed the only way, to ensure consistent, high-quality execution is by paying close attention to how the front line is organized.

The same principles that serve customers where the front line is the point of contact apply equally to manufacturers or other industrial companies. Here front-line employees can make or break the quality and cost of the products. For a manufacturer, front-line execution is all about employees on the factory floor boosting their productivity. Whether or not the front line faces the customer, it is a decisive factor in shaping a company's success.

Plenty of companies recognize the importance of the front line but still fall short of delivering consistent, high-quality execution. Often, it's because they haven't turned their front-line strategy into everyday operational reality for the employees who live it. A Bain & Company survey highlights this problem. In a survey of 362 leading companies, nearly 96 percent of respondents recognized the importance of customer focus, and 80 percent believed that they deliver a "superior experience" to the customer. But these beliefs don't survive a simple reality check. When we asked *customers* about the companies they do business with, we

found that only 8 percent of companies across seven broad sectors and 47 specific industries actually do deliver a superior experience—superior, that is, in the eyes of the only people who count. Closing this "delivery gap" between the 80 percent of believers and the 8 percent of achievers depends partly on how the front line is organized and led.

What, then, is the hallmark of a high-performance front line? It is their ability to *make good decisions and make them happen*. Front-line staff make critical decisions every day—Should I accept this customer's return? Should I order more components now or next month?—hundreds of thousands of decisions that top management never sees. And front-line employees are ultimately the people who make things happen. They play a vital role in determining the success or failure of strategies devised in the boardroom.

Organizations that excel at front-line execution know how to motivate employees to be passionate and to give their very best, even in positions that involve seemingly uninspiring tasks. High-performing companies manage to foster a connection between the front-line employee and his or her job. It could be that the employee comes from the same target market as a company's customers and understands how to offer extra help that will benefit the customer. It could be that the employee connects with the opportunities afforded by the job at hand. Maybe the employee can see where there is room for self-initiative and opportunity for reward, even within a narrowly defined set of job responsibilities. The result is a virtuous circle. Companies benefit from the energy unleashed by this connection, and employees feel more motivated and fulfilled in their jobs.

In our experience, confirmed through research, there is no silver bullet to foster these connections between employees and their jobs. To create a front line capable of excelling at decision making and execution, the best performers do five things well:

1. *Set a clear vision* that is simple and inspirational to guide people on the front line.
2. *Define clear roles* and hold the people in them accountable.
3. *Hire people with the right skills and attitude,* and focus them on the measures that matter.
4. *Provide the right tools, working practices, and technology* to help people excel at execution.
5. *Instill a high-performance culture* that motivates people at all levels to get things done and to strive for excellence.

Mastering any one of these five areas is admirable in its own right, but it is not sufficient. A company must develop and nurture all five of these elements to help front-line employees realize their full potential.

THE FIVE ELEMENTS IN DETAIL

1. Set a Clear Vision That Is Simple and Inspirational to Guide People on the Front Line

How do you get a front line of thousands of people all working toward a common goal? To accomplish that, a company's leaders need to set a clear vision that is simple and inspiring. The best leaders can express their vision for what it takes to succeed in the business, as well as "the way we do things around here," usually in a single breath. Michael Dell's two-word strategic principle—"Be direct"—sums it up for Dell's 55,000 global employees.

A strong vision must be inspiring; in other words, it must paint a picture of success that motivates employees to become a part of it. Employees need to be able to relate personally to the company's vision to make it effective. ASDA, one of the United Kingdom's leading grocery stores, has a mission to reduce the cost of the average housewife's weekly shop—something that resonates with their employees.

A vision that's too broad can miss the mark. To be effective, a company's vision should contain enough guidance to help employees on the front line make concrete decisions every day about what they should do. American retailer Nordstrom Inc.'s mantra—"Respond to unreasonable customer requests"—empowers employees to take returns from customers when other department stores would reject the request.

A company's vision must be communicated constantly through as many channels as possible. This could include the CEO and top team speaking to front-line employees through broadcasts or newsletters, as they do at ASDA. It might also include top executives rolling up their sleeves and taking shifts on the front line. But a few people at the top can only be in so many places at once. A strong and effective front line depends on leadership that is distributed throughout an organization, within teams at every level of the company. Distributed leadership requires the commitment and initiative of a company's employees, as well as a clear vision about how the business will succeed. As Terry Leahy, CEO of the United Kingdom's leading retail chain, Tesco, said "We don't want one leader. We want thousands."

The power of a common vision is apparent at one U.S.-based restaurant chain. The company launched an impressive turnaround that began with agreement among its senior executives about the right values and priorities—after a clouded vision got in the way of growth. A new strategy championed by one senior executive to move the restaurant to a higher price model had divided the leadership. The plan called for drawing upscale customers with a more innovative menu and higher

price points. But same-store sales lagged well behind the industry average, and customer polls showed the plan was not working. Did they have the wrong strategy, or was it poor front-line execution?

In fact, it was both: disagreement and inconsistency at the top about the values and priorities of the business caused inconsistent execution and confusion throughout the company. The vision of the company's restaurant chain as an upscale dining experience was out of step with its history as a casual dining chain offering consistent fare at reasonable prices. Many employees knew it, and so did franchisees, who owned 70 percent of the chain's restaurants.

To get back on track, the leadership team first had to agree that the new strategy wasn't right. The executive backing the drive to move upscale left the company, and the rest of the team took a hard look at how much potential for growth remained in the core business. It turned out to be a lot. The senior executives at the restaurant company decided to rededicate themselves to building the next wave of growth around the company's original values—good food, friendly service, and reasonable prices.

Having agreed to a common vision, however, the company's leaders still had to win the support and enthusiasm of their employees. Here, they had a problem. The dissension at the top of the company had left its mark: the employees had lost confidence in their leaders. At an offsite meeting, the senior team listened to feedback from employee surveys, rating individual and collective leadership styles and the environment they had created. The CEO remembers it as "the worst day in my life."

To earn back the respect of the rest of the organization, the senior executives agreed on four basic ground rules, so they wouldn't revert to their prior dysfunction: build trust, be decisive, be accountable, and hold great meetings. And they defined them practically. For example, building trust meant displaying honesty and integrity, defending team members in their absence, having respect, and eschewing secrets.

If the first step was about developing a cohesive team, the second was to convince employees that they were worth believing in. Once people in the field started to see optimism returning, it became infectious. To help ensure that morale would continue to improve, managers agreed to base a percentage of their compensation on employee feedback.

The company kept the momentum going by hiring people who bought into the new values. Crucially, the restaurant chain also encouraged naysayers to leave through a "no-fault separation" policy, which provided transition pay and assistance in finding a new job. With clear leadership and the new direction, employee turnover subsided. Same-store sales growth went from 0 to 4 percent—well above the industry average. The stock price has increased more than fourfold since 1999.

Setting a clear vision is the first step in creating a high performance front line. Make it clear and simple, communicate it often, and ensure

that everyone—from the board room to the front line—acts in a way that brings this vision to life.

2. Define Clear Roles and Hold the People in Them Accountable

To be effective, people need to know what they are expected to do, and they need to feel accountable for doing it. This is just as true on the front line as it is for the executive team. When people are unclear about their roles, decision making suffers; when roles are clearly defined, it paves the way for decisions to be made quickly and consistently.

Defining roles for the front line means being clear about the scope of the job you are asking people to do. Sometimes this means pushing decision-making authority out to the front line. Other times it means clarifying that a given role is restricted to execution, with little decision authority. Despite the volumes written on "empowerment," there is no single right answer for defining front-line roles. Companies must think through what is right for a given situation with a given set of employees. It is just as important to clarify what a group of employees is *not* responsible for as it is to outline which decisions and responsibilities lie within their remit.

In addition to clarifying roles, companies need to structure the front line so that employees can perform effectively in the roles assigned to them. The key is identifying what we call "linchpin" employees. These are usually front-line supervisors, at some level, who provide coaching, direction, and guidance to front-line teams. In a department store, for example, the linchpin employee is not the store manager but the manager of a particular department. For a manufacturing company it might be the shift supervisor. By structuring these jobs with the right number of direct reports and giving the linchpin employee the specific role of developing the front line, these employees can have a huge impact on front-line effectiveness.

One company that has excelled at defining the role of their front line is Timpson, a leader in shoe repairs and key-cutting in the United Kingdom. During the last 10 years, Timpson's revenues have increased fivefold and its profit has tripled. Employees' average earnings per week, unadjusted for inflation, have increased 53 percent. In 2004, Timpson ranked No. 2 in the 50 Best Workplaces in the United Kingdom.

A large part of Timpson's success results from the clearly defined roles of its front-line staff. Says Chairman, CEO, and owner John Timpson: "The people who serve our customers run the business, everyone else is there to help." John Timpson has given everyone on the front line the authority to make decisions. For example, the Timpson price list is a "guide," with front-line employees empowered to set their prices where they want and give discounts if they feel it is warranted by the situation. Store managers order their own stock from Timpson warehouses, not relying on a

centralized electronic system to do it for them. Every front-line employee has the authority to spend up to £500 to settle a complaint.

As a result, Timpson's front-line employees are clear about their role and feel accountable to deliver. They have simple guidance from the top—"amaze our customers"—and they know the bounds within which they can operate to achieve that goal. Their incentive to use authority wisely is reinforced by the share they receive in the success of the business: the more they sell, the more they earn, with no limit, through Timpson's weekly bonus scheme.

Timpson has also recognized the importance of linchpin employees. Area managers are encouraged to spend as much time as possible in the stores. A key task is building their teams' skills, along with the business. Branch managers also are linchpin employees, responsible at the store level for driving results. Timpson recognizes linchpin employees at several levels in the organization, so the company created wide salary bands to motivate people at every level to do their best. A high-performing branch manager can earn more than an area district manager and possibly more than an area manager.

Anyone who is unclear about the role of the front line at Timpson need only look at the sign in every shop, which states, "The staff in this shop have my total authority to do what they think will best give our customers an amazing service." Or they could just look at the results, which show strong revenue and profit growth, as well as a resounding vote of confidence by employees that Timpson is where they want to work.

Defining clear roles for front-line employees is the next step in unleashing the full potential of the front line. Be clear about what each person is, and isn't, responsible for. Ensure that these roles are broadly understood throughout the organization. And follow through with coaching from linchpin employees to help front-line employees develop and give their best.

3. Hire People with the Right Skills and Attitude, and Focus Them on the measures That Matter

Getting the right people and ensuring they are all pulling in the same direction are critical to ensuring front-line success. Doing so depends partly on the right recruiting strategy and people development processes. The rest comes down to a company's measures and incentives for its front-line staff. Neither is easy. Some front-line jobs are low-skill and low-pay. Turnover is a perennial problem. Increasingly, companies are outsourcing some activities that used to be performed by a company's own front line. High-performance organizations manage to address these challenges creatively.

Because the front line is the everyday expression of a company's values and proposition, the type of people a company deploys on the front line can act to reinforce, or undermine, customers' perceptions of the company. Front-line leaders often hire for attitude as much as for skills. Timpson is a case in point. The company used to recruit for shoe polishers and key cutters. However, John Timpson realized that not all of the "experts" came with the attitude required to amaze their customers. He scrapped the company's traditional recruiting process and instead told his recruiters to "Hire personalities." He designed a sheet of cartoon characters and told recruiters to tick whether a candidate seemed to be a "Mr. Ambitious" and "Mr. Friendly" or a "Mr. Scruffy" or "Mr. Dishonest." Using this simple tool, Timpson recruiters began to build a front line that was outgoing and committed to success.

ASDA, like its parent Wal-Mart Stores Inc., has also targeted its recruiting efforts, focusing on people who by nature are more gregarious and therefore more likely to enjoy interacting with customers. ASDA executives talk about "auditioning" rather than "interviewing." Many who pass ASDA's "audition" are more than 50 years old. Called "Goldies" because they've celebrated their golden or 50th birthday, ASDA believes that older employees are more likely to deliver the type of customer service in store that the company is looking for, in part because they match the demographic profile, interests, and usually the values of ASDA's core customers.

In addition to getting the right people into the business, front-line leaders also ensure that those people are focused on the measures that matter and are paid in a way that reinforces the behaviors they are looking for. One of the keys here is to ensure a balance between productivity and customer service. eBay is a great example of a company that understands this point.

At eBay, customer feedback is weighted alongside productivity in creating employee performance reviews. eBay collects input through continual surveys and monthly two-day workshops with buyers and sellers to ensure that customers' needs inspire and drive any department or business unit's efforts to boost productivity.

eBay is not alone in using measures and incentives to motivate the front line to deliver outstanding performance. Ireland's Superquinn supermarket chain rewards employees based on customers' behavior. For example, the bakery staff in one store rose to a challenge to increase the number of households that purchase from the bakery. The prize was a helicopter trip around the local area. The team decided to offer people coming into the store a free doughnut tasting and guaranteed every doughnut sold would be less than 15 minutes old. The result: households purchasing from the bakery hit 90 percent, up from 75 percent (measured by loyalty card data) and the entire team won helicopter trips.

Getting the right people into the business and focusing them with measures and incentives tied to success are other traits of companies

with outstanding front lines. Look for attitude as well as skill. Let your measures, more than just your words, convey what you want the front line to focus on. And get creative with incentives. It's not always about money—sometimes companies with the best front lines pay significantly less than their competitive counterparts. But they find other rewards that motivate their people.

4. Provide the Right Tools, Working Practices and Technology to Help People Excel at Execution

You can't build a house without a hammer, and you can't deliver outstanding front-line performance without the right tools and techniques. Whether it's providing great in-store service for a retailer or driving highly efficient extraction or production for a diamond company or steel mill, arming the front line with the tools to do the job is a hallmark of the best performers.

ASDA's success was built partly on its attention to giving its front line the tools and practices to excel. After a move into higher-end supermarkets stalled, ASDA's leaders refocused the company on its core business: delivering value through everyday low prices and a deep commitment to local customer needs. The new management team set the company's sights on rebuilding ASDA's market position as a low-price leader. They realized that outstanding front-line performance and commitment would be critical to the turnaround.

In the early days of the turnaround, the leadership team dedicated significant time to communicating the new vision of the company to all of ASDA's employees. But ASDA went further than just communicating the importance of the customer. It armed its front line to deliver. For example, it set up a data room to collect best demonstrated practices from around the system, documenting and coordinating the most effective approaches in stores. Out of this the "ASDA Best" hallmark was born, in which good ideas in a particular store are reapplied and celebrated across the whole network. Stores were encouraged to innovate new ways to motivate the front line, resulting in literally hundreds of new ideas. One example is the "golden trolley," a piece of backroom equipment painted gold and reserved for the use each week by the warehouse employee whose commitment to ASDA has been singled out.

To ensure that the front line knows how to apply these tools, ASDA made a critical decision to make their store managers accountable for one overriding task, managing the people working in the store. Unlike many other retailers, where store managers attend to every aspect of operations, from the front door to the loading dock, ASDA's managers focus on helping the front-line employees master the tools and techniques that make ASDA a great customer experience.

The results have been impressive: ASDA moved from the brink of bankruptcy in the early 1990s to one of the best-performing companies in the U.K. retail sector. ASDA today is one of the United Kingdom's largest retailers, with 265 stores and 135,000 employees, of which many are part-time. Its market position as a provider of "everyday low prices" and its strong performance culture attracted the interest of another leader in frontline execution—Wal-Mart, which acquired ASDA in 1999. The acquisition was a validation of ASDA's operational excellence and strategy, particularly as Wal-Mart was eager to learn some things about front-line execution from its new U.K. business. Indeed, ASDA's response to a challenging retail environment in the United Kingdom has been to reduce the number of middle managers by 1,400 in order to hire more front-line staff.

Giving the front line the right tools is a must-have, not a nice-to-have. Look for the best across the system. Get the tools into the hands of the people who need them. Don't underestimate the power of the "linchpin employees" on the front line to put tools to work in the most effective ways.

5. Instill a High-Performance Culture That Motivates People at All Levels to Get Things Done and to Strive for Excellence

Plenty of companies have "fun" or "vibrant" cultures, but relatively few manage to make their business objectives and their overall vision live and breathe through the thousands of employees on their front line. Great companies foster a passion for the business that encourages people to give their best and at the same time create a more fulfilling workplace for the employee.

Every company's culture is different, of course. But companies that achieve this level of commitment have a common characteristic—an internal compass that guides employees to act according to the company's values, even when no one is watching. Companies with high-performance culture inspire loyalty from employees, who want to stay and be part of a team. They create advocates, who are positive about the business to customers, colleagues, and recruits. They find ways to give meaning to jobs, particularly on the front line, so that employees feel that work is worth their energy and commitment. Leaders on this dimension are 31 percent more likely than the average company to have a culture focused on performance. They don't take culture for granted; they manage it. That's a tall order because it requires engaging people's inherent beliefs about the value they place on their work and contributing to a common enterprise.

Enterprise Rent-A-Car knows the value of a strong culture. The largest car-rental agency in the United States—it passed Hertz for the #1 ranking in 1996—Enterprise leads the market for neighborhood and off-airport

rental cars, where people rent because they need a replacement vehicle while theirs is in the shop for repairs or because they want to take a short business or leisure trip. Enterprise built its industry leadership, in large part, by establishing a culture that connects performance with customer loyalty and instills the conviction among employees that attention to customers' needs leads to success.

"Put customers and employees first, and profit will take care of itself," declared founder Jack Taylor, and Enterprise leaders ever since have taught that philosophy to managers and employees throughout the organization. CEO Andy Taylor and President Don Ross make a point of addressing training classes of new managers on Saturday mornings. They relate examples of outstanding customer service to reinforce their message, like the story of one branch employee who accompanied the wife of a customer stricken by a heart attack to the hospital and stayed with her for hours until relatives arrived.

On a day-to-day basis every employee in every branch is focused on the "Enterprise Service Quality index" (ESQi), which measures how satisfied customers were with their rental on a five-point scale. Rental branches' score on that metric is the key variable in determining promotions for branch managers and employees. So everyone learns that he or she must take personal responsibility for turning customers into enthusiastic promoters of Enterprise. As the company explains, ESQi is "one of many ways in which we remind ourselves to put customer needs first."

Cultures such as Enterprise's truly emerge in a crisis, when employees must think and act quickly without guidance from headquarters. Enterprise faced a dilemma in the aftermath of September 11, 2001, as stranded travelers desperately sought cars to return to their homes. Enterprise ordinarily doesn't rent one way; its neighborhood branch system lacks the logistics and operations to track and offer one-way rentals. But many branch managers quickly decided to give customers the cars anyway and worry about how they would get them back later on.

The response came as no surprise to Enterprise employees. One sign of a strong, effective culture is that everyone in the company understands what to do without being told. Three days later, with the nation's transportation system still crippled, Enterprise headquarters issued a policy instructing branches to permit out-of-state one-way rentals for stranded travelers and to waive or reimburse drop-off fees. "There will be losses," said CEO Taylor, who stayed in touch with employees via e-mail during the crisis. "But right now we're just concerned about taking care of our customers." His managers, as it happened, were out ahead of him.

Enterprise's cultural cornerstone of "Put customers and employees first, and profit will take care of itself" has certainly proved true. Privately held, the company doesn't report its profits, but the firm's worldwide revenues

have grown 32 percent between 2000 and 2004, to $7.4 billion, helping to establish Enterprise as the leading car rental company in North America.

Building a high-performance culture among front-line staff may be the most challenging element of outstanding front-line performance. Yet, it is also perhaps the most critical. Know what you stand for. Manage the culture to match. And support employees who act to reinforce the culture.

PUTTING THE BEST FOOT FORWARD

Building a high-performance front line requires companies to do five things well: set a compelling vision, define clear roles, hire the right people, provide strong tools, and build a high-performance culture. It takes a system, not just a structure. For a company faced with the need to turn around a front line that is underperforming, or for one hoping to turn an adequate front line into a true source of high performance, the task of building such a system may seem daunting.

The first step is to identify where to start. A quick diagnostic of what works well and what needs to be improved can often point to one major issue that needs to be tackled first. It is critical not to underestimate the change process. It may be possible to analytically determine the right front-line structure or the appropriate balance between productivity and service in employee metrics, but it is impossible to turn those into reality without winning the hearts and minds of thousands of individuals. The change process is almost as critical as making the right changes.

These investments pay off enormously for employers as well as front-line employees in the short term and over the long-term. Companies that succeed in building a strong front line find that it becomes an enduring source of competitive advantage. When people on the front line give their time and energy to making the business succeed, competitors have a hard time keeping up.