Culture

releasing the energy

Peter Hutton shows how internal communications can be used to focus the energy of a brand on the most important deliverable – keeping your promises to consumers.

Shortly after I set up my business, I received a letter from my bank, HSBC, telling me that a cheque had bounced and it was charging me a £28 penalty. A payment I thought had gone into the account had not, and by the time I had received the letter another two cheques had bounced with further £28 penalties attached to each one.

I phoned to complain, and asked why it could not have texted me or phoned me as soon as I had gone overdrawn – as my personal bank, First Direct (part of HSBC) does. The person at the other end of the line explained that HSBC didn't have the same system as First Direct, that these were the rules, and that it was my fault – I should have checked my bank balance on-line. It made no difference that I was a new small business customer, and had had difficulty getting the on-line system to work properly, partly due to software problems at the bank. Although she "let me off" one of the three fines, I still felt aggrieved. "If you have the discretion to let me off one, then why not two or even all three?", I queried. She was not in the mood for negotiation.

How did that make me feel? Used.

I later mentioned the experience to my branch contact. To my amazement he waived the fee there and then and explained that that was not the way he wanted to make money from his small business customers. How did that make me feel? Valued. (Thanks, Steve Hall – Commercial Banking Officer, HSBC Sutton.)

I had chosen HSBC because I am a First Direct customer. As far as I am concerned, they are the same bank. It certainly makes it easier transferring money between personal accounts and business accounts, as you do in a start-up. Same bank, but three different messages of what it stands for.

Traditional service

In my view, traditional marketing thinking has served the financial services sector badly. Theories about branding and marketing have been largely shaped by the need to sell consumer products. Brands have been seen as the perceptions that consumers have of different companies' products.

But this approach works poorly for service organizations, for which a far more useful concept is of the brand as the customer's *experience* of the company.

Service businesses communicate in thousands of different ways. Most of these owe little to the formal communications functions of marketing and PR. Many are subconscious, but work constantly to support or challenge impressions gained, often over many years. For a bank, these can range from the visual branding identity of the logo to the state of the carpets in the branch; what customers read about the business in newspapers; or, critically, how they are treated by members of staff. And the last is not a matter of politeness or even fairness – but how the customers *feel* they have been treated.

Taking an experiential view of the brand means that the notion is not something that is confined to the minds of consumers; rather, it applies to all stakeholders – employees, investors, suppliers, the media, and so on.

It is also systemic. In other words, the brand exists throughout the stakeholder system that creates value for the business. Businesses, ultimately, are about managing experiences – managing experiences of customers so they want to buy; managing experiences of staff so they want to work hard; managing experiences of investors so they want to invest, and so on. Managing the brand (experience) and managing the business are therefore ultimately the same thing.

This is the thinking behind the concept of brand energy – *the energy that flows throughout the system linking businesses and all their stakeholders, and which is manifested in the way these stakeholders think, feel and behave towards the business and its products or services.*

All organizations want to create the energy that is delivered when this system works effectively and purposefully, with all the stakeholders gaining significantly from their involvement with the system.

You are what you do

It could be argued that virtually all brand communication is through what the organization does and how it does it, rather than what it says. Even for non-customers, word of mouth about companies that have done things very well, or (even more powerfully) that have screwed things up, is part of the whole system that acts constantly to build up or undermine the brand.

The powerhouse behind this is the *internal* culture: what employees think and feel about the business and what it stands for, and how they behave as a consequence, particularly in their customer-servicing activities.

So influencing this internal culture has a powerful effect on the brand, effectively helping to build the underlying equity of the business.

Most HR departments at worst fail to recognize this, and at best still struggle to understand how employees affect the brand. Employee surveys typically focus on hygiene factors that make staff feel good, but miss out on the link to the things that really drive value.

Moreover, because they only focus on employees they fail to see how the system as a whole works and that dysfunctionalities in one part of the system often have implications elsewhere. Dissatisfaction amongst British Airways' check-in staff in the summer of 2003, for example, resulted in a strike which quickly led to a hundred thousand customers being stranded at Heathrow, disruption for suppliers, hostile media stories and loss of confidence in the City – to say nothing of higher costs and lost profits.

This may be an extreme example, but it highlights the interconnectedness of everyone in the value-creating system. More typical is the HSBC example above, where staff in one part of the system living customer service values have to undo the damage caused by a computer triggered to send out insensitive letters to customers, supported by staff living a set of values that put business processes ahead of customer relationships.[1]

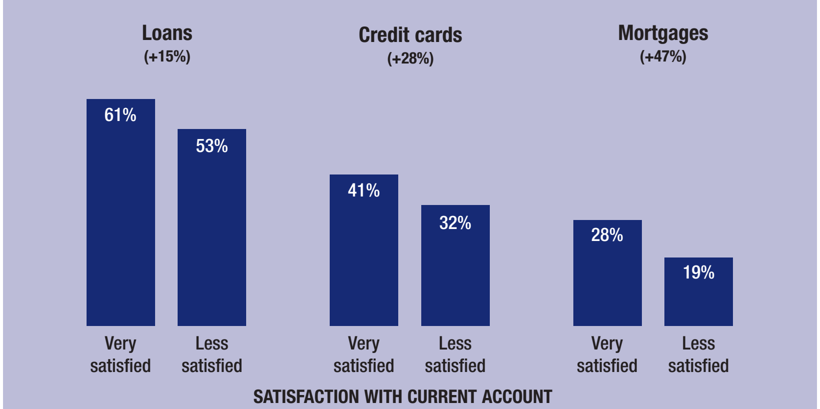
Customer satisfaction is strongly correlated with propensity to sign up for additional products and services.

Empirical evidence that the internal culture impacts business performance comes from an analysis of data from MORI (see Figure 1). Despite regulatory efforts to make the process easier, there is still little switching between bank accounts, which might lead to a superficial conclusion that there is little value to be gained by fostering customer satisfaction.

Retail marketers, of course, recognize the fallacy. Current account customers buy (or are sold) many other financial services products, from a wide range of suppliers, and the research confirms that customer satisfaction is strongly correlated with propensity to sign up for additional products and services.

People were 47% more likely to take out a mortgage with their current account provider if they were "very satisfied" with them than if they were "less satisfied"; or

FIGURE 1: PURCHASE FROM MAIN ACCOUNT PROVIDERS



Base: Acquired of each service (c.200-400) Source: MFS Jan-June 2002

The most successful companies recognize that the way to create financial value is to ensure that staff are fully engaged with the values and aspirations of their customers.

15% more likely to take out a credit card; or 28% more likely to take a loan. In other words, very good service – as opposed to just good, still less indifferent, service – can have a huge impact on the bottom line through cross-selling. And it is staff that usually make the real difference between very good and just good service.

Further support for the link between internal culture and business success comes from a survey of corporate heads of communications that we conducted last year for the Institute of Public Relations. As Figure 2 shows, this found a direct relationship between ratings of internal communications and perceptions of organizational performance. Overall, 55% believed that their internal communications culture helped to improve the performance of the organization, but the more highly they rated the effectiveness of their internal communications, the more positively they rated the *value* of communications.

Value creating

The most successful companies recognize that the way to create financial value is to ensure that staff are fully engaged with the values and aspirations of their customers. But culture is something that cannot just be left to a small group responsible for internal communications. Internal communications need to be part of the culture, and it also needs to be two-way, not one-way.

The internal brand can be visualized as "what the business is saying to its employees". Businesses communicate constantly and powerfully with their employees through their actions and the decisions that are made. Only a tiny proportion of communication is through the "controlled" messages of the staff newspaper or e-mail bulletins, and employees are more likely to be influenced by "real world" inputs, such as the way people are treated; the style and agendas of internal meetings; the things staff are rewarded for and encouraged or discouraged from doing; the activities on which money is spent; or the stories that appear in the media without prior communication to staff.

All these signals tell employees whether the company's priorities are long-term growth or short-term cost control; customers first or organizational systems and procedures first; maximizing short-term shareholder returns or creating long-term value for all stakeholders; inclusiveness and staff involvement or exclusiveness and top-down command-and-control; working in silos or connectedness across the whole business; team-working or empire-building; honesty

FIGURE 2: RATING INTERNAL COMMUNICATIONS

Base = 145 respondents*	All	Very effective	Fairly effective	Neither effective nor ineffective	Very/fairly ineffective
Numbers of respondents rating internal communications overall as: (Proportion of total sample)		24 (17%)	74 (51%)	22 (15%)	23 (16%)
Proportion of each segment believing internal communications culture "works effectively to improve the performance of the organization":	55%	75%	64%	45%	13%

Source: IPR/BrandEnergy Research survey on the EU Information and Consultation Directive, conducted with senior in-house communications managers, June 2004.

* Two of whom expressed no opinion on the communications effectiveness question.

RETAIL THERAPY

Last autumn, Sainsbury's announced that it was ceasing its policy of giving a £100 Christmas bonus to its staff, replacing this with an extra 5% discount (on top of their normal staff discount) on purchases for three months from October to December.

Shortly before this announcement, Tesco revealed that it was putting aside £189m of its profit for staff bonuses (around £727 per staff member, on average). It also announced a trial scheme to stop giving sick pay for the first three days of absence, and extra rewards, including holidays, for those with exemplary attendance records.

From a staff perspective, Sainsbury's appeared to be saying: "We are taking away your Christmas bonus in order to boost profits for shareholders. We are replacing it with a scheme in which, to get the equivalent benefit, you will have to spend £2000 at Sainsbury's, whether or not you want to shop there."

In contrast, Tesco's message was: "We value your loyalty. We recognize that some people are taking advantage and putting extra strain on those that are conscientious and loyal, and we wish to discourage the former and encourage and reward the latter. We are a commercial organization that aims to make a profit, but we would like those who work hard to generate that profit to share in it."

The messages sent out by Tesco are likely to result in reduced costs from staff absence; a better working atmosphere resulting from a better alignment of the values of the organization (fairness and equity) with the values of its staff; greater commitment and loyalty from existing staff, resulting in lower recruitment and training costs; and the ability to attract better-quality, more-committed staff to their stores, resulting in better customer service and customer loyalty. The messages sent out by Sainsbury's could well have the opposite effect and end up costing the company far more than it saved.

and openness, or covering up to make top management look good; sharing responsibility and solving problems, or allotting blame; recognizing achievement or taking staff effort for granted.

Bringing the brand to life internally means making the culture one that really delivers on the brand values. The challenge is to create an internal environment that continually engages staff with the business at whatever level and in whatever function. And it also needs to be based on an integrated model of the business – failure to do so results in messages being sent from one functional silo which conflict with those being espoused by others, resulting in a significant loss of internal energy.

On the balance sheet staff appear as a cost. But they are also a significant part of the equity of the business. The danger of sending the wrong messages to staff (see RETAIL THERAPY, left) is that the good ones will leave and join competitors – driving up recruitment and training costs, undermining efficiency and compromising customer service.

It is a mistake to think that the brand can be brought to life internally just by concentrating on the internal culture. The purpose of any organization is always rooted externally. Its role is always to serve its external stakeholders, particularly its customers. So the internal culture needs to be consistent and aligned with the expectations of the external stakeholders. And staff generally know this.

A business does not create value by creating profit; it creates profit by creating value.

When Richard Baker arrived to take over as Chief Executive at Boots in 2003, he is said to have asked all his staff to tell him what his priorities should be. The key issues that were identified all had to do with providing better service and being more responsive to customers. They told him that he should put more staff into the stores, review Boots pricing and ensure quicker decision-making at head office. These became his priorities.

A critical truth, it seems to me, is that a business does not create value by creating profit; it creates profit by creating value – and that value thrives (or is destroyed) in particular in the experiences of its customers and of its staff who deliver to those customers. Manage those experiences right and the shareholders will go home happy. ☐

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1. This example also serves to highlight the impact that backroom staff can have on customers that they never meet or speak to. In this sense, computer programmers can be just as customer-facing as branch staff or call-centre teams. Ed