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Put Your Money Where Your Metrics Are: How to Link Customer Experience to Employee Evaluation, Rewards & Recognition Within A Culture of Accountability

By Rob Rush, President & CEO, LRA Worldwide

"What Gets Measured, Gets Done" - Anonymous - Ancient Hospitality Industry Proverb

I'm sure someone said it first, but I have neither the time nor the patience to figure it out. In any case, what was probably once some hotel General Manager's brilliant original thought is now an aphorism, co-opted by hackneyed philosophers in any industry that can measure some element of their business on an ordinal scale. With this in mind, I would like to start this article with two disclaimers, both referring to slight inaccuracies within the headline.

Disclaimer #1: This article is less about linking performance to recognition, more about the kind of customer experience-focused culture that thrives with that link.

Disclaimer #2: Putting "Money" in a headline is probably the second best way to get people's attention, and I couldn't figure out a legitimate way to include "sex" in the topic. This article is more about discovering alternative means of recognition that create a true culture of accountability, less about doling out cash bonuses.

Now that we've level-set your expectations (and I apologize to anyone who was seeking a treatise on creating performance scorecards – "now should financial performance count for 32.5% of the bonus and customer service metrics 17.5%....or is it the other way around?"), let's talk about the single most crucial element of a culture where accountability rules. Where employees not only understand the metrics on which they are judged, but understand their profound, direct impact on those metrics. Where customer experience matters and the customer is anyone you touch on a given day, from the guy in the cubicle next to you to your biggest corporate account.

Information.

In the words of Jan Carlzon, the celebrated former CEO of SAS Airlines, "An individual without information cannot take responsibility. An individual who is given information cannot help but take responsibility."

With that thought as the guiding philosophy, Carlzon took a moribund state-run airline and turned it into an industry model for service and profitability. By flattening out the carrier's management structure, he made every employee keenly aware of the impact that all company metrics – financial, customer service and otherwise – would have not only on the company but on them directly. Thus, the metrics in question became far more than disembodied scores on a balance sheet or year-end review – they became directly linked to flesh and blood interactions that each and every employee had each and every day. Hence the title of Carlzon's best selling book – "Moments of Truth."

So maybe it's time to update the standard cliché – perhaps it's more accurate to say, "What is clearly laid out as an expectation, is communicated effectively throughout the organization, and is suitably important to empower employees to address...gets done."

This model does not apply strictly to service industries. The May 1, 2006 issue of BusinessWeek told the story of Nucor ("The Art of Motivation," by Nanette Byrnes), a steelmaking company where a "flattened hierarchy and emphasis on pushing power to the front line led its employees to adopt the mindset of owner-operators." And what goes hand-in-hand with that culture, you might ask? Simple – "radical pay practices, which base the vast majority of most workers' income on their performance." Hmm. An empowered workforce, with the mandate and incentive to perform to the highest levels, equipped with the proper tools and resources to do just that. Sounds like a pretty good recipe for all involved.

Nucor steelworkers made an average of \$91,000 last year; Nucor shareholders have realized a 387% yield over the past five years. And in 2005, Nucor shipped 20.7 million tons of steel in the U.S., the most of any other company, indicating that there were plenty of customers tickled with the product and service. After all, if a defective batch of steel is shipped to the customer, the workers that produced the steel not only forfeit a bonus, but lose three times that amount. And that might not be the worst loss of all, as the loss of face with fellow workers and plants might be even worse. As the article explains, "there's a healthy competition among facilities and even among shifts."

In companies like Nucor, where employees and management alike share the same information and goals, all in the interest of best serving the customer and reaping the related rewards, everyone wins. It's no coincidence that Nucor shareholder returns were so astronomical during a period where "Big Steel" struggled to keep pace. According to The Philadelphia Inquirer, a recent study published by the University of Michigan's Ross School of Business found that companies that are aligned around serving the customer and rank highest in the American Customer Satisfaction Index (ACSI) outperform the market. The Inquirer article noted that "the hypothetical portfolio [of companies ranked highly in the ACSI] generated a cumulative 40 percent return from its starting date... to its end date. The portfolio outperformed the Dow Jones industrial average by 93 percent, the S&P 500 by 201 percent, and the NASDAQ by 335 percent."

Assuming some level of employee participation as company shareholders, this phenomenon creates a de facto monetary reward and recognition program, dictated by performance on customer metrics and fulfilled over time by the financial markets.

While this sort of organic reward program is the ideal for company, customer and employee, sometimes it's necessary to implement a program that's a bit more formal. OK, you're thinking, now here's the catch. Rush is going to outline how we have to provide cash bonuses to employees who extend common courtesy to a customer, stock options for those who truly provide a meaningful service and even a Starbucks gift card – the true "token" of appreciation – for those who can manage to avoid physically assaulting customers in the course of doing business.

Not quite. It turns out that some of the more valued employee rewards are of the non-monetary, decaffeinated variety. Dr. Gerald Graham, a professor at Wichita State University, conducted a study of the relative popularity of 65 different typical work place rewards, and the following ranked highest:

1. Cash Bonuses
2. Stock Options
3. Starbucks Gift....JUST JOKING!

The actual rank order was:

1. A Personal Thank You
2. A Written Thank You

3. Promotion Based on Performance
4. Public Praise
5. Morale Building Meetings

With the exception of providing promotions willy-nilly, there is nothing on that list that costs a dime, and in our work with clients, we see the impact of these activities (or lack thereof) time and again. In fact, we'll take Dr. Graham one step further. You can put a serious charge of reward and recognition into an employee's step not necessarily by writing the employee a note, but by penning a few words to that employee's child/spouse/pet/house plant thanking them for the time they allow mom/dad/husband/wife to spend at work and describing how he/she excels in the workplace.

Set expectations and disseminate that information so that accountability is a way of doing business, not an "IT'S PERFORMANCE REVIEW TIME" rarity borne of panic. Constantly assess performance against those expectations. For those who excel within those expectations, reward and recognize in ways that span the spectrum from serious to silly. Wash, rinse, repeat.

And tying performance on those expectations into a cash windfall of some type...well, that doesn't hurt either. Just keep in mind, that in this instance, cash is not always king!

Rob Rush is CEO of LRA Worldwide, a leading consulting and research company specializing in Customer Experience Management. LRA offers an integrated suite of services designed to "operationalize the brand" – turn brand promise and customer strategy into operational reality. LRA's services measure and improve service quality, employee performance, customer satisfaction, retention and profitability. Clients include Starwood Hotels & Resorts Worldwide, Inc., Hyatt Hotels, the PGA TOUR, Indianapolis Motor Speedway and others. You can visit the LRA website at www.lraworldwide.com or contact Rob directly at rob.rush@lraworldwide.com