

mployees

Your employees are your business! They can make or break your marketing plans. Hal Rosenbluth, owner of a major travel agency, stunned the marketing world with the title of his book, *The Customer Comes Second*.³¹ Then who comes first? Employees, he said. His point is particularly applicable to service businesses. Service businesses involve intensive people contact. If the hotel clerk is sullen, if the waitress is bored, if the accountant doesn't return phone calls, then clients will take their business elsewhere. So companies like Rosenbluth Travel, Marriott, and British Airways operate on the following formula: First train the employees to be friendly, knowledgeable, and reliable; this will lead to satisfied customers who will return again; and this will create a growing profit stream for the shareholders.

Anita Roddick, who founded The Body Shop, agrees: **“Our people [employees] are my first line of customers.”** By viewing her employees as customers, she aims to understand and meet their needs. Walt Disney held the same view: **“You’ll never have great customer relations till you have good employee relations.”** The way your employees feel is ultimately the way your customers are going to feel.

Some companies go to great lengths to find the right employees. There isn't a people shortage so much as a talent shortage. The people

that you hire today create your future tomorrow. Using a tight definition of the personality and character traits that it seeks in employees, Southwest Airlines hires only 4 percent of its 90,000 applicants each year. Then it makes sure to give them a career, not just a job.

A company that pays little to its employees will get back little in return. If you pay your people in peanuts, you will get monkeys. It will cost you lots of money to replace employees who leave. Finding talented and motivated employees and retaining them is a key to business success.

Smart companies pay generously. They attract the best people who outperform average people by a higher multiple than the higher pay. They experience less employee turnover and lower costs of hiring (because people flock to this company) and of training (because they hire people with more capabilities).

Pay is only part of the answer to good employee management. Companies are human and social organizations, not just economic machines. Employees need to feel that they belong to a worthwhile organization doing worthwhile work and making a worthwhile contribution. Gary Hamel said, **“Create a cause, not a business.”**

Companies must prepare a compelling *value proposition* not only for their customers but also for their employees. The aim of *internal marketing* is to treat the employees as a customer group. Great organizations give even the lowest workers a good feeling. Consider the following:

- Bill Pollard, retired chairman of ServiceMaster, had a credo that included “We should treat everybody with dignity and worth.” At a board meeting, coffee was accidentally spilled on the carpet and a janitor was called in. Bill took the cleaning solvent from the janitor and knelt down to clean the carpet himself to spare the janitor from having to do so in front of all the board members. **“You get respect by giving it.”** (Sara Lawrence-Lightfoot, Harvard Graduate School of Education)

- One day a vice president said to Herb Kelleher, then CEO of Southwest Airlines, “It is harder for me to see you than [it is for] a ticket handler at our company.” “Yes,” said Herb. “The reason is that he is more important.” Herb Kelleher went on to rename the Personnel Department the People Department. He also renamed the Marketing Department the Customer Department.

A company’s people can be the strongest source of competitive advantage. John Thompson of Heidrick & Struggles advises: **“Get fewer, smarter people to deliver more value to customers faster.”** Jeff Bezos of Amazon says: **“We look for people who have a natural inclination to be intensely focused on the customer.”**

Companies need to inculcate their brand values into their employees. Intel wants to inculcate “risk-taking,” Disney “creativity,” 3M “innovativeness.” Some companies include in the employee’s remuneration a certain percentage for company values performance. General Electric links 50 percent of its incentive remuneration to value performance. Cisco bases 20 percent of bonuses on the employees’ customer satisfaction scores. A company should go further and honor outstanding employee performance through recognition programs, newsletters, CEO awards, and the like. John Kotter and Jim Heskett, in *Corporate Culture and Performance*,³² empirically demonstrated that companies with strong cultures based on shared values far outperform companies with weak cultures by a huge margin.

A company must make sure that its employees understand that they are not working for the company. They are working for the customer. Jack Welch of GE would repeatedly tell his employees: **“Nobody can guarantee your job. Only customers can guarantee your job.”** Sam Walton of Wal-Mart echoed the same sentiment: **“The customer is the only one who can fire us all.”** Larry Bossidy, chairman of Honeywell International, Inc., sent out the same message: **“It’s not management who decides how many people are on the payroll.**