CULTURAL ENGINEERING

Key Success Factors For Creating a Customer-Centric Culture
EVOLUTION OF GALLUP

1935
Founding of GALLUP as the original survey research company.

1969
Founding of SRI as the original psychometric assessment company.

1970
Dr. George Gallup originated many of the methodologies around Applied Sociology.

1980
Dr. Donald Clifton founded many of the first taxonomies of Applied Psychology.

1990
Architected the first ongoing tracking studies for measuring customer engagement.

early 1990s
25 years of research reveals 12 key items (Q12) predictive of employee engagement.

late 1990s
HumanSigma is developed to consistently manage employee-customer moments.

2007
The answer to the role of human nature in driving business outcomes is contained in the management theory known today as The Gallup Path.

1900
KEYNESIAN ECONOMICS
Predicated on the rational buyer, where price and features drive business results.

1970
PROCESS IMPROVEMENT
Six Sigma, TQM, and CQI driver greater business results through operational efficiencies.

1990
BEHAVIORAL ECONOMICS
Human behavior and thereby business results is driven by emotion connection.
INTEGRATION FRAMEWORK

Strategy
Leadership System
Customer Knowledge

Human Capital
Process Design
Measurement

BRAND PROMISE

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A Brand Promise defines the primary qualities that distinguish a brand from its competitors.

Your Brand Promise tells the world what your brand stands for, what makes your products or services different from the competition and why you are worthy of being chosen by your customers.
### MARKET ORIENTATION

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>SIMILAR CONCEPTS</th>
<th>SOUTHWEST AIRLINES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ADVERTISING SLOGAN</strong></td>
<td>A short phrase, intended to be memorable and compelling, that is used in advertising campaigns.</td>
<td>• Tagline</td>
</tr>
<tr>
<td><strong>MISSION</strong></td>
<td>A brief description of a brand’s fundamental purpose. It answers the question, &quot;Why does the brand exist?&quot;</td>
<td>• Purpose</td>
</tr>
<tr>
<td><strong>BRAND PROMISE</strong></td>
<td>A one-sentence summary of the primary qualities that distinguish a brand from its competitors. It tells the world what the brand stands for, what makes its products or services different, and why it’s worthy of being chosen.</td>
<td>• Brand Essence • Brand Position • Brand Value Proposition</td>
</tr>
</tbody>
</table>
CURRENT STATE

I know what my company stands for and what makes our brand(s) different from our competitors.”
SATISFACTION IS NOT PREDICTIVE

Not at all satisfied

1 - 4
Dissatisfied

5
Rationally Satisfied

5
Emotionally Satisfied

Extremely satisfied
Customer Engagement

Per-Customer Contribution
Indexed Performance (Average = 100)

- **Fully Engaged**: Strong emotional attachment. Your most valuable customers.
- **Indifferent**: Emotionally and attitudinally neutral. Don’t care one way or the other.
- **Actively Disengaged**: Active emotional detachment and possibly antagonism.

**Source**: Gallup business impact analysis of 21 different measures of revenue, drawn from 8 companies that represent 5 different industries, conducted in 2002.
HOW DO THE BEST EXECUTIVES BUILD THEIR BRAND?

- Build their Constituency
- Cast a Compelling Vision
- Explain Reality
- Maximize Values
- Know Strengths & Weaknesses
- Survive Challenging Experiences
- Find a Mentor
The Brand Promise and Values cannot be delegated.

- The first conversation
- Daily calibration
- Brand ambassadors
Gallup’s Brand Ambassador Index combines three questions to help identify team members who are strong advocates:

- I know what this company stands for, and what makes our brand different from our competitors.

- I’m extremely proud of the quality of our products/services.

- I encourage family members and friends to purchase/use our products/services.
BRAND AMBASSADOR INDEX CATEGORY

1. BOTTOM QUARTILE
   - 46%

2. BRAND AMBASSADOR INDEX CATEGORY
   - 48%

3. TOP QUARTILE
   - 50%

4. BRAND AMBASSADOR INDEX CATEGORY
   - 52%

BRAND AMBASSADORS DRIVE LOYALTY
% PROBLEMS LAST 6 MONTHS

BOTTOM QUARTILE

1

24%

EMPLOYEE ALIGNMENT TO BRAND

21%

TOP QUARTILE

20%

18%

BRAND ALIGNMENT & INCIDENT RATES

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BRAND AMBASSADOR TALENT TO SERVE

**MOTIVATION**
Works hard.  
Strives for better performance.  
Takes pride in his or her work.

**RELATIONSHIPS**
Builds trusting relationships with ease.  
Considers the needs of others.  
Leaves a lasting positive impression.

**WORK-STYLE**
Fulfills commitments.  
Aims for perfection.
1 in 10 people have “high talent” to effectively manage others.

“The most important decision you make as a senior leader is whom you name manager”
- Jim Clifton, Gallup

Another 2 in 10 have basic manager talent to effectively manage others
Are you competitive?
“I am competitive.”

Are you a good loser?
“Absolutely not.”

- Study Group = High Performers
- Contrast Group = Low Performers

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Function creates structure and culture.

- Truth in Advertising
- Brand Indoctrination
- Tribal Stories
THREE TYPES OF EMPLOYEES

Engaged
Loyal and **psychologically committed**. More productive, higher retention.

Not Engaged
Productive, but **not psychologically connected** to their company. Miss more workdays, more likely to leave.

Actively Disengaged
Physically present, but **psychologically absent**. Unhappy and insist on sharing this unhappiness with others.

<table>
<thead>
<tr>
<th>The World:</th>
<th>14%</th>
<th>68%</th>
<th>18%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gallup Clients Best**</td>
<td>72%</td>
<td>23%</td>
<td>5%</td>
</tr>
</tbody>
</table>

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Proving the value of the Q12®: Meta-analysis outcomes

Business unit in the top Quartile of those Gallup has studied have...

- 21% higher productivity
- 22% higher profitability
- 10% higher customer metrics
- 37% lower absenteeism
- 48% fewer safety incidents

...than bottom quartile units
<table>
<thead>
<tr>
<th>TRANSFORMATION BARRIERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>BELIEF</td>
</tr>
<tr>
<td>Leadership has made quality a priority through actions as well as words.</td>
</tr>
<tr>
<td>CREDIBILITY</td>
</tr>
<tr>
<td>The quality measurements are simple, accurate, and accepted as valid.</td>
</tr>
<tr>
<td>ACTIONABILITY</td>
</tr>
<tr>
<td>Managers and associates have the tools to move the numbers and positively impact quality.</td>
</tr>
<tr>
<td>ACCOUNTABILITY</td>
</tr>
<tr>
<td>There is a clear understanding of responsibilities and consequences across the enterprise.</td>
</tr>
<tr>
<td>SYSTEMIC ISSUES</td>
</tr>
<tr>
<td>Steps have been taken to minimize broader organizational barriers across the enterprise.</td>
</tr>
<tr>
<td>HUMAN CAPITAL</td>
</tr>
<tr>
<td>A fundamental understanding exists that behaviors must change for performance to improve.</td>
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</tbody>
</table>
BEHAVIORAL ECONOMICS
Emotion Drives Outcomes

+26% in gross margin
+85% in sales growth

Gallup Research

PROCESS IMPROVEMENT
Operational Efficiency Drives Business Outcomes

Much of the traditional disciplines have run their course and offer little additional competitive advantage

NEOCLASSICAL ECONOMICS
Applied behavioral economics is the mathematical description of the role human nature plays in just about...everything.

Jim Clifton, CEO, Gallup

BEHAVIORAL ECONOMICS
System 1 operates automatically and quickly with little or no effort and no sense of voluntary control.

System 2 allocates attention to the effortful mental activities that demand it, including complex computations.

WHAT IS A STRENGTH?

Talent  (a natural way of thinking, feeling, or behaving)

\[ X \]

Investment  (time spent practicing, developing your skills, and building your knowledge base)

\[ = \text{Strengths} \] (the ability to consistently provide near-perfect performance)
Day 42 after Conception
  • Neuron #1

Day 162
  • 100,000,000,000 neurons
  • 9,500 neurons per second

Birth Minus 60 Days
  • Neurons begin to attempt to communicate
  • Axon strands create synapses

Age 3
  • Each of your 100 billion neurons have made 15,000 synaptic connections

Age 16
  • Half of these 100,000,000,000 * 15,000 synaptic connections are gone
**The 34 Themes of Talent Measured by the Clifton StrengthsFinder:**

<table>
<thead>
<tr>
<th>Achiever</th>
<th>Connectedness</th>
<th>Harmony</th>
<th>Positivity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activator</td>
<td>Consistency</td>
<td>Ideation</td>
<td>Relator</td>
</tr>
<tr>
<td>Adaptability</td>
<td>Context</td>
<td>Includer</td>
<td>Responsibility</td>
</tr>
<tr>
<td>Analytical</td>
<td>Deliberative</td>
<td>Individualization</td>
<td>Restorative</td>
</tr>
<tr>
<td>Arranger</td>
<td>Developer</td>
<td>Input</td>
<td>Self-Assurance</td>
</tr>
<tr>
<td>Belief</td>
<td>Discipline</td>
<td>Intellection</td>
<td>Significance</td>
</tr>
<tr>
<td>Command</td>
<td>Empathy</td>
<td>Learner</td>
<td>Strategic</td>
</tr>
<tr>
<td>Communication</td>
<td>Focus</td>
<td>Maximizer</td>
<td>Woo</td>
</tr>
<tr>
<td>Competition</td>
<td>Futuristic</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
CONCLUSIONS
1. INTEGRATION FRAMEWORK
2. NON-RATIONAL BEHAVIOR

RATIONAL 30%

NEO-CLASSICAL ECONOMICS

People are “boundlessly” rational; *Emotion plays no role*

People are “boundlessly” selfish; *Self-interest is primary*

People have “limitless” access to information and unlimited capacity and ability to process it

NON-RATIONAL 70%

BEHAVIORAL ECONOMICS

Rationality has limits and “bounded”; *Emotion plays a pivotal role*

Self-interest has limits; *People do not always act in their own self-interest*

People have limited access to information and limited capacity and ability to process it
3. STRENGTHS YIELD HIGH ROI

**MY SUPERVISOR FOCUSES ON MY STRENGTHS OR POSITIVE CHARACTERISTICS**
- Actively Disengaged: 61%
- Not Engaged: 33%
- Engaged: 22%

**MY SUPERVISOR FOCUSES ON MY WEAKNESSES OR NEGATIVE CHARACTERISTICS**
- Actively Disengaged: 38%
- Not Engaged: 45%
- Engaged: 22%

**IGNORED**
- Actively Disengaged: 40%
- Not Engaged: 57%
- Engaged: 2%
CULTURAL ENGINEERING

Key Success Factors For Creating a Customer-Centric Culture