

CREATING A CLIENT-FOCUSED SYSTEM

REMARKS BY MARSHA HENDERSON, PRESIDENT, KEYBANK to the CONSORTIUM FOR THE ADVANCEMENT OF ADULT HIGHER EDUCATION

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(SLIDE 1) Thank you for inviting me to talk to you today about creating a client-focused system. I am very happy to be here with you.

Even though I'm with a bank and you're with higher education programs for adults, we have some things in common.

(SLIDE 2) We all want to do our jobs well – I hope – and we all want our organizations to succeed.

But the first doesn't necessarily lead to the second. You can do your job well. So can you. And so can you.

But for an organization to be really successful, it's not about one person – or one department, doing their jobs well.

It's about whether the system as a whole best meets the needs of those it is intended to serve – That could be my bank clients or your students. It is how they view the effectiveness of our system in meeting their needs that determines how well we are doing our jobs.

(SLIDE 3) In some of your prior sessions, I understand you heard a lot about systems thinking, and some of you participated in a workshop to understand the concepts first-hand.

Today I'm going to share with you some real-life examples that take the theoretical and put them into practice. I'll talk about some companies that have successfully organized using systems thinking to best serve their clients. Companies such as Best Buy, Aramark, GE and Federal Express. And, of course, I'll tell you KeyBank's story – the one I know best.

And finally, I will offer some tips that I hope will be useful to you in applying systems thinking to your own organization.

(SLIDE 4) All kinds of organizations have used aspects of systems thinking to become better at what they do.

What do I mean by “become better?”

In banking – or any business – “becoming better” in this context means having an internal organization that is aligned with our clients’ expectations.

One that allows an ease of entry for customers and provides services that meet the needs of the customer.

(SLIDE 5) Why would any business or college want to apply this approach?

Of course, to make our organizations more successful – by attracting more customers or students by more efficient delivery of services. And to provide a more satisfying work environment for our employees. All of which, I am not embarrassed to say, enhances the bottom line, thereby ensuring the life of the organization.

In education, your customers are your students. You want them to have the best experience possible so they will recommend your program to others. It starts with the admissions process, through the financial aid process, student services and academic programs, and even billing.

(SLIDE 6) Every step of the way, everyone in your organization has opportunities to give students the best possible experience or to leave them feeling unsatisfied.

(SLIDE 7) Organizations that figure out how to use a systems approach to meet customer expectations in products, services and experiences will be the winners in a competitive marketplace.

And those that figure out how to exceed expectations are the mega winners. Systems thinking can and is creating mega winners.

Companies are using it to reinvent themselves and becoming customer-centric in the process.

(SLIDE 8) One example is Best Buy, the giant specialty retailer that sells consumer electronics, personal computers, entertainment systems and appliances. I'm sure you're all familiar with it. I don't know about you, but I've always found places like Best Buy to be a bit intimidating. In fact, a recent personal experience relates to our discussion today. I was looking for a new monitor and printer to enhance my home computer system.

I thought these would make my life a little easier, right?

Well, I went to a Best Buy store and found that it was organized by product type – printers here, monitors there. I wandered around attempting to make an uninformed consumer selection.

When I looked for assistance, I found the service people spoke a language I didn't know — It was English, but it was Techno-English. They assumed I had more knowledge about what I needed than I actually did and assumed I knew the questions to ask.

Questions like: Do I have all the pieces I need to hook this up?

Five trips to the store later, I finally had all the pieces I needed to make the system work for me.

Five trips.

You can imagine I was not thrilled with the experience. I was angry and frustrated to say the least.

Even though the product may have been good, the experience was not. It was a hassle. It wasted my time. And what's worse — it made me feel incompetent.

The Best Buy system failed me as a client.

(SLIDE 9) Interestingly, a recent article about Best Buy caught my attention.

The article reported about how Best Buy is implementing a new approach in their retail stores around customer centricity. The new approach will mean a radically different experience for the consumer than the one I had. It uses aspects of systems thinking to redefine the consumer electronics buying experience.

(SLIDE 10) To accomplish this, Best Buy is using customer data to identify the likely services and products needed by distinct types of customers with distinct needs.

In Best Buy's case, they identified five client segments most likely to shop in the stores.

Those segments are:

One: Affluent professionals who want the best technology and entertainment experience and who demand excellent service;

Two: Active younger males who want the latest technology and entertainment;

Three: Family men who want practical technology that improves their lives;

Four: Busy suburban moms who want to enrich their children's lives with technology and entertainment; and

Five: Small businesses that can use Best Buy's products and services to enhance company profitability.

All these groups are looking for technology, but Best Buy identified that the purchase process means something different to each one.

At Key we also use a sophisticated approach to identify customer types to help us provide tailored financial solutions based on client needs and preferences.

A simple example would be college students or first-time home owners.

(SLIDE 11) In the case of higher education for adults, all the students are looking for a quality educational experience but that phrase will mean different things to different students.

Some students may value a more consultative approach and hand-holding; others may be looking for access to online courses.

For some, the priority is how quickly can they complete all courses; while others need to spread their course work over years because of the demands of work and family

The challenge is to figure out what different students are trying to get out of a college program and then to organize and align your system to provide an ease of entry and ability to meet their needs.

(SLIDE 12) So your challenge — and my challenge in banking — is very much like the challenge that Best Buy faces.

(SLIDE 13) Systems thinking is a set of techniques that can help an organization answer the question: How do we organize to get where we want to be?

There is considerable research behind the development of systems thinking, and the theories are complex, as you learned in prior sessions.

(SLIDE 14) For our purposes today, we will focus on the application of system thinking using three aspects: Communication, alignment and learning.

First, communication.

Systems thinking can only take place where communication results in all aspects of an organization having a common understanding of what is important to the parts of the system, and to the outside environment, which includes the clients.

Second, alignment.

Successful systems thinking requires everyone in the organization to be focused on achieving the same overall vision and mission.

Third, learning.

Systems thinking helps create organizations that learn from their mistakes and successes, and continually alter their course based on what they've learned. Every organization can be seen as a system made up of different parts. Systems thinking recognizes that each part of the system is critical to the overall health of the organization, and they must work together.

Every part might work well on its own; but if they do not work well together, the organization will inevitably suffer and will not reach its goals.

(SLIDE 15) So what is Best Buy doing?

Well, it's adapting store layout and service approaches to the specific needs of the customer segments who shop at each store.

A downtown location may focus on small business, while one at a suburban mall may be geared to younger male customers and busy suburban moms.

Workers at the stores are being trained to understand the specific types of customers rather than on product categories.

In other words, instead of saying to the customer – “Here are our printers. Do you want an XP or an XZ? A laser or a bubble jet?” A Hewlett Packard or a Lexmark? Employees are being asked to think about who is buying the printer and how they will use it, then to make the appropriate recommendation.

Where was this when I was looking for my printer?

Best Buy began this new approach in 32 stores and used the data it collected from them to fine tune its approach.

It found, for example, that suburban moms like a personal touch.

So it trained “personal shopping assistants” to help them make their selections.

Small business owners, on the other hand, were looking for quick response to performance and reliability problems.

So Best Buy started the Geek Squad, a rapid response computer task force on call 24-hours a day. Best Buy recognized that they aren’t just selling equipment.

(SLIDE 16) They’re also selling advice, attention and responsiveness – offered just the way the customer wants them. In fact, that’s what all of us are selling – including you in education.

This may be heresy but I suspect only some of your students are seeking a college degree for the sake of pure knowledge.

Many look at the degree as a credential and/or a means to advancement.

(SLIDE 17) So, a question might be – is your program meeting that need better than others are?

(SLIDE 18) So far, this improved understanding of the whole customer – and development of new services to meet needs – is working for Best Buy.

Based on increased sales in the prototype stores, Best Buy is expanding the model to more of its stores across the country. As Best Buy continues to gather data on what customers like and don’t like, the company plans to continuously adapt the model.

So that’s one fairly detailed example of systems thinking at work. Now, before I turn to my KeyBank experience, I want to mention a few others.

One is ARAMARK Corporation. It provides food and facilities management services to health care institutions, universities, stadiums, and corporations around the world. You're probably familiar with it.

For the past few years, Fortune magazine has named Aramark among the leaders in America's Most Admired Companies. Chairman and CEO Joseph Neubauer made long-term client relationships the company's focus in 1983.

Since then, annual revenues have tripled to \$9 billion, and customer retention rates are at 95 percent or higher.

In an article published by the Leader to Leader Institute, Mr. Neubauer said his approach has been to push leaders to

(SLIDE 19) Quote: "create systems and processes to stimulate and discipline an organization into examining what it holds most important, most effective, and most rewarding." Unquote.

His approach brings conflicts, threats, opportunities and choices to the surface, he said, and requires balancing of competing priorities.

Aramark has successfully reinvented itself twice in the last 15 years using its own version of systems thinking to develop competitive advantage and build market share. And it continues to do so.

(SLIDE 20) Systems thinking can be that powerful. At GE Power Systems Energy Products, systems thinking is a mechanism for transformation.

The goal is for all of the division's 4,600 employees to do everything possible to improve relationships with customers.

The division developed a web site and workshops to prepare its employees for the task.

The web site explains what Customer Centricity is and what it's not, and provides concrete examples.

At the workshops employees apply process tools to real world scenarios. GE expects these communications efforts will lead to change.

Eighty-three percent of employees visiting the web site – and 94 percent of those attending a workshop – said they will likely perform some aspect of their job differently as a result.

(SLIDE 21) At Federal Express, focus on giving the customer a “holistic” experience goes beyond its traditional notion of customer service. The company made outstanding customer experience one of its core values.

Then, it set out to measure every point of contact from beginning to end of the customer experience.

Not only does FedEx ask customers if their issues were resolved; it also asks whether the rep treated them in a friendly manner. One question gets at the service quality; the other gets at the total experience.

Next, FedEx is aligning its internal processes so they all add value to the customer's experience. One example of this is the redesign of the company's claims form to reduce the number of fields the customer had to fill out by 75 percent.

(SLIDE 22) That brings us to KeyBank, and KeyCorp, the bank's parent company.

Like the companies I just mentioned, Key is in the middle of a multi-year journey to deliver our services in a very different way. It's an evolution, and it's working.

And we've learned a lot of valuable lessons along the way that I can share with you.

For those of you not acquainted with my company, KeyCorp, it is a Cleveland-based holding company of KeyBank and other financial affiliates.

KeyBank is the 11th largest US-based financial institution, with operations in 14 states.

Here in the WNY area, Key has a significant market share and offers a full array of financial solutions used by individuals and businesses.

(Slide 23) With Key you can Achieve Anything.

(SLIDE 24) Not that many years ago, before technology had an impact in banks, most all banks were organized the same way, around products.

If an individual came to the bank and said “I need a loan,” or “I want a checking account,” he or she was directed to the person at the bank who handled that product.

If the customer was looking for a loan AND a CD, the customer dealt with two different people. God forbid that the customer also needed a safe deposit box, since that likely added a third person.

The good aspect of organizing in this fashion is that you could train your bank staff to do a few things really well.

But the customer was left to move among these parts of the bank to be serviced.

It was time-consuming, confusing and frustrating to customers.

Other drawbacks were —this was no way to build customer loyalty.

Second, this was no way to grow the business. The banker selling CDs might not be thinking to mention that we also provide loans or other products that might be helpful.

Third, by being product-focused there was little way to differentiate one bank from another.

Banking services became commodities – since customers were left to distinguish one bank from another based on rates and features.

Over the years, banks, not unlike other U.S. industries, have undergone tremendous change based on deregulation and increased competition.

Our way of servicing clients has changed for the better but still, in Key's view, seemed to leave room for improvement.

(SLIDE 25) This led Key a few years ago to examine how a client-focused systems delivery could help us achieve a distinct advantage in the market place.

Our senior management was very clear on one point: Every employee was charged with aligning his or her efforts to serve clients in the best manner possible.

We began six years ago with establishment of the Key values – a foundation on which the entire organization's focus would be built. At Key, our values guide our personal behavior. How we treat our colleagues. How we interact with clients, business partners, shareholders and the communities we serve.

We have found that, when we act with these values in mind, we create extraordinary results.

(SLIDE 26) Key's values are: Teamwork. Respect. Accountability. Integrity. And leadership.

Trust is impossible if even one of these values is lacking. And trust is our goal.

Teamwork drives great performance. It's the "whole-is-more-than-the-sum-of-its-parts" idea.

Respect for each other and the diversity we each bring to the organization creates our

unique environment.

Accountability means accepting responsibility for delivering on our commitments. As individuals, departments and a company as a whole.

Integrity requires adhering to the highest standard of honesty, professionalism and ethical behavior in all we do.

And leadership demands action, innovation, and continuous improvement.

(SLIDE 27) Our values are the bedrock upon which Key's Vision and Mission are built. Key's Vision is to become, simply put, the most admired financial institution in its markets.

This means Key will be regarded as the best company in which to invest and work, and with which to do business.

Key's Mission describes what the company wants to be: our clients' trusted advisor.

This requires us to build deep business relationships by providing distinctive advice, solutions and service.

Using systems thinking principles, our business structure, priorities and behavior all must be well aligned to achieve our mission.

At the same time, it meant tightening Key's focus on continuous improvement of our processes, consistent service quality performance accountability and a seamless delivery of all our services, to our clients regardless of what department or affiliate is responsible.

This seamless delivery of service is referred to as 1Key.

(SLIDE 28) Very simply, 1Key means coming together as one organization to do more for clients. It means ensuring a client of any one part of the company, is a client of all of the company.

It may mean one area transitions a valued client relationship to another part of Key, if that is the better place for the client.

As an example, a branch manager is expected to introduce a high deposit wealthy client to our investment area where the client can access trust and estate services along with investment products.

Perhaps your example would be passing on a potential student to the traditional part of your college knowing that this delivery is the right thing for that student.

(SLIDE 29) That is how a client-centric organization works.

It does what's best for the client rather than what might appear to be better for an individual department.

To further hone our efforts, we are taking 1Key a step further in 2004 in a refinement called 1KeyClient Experience.

This is a long-term, corporate-wide effort to continuously raise client satisfaction at each contact point with our company.

In order to succeed, we have determined that both technology and people play important roles in achieving this goal.

Technology allows us to have the right information at the right time at any contact point with a client. We want our staff to have the information to be able to present a client with the right solution at the right time.

If our clients, Mr and Mrs Jones, have savings accounts for their minor children, we should ensure they are informed about the advantages of using a 529 account for college tuition.

By comparing the Joneses to a client segment profile of services most likely used by young married couples, Key can mail only the information that may be relevant to them and not send a retirement planning brochure to a 30-year-old couple.

When our imaginary Joneses come in to a Key Branch for service, our representative will know that they inquired this morning through our phone center about a home equity loan and they prefer a fixed rate loan or that a service problem was resolved to their satisfaction last week.

In the age of computers, our clients expect us to know their history with Key and to use this to save them time and repetition.

Any system is only as strong as the people within it. To strengthen the people part of our system we are focusing on the three systems thinking aspects mentioned earlier:

(SLIDE 30) Communication – We constantly work at breaking down organizational silos by getting people from different parts of our company into the same room, talking to each other. We do this at all levels of the company.

Here in WNY we gather sales staff from different areas to informally share market information, hear success stories, learn about each other's challenges.

The information sharing is important, but the real outcome of such sessions is trust-building.

Once, I am certain that you will treat my customer at the same high quality level as I do, then we can begin to share leads and customers with ease.

We know that we only succeed if all parts of Key in WNY succeed.

(SLIDE 31) So, to ensure our overall success, we work to align our sales goals.

Our senior sales managers establish within their sales team a benchmark level of business that they expect to refer to another group. For example, our commercial bankers work with businesses. But business people have personal banking needs too.

So our commercial bankers may set a goal for referring a certain number of business clients to the branch consumer bankers for personal accounts.

The goal-setting is a way to focus attention on deepening a relationship and providing a service to a current client.

Since our culture is strongly built around sales results, we constantly guard against a person not doing the right thing for a client.

Through internal reward and recognition programs we provide ways for highly competitive sales people to be recognized for 1Key successes when they help to secure business for other parts of the bank.

Everyone in our WNY area takes great pride in our achievement of 1Key philosophy.

(SLIDE 32) And finally – the third systems thinking approach – learning.

As part of our 1Key Client Experience, our company is constantly testing and learning.

We try things on a small scale, learn from our results, tweak the product or service, and roll it out on a larger scale. Like the Best Buy example earlier, where they tested their new approach, Key is currently testing a new and different branch office model in the Columbus, Ohio, area.

We are using a number of offices as a working lab and expect to have a model to use across the company in the near future.

Test and learn doesn't have to take on a really big change or cost.

In our company, it takes other simpler forms as well. Key is constantly encouraging best practice sharing.

We have internal web sites with all kinds of great ideas to share across our company.

It might be a sales contest, a client seminar, a marketing success story. Big or small – we like to learn from each other.

I love to adapt a good idea to our circumstances.

Most organizations know that managing client relationships is the right thing to do, but most can't make it work.

They invest too much money on the technical side and ignore the people part.

Or they implement the plan in one division but can't transition it across organizational boundaries.

At Key, we're learning to do it all. And learning. And learning. And learning.

(Slide 33) Let me summarize some tips about using systems thinking to creating your own client-focused organization.

(CLICK FOR BUILD)

Refine your organization's values and communicate them throughout everything you do.

(CLICK FOR BUILD)

Clarify your vision and mission statements.

(CLICK FOR BUILD)

Align your organization's structure, priorities and behavior to your mission, eliminating or altering efforts that do not tie to it.

(CLICK FOR BUILD)

Ensure that every job in your organization is client focused -

Every job either serves a client (student) directly or supports someone who does.

(CLICK FOR BUILD)

Continuously learn from your mistakes and successes; share both.

(SLIDE 34) then (CLICK FOR BUILD)

Regularly ask –is this activity critical to our success? If we stopped it or enhanced it, what would be the consequence?

(CLICK FOR BUILD)

Accept the fact that change is not a periodic occurrence; it is a constant state of mind.

(CLICK FOR BUILD)

Leverage technology to enhance the delivery of service by well-trained people.

(CLICK FOR BUILD)

Be open to the unexpected.

(CLICK FOR BUILD)

Encourage an atmosphere in which it is to everyone's advantage to make decisions for the good of the whole.

(SLIDE 35) None of this is easy to do. But the rewards are great. Good luck.