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STEW LEONARD, watch out. The Kowalskis of St. Paul, Minnesota, may steal your crown as the champion of customer service among the nation's grocery markets. Jim Kowalski and his wife, Mary Anne, bought three groceries in St. Paul during the eighties and turned them into money machines by catering to the specific needs of customers in each store's neighborhood. The Kowalskis serve coffee and cookies to customers waiting in the checkout lines. They regularly invite customers to each store for discussions on how service can be improved that may last two or three hours. (One recent customer suggestion led to the introduction of a sugar-free checkout line to prevent kids from snatching candy and gum for mommy to buy.) Four days a week they rent a bus to help senior citizens do their weekly grocery shopping. In collaboration with the American Indian Center in St. Paul, they distribute vouchers that enable people to buy food and supplies when their money runs low. For the Vietnamese population in one St. Paul suburb, they published a booklet in their language with nutritional guidelines for American foods.

The Kowalskis have won all kinds of awards in the Twin Cities. And if there is any doubt that caring for customers can pay off, listen to this: When they bought their first store in 1983, it had a \$50,000-a-week volume, or \$2.78 a square foot. According to Tom Peters's newsletter, *On Achieving Excellence*, that was 60 percent below the industry average. Now the volume is \$200,000 a week, 26 percent above the industry average. The three stores employ 480 people, including carloads of Kowalskis. Besides Jim and Mary Anne, there are Jim's broth-

ers, Tom and Bob, their sister, Shelly, and Tom's wife, Debbie. There's Uncle Frank, who's the maintenance supervisor, and Aunt Nettie, who's in charge of catering and prepared foods. The Kowalskis' retired father and mother work for the company part of the summer and winter, when they're not traveling. And Jim and Mary Anne's daughter, Kris, who has a degree in business and economics, is coming back to work there this year.

It would be easy to dismiss the bear-hugging of customers as just smart business. After all, the conventional wisdom of the nineties—which arrived some time ago with the likes of Tom Peters and the publicity lavished on companies like Stew Leonard's Norwalk, Connecticut Food Emporium—says that businesses wishing to survive this highly competitive decade had better get obsessive about customer service. But the Kowalskis don't appear to obsess. They just seem to do what comes naturally—to really care about people.

What can a company do to assure consistently good service to customers? Do the owners of family businesses have a head start in knowing what it takes, and in being willing to work harder at it?

Almost two-thirds of the 1,076 members of family businesses who responded to this magazine's survey last fall listed "serving customers well" as one of their three most important business goals. Many experts believe the leaders of family companies have an easier time than heads of other companies in shaping policies to achieve that goal. In their recent book, *Total Customer Service: The Ultimate Weapon*, William H. Davidow and Bro Uttal write:

“They seem to understand intuitively the importance of service values and how to communicate them. When your name is on the building—or at least on your company's statement of incorporation—you tend to be hypersensitive about the image customers have of the company and to run the company like a family. Employees pay strict attention to your feelings. A surprising number of the firms that produce outstanding customer service were led by their founder, owners, or members of the founding family...”

Ron Zemke, a consultant on service quality and author of *The Service Edge*, generally agrees. Family businesses, he says, are “a little more entrepreneurial, a little less reluctant to take advice from customers.” People like Stew Leonard, he says, “know that to survive, they have to listen closely to customers, that they get some of their best ideas from customers. They aren't sullied by a business school education which tells them they are supposed to know everything and no one else knows anything.”

But when families in business are not working well together, Zemke says, the impact on customers can be disastrous. Zemke, who heads a firm called Performance Research Associates, once consulted with a family business after the patriarch had died. The matriarch who took over had no respect for the kids and treated employees like serfs who should be eternally grateful for their jobs. Zemke's firm monitored employee phone conversations (with their full knowledge) and discovered they treated customers in much the same way. Their attitude, according to Zemke, was, “We don't have to provide this or that. You should feel privileged to be a customer of this company.”

John Ward, a professor at Loyola University who has compiled a large database on family firms around the country, says research shows that family companies are generally perceived to offer better quality service than other kinds of companies. Partly, he says, this is because most are in service industries and their leaders tend to learn lessons about how to treat customers early on and to develop positive policies if they expect to stay in business.

Ward, who is also a consultant to family businesses, says, “My personal experience is that, on

average, they have more meaningful value systems that influence their treatment of customers. They do care.” But the leader's strong influence can be a double-edged sword. “When he cares about quality, he has the ability to convey it to all his employees,” says Ward. “When he doesn't care, that message comes across strongly too. There seem to be wider swings in values in family-owned businesses than in larger, more institutionalized companies.”

Some of the older, larger family businesses have institutionalized good service and are right up there in everybody's pantheon of customer-friendly companies. Tom Peters in *A Passion for Excellence* writes that Roger Milliken, chairman of Milliken & Co., spends 80 percent of his time “wandering around” meeting customers, lecturing at the company's Customer Service Center in Spartanburg, South Carolina, and trying to establish a mindset in the huge family-owned textile concern that encourages employees to be similarly obsessed with understanding customers' needs.

L.L. Bean, the catalog colossus of Freeport, Maine, has long been famous for its service reps' punctiliousness and near-perfection in filling customer orders. “Sell good merchandise at a reasonable profit, and treat your customers like human beings, and they'll always come back for more,” was founder Leon Leonwood Bean's Golden Rule, and it is faithfully followed today in the company led by Bean's grandson, Leon Gorman. Likewise, the public statements of other large enterprises such as Wal-Mart and Levi Strauss—even Ford, which still has family members in management and on its board—often talk about their family values.

The company that probably has the most enviable customer-service policies in America today—and certainly the best publicized—is Nordstrom's of Seattle. Over the past decade, sales at Nordstrom's 60 department and discount stores have grown six-fold to \$2.3 billion in 1988, and many attribute that surge to Nordstrom's commitment to paying almost any price in order to satisfy the customer.

One anecdote, related in *Total Customer Service* tells of a businessman who bought two suits that he wanted to take with him on a trip. When the store failed to alter them in time, he

was secretly gratified that Nordstrom's had proved to be less than perfect. When he arrived at his destination, however, he found a Federal Express package waiting in his hotel; in it were the two suits, plus a gift of three \$25 ties!

Nordstrom's takes pride in an organization chart that is an inverted pyramid, with the customers at the top, the sales people right under them, the buyers, department managers, store managers, beneath them, and so on. On the bottom is the five-man committee that runs Nordstrom's: brothers John and Jim Nordstrom, grandsons of the founder; their cousin Bruce Nordstrom; a cousin-in-law, John McMillan, and an old family friend, Bob Bender.

The bottoms-up structure is typical of the Nordstroms' approach, which exhorts front-line employees to use their own judgment in dealing with customers and calls on higher ups (or lower downs) to practice humility. When they were young, Mr. John, Mr. Jim, and Mr. Bruce, as they are known in the company, started as stock boys in what was then a chain of shoe stores. "We were raised kneeling in front of the customer," says Bruce Nordstrom. The Nordstroms rely heavily on training to instill their customer-first philosophy, but they also strive to hire people with the right stuff. "When someone asks who trains our employees, we say it's their parents," said one store general manager in an interview last year. "We just hope to find people with good values that are genuinely interested in helping others."

Little hard evidence exists that family-owned or family-controlled companies offer superior service, compared with non-family businesses, but one recently completed survey of smaller businesses pinpointed some differences.

Amy Lyman, a lecturer in applied behavioral science at the University of California, Davis, conducted telephone interviews with 78 business owners in Davis, a university town of 43,000 people with only one other major employer, a Beatrice/Hunt-Wesson tomato processing plant. Lyman confined her sample to businesses that sell a product, and most of the respondents were store owners with five or so employees. When she couldn't get the owner on the phone, she talked to the manager. Of the 78 people interviewed, 48 were in family-owned

enterprises and 30 in non-family enterprises.

Lyman's survey probed both the family values of the business owners and their customer service policies. The questions were sometimes open-ended to elicit comments. Her conclusions support the widespread belief that the personal values of the owner heavily influence customer service in family firms: "As long as family control of the enterprise is maintained, family values will influence business operations."

Family business leaders tended to be longer-term residents of the Davis community: 21 percent had lived within 10 miles of their current address for more than 25 years, compared with only 3 percent of non-family leaders. The heads of family firms were much more likely to say that their customer service policies reflected on them personally (51 percent versus 18 percent) and not just on the business. More of them said their policies reflected "the personal family values of my childhood" (96 percent versus 83 percent).

By contrast, when asked about the benefits of their customer service policies, non-family owners and managers were much more likely to talk about them only in financial terms. What struck Lyman most was how rarely they mentioned any link between their own values and service to the customer. "They almost seemed to deny any connection," she says.

Almost everyone interviewed said their businesses had customer service policies with which employees were expected to be familiar. But non-family firms were more likely to have formal, written policies. More family owners seemed to rely on informal policies that were flexible enough to allow employees' personal feelings to enter the transaction, saying, in effect, "We have rules, but if the rules don't work, then we figure out a way to meet the customer halfway." Indeed, they seemed to feel that a happy customer was one of the rewards of working in the business. Non-family owners and managers, on the other hand, put more emphasis on written policies as a means of guiding and controlling employees' behavior.

The most striking finding of this small study was that the majority of family owners tended to trust their employees, while many non-family owners did not. A total of 77 percent of

family owners disagreed with the statement, "Some of my employees can't be trusted," compared with 47 percent of non-family owners. Perhaps the fact that there are written rules in non-family firms reflected this distrust.

Most of the new wisdom on customer service seems to stress the importance of giving front-line employees the responsibility and authority to make decisions on such issues as customer returns or requests for repairs. What irks many customers are bland, bureaucratic replies like, "It's against the rules," or, "I'll have to ask my supervisor."

When it comes to returns of merchandise, for example, some companies like Nordstrom's simply replace the item or give the customer a refund, no questions asked. Employees like to quote Jim Nordstrom as saying, "I don't care if they roll a Goodyear tire into the store. If they say they paid \$200, give them the \$200." The calculation here is that the loss of a customer can be far more costly in the long run than paying the \$200.

The frustration of being hemmed in by all sorts of rules and procedures when dealing with customers was clear when Lyman surveyed employee attitudes toward service in the same firms. A typical employee of a non-family business reported that she "would love to be able to do things to satisfy the customer, but headquarters says 'No; we have to follow the rules.'"

Conflicts often arise when the manager or employee feels the customer is being dishonest—for example, lying about the condition of the product when he bought it—and yet doesn't want to lose the person's business. Some 36 percent of the respondents in family businesses said they would not compromise their values in such situations, versus 18 percent in non-family businesses. One respondent from a family company commented: "When someone has abused something and wants to return it, I wouldn't do that." Another said: "When you can tell the customer is lying, it conflicts with my values. I have told two people not to come back." A third said, simply: "I have thrown some people out of here."

The very values that cause family business owners to treat customers better may, paradoxically, make them more willing to take a stand against unreasonable or dishonest re-

quests. Lyman believes this issue suggests the importance of boundaries in transactions with customers.

"We are seeing Nordstrom-like behavior in other stores," she says. "They install a piano player and coffee bar and say we'll do whatever is necessary to please the customer. At Nordstrom's, there is a family philosophy guiding the policy that acknowledges boundaries and says: 'We will not compromise our values.' It worries me that this is lacking in other businesses. Especially in public companies, employees need rules that say: 'Yes, you should do whatever you can to please, but there are limits.'"

While too many rules lead to rigid, bureaucratic responses, lack of a clear idea of what the rules are can also hamstring employees. Lyman suspects that some of the family business owners she talked to "carried around their customer service policies in their heads" and did not spend enough time communicating them to employees.

In larger companies, employers cannot know all their employees and thus whether or not their judgment can be trusted. Written policies inform employees of what is expected of them.

John Ward of Loyola argues that institutionalizing service policies assures the consistency in dealing with customers that is lacking in family firms. "Consistency is not one of the hallmarks of family businesses," he says. "Strong values are, but consistency is not."

Some studies by Benjamin Schneider, an industrial and organizational psychologist at the University of Maryland, College Park, underscore the point. Schneider surveyed employees' perceptions of service policies at bank branches in a populous metropolitan area and in a rural-suburban area of the Northeast. Then he asked customers of the various branches to rate the service they received.

Not surprisingly, when management had clearly defined policies that supported and rewarded employees for quality service, customers reported receiving it. Schneider says that inconsistent management policy undermined service at some banks. "If employees see that the people who are delivering the best service don't get promoted, don't receive the rewards, they become cynical," he says. "Employees in the

same facility may be told to treat people with bigger accounts better than people with smaller accounts. They hate to do that. Customers hate it, too. That combination can be a real killer.”

Although he did not study family businesses, Schneider thinks that one of their common failings is reliance on good hearted motives and being nice. “You can’t only be nice,” he cautions. “You have to pay attention to the details required to deliver excellent service.” Bill Davidow, coauthor of *Total Customer Service*, agrees. “Frequently,” he says, “family businesses don’t keep up with the times, don’t become familiar with new technologies. They tend to become overly insular.” Yet, the highly systematized, automated approach in such huge firms as American Express doesn’t always work in the more high-touch, personalized environment of the family business.

Call it intuition, call it instinct, the caring of families like the Kowalskis counts heavily with customers. Jim Kowalski acknowledges that his company does what it does for customers partly because the independent grocery today has to offer something customers can’t get in big supermarket chains. “A can of peas is a can of peas on anybody’s shelf,” he says. “The difference is how the customers feel about the place while they’re buying those peas.”

WINNING POINTS ON SERVICE ACES

In his book *The Service Edge*, business consultant Ron Zemke, describes 101 firms that deliver superior service. From his study, he has distilled five principles of distinctive service that these companies share:

- They listen to, understand, and respond—often in unique and creative ways—to the evolving needs and constantly shifting expectations of their customers.
- They establish a clear vision of what superior service is, communicate that vision to employees at every level, and ensure that service quality is personally and positively important to everyone in the organization.
- They establish concrete standards of service quality and regularly measure themselves

against those standards, guarding against the “acceptable-error” mindset by establishing as their goal 100 percent performance.

- They hire good people, train them carefully and extensively so they have the knowledge and skills needed to achieve the service standards, then empower them to work on behalf of customers, whether inside or outside the organization.
- They recognize and reward service accomplishments, sometimes individually, sometimes as a group effort, in particular celebrating the successes of employees who go “one step beyond” for their customers.

— H.M.

KEEPING AN OPEN MIND

Experts on customer service seem to agree that front-line sales people should have as much flexibility as possible in dealing with customer requests. In Amy Lyman’s survey of 78 businesses in the city of Davis, California, owners and managers were asked a question which was meant to indicate whether each request was weighed on its merits or was judged according to a policy or rule.

A total of 81 percent of family business leaders said that they evaluated each request for service along with the business’s ability to provide it, compared with 58 percent of nonfamily business leaders. The comments of both types of owners suggests some of the dilemmas in reacting to such requests:

- “If the customer buys something that he didn’t really want, we all try to resolve the problem. But the squeaky wheel gets more [attention]. We look to honesty as a guide.”
- “If we are responsible [for the problem], then we have to make the customer happy.
- “If we’re not responsible, we need to explain to the customer why he isn’t right.”
- “If it’s not a valid honest request, they’ll be challenged. We face a lot of rip offs.”
- “It’s human nature—the attitude of the customer will affect the response. We will try to work it out, but a belligerent customer may be hard to work with.”

- “We got all kinds of requests, sometimes for things we don't do. But we will do all kinds of things.”
- “Each job is different, so you have to help people with what they want.” ■

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