PUTTING CUSTOMER SATISFACTION IN ITS PLACE: BROADER ORGANIZATIONAL RESEARCH PERSPECTIVES VERSUS MEASUREMENT MYOPIA

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ABSTRACT

Academic and applied interest in customer satisfaction has centered around issues of measurement, modeling and management. While these are worthy topics, research and practice regarding them has been overly myopic. Focusing on the satisfaction of current customers will not be a sufficient basis to accomplish the ultimate goal for which it was designed - shaping strategic management of an organization. What is needed is a much broader set of metrics, coming from a broader set of sources and constituencies (i.e., stakeholders). Groups like prospective customers, lost customers, employees, investors and others need to be considered simultaneously. A broader set of metrics on these diverse groups needs to be captured, monitored, and explored as part of an integrated, interconnected network of causal interrelationships. Customer satisfaction must be put in its place as a necessary but not sufficient area for organizational research and management attention within this broader unified framework. After building a detailed case for that philosophy, some practical implementaion methods are suggested. Two brief case study descriptions provide examples of how these ides can be applied in strategic organizational contexts.

PART I. THE PHILOSOPHY OF A BROADER PERSPECTIVE

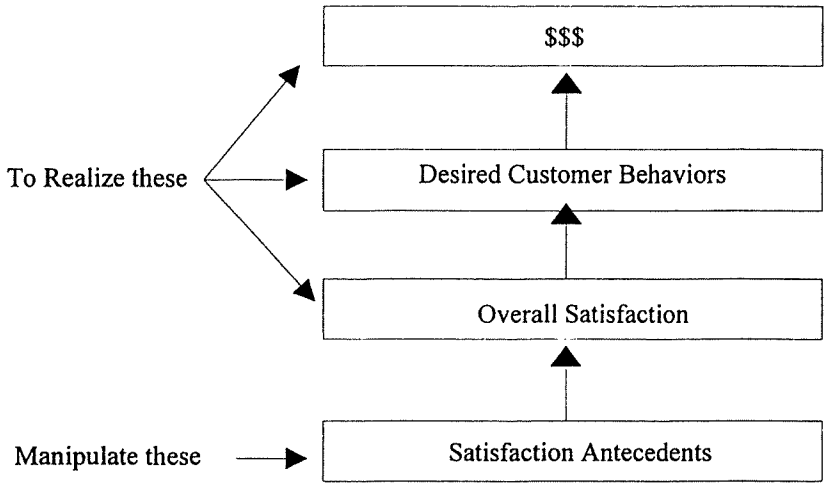
Introduction

Customers are the lifeblood of a business, and an essential key to desired outcomes like financial profitability, growth and stability. To reap those desired rewards on an ongoing basis, customer expectations must be met. Indeed this has been at the heart of theorizing about customer satisfaction for at least two decades (e.g., Oliver, 1980; Churchill and Surprenant, 1982; Parasuraman, Berry and Zeithaml, 1985; see discussion in Iacobucci, Ostrom, Braig, and Bezjian-Avery, 1996). However, the emphasis on measuring customer satisfaction goes far beyond pure academic interest. Businesses have come to focus large amounts of attention and resources on the construct because of the assumption that satisfaction causally precedes certain customer behaviors - things like positive word of mouth recommendations, repeat purchase, increased spending, and increased share of spending. If this causal notion is correct, strategically increasing performance on demonstrable antecedents of satisfaction will lead to higher levels of customer satisfaction, leading to desired customer behaviors, which in turn will result in desirable financial outcomes for the business. A simple generic diagram of the logic is shown in Figure 1.

Because of both academic and applied interest in the topic of customer satisfaction, much attention has been given to measurement (e.g., Vavra, 1997), modeling (e.g., Anderson and Sullivan, 1993; Spreng, Dixon, and Olshavsky, 1993), and management (e.g., Griffin, Gleason, Preiss, and Shevenaugh, 1995) issues surrounding this general theoretical orientation. For example, what is the best conceptual definition of customer satisfaction? How should it be measured? What exactly are its antecedents? What are its consequences? How does satisfaction link to behavioral intentions and actual behaviors? How does satisfaction link to financial outcomes? What are the best modeling techniques for studying customer satisfaction? How should customer satisfaction be influenced and managed in applied organizational settings?

My intention in this paper is to argue that all of these are reasonable and good questions to

Figure 1
Generic Hierarchical View of Customer Satisfaction



ask, but that the perspective in and of itself is limited and far too narrow. What is needed is a much broader set of organizational constructs and metrics (among which customer satisfaction is certainly necessary, but not sufficient) to enable a higher level of more holistic, strategic, and effective managerial actions and improvement efforts.

Rational Bases for Moving Beyond Satisfaction

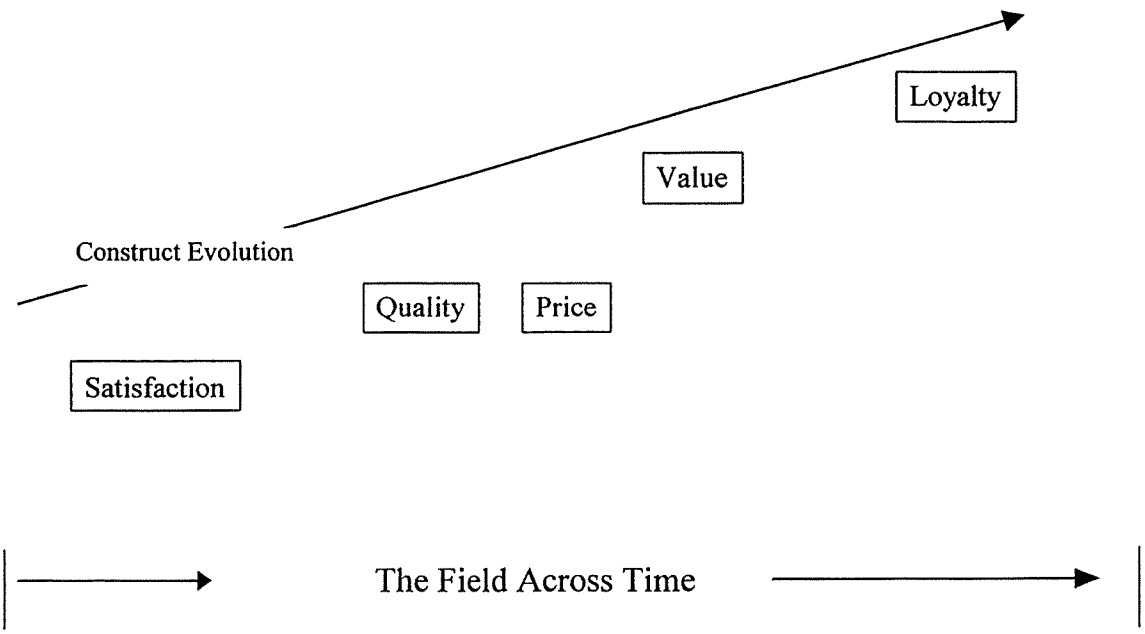
One positive shift toward a more complete perspective in the field of customer satisfaction measurement has been an expansion of the constructs that are studied. This is a step in the right direction. It is now generally acknowledged that a pure focus on the satisfaction construct is insufficient. Various streams of additional concepts have been introduced across time, which now are considered vital to understanding customer relationships.

For example, consideration of perceived quality, perceived price, perceived value, all have become ingrained parts of the "customer satisfaction measurement" backdrop (e.g., Zeithaml, 1988; Bolton and Drew 1991; Gale, 1994). And in recent years, there has been a growing interest in the notion of customer loyalty - in some ways reviving much of the theorizing on brand loyalty from the 1970s. Under loyalty, a host of related factors have also been discussed (Dick and Basu, 1994; Oliver, 1999). As shown in Figure 2 then, there has been a progressive evolution of constructs considered under the general rubric of "customer satisfaction measurement."

But is it really reasonable to assume that even this expanded set of measures captures everything vital surrounding customer issues? After all, most of these constructs are generally measured only with current customer perceptions. Sometimes customers of competitors are considered, but even then it is often viewed only as a point of comparison for what "our" customers think. Unfortunately, there are highly valuable "customer" perspectives that are completely overlooked in these approaches.

For example, what about the perceptions of *prospective* customers? In the process of becoming our customers, what led them to do so relative to other competitive offerings in the market? And what do we know about the perceptions of prospective customers who chose another brand or supplier? Wouldn't it be

Figure 2
Evolution of Construct Prominence in Customer Satisfaction



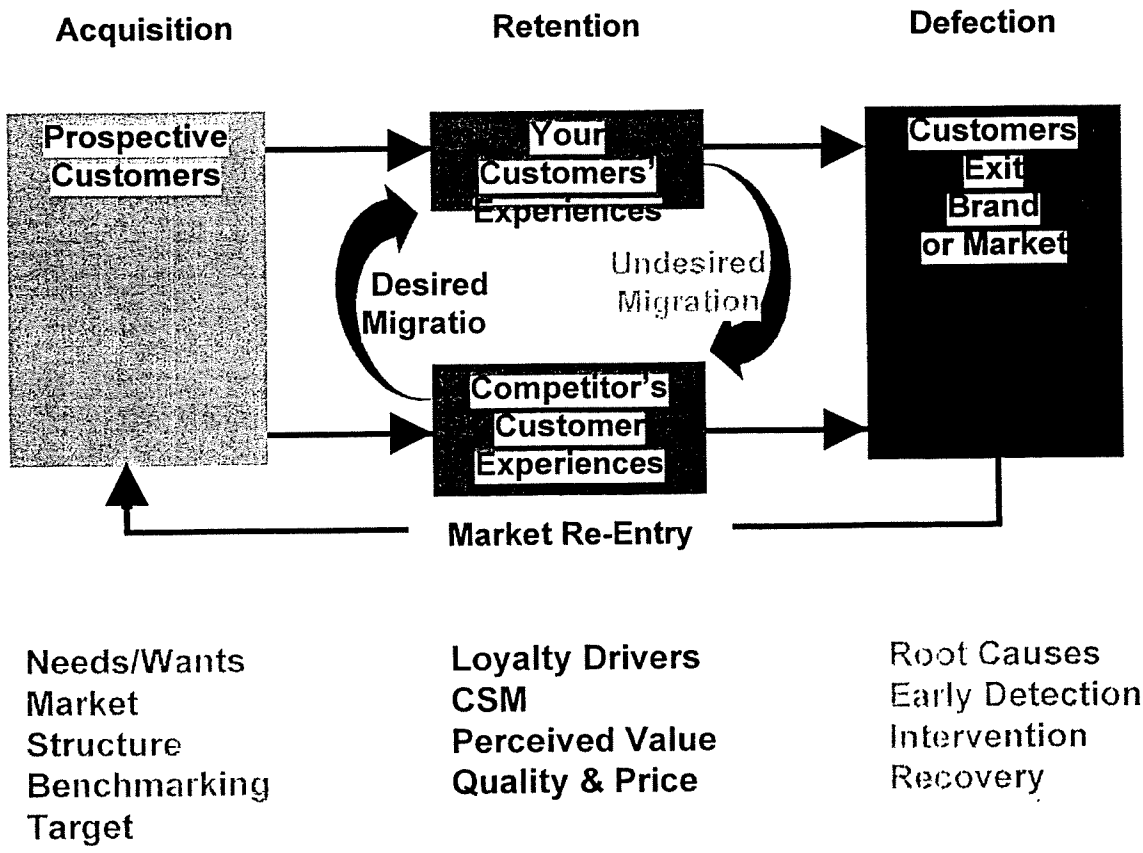
valuable to know why they did so? Yet companies often overlook the potential wealth of information to be discovered by studying the full dynamics of the customer acquisition process. These perspectives are missed entirely by a pure "satisfaction-of-current-customers" approach.

Not only is there a potential wealth of valuable information in studying customer acquisition processes, but the same can be said for studying customer defection processes (Jones and Sasser, 1995; Reichheld, 1996a). Those customers who have defected are no longer even around to provide their valuable feedback about the organization's products and services. So again, a focus on current customers only, will cause critical information to be missed.

By considering acquisition and defection along with the expanded set of perceptions of current customers, we already have significantly enhanced our framework for understanding customer satisfaction issues. A diagram of the more holistic perspective and some of the associated dynamics is presented in Figure 3. In this view, customers can be thought of through a unifying life cycle conception, something akin to frameworks used to describe product life cycles. First, there are prospects. By a variety of acquisition dynamics and processes, some of these prospects become your customers, while others become competitor customers. These customers then experience the chosen company's products and services. There may be problems, competitive pressures, or changes in wants/needs that can lead to competitive migration or even defection. Some defectors may exit the market entirely, while others may re-enter again at the acquisition stage.

This simple example of a broader customer framework shows how the typical scope of customer satisfaction may miss key pieces of information vital for truly understanding customer issues more holistically. It also becomes clear that broadening our vision can lead to a need to integrate various data streams. Simultaneous analysis and interpretation of these data streams will be extremely useful in more holistically and strategically managing the overall course of an organization.

Figure 3
"Satisfaction" in a Lifecycle Context



Moving Beyond Customers

Even if we consider a broadened view of our customer processes, we still have focused only on one constituency essential to the organization's success - customers. But there are other constituencies, sometimes referred to as "stakeholders" that include groups like employees, investors, community leaders, suppliers, shareholders, special interest groups, the media, government regulators, and influential opinion leaders (e.g., Svendsen, 1998).

These other constituencies should be considered for two reasons. First, several of them affect prospective, existing, and lost customer elements in the broadened customer framework of Figure 3. Second, these groups have their own independent effects on organizational success and deserve measurement and management in their own right. If we really are about the business of unified strategic management of our organization, my point is that there will be tremendous power in considering all of these stakeholder elements together, in an integrated whole, as the informational foundation for strategic management. This will be more powerful than consideration of customer satisfaction issues alone.

A simple example of the power of a broadened integrated perspective is embodied in currently accepted and empirically demonstrated conceptualizations that consider employees and customers simultaneously (e.g., Rucci, Kirn and Quinn, 1998). Who is it in an organization that actually puts a "face" on the company for its customers? It is employees of the company -

particularly those involved in direct servicing of customers. Whenever there is human interaction between customers and employees, it is intuitive to expect that customer experiences will be influenced by the service and actions of those employees. It is also intuitive that the way employees have been treated by the company will affect the way they represent the company and treat customers. Thus, at a minimum, a logical basis exists for considering employee data simultaneously with customer data.

In this simple example, we have not only expanded the list of constructs and life cycle stages, but we have leapt into an entirely new stakeholder group. How much more aligned this type of holistic thinking is with the complex job of senior managers, who must consider a broad array of elements, and the way all of those together influence the organization's success. While customer satisfaction researchers may be fully engrossed in their area of expertise, successful management of the organization as a whole will require a broader perspective that includes other accountability metrics from an expanded set of stakeholder groups.

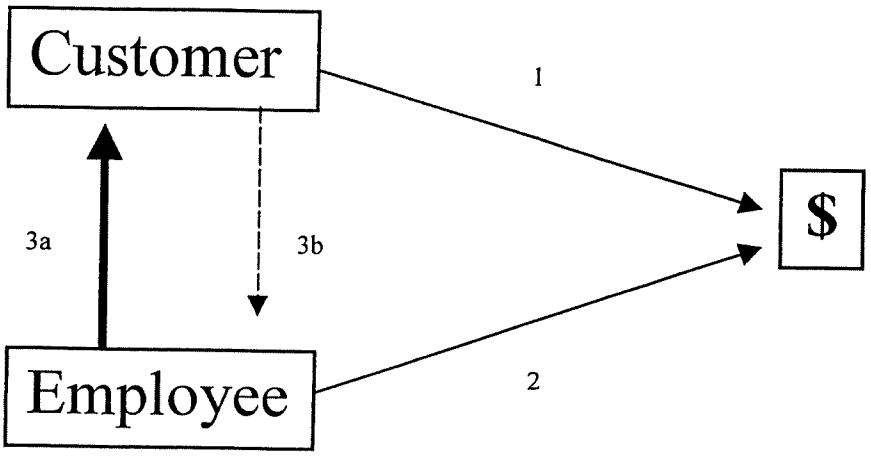
An important point here is that I am not simply proposing a joint consideration of many independent quantities. Rather, I also am arguing that these quantities are interrelated, in an interconnected system. Integrating all of these indicators will require explicit consideration not only of the broader set of elements, but also of the connections and relationships among them - the nomothetic network of causes and effects that unite to simultaneously affect the health of a company.

Coming back to our simple employee-customer example, consider Figure 4. As is deemed axiomatic in customer satisfaction research, there is an effect of customer attitudes and behaviors on the financial outcomes of an organization (path 1). Likewise, employee attitudes and behaviors influence organizational financials directly (path 2) through things like employee motivation, performance, and retention (leading to lowered recruitment costs, work efficiencies due to organizational knowledge, etc.). However the simple diagram also explicitly acknowledges empirically supported conventional wisdom that there are causal linkages between employees and customers (paths 3a and 3b).

Employees who feel strongly attached to the organization are likely to work harder to help customers. Doing so gives behavioral expression to their feelings toward the organization. Customers who receive high quality service from committed employees should have more positive attitudinal reactions (e.g., customer satisfaction, perceived service quality, etc.). Employees who stay with the organization for long periods become familiar faces to customers, enhancing relationships with them, and thus inspiring greater satisfaction and loyalty among these customers. Employees who feel "trapped" and disgruntled about an organization may well express themselves through poor customer service or, even bad-mouthing the organization to customers. These scenarios lead intuitively to a causal connection from employees to customers (with path 3b in Figure 4 also acknowledging that satisfied customers potentially lead to higher employee satisfaction - e.g., satisfied customers may be more pleasant and easier to work with, etc.). (See Allen and Grisaffe, in press, for further discussion of this reasoning).

The main point here is that our expanded customer perspective can be expanded even further, by explicit consideration of employees. This argues for investigation of constructs like customer loyalty and employee loyalty together in the context of a single conceptual path diagram. When empirically demonstrable synergies between the loyalties are better understood, the entire system can be managed as a whole, rather than in disconnected pieces. In research terms, rather than thinking only of "direct effects," employee and customer variables can be assessed in light of their total effects (direct effects + mediated / indirect effects through the influences on the other stakeholder group).

Figure 4
Simple Representation of Employee Customer Connections



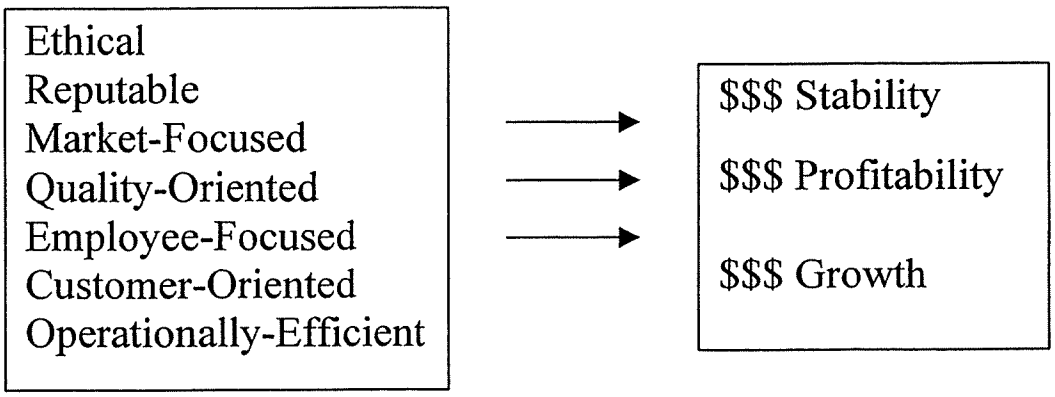
Getting Broader Still

The need to broaden our perspective as customer satisfaction researchers can be inferred and derived as a logical extension of the key ideas I have discussed so far: (1) evolution of focal customer satisfaction constructs to be measured and modeled, and (2) connection of customers with employees and financials in simultaneous systems. But other streams of theory and research set the stage for contextualizing customer satisfaction within an even broader framework. This is especially fitting with the ideas of those who advocate organizational focus on a broad set of stakeholders (Atkinson, Waterhouse and Wells, 1997; Svendsen, 1998) and those who advocate management by a broad set of metrics (e.g., Kaplan and Norton, 1996).

I already mentioned the fact that most organizations have many different types of stakeholders including customers, employees, investors, communities, suppliers, community leaders, shareholders, special interest groups, the media, government regulators, and influential opinion leaders. Having a relationship with these various constituencies, an organization should pay attention to how well those relationships are working, via measurement, modeling, and management. In addition there are other metrics by which an organization can manage. For example there are internal metrics, often used for operational purposes. These are likely to be recorded and tracked in an organization, probably being monitored with statistical process control methods. But it is also likely that these metrics are not formally tied or connected in any way to other types of measures being discussed here.

For example, a company might monitor how long a customer waits for the phone to be answered when calling in for customer service. That internal metric probably relates to customer ratings of the company's responsiveness - a variable often influencing a variety of "satisfaction measurement" variables. But are most companies linking, co-interpreting, co-managing all of these measures simultaneously? The likely answer is no. Often, different organizational leaders and departments measure, house, and manage these different data streams entirely separately. This generally is true for most imaginable pairs of research foci (e.g., customer and internal metrics, customer and employee metrics, internal and employee metrics, etc.), let alone for the kind of expanded simultaneous perspective I am advocating here.

Figure 5
Foundations of a Broader Framework



A Starting Point for a Broader Framework

To start spelling out a vision for a truly broad perspective, consider some ideas about what it takes to be a balanced, successful business. Characteristics would include things like being operationally efficient, being ethical, gaining a good reputation, being market-driven, being customer-oriented, being employee-focused, and being quality-oriented, among others. High performance in areas like these is taken to lead to positive financial outcomes. Figure 5 shows a simple layout of those ideas.

With respect to measurement and management of these concepts, the notion is very similar to that of basic customer satisfaction research - measuring and managing improvements on the non-financial left side of Figure 5 leads to improved financial metrics on the right side. In this case however, the left side includes customer metrics, but is expanded far beyond those alone. Rather, it implies a broad set of ideas, each of which may be measured through a number of quantifiable constructs.

For example in the realm of customer satisfaction, quality, price, value and loyalty measurement could all fall under the idea of being customer focused. Customer acquisition and defection research could fall under both the customer focused and market focused headings. My point here is not to attempt to be prescriptive or exhaustive. Rather, it is to set forth an expanded vision of the metrics an organization should measure, how those concepts can and should be fit into some kind of broader organizing conceptual framework, and within that, how customer satisfaction research is one vital, yet not sufficient area of research attention (Grisaffe, 1999).

Further, I am advocating the explicit consideration and analysis of linkages among the elements in the system for the very reason that they obviously are not independent, but rather are interdependent. For example, operational efficiencies will affect employee experiences and customer experiences. Employee experiences will affect their own attitudes and behaviors, which will in turn affect customer experiences and subsequent customer attitudes and behaviors. Customer and employee behaviors will affect financial outcomes. The financial outcomes and business practices of an organization will affect their reputation in the marketplace, and perceptions of that reputation will in turn affect customer, employee, supplier and investor feelings about the company. These are just a few logical examples. What is implied then is a "web" of effects, the elements and interconnections of which must be understood for strategic management purposes.

Understanding the web of effects requires a perspective broader than traditional customer

satisfaction measurement can offer. It requires a focus on more stakeholder groups, each with their own set of critical metrics. And it requires moving past the conditions typical in many organizations today. (1) Diverse data streams and metrics are populated separately rather than as an integrated system. (2) Separate detached researchers and research departments exist in a variety of "places" in the organization. (3) There is little strategic management of supplier relationships, such that each separate pocket of research works on its own to decide who to partner with, thereby missing strategic research design consistencies and a variety of possible economies and efficiencies. (4) There is no strategic holistic view that integrates these streams of research into a unified, integrated strategy for organizational change. All of these typical organizational conditions add up to missed opportunities for the company under the highly probable scenario that the integrated information is more compelling and diagnostic than the stand-alone pieces considered in isolation.

PART II. A PROPOSED IMPLEMENTATION STRATEGY

Construct an Organizationally Appropriate Super Model

Here I advocate the notion of a "super model." That is, a model that maps out theoretical and conceptual relationships among a broad set of diverse constructs from multiple stakeholders and other organizational sources. There have been presentations in the literature that are limited special cases of what I am describing. For example, the Service Profit Chain (Heskett, Sasser, and Schlesinger, 1997), and the work of Rucci, Kirn and Quinn (1998) with Sears data, both could be seen as a special case of a super model built to capture employee, customer and financial constructs. Likewise, the work of Reichheld (1996b) lays out a conceptual model that considers customers employees, investors and profitability. Arguably, the Kaplan and Norton (1996) balanced scorecard also presents a conceptual arrangement of several diverse constructs hierarchically, albeit without much resemblance to a hierarchical causal model framework.

I provide an example in Figure 6, with a brief description of the ideas to follow. Again the point is not to be comprehensive or prescriptive, but rather to demonstrate how one might go about conceptualizing a diagram useful for a holistic integration effort in an organization.

In Figure 6, guiding managerial philosophies, values, and principles are shown driving business practices and an organization's approach to internal processes. These operationalizations are quantified in a set of internal metrics. The internal metrics serve as a quantitative proxy for the practices and processes themselves, and therefore are expected to correlate with employee and customer metrics. Business practices and internal processes thus affect employee and customer experiences, which in turn affect their perceptions, attitudes and ultimately behaviors. Employee and customer behaviors affect business success - an "outcome" quantifiable in a variety of metrics. Employee and customer behaviors also affect the perceptions and attitudes of other stakeholders. Those stakeholders then behave in ways that affect business success too (e.g., investing). Business success is not entirely determined by employee, customer, and other stakeholder behaviors. It is also affected by "other factors" (e.g., market conditions). Business success affects all stakeholder perceptions and attitudes, leading to a mini virtuous circle - success, to perceptions, to behaviors, to success. Business success also may feed back to affect various elements of the guiding managerial philosophy (e.g., now that we are excessively profitable, let's include philanthropy as a core value). Assessments of perceptions, attitudes, and behaviors of all stakeholders may affect the guiding managerial philosophy.

In an applied organization, the customer satisfaction researcher or research group could facilitate the construction of a fitting super model for the organization. They likely would assemble

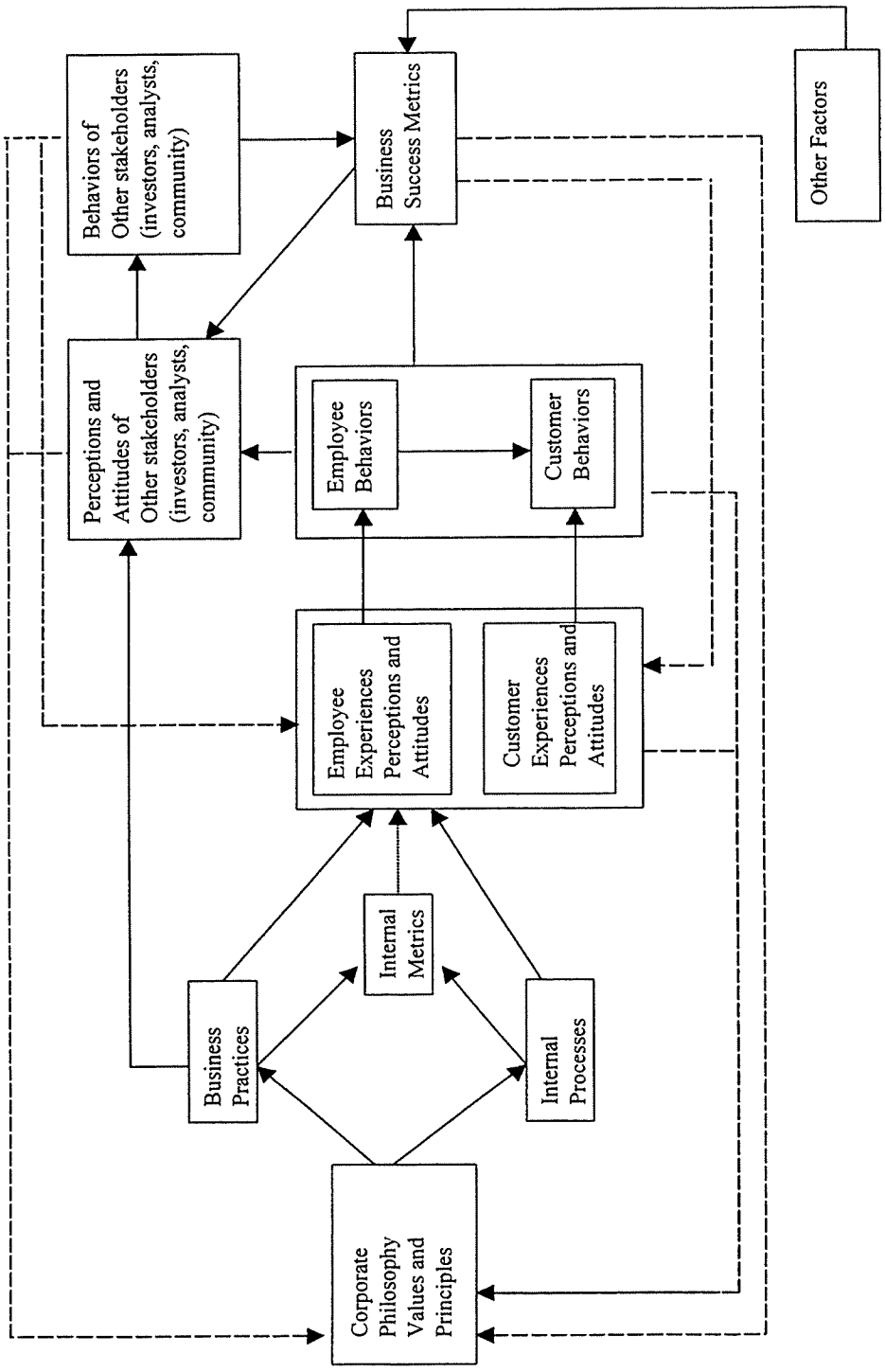


Figure 6
Example of an Integrated Super Model

an appropriate team consisting of strong cross-functional representation, including the managers of the respective processes and metrics, to facilitate the construction of a model that makes sound conceptual sense to senior management and all process and metric owners.

Explore Super Model Linkages with Empirical Data

Certainly, quantitative methods in our discipline have become sophisticated enough to estimate complex causal models with recursive and non-recursive paths, using a variety of types of data (e.g., Bollen, 1989). It may be possible to estimate a super model using some of these methods. However, I am not proposing that as a default approach here. First, there is the likely hindrance of a "units of analysis" problem that could make the variety of metrics from a host of varied sources unmatchable at any single meaningful unit of analysis. Second, even if it was mechanically possible, the complexity of estimation and explanation could be roadblocks for all but the most sophisticated academicians. One key point of this paper is to attempt to influence how we view the place of customer satisfaction research in applied corporate settings, both in terms of measurement and action. So, I am proposing within the super model framework, guided by its specifications, to conduct targeted data explorations that together build an integrated, unified organizational picture from which strategic management and improvement efforts may proceed.

How exactly would an organization begin simultaneously to explore pathways and interconnections in the super model to discover a unified managerial "story" from the data? I propose seven useful methods by which to extract the necessary ingredients for an integrated interpretation. The tools are listed and labeled in Table 1. These methods can and should be used flexibly and in combination with one another. At least one of the seven approaches will be applicable for almost any organization. A very brief description of each approach closes Part II of this paper.

1. Qualitative Information Integration

There is a perfectly valid research tradition that relies entirely on qualitative analyses and interpretations. A company might have (or be able to get) qualitative information from a variety of stakeholder groups, to which these qualitative analysis approaches could be applied. Data could be the outputs of focus groups, in-depth interviews, round table discussions, or responses to open-ended questions from surveys. The typical approach is to analyze and report these data streams separately. Indeed the data sources most often are housed in different locations in an organization. But there is a missed opportunity here for qualitative information integration.

A research-oriented team can simultaneously extract themes from these multiple data sources that implicate clear interconnections. For example, employees might frequently complain about having overwhelming workloads, while customers might frequently complain about experiencing a lack of responsiveness. There is a strong case for a logical connection between these two findings.

2. Quantitative Information Integration

Again a company might use existing data. Perhaps a customer survey has been conducted each year for the past five years. Assume an employee survey has been done each year in the same general time periods. Trending survey items on the same graph can be quite revealing (i.e., dual time series). Organizational and market events (shocks to the system) can be marked at the appropriate places on the time line to take into account external factors that could be influencing the scores. Internal operational metrics and financials for these time periods also can be superimposed and considered simultaneously.

Likewise, the "best and worst" scores from multiple surveys of multiple stakeholders in each time period can be examined for logical

conceptual connections. Even with a single data set for customers and employees, this high-low scoring approach within each data set can provide the basis for some excellent employee-customer insights. New hypotheses can be formed, and follow up investigations can take place.

3. Statistical Comparison

Now we move into more quantitative/ statistical methods, perhaps the simplest of which involves statistical comparisons of means and percents. Any time common items have been asked on multiple surveys (e.g., employee and customer), statistical comparisons can be made. In the simplest case, stakeholder groups are treated as independent samples. Tests of means and proportions are possible then, comparing the groups on the common items. If for example, employees rate the quality of products and services low, whereas customers rate the quality of products and services high, it could be revealing internal quality problems that are current, but have not yet surfaced in customers' experiences. If the reverse happened, with customers rating quality low, but employees rating it high, there could be image problems in the marketplace producing a negative "halo" on customer perceptions, all the while not being seen or experienced by employees.

4. Experimental Approaches

Sometimes, companies try test programs to improve their metrics. A variety of linked "field experiments" and "quasi experiments" are possible. Again let's use a simple employee-customer example. Say a company puts into place a new employee program for some of their operations, but not for others. Do employee *and* customer scores go up, but only in the test regions? If so, a clear linkage has been demonstrated. Note, in these analyses, time lags should be taken into account. Employee scores could go up rather immediately, with the effect ultimately showing up in customer experiences at a time lag of +1 or +2 periods. A variety of planned experiments and field experiments are possible involving multiple metrics and multiple stakeholder groups.

5. Aggregated Correlation

This may be the most commonly seen method in our field today for linking multiple data streams. Again consider the employee and customer case for a set of bank branches. Say each of 100 branches has certain employees, and certain customers. For each branch, we get an average employee score and an average customer score. Across the branches we end up with 100 pairs of scores. Now we can compute branch-level correlations (or conduct any multivariate analyses that can operate using correlations - e.g., multiple regression - given enough aggregated observations). We have aggregated to the branch-level, then computed correlations afterward. This particular case allows the researcher to correlate any employee survey variable with any customer survey variable. Our example used bank branches, but it is possible to aggregate based on any number of other factors (e.g., time, etc.).

While aggregation certainly solves the "common unit of analysis" problem, there are conditions under which aggregation is not justified. For example, if significant heterogeneity exists in the structure of any set of observations to be aggregated (e.g., latent groups exist), then the aggregated quantities neither capture nor represent those groups. It is a caution to be wary of any time such analyses are undertaken.

6. Matched Data

Sometimes it is possible to connect data sources on the basis of a common identifier. For example, any time a one-on-one customer transaction takes place, there is a single employee and a single customer involved. Customers can be asked to rate the transaction. Employee survey data also can be collected. By matching

the two strings of data based on the common connection of the customer transaction situation, we have created paired data again. Paired data allow for a variety of quantitative correlational approaches. Across many employee-customer pairs, sufficient data will exist to conduct these quantitative analyses.

Similarly, a variety of internal metrics exist with respect to employees and customers. In the customer realm, this type of data is becoming increasingly available with the strong move in the field toward Customer Relationship Management (CRM) methods. Any time a common identifier exists in two data sets, the data can be merged, matching on the common field. Some examples would include customer survey data matched to customer demographic and spending data. Another would be customer-level financial data matched to customer survey data. If employees volunteer their names on employee surveys, their survey data can be linked to a variety of selection, productivity, development, or compensation indicators.

7. Unmatched Data

A company may have one data set with customer information, and another with employee information. New quantitative methodologies have been developed in recent years to connect two unmatched data sources like this (data fusion - e.g., Kamakura and Wedel 1997). The application of these approaches to the context of something like employee-customer linkage may be mechanically achievable under conditions where an appropriate set of matching variables exist (i.e., variables common across data sets, which correlate with the uncommon variables within each data set).

It is not clear whether there is a sound conceptual basis for trying to fuse data sources as disparate as customer and employee surveys. However it might be mechanically possible, and therefore is able at a minimum to be tested. Perhaps in the future other approaches to unmatched data also will exist.

Summary of Linkage Approaches

The best starting point in thinking about how to integrate and link multiple data sources is to have a reasonable conceptual / theoretical framework that helps to frame analysis and interpretation issues. Beyond that, there are ways to view data qualitatively and quantitatively that involve relatively little statistical sophistication. In addition, some data situations do allow for more advanced statistical approaches. In all cases, multiple metrics from multiple stakeholder groups and other organizational sources are being explored in the context of a super model, by a variety of means, so as to build a unified set of findings and potential improvement efforts for strategic management purposes.

Finally, extracting and constructing an integrated "story" from multiple data streams and multiple stakeholders leverages the researcher or research team as the most critical analysis tool. Investigators themselves become the value-added integrators. Certainly the formulation of a super model and the use of analysis tools provide a basis for that integrated organizational picture. But ultimately it is the conceptual power of the researchers and interpreters that serves to organize, synthesize, and breathe life into any interpretation of the findings and any recommendations for management decisions and actions.

PART III. BRIEF EXAMPLES FROM TWO CASE STUDIES

Example Case 1 - Manufacturing

An international manufacturing client of Walker Information conducted multiple waves of customer and employee surveys. The plan was to do an initial wave of measurement for learning purposes, implement some strategic change initiatives based on the first round of data, then re-measure to look for the effects of the change efforts. An after-the-fact synthesis of the data, using linkage tools described earlier, produced

valuable insights about employee, customer, and financial associations in the data.

Based on the initial round of employee interviews, an advisory group was formed to address some organizational shortcomings that were uncovered. Two key programs resulted. First, a system was put into place whereby any employee could ask a question about any aspect of the organization, and an answer would be given directly from senior management. Second, a particular procedural hurdle regarding ordering of supplies was removed, thereby allowing employees to get certain needed resources without prior approval, thus circumventing previously experienced delays.

Across a one year time period, a number of employee survey measures showed large gains, on the order of 15 to 20 point increases in the percent of employees giving favorable ratings. A sampling of those items is as follows:

Company has a process by which employees can offer feedback/ideas
Employee ideas are put into practice by Company
Information about the organization is communicated well to employees

With a probable causal implication to those improvements, significant gains were also observed on the following:

Overall, I feel that Company treats its employees fairly
Company shows genuine care and concern for its employees
Commitment to the organization
Work motivation

The same type of approach followed the first set of customer results. An area for improvement dealt with delivery problems that customers were having. An initiative was undertaken to keep certain inventories in stock, and to notify customers of any delivery delays. In addition, variable employee compensation was tied to on-time delivery.

Across the same one year time period previously described for employees, a number of customer survey measures showed large gains, on the order of 15 to 25 point increases in the percent of customers giving favorable ratings. A sampling of those items is as follows:

Needed product available
Communicating order status
Delivering on time
Notifying you of delays
Delivers complete order

With a probable causal implication to those improvements, significant gains were also observed on the following:

Quality products and customer service
Company Reputation
Easy to do business with

Finally, for the subset of companies providing their company name on the first mail survey, subsequent financial information was matched and tied back to the survey responses. It was found that maintenance or growth in sales (i.e., time 2 sales minus time 1 sales greater than or equal to zero) was significantly related to customer survey measures, including the intent to continue doing business with the company, and overall ratings of the reputation of the company.

In total then, an interconnected system appears to be in place where simultaneous customer and employee measurements led to certain targeted improvement actions that ultimately related to sales. Addressing employee workplace issues led to more favorable perceptions of the company and increased employee commitment. That led to increased motivation. Higher employee motivation, combined with initiatives to address customer issues, led to customers having more favorable views of the quality of work and service they were receiving. Increased performance in customer experiences led to increases in high-level customer attitudes about product and service quality and the quality of the

organization. High-level customer attitudes and intentions were then shown to relate to desirable sales activity.

Example Case 2 - Professional Services

A professional services firm had several research efforts underway, all being executed essentially as separate disconnected activities. Research topics included corporate reputation measurements among prospective customers, studying the winning or losing of new business proposals, customer satisfaction with existing customers, and employee commitment research. In addition, data existed on a number of internal process and quality metrics, internal tracking of lost and retained accounts, and financial information about revenue from each account across time.

Analysis of the prospect reputation data showed that the likelihood to come to the firm for the particular professional service was related to how favorably the company and its reputation were viewed. These in turn related to perceptions of communications and familiarity with the firm's offerings.

Now understanding something more about how the company earned a chance to submit a proposal, the won/lost proposal data were explored. Based on comparisons of the perceptions of those prospects with whom business was won, and those prospects with whom business was lost, three primary factors were implicated: favorable perceptions of the initial contact people, feeling like the prospect's needs were fully understood, and having the right pricing.

Upon winning the business, the prospect then becomes a customer and goes through the customer experience. What learnings came from the surveys of existing customers? Not surprisingly, perceptions of the quality of the account team, the quality of the offering, and the quality of the execution of the offering were three factors identified in multivariate modeling as key drivers of customer behavioral intentions (e.g., likelihood to continue to do business with the firm).

Next, high-level intention ratings from the customer survey were linked to records of actual subsequent customer behavior. Only those customers rating quality and value highly showed significant revenue growth. Further, customers actual retention was strongly related to their previous stated intentions to continue.

By aggregating and correlating employee measures and customer measures, it was found that employees understanding of their jobs, and feelings that they were getting the resources they need to do those jobs, both related to customer perceptions of the quality and customer focus they receive from the company.

Finally, observed increases on internal indicators of quality, process management, and customer focus all tracked a parallel upward course with customer survey measures of quality and value.

Integrating these findings produced the following synthesized view. Communications can affect reputation-related impressions of prospects. This affects the likelihood to get a chance to bid on business. Given that opportunity, the company must make an impression of quality people, quality products, and a strong customer orientation for understanding client needs, if they hope to win the business. Once the business is in hand, operational, employee, and product elements influence the customer experience. Customer experiences are linked to financials via retention and account growth. Finally, internal quality metrics do appear to be aligned with customer ratings, providing an early detection monitoring system for actual customer perceptions.

Joint examination and analyses of these diverse data streams led to a unified set of recommendations to senior management. These included:

Craft communications to maximize familiarity and leverage reputation.
Understand and propose precisely to the heart of the client needs.
Increase perceptions of quality of people

by "team selling."
Make sure individual job responsibilities are clearly understood.
Make sure associates have necessary resources.
Provide customers with "excellent" people, product, and process experiences.
Closely monitor externally-aligned internal quality metrics.

The effort to co-analyze and integrate research for this case involved all the diverse variety of different measures described previously. Because one of the client objectives was to move toward a more integrated strategic understanding of all their research streams simultaneously, the effort helped them to think about a full chain of effects from "prospects to profits."

CONCLUSION

The entire premise of this paper has been to point out a potential pitfall in our thinking, and to begin to propose some workable remedies. The pitfall is that customer satisfaction researchers, particularly applied researchers in organizations, may be missing the broad strategic management forest for the customer satisfaction tree. While the field of customer satisfaction certainly has evolved to encompass a more sophisticated set of constructs deserving of research attention, customer satisfaction metrics are still only one element within a broader set of organizational measures that critically indicate key elements of business success.

It is from that viewpoint that I proposed some starting remedies. Customer satisfaction needs to be put in its place as a necessary but not sufficient measurement and management perspective, being explicitly considered in the context of a larger, broader, more strategic organizational framework. Multiple stakeholder groups, stakeholder measures, and other organizational metrics occupy that larger conceptual space. We must begin to think "big picture," specifying how the diverse pieces of the organizational system operate together. We also need terminology and methodologies to analyze, interpret, and integrate linked organizational information.

Customer satisfaction measures should be just one gage on an inter-linked "control panel" of strategic organizational metrics, the interconnections of which have been conceptualized, empirically explored, and interpreted as a unified whole to steer the course of the entire organization toward integrated strategic goals. The ultimate end of having these factors in place is to allow for organizational strategic planning and actions that are system-wide, leveraging learnings simultaneously, and allowing for better management, improvement, and resource allocation decisions.

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