Discovering the Soul of Service

The Nine Drivers of Sustainable Business Success

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Chapter One: Sustaining Success in Service Companies

Enterprises that create value for customers primarily through services face three specific challenges: operating effectively while growing rapidly, operating effectively when competing on price, and retaining the initial entrepreneurial spirit of the younger, smaller company.

Strategy, no matter how brilliant, must be executed. Otherwise, it is simply being advertised for competitors to imitate. Service companies create value through performance. Performance suffers when growth weakens those organizational practices that promote employee ability and motivation.

Often, the lack of differentiation among competing services encourages managers to overuse price as a marketing tool. This is because many managers assume that value and price mean the same thing to customers. However, price is part of value but not its equivalent. The tougher the price competition, the more important quality of service is to sustainable success. Without differentiated quality, a company has few, if any, nonpricing options when key competitors cut their prices.
Innovative entrepreneurship comes from conditions more typical of newer, smaller organizations than from mature, larger ones. Personal entrepreneurship — a discretionary effort of company employees — is jeopardized as firms grow, become more complex, and change leadership. Nonetheless, sustained success requires continual innovation and improvement.

Despite the perils of execution versus growth, execution versus price, and entrepreneurship versus maturity, some service companies keep getting better because they build a community (the organization and its partners) that humanely serves customers and the broader communities in which they live. Strong institutional values enabling human beings at work to realize their full potential as individuals and as members of a community contribute to the creation of compelling value inside and outside the company. Values-driven leadership, the central driver of excellence, fosters strategic focus, executional excellence, control of destiny, trust-based relationships, investment in employee success, acting small, brand cultivation, and generosity — the sustainers of success. Companies are able to sustain success because they are more fully alive.

Chapter Two: Success-Sustaining Values

Values, the ideals, principles, and philosophy at the center of the enterprise, are its treasures. They reflect what the leader holds dear and what the organization assigns worth. Revealing the company’s heart and soul, they energize the covenant. For example, the 14 sample companies are remarkably original and dynamic, yet their dynamism is coherent, their originality channeled, and their energy focused. In every case, clear organizational values that tap into the employee’s deepest values offer great stability. Although their corporate strategies and tactics change, their value systems (their souls) remain stable.

Excellence, innovation, joy, teamwork, respect, integrity, and social profit are the core values these companies hold in common. As a group, these core values generate benefits for each company’s stakeholders — customers, employees, vendors, partners, surrounding communities, and nations. And, all the sample companies view these stakeholders, not as separate entities but, rather, integral to the whole value system. Thus, these core values act to transform each corporation on paper into an achieving community in practice.

Chapter Three: Leading with Values

Values-driven leaders infuse their values into the fabric of the organization, not with commands or rules, but with a set of core values. The more these values tap into employees’ own core values, the more they guide individual decision-making and inspire personal achievement. This kind of compatibility energizes an organization to such an extent that employees don’t just have a job — they have a cause.

Studying leaders from the sample companies reveals a common set of critical roles they perform to drive values into the organization. They articulate the dream, define organizational success, live the values, cultivate leadership, assert values in tough times, challenge the status quo, and encourage the heart.

Chapter Four: Strategic Focus

Just as the sample enterprises benefit from a clear set of core values, they also benefit from a clear strategy that stems from and is sustained by the values. This core strategy is the definition of their businesses, and it changes rarely, if at all. Knowing how they want to create value for customers, the companies do not drift from the central strategy that defines their reason for being. In other words, they channel their dynamism and innovation in service of a central mission. It is a constancy of purpose from which they are rarely distracted.

Although the core strategies of the sample companies appear quite different on the surface, they actually have common traits. First, they focus on serving a specific...
market need rather than on marketing a specific product for that need. Second, they focus on serving underserved market needs. They find an opening in the market and provide customers something valuable that they were not getting before. Third, they focus on serving their chosen markets in a superior manner. And, four, they focus on the core strategy, which facilitates its superior presentation to customers.

Supporting the core strategy is an integrated system of substrategies that turn a basic idea (the core strategy) into a service or a service and tangible product that is marketed. Thus, while the substrategies constitute a system of activities that collectively represent the design of the business, the execution of the business design is the market offering. Business design changes occur frequently as companies add or drop activities to more effectively implement the core strategy. However, executional change is continuous in excellent companies as they challenge the status quo and seek performance improvement.

Strong values open certain doors and close others. Values such as excellence, innovation, joy, and social profit clarity objectives and motivate accomplishment.

Simultaneously managing change and continuity is a complex but necessary challenge. The sample companies meet that challenge by being both focused and entrepreneurial. They understand that strategic focus is the ally of true innovation, and that it requires them to concentrate on the customer rather than on the competition.

Chapter Five: Executional Excellence
A strategic plan is insufficient to drive success, no matter how brilliant it may appear to be. Customers can only experience the total product, which is a company’s strategy executed. A poorly executed strategy is a license for the competition to take away business. Thus, excellent service companies not only have focused strategies, but they focus on execution as well. They continually raise their standards of service delivery and constantly strive for perceived superiority over the competition in multiple ways, including:

• competing for the right talent;
• holding “pre-game huddles” as a means of helping employees counteract the ever-present mental and physical fatigue associated with delivering excellent service;
• managing the evidence (although service is intangible, its associated tangibles — e.g., Enterprise Rent-A-Car’s formal dress code — can be manipulated to convey a specific message);
• creating flexible systems that allow services to be tailored to customer requirements;
• active listening that motivates and guides both strategic and executional improvement; and
• structuring improvement to stimulate and process executional innovation.

Chapter Six: Control of Destiny
Many companies lose control of their future by growing too fast, which is a particular problem for labor-intensive service companies. When these companies rapidly add new employees, service delivery units, and layers of management, it undermines the care with which new employees are selected and trained, the intensity with which company values are taught and reinforced, and the passion with which the company’s core strategy is pursued.

The sample companies grow but are unwilling to put growth ahead of operational excellence. They control their destinies by using the independent spirit that enables innovative action to block undermining influences. Specifically, they act like private companies, they control customer value creation, and they compete against themselves. In other words, they follow the beat of their own drums, and they take a long-term investment view of building their businesses. They refuse to outsource and, instead, control the processes that directly affect the customer’s perception of quality and value. And, they are perpetually innovative and aggressive in seeking to push beyond their own existing performance levels.

Chapter Seven: Trust-Based Relationships
Trust-based relationships characterize the sustained success of the sample companies. They are important because they are the link to future customers, employees, and partners. Relationships with employees and business partners (e.g., suppliers and independent representatives) help a company forge relationships with its customers. In
labor intensive companies, building employee relationships must precede building customer relationships. Employees with “just-a-job” attitudes do not have the personal commitment to their work and company to perform at a level that generates customer commitment. As for company partners, they provide the benefits customers receive; thus, partners figure into company-customer relationship-building efforts just as employees do.

Companies cannot build true relationships without trust, which is derived from perceptions of a company’s competence and fairness. Because service companies market promises — invisible products that customers usually agree to pay for before they can experience them — trust is paramount. Customers who buy services must trust a company to keep its promises and conduct itself honorably. And, just as customers abandon companies they do not trust, so do employees and partners.

Chapter Eight: Investment in Employee Success

Although many firms avoid investing in employees because of high turnover rates, great service companies take the opposite approach. They invest in the infrastructure, tools, and incentives necessary for employee success. Investing in personnel who stay rather than saving on those who leave, the sample companies establish high performance standards for their employees and equip them to meet these standards successfully. They help them get off to a strong start, they continually develop their service skills and knowledge, and they treat them like part-owners. When the product is a performance, serving customers well first requires serving the performers well. In labor-intensive service businesses, customer success is a function of employee success.

Chapter Nine: Acting Small

Most companies become more bureaucratic and bound by more rules as they grow, making it difficult for customers and employees to navigate the system. However, the sample companies have been very successful in fighting these tendencies. They act small with customers by being fast, seamless, flexible, responsive, and personal. They know their customers and custom fit their services. By the same token, they act small with their employees by creating communities of shared vision and collaborative mission. This involves teamwork, individual and collective accountability, building trust-based relationships, and nurturing ownership attitudes and a “can-do” spirit of action. Essentially, it comes downs to a blend of value-drive leadership, innovative structure, and customer- and employee-focused information technology.

Chapter Ten: Brand Cultivation

With packaged goods, the product is the primary brand. However with services, the company is the primary brand. Thus, branding plays a special role in service companies because strong brands increase customers’ trust of the invisible, enabling them to better visualize and understand the service. Service companies with the strongest brands reveal a conscious effort to be different and to carve out a distinct brand personality. Because they never market their offer as a commodity, invention rather than imitation rules their branding efforts.

Great brands transcend specific product features and benefits and make an emotional connection with the intended audience. Reaching beyond the purely rational and economic, they spark feelings of closeness, affection, and trust. Thus, companies that emphasize price in their advertising forfeit the opportunity for an emotional connection with their customers.

The sample companies use branding to convey their reason for being. Asking the question, “What do we want to be famous for with customers?” they capture and communicate the answer through their brands. They provide a service that customers truly value, perform it better than their competitors, and effectively tell their stories through communications that create awareness and stimulate trial. These communications also reinforce customer experiences, which is an extremely important competitive advantage. Superior customer experiences are difficult for competitors to imitate, no matter how effective their marketing communications.

People are an essential part of the product in labor-intensive service companies; organizational values that enable people at work to realize their full potential as individuals and as members of the organizational community create ‘product strength’ for customers.
Chapter Eleven: Generosity

Generosity pays off for labor-intensive service companies because generosity wins hearts—an important difference in businesses where human beings create value for other human beings. Most service employees have considerable discretion in the degree of effort they put into their service (they are, in effect, “volunteer” workers); and generosity motivates people to give their best efforts. Thus, winning the hearts of the performers helps companies win the hearts of their customers. Generosity also reaches customers through the fairness of company policies and practices and its community investments.

Nonetheless, in order to be effective, generosity must be purposeful, channeled, integrated into a company’s culture and strategy, and results oriented. The sample companies are strategic in their generosity. They invest with a long-term goal in mind and concentrating their resources to have a powerful impact and to make a meaningful difference. They also ensure that their investments of time, energy and money are in line with the business’s overall purpose and strategy. Thus, generous acts not only benefit society, they also create a stronger company and enable more generous acts in the future.

Chapter Twelve: Lessons from World-Class Service Companies

The sample companies teach important lessons about the true meaning of success, how to achieve it, and how to sustain it. The most salient of these lessons are as follows:

- Humane organizational values sustain human excellence.
- Strong values depend on strong leaders.
- Stable leadership stabilizes value.
- Values-driven leadership propels all other success sustainers.
- Constancy of purpose leads customer value creation.
- High purpose motivates.
- Strategic focus inspires innovation.
- A well-executed strategy diminishes opportunity for competitors.
- Attracting great people is the first rule of execution.
- Pursue success on your own terms.
- Sustaining service success requires trust.
- A service company’s future is measured by the strength of its relationships.
- Investing in the performer contributes to the performance.
- In services, acting small is big.
- High touch and high tech are mutually supportive.
- Branding the company means performing the service.
- Generosity drives service success.

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Bibliographic notes by chapter and a subject index are provided.

Remarks

It is an accepted reality that many service companies never surpass mediocrity and, thus, never come close to realizing their full potential. It is also true that many others become extremely successful only to regress to become just average, or worse, as time passes. Yet, some service companies keep getting better—“despite the perils posed by time, growth, and success.” How do they do it? How do great service companies manage to remain great?

To find the answer to these questions, Berry undertook an in-depth study of 14 service companies that have achieved and maintained service excellence. His diverse sample includes Bergstrom Hotels, The Charles Schwab Corporation (securities brokerage and financial services), Chick-fil-A (a fast-food chain), The Container Store (a storage and organization products retailer), Custom Research, Inc. (marketing research), Dana Commercial Credit (a leasing company), Dial-A-Mattress, Enterprise Rent-A-Car, Midwest Express Airlines, Miller SQA (office furniture manufacturing), Special Expeditions (a travel
company), the St. Paul Saints (professional baseball), Ukrop's Super Markets, and USAA (automobile insurance and financial services). He found that though these companies differ as to the nature, size, and structure of their businesses, they are the same to a remarkable degree on the inside, for they share identical drivers of sustainable success.

In Discovering the Soul of Service, Berry clearly identifies, describes, and illustrates, with compelling case studies, nine drivers of excellence shared by all 14 companies. Each chapter is devoted to a single driver, and lessons from the sample firms are interwoven into each chapter. Thus, on completion of this work, managers in any industry will have a comprehensive model for meeting their toughest challenge: sustaining long-term success. Moreover, readers will have become intimately acquainted with some very unique companies and the visionary lessons they have to offer about the principle and practice of excellent service.

What makes this work so refreshing, however, is that Berry goes beyond bottom-line thinking and language and even outdistances his own pioneering work in services marketing and quality to focus on the importance of humane values in building a lasting service business. Thus, his fundamental premise is that service businesses must make life better for people both on and off the job — “that values-driven leadership, human inspiration, and social profit make a service company great — and sustain the human engine of service.” It is the kind of abstract touchy-feely thinking that makes so many uncomfortable and skeptical. Nonetheless, as Berry so convincingly documents, companies can win an impressive share of wallet (through year-end 1997, the sample companies collectively had operated profitably for 402 out of 407 total years) when they continue to win an impressive share of the hearts of all their stakeholders.

Reading Suggestions

Reading Time: 6 to 8 hours, 304 Pages in Book

We concur, wholeheartedly, with Berry’s recommendation, which states: “Each chapter … develops one part of the success sustainability model. … Just as there are no shortcuts in implementing this … model, there are no shortcuts in understanding it. Readers are encouraged to read every chapter in sequence as each chapter builds on the previous one” (p. 16).
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