

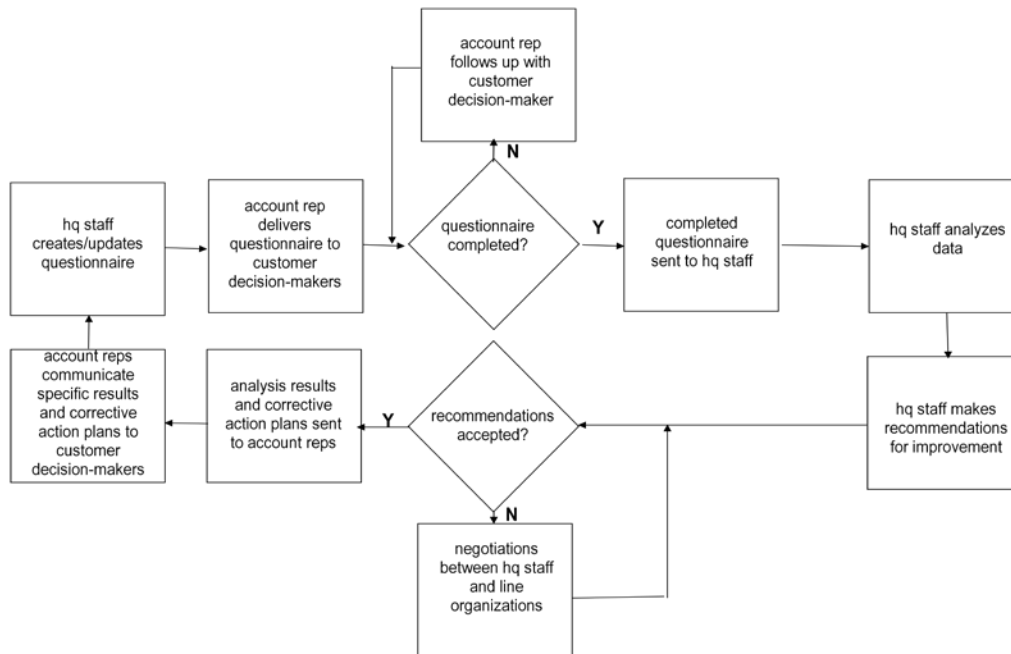
## VIGNETTE: A SENSE & RESPOND IMPLEMENTATION AT XEROX

In the first year of the 21<sup>st</sup> century, Xerox was in crisis. It faced multiple strategic and operational challenges that would take months or years to resolve. Senior management realized that survival depended on somehow retaining its large customers during this period, and put Vince Vaccarelli, director of The Xerox Business Research Group, in charge of a Xerox-wide project to come up with a “breakthrough customer satisfaction” solution.

The remedy Vaccarelli and his colleague Barbara von Bergman envisioned would transform customer satisfaction from a process that produced reports for Xerox management into a system that produced benefits for Xerox customers. It would significantly improve the experience of the thousands of customer personnel who were associated with the use, acquisition and evaluation of Xerox offerings. And it would cut across the entrenched functional and geographic silos to deploy Xerox expertise on demand. Xerox’s existing customer satisfaction process (Exhibit 1) had a six months cycle time. Vaccarelli and von Bergman were convinced that trying to improve this process would never yield breakthrough results. A real breakthrough would require resolving individual user problems in hours or days, and implied implementing and sustaining an unprecedented level of cross-silo collaboration. Realizing the significant organizational issues that would have to be dealt with, they adopted a post-industrial sense and respond approach to design and implement a Customer Satisfaction Assurance organization.

## Exhibit 1

### typical customer satisfaction *process design*



The breakthrough change in customer satisfaction called for by Xerox executives required a reconceptualization of the purpose, structure and metrics of “customer sat.” Responding rapidly to the unpredictable requests from tens of thousands of individual end users dictated against a process approach. Why? Because process design requires too much prediction (e.g., inputs, outputs, contingencies and task sequences). So Vaccarelli and von Bergman opted for a Customer Satisfaction Assurance **System** design, which they called SENTINEL.™

**Sensing.** SENTINEL featured an e-mail connection to all users of Xerox products and services in a given account. The system polled these users frequently and [made replying quite easy](#). Users were asked simply to click on a smiley-face ☺ or frowney-face ☹ icon to indicate if they were happy or unhappy about their current experiences with Xerox—or to delete the message if they had no comment. A negative customer response would invoke interactive software that captured the nature of the specific problem or problems causing the dissatisfaction. Other software would match the problem profile with the profiles of potential problem solvers throughout Xerox, and put a particular problem solver in direct e-mail contact with the individual customer user who was having the problem. Data mining software would track the result of each intervention,

identify significant patterns and update customer relationship management (CRM) databases, policy management databases and product management databases.

**Responding.** Executive reviewers were impressed by the technological solution proposed, but Vaccarelli understood **the** fundamental difference between a responsive technology solution and a responsive organization. Knowing earlier what end users were experiencing would be of little use if the organization were not structured to capitalize on that knowledge. Without the latter, change would be at best incremental, not transformational. So he sought the advice of an executive coach on how to make SENTINEL a “sense-and-respond” solution. The answer he got was: Design an adaptive *organization* that can leverage the technology and near real-time market intelligence provided by SENTINEL.

This meant organizing information differently to support earlier awareness and better diagnoses of current end user experiences by individual decision-makers in Xerox. And it meant organizing people differently into a modular and reconfigurable response structure. The information about current customer problems and opportunities is fed directly to individuals with explicit accountability for responding, rather than into PowerPoint presentations made to groups in Xerox that business intelligence thought would or should be interested. The story of how Xerox did this is a story about transforming customer satisfaction from an efficient *process* into an organizational *system* designed to know earlier and respond faster to current events.

### **ESTABLISHING SENTINEL’S PURPOSE**

Designing an organization as a system [\[See Sidebar\]](#) starts with a determination and declaration of organizational purpose. This is done by identifying the constituents the organization must serve, and what outcomes they must be provided. One of these outcomes will become the purpose and design point of the organization. The others become constraints that must be met in order for the organization to exist. This is an exercise in understanding “what we owe to whom and why.”

To think through the choice of SENTINEL’s organizational purpose, Vaccarelli and von Bergman used the template shown in Exhibit 2.

**Determining the primary constituent (Customer).** After considering several potential constituents (four of which are shown in Exhibit 2), three finalist primary candidates emerged: client procurement managers, Xerox policy executives (who were originally thought to be external to the SENTINEL organization, but turned out to play key roles in it), and the end users of Xerox products and services.


## Exhibit 2

### key constituent analysis

**WHO** XEROX ACCOUNT EXEC (NAM)

**OWES**

<b>WHAT</b> Primary Outcome Owed This Constituent	<b>TO WHOM</b> Constituent Name	<b>WHY</b> Reason Constituent Values this Outcome
Absence of Problems with XEROX Offerings	Customer End-User	No hassle personal productivity
Profitable customer relationship	XEROX Executives	Contribution to XEROX growth and profit objectives
Product problem feedback from current users	XEROX Product Managers	Improve competitiveness of XEROX products
Lowest total cost of ownership	Customer Buyer of Office Products (Procurement)	Contribution to Customer profit objectives



A major contributor to making SENTINEL the breakthrough it became was the decision to make the end user the customer. This was novel, because end users were not the ones making document handling purchase decisions—a traditional criterion for being considered a customer.

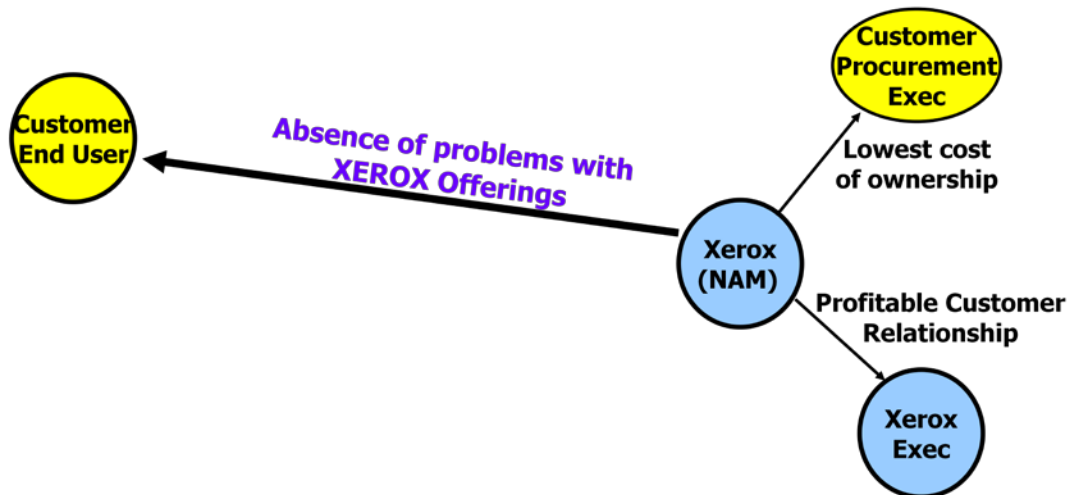
**Deciding the customer benefit, and understanding why it is valued.** Market research identified that end users valued enhanced personal productivity. But because this outcome was affected by many factors not under Xerox control, the more modest but more authentic customer value proposition chosen was “problem-free use of Xerox offerings.” Enhanced productivity was the “why” problem-free use was valued, and an indicator of where future organic growth might lie. “Profitable customer relationship” for the Xerox policy executive, and “lowest cost of ownership” for the client procurement executive became constraints that must be met.

The Xerox National Account Manager (NAM) role was assigned responsibility for delivering the SENTINEL value proposition to all end users in a given account. Using the

Constituency Table results, a first version of the “who owes what to whom” Role and Accountability (R&A) design could be drawn. (See Exhibit 3). It depicts the accountabilities of the NAM, on behalf of Xerox, to each of the major constituents.

### Exhibit 3

#### customer satisfaction assurance system design

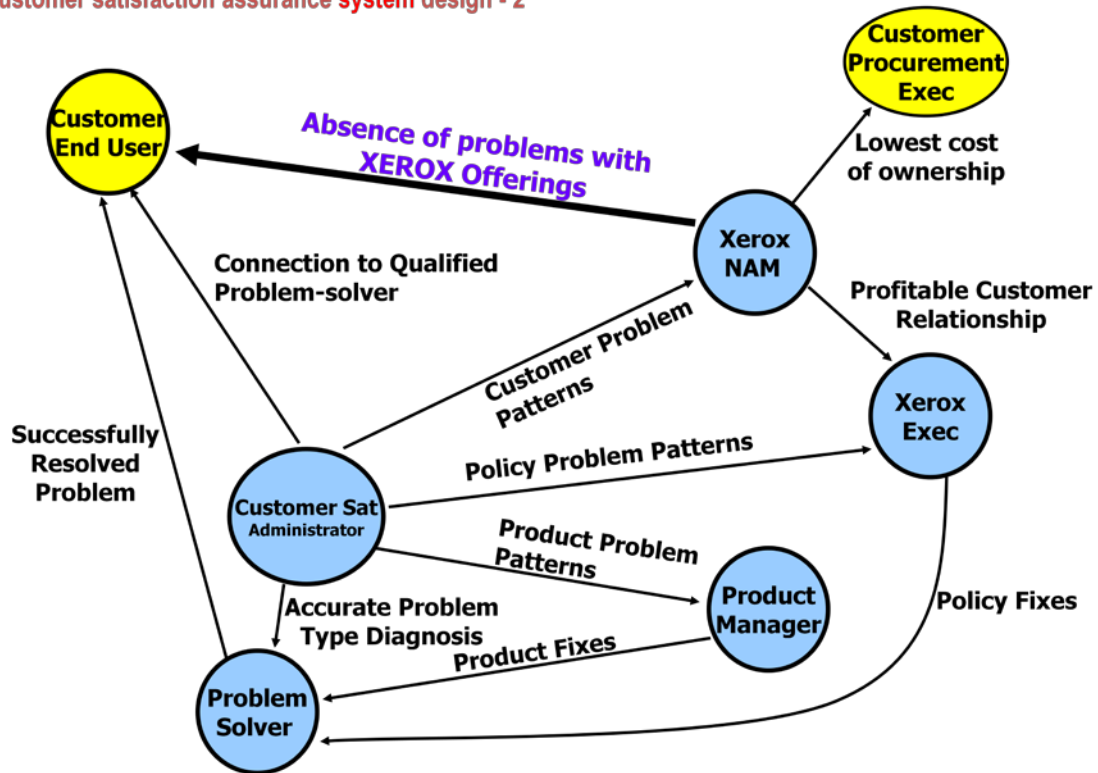


#### DEVELOPING THE R&A DESIGN

The Customer Value Proposition was then broken down into subordinate effects (outcomes), and accountabilities for producing those outcomes that were assigned to roles, as shown in Exhibit 3a. The interactions between roles are shown as unidirectional *customer-to-supplier* arrows with labels that identify the required outcome. When the design is implemented, the specific conditions of these exchanges are negotiated and committed to, instance by instance, between individuals occupying the roles.

### Exhibit 3a

#### customer satisfaction assurance system design - 2



A new customer satisfaction administrator role was created, whose function is to connect end users with problems to qualified Xerox problem solvers. Note that the individual in the administrator role must have authority to override or change the automated matching results, because only people can be held accountable for outcomes.

Similarly, the administrator, not the data-mining software, is accountable for recognizing and reporting problem patterns to the NAM, Xerox policy executives and Xerox product managers. These roles, in turn, are accountable to problem solvers for global fixes that enhance the quality and speed with which end user problems are resolved or avoided. The SENTINEL design thus creates a learning organization that systematically translates signals from users into improved offerings and user experiences. Furthermore, because roles are specified by commitments to outcomes, rather than by activities and processes, they can be rapidly reconfigured and dynamically realigned into responses to individual user problems.

The success of SENTINEL is measured in terms of the degree to which end users experience problem-free use of Xerox offerings (the system purpose and organizational design point). Other metrics, including how well Xerox is rewarded, are also important, but profit and revenue growth are understood to be byproducts of fulfilling the purpose.

### **IMPLEMENTATION AND RESULTS**

When the innovative diagnostic software was delayed, Vaccarelli and von Bergman persuaded one National Account Manager to implement the R&A design manually at one site in his account, using only e-mail technology. In a matter of weeks, Vaccarelli was able to report the following account team assessment to Xerox management:

- SENTINEL probes were capturing far more positive than negative comments from users. "We had no idea Xerox cared so much about us" was a frequent response.
- SENTINEL provided a distinct competitive edge and had already improved the relationship with the customer and the chances of contract renewals.
- The NAM had requested expansion of SENTINEL to twelve other sites.
- The team would "absolutely" recommend SENTINEL to other account teams.

The pilot project was enough of a success story to convince Xerox to begin expanding SENTINEL to other large accounts. New software from International Business Research Consulting (IBRC) was deployed to provide sophisticated analyses of end-user inputs. SENTINEL *technology* became an enabler of a sense and respond Customer Satisfaction Assurance *organization*.

SENTINEL is now implemented in 12 languages, 29 countries, and 249 accounts worldwide. More than 116,000 end users are regular responders, and thousands of other users are sporadic responders. It wasn't long before Xerox customers began asking for access to the software for their own use. To accommodate this demand, Xerox has licensed SENTINEL to IBRC for a "customer experience service offering " called [Open-line](#).

Vaccarelli and von Bergman summarize some of the major payoffs for Xerox:

- Customers who used to think of Xerox as "unresponsive" now talk about it as being "extremely responsive" and "innovative."
- Less than 1% of responses are complaints. The majority are compliments and/or suggestions for how Xerox might address other end-user needs
- Using icons provides Xerox with a global "yes/no" measure that (1) triggers a local response and (2) avoids the cultural bias of traditional marketing research rating scales.
- Whereas Xerox used to be the last to know about problems users were having, it now knows earlier than its customers what end users are experiencing—and why. As a result, when the

NAM or any Xerox executive meets with the account, they can add value by providing information and diagnostics that the client cannot get elsewhere about a major investment.

- Instead of a six-month cycle with generalized solutions, Xerox now resolves specific problems within hours and days. Xerox executives track this performance on a daily basis—and intervene directly when their assistance is required.
- There has been a significantly higher rate in contract renewal/retention probabilities in accounts where SENTINEL has been implemented.

Although transformative, the R&A design required no disruptive change to existing organizational charts. Rather, it systematically orchestrated the contributions of people in multiple functions throughout Xerox around a common customer-centered purpose. From the end users' point of view, although every user of Xerox products and services has unique experiences and often unpredictable problems, they experience a Xerox response that is seamless, reliable, effective, fast and specific to them.

Of course, the implementation was not problem-free. In addition to the software issue mentioned, other challenges were encountered in the rollout. For example, some national account managers resisted bringing SENTINEL into their accounts because they felt it would distract them from focusing on achieving their sales and financial objectives. But the undeniable evidence that happier end users translate into profitable growth, and the personal satisfaction problem-solvers get from “riding to the rescue” proved a very strong motivation throughout Xerox.

### **INITIATING TRANSFORMATIONS FROM NEXT PRACTICES**

SENTINEL is a transformational change because it organizes customer satisfaction around a different purpose with a different strategy: Instead of a process design to produce reports on how to improve product and service offerings, Xerox now has a system design to continuously increase value for its largest accounts. And because its modular design of roles and accountabilities allows Xerox to adapt much more quickly to what it learns, Xerox is able to preempt customer problems before they become critical—a significant competitive advantage. It did not achieve these benefits by forcing the organization to adopt a radically different managerial paradigm, but by successfully resolving present problems with “next practices” derived from the new paradigm.

Recall the perennial issues mentioned above: alignment, authentic customer orientation, organic growth and coherent empowerment. Because it IS a system, alignment is assured: Every role in the SENTINEL organization exists only because it is derived from SENTINEL's purpose. The organization is authentically customer-oriented because it is literally designed around a customer benefit. Organic growth opportunities

emerge from the continuous flow of near real-time feedback from end users about what they like, don't like and would like. A simple e-mail connection with the people who use their products and services, combined with an organization designed to respond rapidly, led to a quick and radical improvement in customer perceptions of Xerox. Now, with the deployment of advanced analytics, Xerox is able to learn continuously how to improve its offerings. Because they know earlier than their clients what is happening at the end-user level, Xerox can anticipate customer needs and provide diagnostic information as a unique benefit. And because the SENTINEL design relates roles in terms of outcomes, not activities, the people occupying those roles are empowered to innovate and improvise HOW those outcomes are produced. Coherency, like alignment, is an inherent property of system designs.

The scalability of this approach means that sense and respond transformations at any level can be achieved without incurring the breakage and disruption associated with major changes in reporting structures. The individuals occupying SENTINEL roles continue to reside in their home silos—analogue to the homerooms students report to for administrative purposes. The R&A design graphic is a powerful communication device, showing explicitly how each contributes to the organization's purpose. It is a "One Team" picture of the page that the leader wants all of them on.