

## Insight from industry

# Creating a new culture: The CERT challenge

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### Abstract

Drawing on the experience gained from the recent turnaround of fortunes at The CERT Group, describes the key role of customer service and the challenges associated with establishing a service culture in one of the UK's leading third party logistics providers. The process was so successful that the company branded it "success with service", thereby helping internal staff buy into the company's mission and live the company's mission, as well as delivering direct benefits to the company's bottom line, by assisting customer retention and winning new business.

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## Introduction

The CERT Group provides a range of products and services designed to maximise efficiency and value throughout the supply chain. Since its foundation, it has advanced rapidly, distancing itself from conventional offerings in the supply chain and CERT now brings together a portfolio of products and services that have traditionally only been delivered via "specialist" providers. It offers integrated business solutions via its six operating divisions:

- (1) *Supply Chain Solutions* – an independent consultancy service providing integrated supply chain consultancy.
- (2) *CERT Logistics* – provides a complete supply chain management service, including dedicated and multi-user warehousing and a nationwide transport and delivery service.
- (3) *Octavian* – the UK's leading fine wine and champagne distribution service.
- (4) *CERT Promotions* – delivers comprehensive promotional services from creative concept and design, sales promotion and product repackaging.
- (5) *CERT Distributors* – specialist field sales and merchandising operation to the independent retail sector.
- (6) *CERT E-Commerce* – develops e-commerce solutions for managing supplier/customer relationships from order to delivery.

In 1994 the company was in bad shape. Experiencing huge losses, with the bank about to withdraw support, the company lacked strategic direction and desperately needed re-engineering. The future looked bleak. The appointment of a new chief executive at the helm later that year set about a series of changes that put CERT on the road to recovery. A new strategy, which recognised first-class customer service as the key component of CERT's future success, was put in place, and its people identified as the prime channel for delivering this new approach. However, in order to make the new strategy a reality, a dramatic culture change was required.

Changing a company's culture to one that gives a priority to training, development and other personnel practices requires much more than the fine words of an upbeat mission statement. There has to be a consensus of

opinion among employees that change is necessary. As established markers in the ground are removed, living through a culture change can be an unsettling experience for many people. Along with many other companies, The CERT Group has realised that the key to successful change lies in full employee involvement.

### Developing the mission and values

For CERT, crystallising the company's mission was the first step. The management team was unsure if it was trying to be everything to all people or whether it was trying to be just a leader in third party drinks distribution. The team sat down as a group of managers and directors and debated its mission. It was agreed that the organisation should strive: "To be the *first choice* for improved Supply Chain Performance".

**Matching corporate values to the mission**  
Agreeing the mission on its own was only the start. On close inspection, it was discovered that the corporate values in the business did not support the mission so more appropriate values needed to be defined. This was the start of the culture change process. A range of values were identified but when the new vision was announced to the staff, it was clear that current capabilities and attitudes were sub-optimal. There was a major gap between the mission and values and its culture and behaviour. The real crux of the problem was that the employees did not understand the levels of customer service CERT wanted to deliver – without understanding the rules, they had no hope of complying.

This presented CERT with a serious challenge because this meant it would not be able to deliver its mission. The challenge was that it had to create "a new service culture" – a culture where everyone was working to the same standards.

### Creating the new culture

The Group looked at best practice and researched who had succeeded in changing corporate cultures. This included accessing research at TECs and Business Links and the team concluded that there were two main areas to be considered – a proven model for

cultural change and the need to have a relevant organisational structure:

(1) *A proven model for cultural change.* The research showed that there was a model for success in implementing cultural change into an organisation. There were five critical success factors:

- *Commitment from the top.* There must be a genuine commitment from the top of the company. The champion for a culture change programme has to be the Chief Executive and the board. It is not solely an HR initiative.
- *Mission driven.* As the Group had agreed a mission to be the leader in its sector it needed a culture that reflects leadership status. If its mission was to be a low cost, value for money operator then the culture would need to be equally appropriate. Clearly the culture must be driven by the new mission.
- *Training.* There will always be a need to commit to substantial training activities in a culture change programme as, by definition, it will involve developing peoples' attitudinal and behavioural competencies.
- *Communication.* Many change programmes have failed due to a lack of effective ongoing communication. It is critical that staff at all levels are involved and that communication is frequent enough to maintain momentum. It is equally important that the communication is "two-way" so that staff feel genuinely involved.
- *Customer research.* There is no point deciding to undertake a culture change programme if the marketplace doesn't want it. To this end CERT undertook some further research to identify whether there was a market need for a company in its market with high levels of customer service and whether its mission was appropriate.

(2) *The organisation structure for customer service.* The second area that the research identified as critical for success was the need to have a relevant organisational structure. A traditional organisational culture tends to be directive, very downward pushing, it doesn't generate a lot of

feedback. It is not conducive to providing a positive environment. An alternative structure that is more appropriate in the service environment really inverts the triangle and this is where the managers and supervisors are enablers to the frontliners to maximise the impact of their interface with the customers. With this structure you end up with two-way communication (see Figure 1).

### Branding the change

CERT saw this as an opportunity to develop a branding for the challenge, the physical appearance of which came about by linking the graphics and the words: “Success Through Service” and the inverted triangle (see Figure 2).

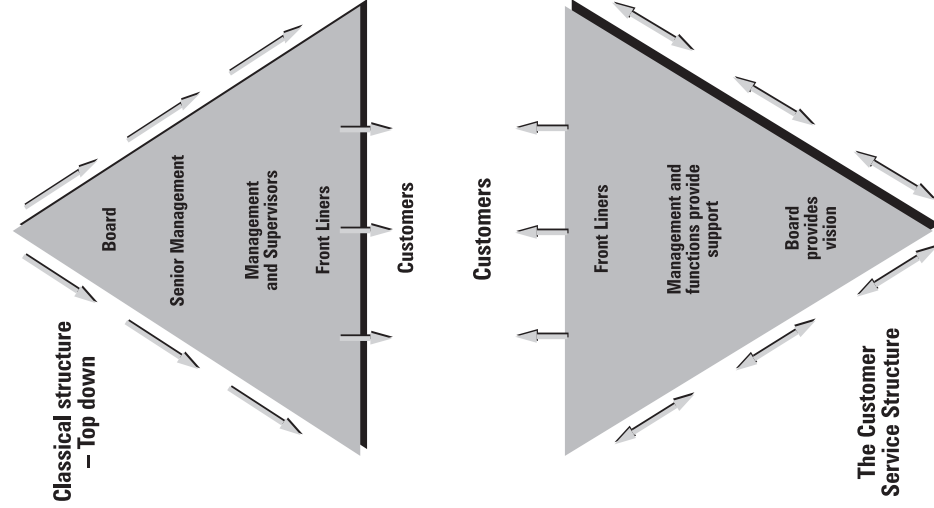
The benefits of actually giving the Challenge its own identity can be seen in two areas – internally and externally. From an internal perspective, it has helped the staff buy into

Figure 2 The new brand symbol of CERT



the company’s mission and it has helped the Challenge stand out from the more routine aspects of every day working life. By giving it an identity, it has become tangible – and not just a management philosophy. In turn, by helping employees to live the company’s mission, from an external perspective it has delivered direct benefits to the company’s bottom line by helping customer retention and winning new business.

Figure 1 Inverting the traditional organisational structure



### The change process – The CERT challenge

The CERT Challenge – *Success through Service* – was launched at a Management Conference for the Senior Management. Challenge teams were created within each function of the business: Finance, IT, Business Development, Human Resources and at each Depot. Every team had a champion and the team was multi-disciplined at each level. After the Management Conference, a Depot Roadshow took place, visiting each of the company’s 11 depots and launched challenge teams, briefing them to look at two areas – “How to improve Customer Service” and “How to improve Productivity”. Their brief was to look at the barriers, and to come up with recommendations on how to improve these areas and to prioritise them. Some initial facilitation was provided to get the process underway.

### Problems and barriers

Developing the mission, agreeing the relevant corporate values and launching the CERT Challenge were, in hindsight, the easier elements of the overall change programme. The real challenge was managing the process

and overcoming the various barriers to progress that inevitably arose. It is worth identifying the main problems and barriers that we encountered and how they were resolved:

- *Cynicism and apathy* – There was a degree of cynicism to the whole idea of a mission statement and the CERT Challenge. At the initial launch, the CERT management team were greeted by comments such as “another one minute wonder”, “you lot will lose interest in this soon” and “that’s what you think it’s like at head office – it’s not like that on the shop floor”. This was addressed by continually reinforcing the message at every opportunity and by ensuring that all staff were spoken to regularly by a director. The apathy was caused by memories of similar, failed initiatives such as the introduction of a TQM programme that had been “flavour of the month”, but not followed through.
- *Casualties* – There have been a few of the 400 staff who just could not grasp the need for change and showed an unwillingness to alter their behaviour. No member of staff has been dismissed in this area but a few have resigned to go to other jobs.
- *Peer group communication* – The Depot Challenge Teams work effectively together but the issue arose of how they could communicate back to the rest of the depot staff. Different mechanisms are used at different depots based on what each team feels is appropriate. A mixture of depot presentations and notices on the noticeboards is used.
- *Energy levels* – The amount of central effort that was needed to maintain the energy behind the Challenge was initially underestimated. A lot of management team was required early on to facilitate the initial meetings and to lead discussions on the total customer experience. The staff had to be educated to understand that total experience was what mattered. What did the customer reception area look like? How were the telephones answered? It was more than a meeting delivery targets. As a result, staff at one depot redecorated the reception area in their own time to make it a more pleasant environment for customers.

## Results and evaluation

The hard measures of the success of the CERT Challenge programme are the financial turnaround from a loss of £1.7 million in 1994 to a profit of £1 million in 1997 coupled with a marked increase in operational productivity of between 10 per cent and 50 per cent on various activities. Specific key outputs from the work of the Challenge Teams are:

- Redesign depot reception areas, with the objective of ensuring that the new design reflected the company’s mission.
- Improved internal communication via monthly and quarterly briefings.
- Cross-training so that staff understand how their job interfaces with others.
- Service Level Agreements (SLA) have been developed which define both parties’ responsibilities and commitments, as well as defining financial penalties and rewards for different service levels. These are seen in the marketplace as breaking new ground. Initially CERT had contracts with only the very largest of its customers and the staff had no involvement in this. If they didn’t know the rules, how could they comply? Things are now markedly different. Percy Fox, one of the UK’s leading wine wholesalers, has a bespoke SLA with CERT whereby penalties are given if the service delivered does not meet agreed targets and bonuses granted if the staff exceed the targets. Continuously, bonuses are granted.
- Review of the Mechanical Handling Equipment assessing alternatives, where appropriate.
- Creating the position of Quality Assurance Manager to define and document processes to a standard commensurate with ISO 9000.

## The need for investment

There was one overriding element that kept coming out of the Challenge Team discussions – the need for investment in financial terms. The company had been losing a lot of money and so there really had been a lack of investment for a number of years. The Teams highlighted four areas that they felt needed investment to help to improve the strategic goal of delivering “*Success through Service*”:

- (1) *Facilities* – depots and vehicles have been invested in.
- (2) *Information technology* – introducing new systems, including a complete changeover to a Microsoft Windows platform to provide company-wide office automation.
- (3) *Staff* – substantial time and effort has been made in developing staff competencies in both technical and behavioural areas. All staff have agreed job descriptions, formalised inductions and individual annual performance assessments.
- (4) *Customers* – better MIS systems have been developed and a more effective Account Management structure introduced.

### Key feedback

Apart from the specific beneficial outputs outlined above there has been some extremely positive feedback from both staff and customers:

- *Greater involvement.* The staff now feel involved in the business and they feel they have a degree of control over their destiny. They have welcomed the opportunity to be involved in the sales process and in managing the interface with customers.
- *Genuine empowerment.* They recognise that they are requested to get involved in the decision making process and are given responsibility to take decisions that affect the daily operations. Previously, they felt the company had been highly directive and authoritarian.
- *Increased self esteem.* There is definitely increased self-esteem and this has manifested itself in the increased commitment to the CERT Challenge and the

willingness to devote private time to Depot Challenge meetings. Many individuals have shown a positive change in terms of their demeanour and behaviour towards the business, colleagues and customers.

- *Understanding of the mission.* Staff understand that the company's mission is "to be the first choice for improved supply chain performance" and that this means that staff must strive to achieve the declared corporate values that are published.

- *Recognition of KPI importance.* Staff understand the need to have KPIs that measure the level of service provided to external and internal customers as well as suppliers. The measurement of productivity is seen as an important part of managing and planning the business. This had previously been seen as a management tool for punitive actions.
- *Focus on quality and profitability.* There is an understanding that the company must continually focus on the quality of all its actions if it is to achieve and maintain its mission. It is accepted that to produce sustained growth in a highly competitive market we must focus on profitability at all times.

- *Positive customer action.* Customers are saying that our service levels are higher than before and that the standards of our operations are better. We are seen to be delivering a superior level of service to our competitors. This has been reflected in two customers moving to competitors on the grounds of price, but subsequently returning to us. In both cases the customers found that competitors could not deliver the quality that CERT achieved and that the promised prices were exceeded.