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STOP THINKING OF EMPLOYEES AS CUSTOMERS!

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If your company can be counted among the multitude that have adopted the language of “internal" and “external" customer, you may inadvertently be doing your organization a great disservice.

In today’s hyper-competitive marketplace, consumers are able to demand that businesses provide high-quality products and services at low prices (i.e., supply what the customer wants at what they consider to be a fair price).

Businesses that can’t satisfy this requirement will fail. The imperative of executives and managers is to get their organizations intensely focused on understanding customer value and satisfaction drivers, and organizing to ensure operational excellence in customer value-delivery.

The degree to which managers can achieve this intensity is directly related to the ability of their company to create shareholder value and increase profitability.

A market-based, customer-driven approach to business enhances the prospects of achieving business objectives through one or a combination of enhanced margins, market share growth, new product introduction, or market expansion.

One sure fire way to dilute this focus is to promote and foster the popular misconception that coworkers, other business units, company task forces, branch offices, and company-owned sales/distribution channels are "internal" customers.

Simply put, *there is no such thing as an internal customer.*

The Recent Invention of a New Class of Customers

The idea of internal customers remains popular. Wikipedia describes an internal customer as "a *customer* who is directly connected to an organization, and is usually (but not necessarily) *internal* to the organization. *Internal customers* are usually stakeholders, employees, or shareholders, but the definition also encompasses creditors and external regulators."

According to the Wikipedia entry for *Customer* (https://en.wikipedia.org/wiki/Customer), credit for introducing the idea of internal customers goes to total-quality-management guru Joseph M. Juran, who introduced and popularized the concept in 1988 in the 4th edition of his *Quality Control Handbook*. It was then picked up by customer service consultants and educators in the 1990s, and spread widely through corporate training programs and service quality books.

Now, almost 30 years later, writes Wikipedia, organizations continue to "recognize the customer satisfaction of internal customers as a precursor to, and a prerequisite for, external customer satisfaction."

A typical understanding of internal and external customers and how the concept is discussed in training programs can be found here (http://smallbusiness.chron.com/internal-customer-external-customer-11698.html). The author promotes and advises: "You can take steps to improve internal relations by training employees to think of co-workers in the same manner as external customers and provide the same high level of service. Set an example by showing appreciation for your employees' efforts and encouraging their feedback."

Unfortunately, *the key point of plausibility in the idea of internal customers is at the same time the key point of contention and error*. The error is not in encouraging employers to understand how best to serve each other and in showing appreciation for staff efforts and encouraging their feedback to create lean operations by removing wasted work and bottlenecks. The error and ensuing harm is in the idea that you can improve internal relations by training employees to *think of co-workers in the same manner as external customers and provide the same high level of service*.

Internal Customer as Inappropriate Analogy

Despite the widespread use of this notion of *internal* customers and its appearance of legitimacy and practicality in improving internal process quality, the concept is incoherent. At best it is an inappropriate analogy or pedagogical technique to convey the idea that employees must work cooperatively to the best of their ability, providing a "chain" of value-adding work to achieve a common goal of effectively gaining and retaining customers.

Unfortunately, by inappropriately defining and mis-identifying the customer, people who want to do right for their customers and contribute to the success of their organization are very often inadvertently being trained, encouraged and "empowered" to do the exact opposite. It is precisely this notion of cooperative partnership to deliver customer value that the idea of "internal" customer wipes out.

Here's why.

Employees who are told by management that they and their fellow employees are the company's customers, and who are encouraged and rewarded to satisfy the expectations of coworkers, will inevitably assess their own efficacy by how efficient they are at serving other *employees*. The mandate to provide outstanding service to satisfy other *employees* – "internal" customers – results in the organization adopting an internally-focused orientation and mindset. In internally-focused organizations, service to the bureaucracy becomes the benchmark of excellence with only a tangential acknowledgement of the importance of fulfilling the needs and desires of "real" customers in the marketplace.

Contrary to their best wishes and intentions, when executives and managers structure their business processes and policies around satisfying these non-customer groups as their number one priority – as a prerequisite for external customer satisfaction – they take their eye off of the pulse of the market. The tragedy is that it is done in the name of the highest of business values, namely creating and delivering products and services that customers desire. In fact, in the worst cases, this all-to-common internally-focused business orientation treats the needs and desires of employees as an end in itself, divorced from customers, and as such is destructive of business values and contrary to the need of every business to gain and keep customers.

The practice of judging service according to the internal standards of co-workers is a prescription for corporate under-performance and potential organizational disaster, when what is needed today is the Herculean task on the part of management to focus, organize and lead the entire business enterprise to deliver solutions that satisfy the fickle expectations of consumers, turn them into customers, and then figure out how to retain them. In the effort to be market-driven and customer-focused, no company has the luxury to afford the invasive and destructive diversion from reality that comes with the creation and spreading of the idea that *employees* are customers.

Is the (Internal) Customer Always Right?

The idea of having or being "internal" customers is popular amongst employees because it is very tangible and easy to embrace. By comparison, the needs and wants of "real" customers and the path to create value for them in a competitive marketplace are abstract, elusive and hard to quantify and satisfy. Yet ultimately, success in reaching them is measured in sales and revenue.

In comparison, fellow employees are easily at hand and can be communicated to directly. One can experience the results of one's efforts through immediate feedback. Did I get you the information on time? Were my calculations accurate? Did my project come in on budget? Did the brochure copy address all the talking point? Was I polite? Was I engaged? Did I show up to your meeting on time and contribute effectively?

Employees are all-too-willing to assume the high-ranking status previously held only by revenue contributing customers, and captured in the old sayings *the customer is king* and *the customer is always right*. After all, being granted the status of customer allows employees to wield the weapon of admonition: if coworkers and managers don't respond quickly and adequately to my personal requests, then they are guilty of providing "poor customer service." At the least, failure to be treated with the old-fashioned respect of customer-royalty justifies and enhances employee cynicism about management hypocrisy.

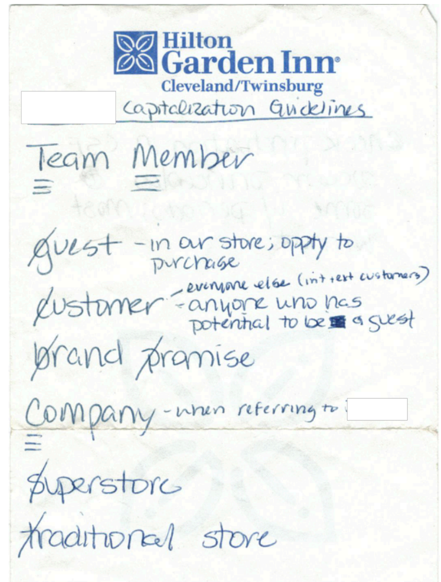
One of the unfortunate effects of treating employees and other non-customer groups as customers is that you will constantly be under pressure to allocate resources based on short-term employee whims rather than designing, producing and marketing products and services in partnership *with* employees to provide solutions and experiences that customers desire. When every employee transaction is assessed on its adherence to the standards of customer service excellence, internal business processes are more likely to be calculated at the level of micro-transactions rather than taking a more meaningful macro-systems approach. This is the very definition of being caught up in the weeds and failing to manage the business broadly by focusing on marketplace needs to win customers.

But Who Is The Customer?

It is time for business executives and managers to assess the facts and stop playing harmful word games with talk of *ultimate*, *final* and *real* customers to distinguish the valid concept of customers from any self-serving and destructive pseudo-concepts. It should be immediately obvious that it is irrational to think that everyone can be a customer.

Which begs the question: Why are executives so eager and willing to take simple, clear and distinct concepts like "customer" and "employee" and create immense confusion by joining them together under the same category (customer) and then splitting them apart again (internal-customer, external-customer)? Aren't we worse off in terms of conceptual clarity than we were before? And why is there so much resistance to adopting the simple language of plain old customer and employee?

More than a decade ago, while doing strategic planning work with a large U.S. specialty retail chain, a head office HR manager who was also the designated corporate champion of the "internal" customer concept and gatekeeper of the written word, tried to explain to me the official company philosophy established by the SVP of HR. It had been decided that people who shopped in their stores were now called *guests* while the word *customer* was reserved for everyone other than guests. *Customers* included people who have previously purchased from the company but aren't currently in stores *plus* people who have never purchased from the company, and includes all consumers including company employees. *Customers*



would become *guests* when they entered stores, and would transverse from one category to the other based on their physical location (i.e., a *guest* while in the store and a *customer* upon exiting; a *customer* during the day while an employee, but a *guest* if in a store shopping).

The one thing that is clear is that after carefully thinking about this issue, executive leaders became convinced and was making it part of their training program as official corporate doctrine that customers are the category of people who are *not* shopping in their stores and are *not* buyers, and that employees are to think of themselves as being included amongst this group of *customers*. (This is an example of the logical error of creating a definition by non-essentials.)

I mockingly responded that this meant they considered as their customers the billions of people in China who have never heard of them and had no means to shop in their stores, which was an absurd position to be espousing (for all practical purposes, this was pre-Internet shopping).

The kind of "sophisticated" modern business "thinking" that this represents amounts to the willful destruction of brand and shareholder value, and is, unfortunately, widespread in business today. Executives must take seriously the fact that impaired thinking will inevitably impair business results. A flight from reality was also a flight from successful achievement.

Establish a Genuinely Customer-focused Service Culture

It is long past time for executives to recognize that in general usage, customers are the people who buy and/or use the company's products and services to satisfy their own value-seeking needs and wants. You can call them guests, or consumers if you want to.

Walt Disney introduced the nomenclature of guests and cast members at Disneyland to enhance the focus on delivering service excellence, not confuse it.

There were no overlapping or changing categories. If you paid admission, you were a guest. If you were paid a salary, you were a cast member.

The main point is that *employees are not customers*. C*o-workers and bosses are not customers*. *The sales force is not a customer*. *Distribution partners are not customers*.

Whenever you hear a reference to the "ultimate" customer or the "true" customer or the "real" customer by an employee, manager or executive, be on your guard. You are likely dealing with someone who has a muddled concept of who the customer is, and is unlikely to be a helpful ally in creating shareholder value through the profitable creation of *customer* value. And if it is clear in your mind as an executive or manager in an organization that employees aren't *really* customers, then why pretend that they are? What good are you doing? What purpose are you serving?

A better value-added approach to guide employees is to adopt the popular adage that "if you are not serving a customer directly, you'd better be serving someone who is."

This is a clear, direct, and helpful message that focuses staff on the chain of actions required to deliver value to customers. It assumes a market-oriented approach to managing the business and can serve as the base for establishing a genuine customer-focused business and service culture.

It is a message that can help each employee conscientiously assess and understand how their knowledge, behaviour and activities, and the management system within which they play an important role, fulfills the customers' needs in the market, and how it is necessary that they work cooperatively in *partnership* with others to create and deliver customer value.

It is difficult to succeed in business given all of the financial, social, regulatory, technology, people and operating issues that must be dealt with on a daily basis. Don't let incoherent concepts like "internal" customer and talk of "real" customers stand as a further obstacle to creating and delivering *real* value to your *real* customers, to the benefit of your *real* shareholders, and *real* employees.

Conclusion

Everybody in your organization should be focused on the purpose of your business: to create and keep profitable customers. Managers must be focused on building systems, processes and policies focused on serving the ultimate user of your products and services, the target market who's actions are accounted for and measured as revenues on your company's income statement, and are the source of bottomline profits.

Never lose sight of the truism that unless customers are more satisfied with your offering than they are with the next best alternative, they won't be your customers for long, no matter how satisfied your employees are with the service they provide and receive from each other.

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