



From left:

RICHARD DUGAS JR.

President and CEO, Pulte Homes Inc. (PHM)
Headquarters: Bloomfield Hills, Mich.
Market Cap: \$3.13 billion
Number of Employees: 9,400

Pulte builds single-family houses, condominiums and active-adult communities in 26 states.

ED FRITSCH

CEO, Highwoods Properties Inc. (HIW)
Headquarters: Raleigh, N.C.
Market Cap: \$2 billion
Number of Employees: 472

Highwoods Properties, a REIT, owns, develops and manages office, industrial and retail properties in the Southeast and Midwest.

JERRE STEAD

Chairman and CEO, IHS Inc. (IHS)
Headquarters: Englewood, Colo.
Market Cap: \$4.33 billion
Number of Employees: 3,000

IHS provides crucial technical information, decision-support tools and strategic services to customers in energy, defense, aerospace, construction, electronics and automotive industries.

PHOTOGRAPHS
BY ANDREW FRENCH

customer delight

CEOs view customer service as a journey — and their company's reason for being.



RHONDA SCHAFFLER
Moderator
Anchor of
Bloomberg on the Markets

A KEY THEME OF THE NYSE CEO REPORT 2008, published in *nyse magazine* last summer, was the heightened priority of CEOs to better meet — and exceed — customer expectations. In a roundtable discussion, excerpts of which appear below, three chief executives discuss their strategies for improving customer relations and fostering a corporate culture in which the drive to delight customers permeates every level.

What is your definition of customer service?

JERRE STEAD At IHS, we use the term “customer delight.” Our company has about 55,000 customers, including around 30,000 who are located outside the U.S. For us, customer delight means that 80 percent of our customers say one of three things: “We’re delighted with the business and services you provide,” “We would recommend you,” or “We’re here to stay.”

RICHARD DUGAS JR. Pulte also uses the term customer delight. We don’t want to just deliver a pleasant buying experience; we want to truly delight customers.

ED FRITSCH Customer service at Highlands means meeting and exceeding our customers’ expectations. We don’t consider our business to be that of leasing space; instead we offer a service to people occupying that space. And rather than calling them tenants, we call them customers.

How often do you measure customer satisfaction?

STEAD We do it on a global basis annually, then regionally midyear to make sure we’re statistically relevant. Our customers range from someone spending \$5,000 to someone spending \$18 million a year. We work hard to treat all customers the same way.

DUGAS We measure three times a year. We do a customer survey 30 days after a closing, and then another one at the one-year mark. The last survey was conducted by J.D. Power and Associates, which has analyzed homebuyer statistics for 11 years. After 30 days, you can assess if you’ve built the home correctly and if everything is up to the buyers’ standards. After a year, you get feedback about a home’s overall design and what it’s like to live in.



STEAD Does customer satisfaction go up or down after a year?

DUGAS It goes down slightly. Our vision is to have long-term scores exceed short-term ones. It is more than sticks and bricks that's important to customers; it's about relationships. We want to sell you your entry-level home, your retirement home and every home in between. It's good for us to hear what happens after one year.

FRITSCH Highwoods conducts an annual customer survey. Using the same format and questions each year helps us identify trend lines. It is another opportunity to "touch" our customer.

DUGAS When Pulte first started surveying, our people would look at the results and say, "Customers don't understand this business." Focusing on the customer changed our mindset: We can do an outstanding job in an industry not traditionally viewed as doing so.

STEAD IHS surveys more than 2,000 manufacturers and service providers. We compare favorably with our global peers, although we have no national competitors. The stability of the questions is important, so we add only one or two each year. But we tweak questions by country and compare with regional databases. Some customers are happy with everything; others think the world is ending. You need to benchmark against both.

What made you decide customer delight was important?

DUGAS Until the early '80s, we were a small homebuilder operating in three or four cities. We began expanding nationally, and by the early '90s our founder and chairman, Bill Pulte, said we needed to understand customer service to focus on the big picture. I joined the company in 1994, when we were in our third or fourth year of surveying, and employees thought it was a fad. It took another two to three years to get employees to say, "Leadership is serious. We believe there's a competitive advantage in pleasing customers, and ultimately it's the right thing to do." We're not selling milk — we're putting people in homes. There's something noble and serious about it. We've gone from having less than 20 percent of homebuyers recommend



“IHS sets four goals: customer delight, colleague success, profitable growth and shareowner success.”

JERRE STEAD IHS Inc.

us to more than 40 percent. It's not yet where we want to be, but it's probably tops among large public homebuilders.

How do you build your customer strategy?

FRITSCH It starts with a company's core culture. When interviewing prospective employees, we seek to gauge their understanding of and commitment to customer service, what we refer to as the Highwoods Standard, but it isn't something that is easily defined. It's a commitment to customer service that is demonstrated through thousands of examples.

For instance, we recently hosted an event in the courtyard of one of our properties. In advance of the occasion, our property manager clipped the rosebushes so they'd be in full bloom for the event. However, we were hit by a drought and nothing bloomed. On her own initiative, the property manager bought four dozen roses and twist-locked the blooms to the bushes. That is the Highwoods Standard.

STEAD Objective measures and rewards are crucial. The first measure, as you would

expect, is customer delight. Every person at IHS is on either a profit-sharing or bonus program. We have one goal and a stretch goal for the company: If we meet that stretch goal, we'll add 2.5 percent to the bonus pot worldwide.

DUGAS The company's culture must celebrate customer service. Once you have that foundation, you set the measurement systems and rewards. We've sent each division's customer service winners and their spouses to our annual off-site president's meeting, which our board of directors attends. These frontline employees get to hear about big-picture company strategy and growth goals. It's a really big deal, and it's amazing to see how motivating it is.

We used to believe excellent customer service relied on a home's fit and finish but found that the customer's relationship with us is essential. We recruited folks from the hotel industry who understand relationships. There's a reason some hotels can charge four times what others can, and it doesn't rely on the physical room. Pulte ramped up that service mindset.

We have a seven-step process for home buying. It includes meeting on the empty lot, then

showing buyers the framing and mechanicals, preclosing orientation and customer visits at 30 days, three months and 11 months. This changes Pulte's mindset from "find a problem and fix it" to a proactive, caring attitude.

FRITSCH And the benefit of that 11-month visit is that you eventually build a trend showing the three things that most commonly become a concern. Now you can address those issues proactively and reduce the number of flaws. This systematic approach is beneficial from both a public-relations and a customer-satisfaction perspective, and it also improves quality.

How much is the CEO on the front lines with customers?

STEAD Our large customers will be making \$5 billion, \$10 billion and \$50 billion decisions based on our information and insight. When we're communicating with customers, they want to see me with the annual contract. We're all in a fishbowl; the only difference is the water's clearer as you get higher.

DUGAS If I talked to all customers with issues, I would disempower local teams to make the right call. But it's crucial that the CEO in any business sets the appropriate tone. Every customer letter I receive, good or bad, gets a response on my behalf. When I ask our local folks to respond I always say, "Please make sure Mr. and Mrs. Jones know I got their letter." That sends a message to our team down the line.

Internally, you can't say you stand for customer service and never talk about it. I do town hall meetings with all of our divisions around the company yearly, talking mostly about customer service; we believe it's the backbone for the company's growth and success.

FRITSCH When I was a kid I had a swim coach who never got in the pool — to this day I wonder if he can swim! I've been with Highwoods since 1982, when we had only a handful of employees, and there's virtually no job in the company I haven't done. We strongly believe in the mantra: "You can't manage office space sitting behind your desk." If your co-workers see you working to a standard of excellence, they understand the company's

commitment to customer service and recognize that deficiencies are not accepted. A CEO needs to be willing to roll up his or her sleeves to get the job done and do it in a genuine way, not in an artificial act of showmanship.

STEAD I call eight to 10 customers weekly. Once I get them to believe that I'm actually calling, I learn a lot, but more importantly the customers know that we're all trying to figure out what they need and how we can do it better.

DUGAS I remember reading a book about self-development that said, "Your children pay more attention to what you do than what you say." You've got to model the right behavior.



"We don't want to just deliver a pleasant buying experience for our customers, we want to truly delight them."

RICHARD DUGAS JR. Pulte Homes Inc.

So what do you do with a good performer who doesn't get customer service?

STEAD It doesn't matter; you can't keep them.

FRITSCH You will lose credibility if you maintain someone who accepts mediocrity. As Jim Collins, the author of *Good to Great*, stated, "Good is the enemy of great." If somebody performs at a lackluster level and you, as a leader, allow that person to continue to perform at that level, your integrity and credibility within the company start to erode.

DUGAS We've all had to make difficult decisions about folks who could bring in the revenue or profit dollar but didn't always put customers first. The difference is short-term versus long-term thinking. Anybody can perform for a quarter or a year; but to build a company for 75 years, you need people who understand customers.

How do you square investors' short-term view with providing customer service?

STEAD IHS sets four goals: customer delight, colleague success, profitable growth and shareholder success. We show them as a circle and demonstrate that profitable growth comes from each of the others.

DUGAS We can't forget that, as a public company, our big-picture mission is enhancing shareholder value. Ultimately it's my job as a leader to figure out what drives that. You'd be hard-pressed to find a company in any industry with sustainable long-term success that doesn't have customer delight as part of its vision.

FRITSCH I don't think investors dismiss customer service and view it as money thrown away. Management and shareholder interests are aligned — we all want customer retention, so we don't lose that revenue and have to pay another commission and retrofit that space for the next customer. Shareholders know that good customer service equates to shareholder value.

DUGAS Pulte recently underwent layoffs, given homebuilding's downturn. Our people are figuring out how to do more with less, but the organization's focus on customer delight has not changed. It would be easy to say, "We can't



afford great customer service right now.” I look at customer service as an investment. It’s about selling customers another home one day and not having to spend money attracting them because we’ve already done a great job.

FRITSCH When times are tough, you don’t give up on customer service. That is often when you should ratchet it up even higher.

Jerre, do people say, “You don’t need customer service because IHS is the only game in town?”

STEAD IHS’s revenues are 75 percent subscription based. We run 90-percent-plus renewal rates, providing a benchmark everybody works on all the time. We bring in customers to tell us their ROI for our services. Some of the decisions are so large that if our data was wrong once, the consequences would be great. We provide material specs on the life cycle of every component in

FRITSCH We use our significant investment in information technology to identify trends, mistakes, lack of training or bad products. Then we have to fix the problems. We erected a building facing an interstate close to where trucks were downshifting. The noise reverberated off the windows. We replaced the brand-new window panels with a different type of glass, rectifying the problem. Acting on imperfections, regardless of expense, is another example of the Highwoods Standard.

DUGAS I’m sure I have been. But to build both a quality home and a quality company, you have to absorb customer feedback to stay on the cutting edge of design, of amenities in the community and of the lifestyle that people want in their neighborhood. Our salespeople talk to customers every day, so we have their feedback. The question is, do we listen to it? We built that into our process to ensure we do.

that big customers are more important than smaller ones.

DUGAS It’s raising the bar without breaking the backs or spirits of our people. To qualify for a trip to our annual president’s meeting, we raised the bar dramatically. I remember the undercurrent in the company — people said, “These guys are nuts. We’ll never get there.” Within 12 months, just about every award-winning division repeated its performance, this time under new standards. We’re in the process of raising the bar again.

FRITSCH At Highwoods it’s zero tolerance for mediocrity. We believe “You are what you measure.” It’s important to have forward-looking three-year goals on a rolling basis, so we know what we want to achieve at all times.

What is an example of customer service that you’re proud of?

DUGAS We have employees who, without being told to, knock on homeowners’ doors when they’ve just moved in, delivering pizza and soft drinks, because they know these folks have nothing in the refrigerator on their first day. That’s a huge moment for that customer in terms of our commitment and caring. I’m proud that we look outside our industry for examples of how to improve homebuilding. Homes have been built the same way for 50 years without much innovation, but that doesn’t mean the process seen by customers can’t be exciting and different.

FRITSCH We recently implemented the Highwoods School of Excellence. All new hires visit our Raleigh headquarters for an extensive training session. We teach them how to implement and exemplify the Highwoods Standard. They learn about our history, our culture, our criteria and our fiduciary role to our shareholders.

STEAD I’m proud of teaching an entire organization to listen to customers and instilling pride in the issues surrounding customer delight. If you get an organization committed, it’s fun to see. It’s an incredible change. ▀

» See more commentary on this topic in the CEO Forum department.



“When times are tough, you don’t give up on customer service. That is often when you should ratchet it up even higher.”

ED FRITSCH *Highwoods Properties Inc.*

the space shuttles, for example. That’s what we use to get our colleagues to realize we can’t make even one mistake.

Were you ever so wrong about a customer that you changed the way you did business?

STEAD We provide a series of standards for manufacturers. Our last two surveys asked, “How much are the industry standards that we provide part of your work cycle?” The results were very high — we realized we underspent on delivering standards for 10 years. We are making changes, but we didn’t get the total returns we could have had we paid attention earlier.

FRITSCH All relationships come down to disclosure. Think about what you would or wouldn’t tell somebody and how tight that circle gets when it’s a personal matter. The only way to get detailed, candid information from customers about satisfaction and product loyalty is through a genuine relationship. These relationships help you change with trends, anticipate needs and react to your mistakes.

What’s the biggest challenge in setting the customer service bar high?

STEAD Making sure we treat every customer equally at IHS. If I’m not careful with my words and my actions, folks will assume