Translate Culture into Competitive Advantage

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There is ample evidence to suggest that traditional banks, especially smaller Community and Regional banks, are losing the battle for the consumer. This is particularly the case with younger customers, as some studies suggest that less than 10% of Gen Z and Millennials consider a local bank their primary financial institution. This is not a new phenomenon, but data suggests these trends are accelerating. Faced with the difficult strategic challenge of competing with large competitors as well as non-traditional providers, many Community banks have identified their more personal and responsive corporate culture, combined with their ability to provide a higher quality and more customized customer experience as key competitive advantages.

However, while corporate culture and customer experience are two concepts that are often discussed, they are somewhat difficult to define and rarely linked. Yet, we believe that one cannot truly understand one of these elements without considering the other. At its foundation, the customer experience is how culture is operationalized and made visible and tangible -- each and every day when and where it counts the most, during those moments of truth when the customer experience either succeeds spectacularly or fails miserably. Therefore, creating a positive and differentiated customer experience starts with understanding the actual corporate culture, assessing whether behaviors are defining the culture or if the stated culture is driving behavior, and determining how to translate positive cultural values into operating policies, processes, and activities across all customer touchpoints.

FIRST: DEFINE THE TERMS

All companies, including banks, have a corporate culture, either by design or default. In fact, a lot of banks spend a considerable amount of time and effort trying to define, build, and enhance a positive culture that can guide behavior and decisions. Many have constructed elegant mission statements, created corporate visions, and defined core values to communicate these principles both within the organization and to external audiences. However, culture is not truly defined

and exhibited by what people say, but what they do – each day, every day. And too often there is a disconnect between stated cultural values and actual operating policies, processes, procedures, and performance metrics.

Likewise, the term "Customer Experience" is somewhat nebulous and can mean different things to different customers and different banks. However, at its core, it attempts to define the types of interactions between customers and the bank, and to structure these interactions in ways that are more consistent with, and responsive to, customers' needs, expectations, and preferences. Most banks have identified creating a quality customer experience as an integral part of their strategic plans and go-to-market customer value propositions. Consequently, many have invested heavily in technology, people, training, and process design to structure and implement a high-quality customer experience that can create market distinctiveness and competitive advantage. While approaches vary from bank to bank, most have made a public commitment to their customers, employees, and shareholders to make banking easier and more responsive, and have made a high-quality customer experience an integral part of their brand promise.

GO BEYOND THE BASICS

Most of the customer experience investments that have been made over the past few years have been designed to simplify and streamline frequent activities (account opening, onboarding, account maintenance, transaction processing, problem resolution, and the like) and create consistent and reliable routine customer interactions. Many have involved technology solutions designed to provide easy, convenient access to counter the perceived customer experience advantages offered by non-traditional fintech providers. Increasingly, banks of all sizes have invested in relatively expensive customer relationship management and contact management systems to provide more real-time actionable information to customer-facing staff.

However, while these are all important steps, they are now merely table stakes – a ticket into the game. It has become clear that these tools and techniques that are designed to simplify routine transactions, create consistency, and provide better and more actionable information will not be sufficient to address complex problems and provide the flexibility required to respond effectively to individual customer issues and situations that often cross delivery channels and business units. Exceeding, not just meeting baseline expectations, is what creates a distinctive customer experience. And that's where culture comes in.

LINK CULTURE AND CUSTOMER EXPERIENCE

The major challenge in linking these two concepts is determining how and if cultural values can be incorporated into day-to-day operating processes both through technology and people. While both technology and people are key players in delivering the desired customer experience, aligning technology solutions and platforms – either those that provide direct customer interaction or act as tools to support customer-facing personnel – is somewhat more straightforward. However, this challenge is becoming more complex as many companies, including banks, dive into the deep end of the AI pool to either support or replace key customer-related service interactions. We'll leave the philosophical question of whether or not AI can have a culture to others but determining how and if cultural values can be embedded within technology solutions will be key to creating a consistent and differentiated customer experience.

While technology issues are important, a case can be made that the core components of the customer experience will not solely involve technology-enabled solutions, but increasingly people who have the experience and authority to apply real time information, judgement, and expertise to individual situations. The degree to which banks can and do mobilize and equip their employees to deliver on both the cultural values and the customer experience promises will determine which banks successfully leverage

their CX investments to create a stronger and more loyal customer franchise, differentiated market position, and positive brand, and which do not. The secret, and most important, ingredient of the customer experience recipe, therefore, is culture – the degree to which customer-facing staff have the ability and willingness to translate cultural values into customer experience behavior when it matters most. To be clear, culture is not the only variable in the customer experience equation, but it can be a multiplier – either positive or negative. The ability to translate cultural values into customer experience interactions consistently and reliably is the factor that can transform average into excellent. In our view, this involves completing three key steps.

Step One: Translate Cultural Attributes into Operating Principles

The first step is to define the operational implications of stated or understood cultural values. This involves:

- Determining if the company has formally documented the core components of the company's desired culture. Often these components are contained in material with titles such as "Our Values", "Guiding Principles", "Our Mission", etc. If these documents do not exist, it is necessary to work with Executive Management to create them.

- Asking employees to identify key cultural values and attributes and assess the degree to which the results are consistent with both management's pronouncements and across organizational units, departments, and geographies.

- Identifying key terms that define desired or perceived cultural attributes. There are a multitude of potential components but often these include terms such as integrity, innovation, empowerment, accountability, collaboration, respect, etc.

- Determining which types of interactions and processes will most likely exhibit cultural values in action. For example, "empowerment" could

be reflected in policies regarding fee waivers, "accountability" in problem resolution escalation processes, "collaboration" in referral management and tracking systems, and the like.

Step Two: Assess Alignment between Cultural Values and Actual Practice

Once the operational implications of stated cultural values are defined, the next step is to determine alignment with actual practice. This can be a somewhat painful process because it entails a clear-eyed, objective assessment of whether management's articulated cultural values have any connection to operational reality. And, while the outcomes may be painful to discover, the process is relatively straightforward:

• Collect relevant data on specific interactions identified in Step One that are aligned with desired cultural values and highlight discrepancies. For example, if stated core values are empowerment and/or accountability and 80% of all customer problems are escalated to a supervisor or other business unit for resolution, the actual culture is dominated by control, not empowerment.

• Ask employees how and if key cultural values are reflected in their day-to-day work. For example, if management preaches teamwork but employees believe that performance management systems identify winners and losers, the actual culture is characterized by competition, not collaboration.

• Highlight major discrepancies, obtain management consensus, and establish remediation priorities.

Step Three: Measure, Track and Report

A key component of effective leadership is ensuring that core cultural values are translated into actionable policies, processes, and behaviors in ways that support and enhance the desired customer experience. This requires ongoing, objective measurement to determine if cultural standards are being followed, progress is being made against specific CX objectives, and if management intervention is required. This measurement can take many forms; however, the key is to ensure that it is objective, credible, and consistent. Potential approaches include:

• Develop quantitative performance metrics that measure the outcomes of key customer experience interactions relative to established objectives. Some of these metrics are straightforward and use existing data while others may require enhanced data collection capabilities.

• Ask your customers. Incorporate questions that reflect the degree to which cultural values are translated into customer experience into customer satisfaction surveys. This not only provides the voice of the customer but helps to measure progress over time.

• Incorporate culture-related criteria and assessments within mystery shopping programs that objectively report actual behavior.

• Create ongoing, consistent, and transparent reporting programs that reinforce cultural values and customer experience priorities, show progress against established objectives, and highlight and celebrate success.

MANAGING IN A CHANGING WORLD REQUIRES A STRONG CULTURAL FOUNDATION

As customer expectations evolve and technology reshapes delivery channels and customer interactions, companies that embed cultural values into customer experience processes and behavior will stand out. Research shows that culture can drive performance* and nowhere is that more visible than in how customers experience the company's brand promise. In an increasingly commoditized market, culture isn't just a soft concept—it can and does create competitive advantage and differentiation.

By making culture actionable and aligning it with customer experience design, companies can deliver experiences that feel human, authentic, and distinct. In doing so, they earn not just satisfaction, but both trust and loyalty—and that's the ultimate competitive advantage.

Rolland Johannsen has 40 years of experience in the financial services industry, both as a senior executive and consultant. Rolland's consulting work includes strategic planning, merger integration management, retail and small business banking, deposit strategies, and marketing.

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