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## **Ten Lessons From Harley-Davidson**

**Phil Dourado, with the help of Harley Davidson's former European VP, John Russell, distils ten key learning points from the iconic bike manufacturer on how to grow customer loyalty, and build a distinct customer experience.**

First, some staggering figures:

1. \$10,000 invested in Harley-Davidson in 1986 was worth \$1.5 million in 2003.
2. Harley's turnover in 2003 was \$4.6 billion.
3. At time of writing, profit is running at 25% of revenue.
4. That annual profit currently exceeds \$1 billion.
5. Profit growth over the ten years 1993-2003 has been a compound annual rate of 26%.

### **The customer experience is the brand**

Harley people use the phrases 'super loyalty' and 'ultra engagement' to explain their success. Here's Harley Davidson's former European VP, John Russell, to explain what they mean:

"We don't actually 'create' loyalty. Our customers give us their loyalty. It's their choice. They choose to show they have a belief in us and in the way we run our business and processes. Most companies see 'brand' as some connectivity to a badge. Harley goes far beyond that. The customer experience is the brand.

At Harley-Davidson, employees drive processes to create what we call 'Ultra Loyalty' or 'Super Engagement'. Employees are empowered to engage with customers on a day-to-day basis and constantly find out what they need to do to meet customer needs, then do it! People inside a company are capable of achieving the most extraordinary things for, say, their family and religion. The key to the concept of employees looking after customers is to unlock that.

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### **It works from paint to nails**

Some say 'It's OK for Harley: the product is so exciting.' But, these principles can be applied to any company producing anything: paint or nails; it doesn't matter. The knowledge you need is all in your front line. That is where the 'trust zone' with your customers is, not the absurdities of your management system. THEIR reality is real (your frontline). Most of the answers you need are in the passion and intellectual capital of the people who work with you.

What I'd suggest is that you try this... Take three months and say to people 'Do what you think is right.' It's about liberating your people to do what's right for the customer. Of course they will not always know the ramifications of what they want to do. This will force you to educate them in issues like profitability and the legal framework.

You will find there are more opportunities to improve your business than to damage it by handing it over to the front line in this way. You will unlock a huge amount of customer insight. We did.

If it fails the first time, understand why and do it again. You will need to adjust one or all of three things to get it to work:

1. The Staff themselves
2. The Brief you give them
3. The Environment in which they work

This isn't a pipe dream. It worked for us..."

### **Two concepts behind how Harley does business**

There are two concepts behind how Harley does business.

**1. Act Small.** Large companies need to behave more like small companies. Leaders need to be more connected with their people and their customers than they currently are. Cynicism and functionalism, which you find in most large organizations, comes in reaction to the rules those companies breed.

**2. Brands are Built From the Inside** ... not from advertising campaigns. You can't expect to create a brand through advertising and the organization to fall in behind. The brand comes through in everything you do, including, say, your call answering system. "Yes, we have one of those 'Press button 2 for this and 3 for that' systems, but the very first thing you hear is 'If you want to talk to a human being, press 1'", says John Russell.

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Out of these two concepts come some clear questions for leaders. First, what really is your customer proposition? John puts it this way: “Life and work is stressful. Increasingly, people do not find work fulfilling enough. Our job is to offer freedom – an iconic, windswept and interesting spirit that is something very powerful in today's society. Our customer proposition isn't 'a bike'. We turn boring accountants into interesting people. Apologies to the accountants for the cheap shot...”

Then, how are you going to deliver on that proposition? Harley's starting point in answering this question is its customers. You have to revisit the company's roots to find the source of this enduring customer-centred approach. There were 200 motorbike companies in the US in the 1920s. There was one left by the 1970s. The US bike industry's collapse thanks to its inability to match Japanese quality and prices has been well-documented.

In the 1980s, the Harley turnaround began with a management buy out. The company could hardly pay the wages when the Harley Owners Group (HOG) was born. It was the worst of times. The company's new owners, its management, knew that its greatest asset was 300,000 customers. And that is where Harley was streets ahead of most other manufacturers. That's where its inspired leadership began. For most businesses, when times are tough, the last person they are thinking about is the customer. With Harley, the customer was where everything started from.

**According to John Russell, ten lessons in how to lead a customer-centered organization come out of Harley's success from the 1980s onwards:**

**1. Connect people's work to the vision**

In 1983 the company's vision was 'We fulfill dreams'. Which means nothing without a business process. The company's leaders created one, which was cascaded down so that everyone's work assignments were connected to how they fulfilled the vision. Much of the success of the process – designing out quality problems, for example - was down to training the workforce in manufacturing methods like Statistical Process Control and then giving them the authority to control quality themselves. The first four days at Harley for every new recruit are spent learning the business process. Meetings always come back to the process.

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## **2. Deal with the complexity**

'KISS' (keep it simple, stupid) is true in execution. But, it's not true when you're deciding what you need to do. Most organizations make decisions about what to do based on letting the interests of one stakeholder win at the expense of another (stockholders over customers, for example). But, at Harley, their tradition is to refuse to make decisions that way. They have to reach a solution that benefits all stakeholders. So, it takes longer to reach solutions.

## **3. Research is no substitute for staying in touch**

Research will never give you a deep enough context compared to being in your customers' shoes. All Harley executives are expected to ride with customers 10-15 days a year. At the 100th anniversary celebration in Milwaukee, the job of the company VPs was to hand out brochures for three days from a booth. One of the VPs worked out he had spoken to 10,000 customers, anonymously, over the three days. The authority of a job title is a handicap to bosses who want to get at the truth of what's going on.

## **4. Trade-offs are the essence of strong brands & culture**

You have to make tough choices. Harley has 400 dealers in Europe, for example. It would be quick to grow through multi-franchise dealers. But, they wouldn't be able to offer the Harley-Davidson expertise and in-store experience. The company also pays its dealers more margin than the competition. The premium is a long-term investment.

## **5. Let people behave like human beings**

Corporations generally don't. It's only when there's a crisis that people pull together because their interests are suddenly aligned behind survival. Harley has a genuinely flat hierarchy. The most junior person can tell the CEO he's wrong and be listened to with respect. People are aligned behind the company's goal and allowed to be themselves.

## **6. Alignment & commitment**

...come from strong values. Harley's five values have remained the same for over twenty years and are expressly designed to let people behave like human beings. They are:

- Tell the truth
- Be fair
- Keep promises
- Respect the individual
- Encourage curiosity

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### **7. Empowerment with accountability**

...is possible. Most people will do the right thing if allowed to do so. You need rules, of course, such as Harley's rule that says 'If you are going to make decisions, make sure you are competent in that area – get training if you feel you are not. And communicate with everyone else.'

### **8. Belonging drives customer and staff satisfaction**

Knowing they are valued gives people self-confidence. Knowing they are trusted and share the values of the company gives a sense of belonging. Nothing builds satisfaction and loyalty like belonging.

### **9. Hierarchy inhibits customer understanding**

Hierarchy must not be allowed to distort your understanding of the customer. Harley had a recall issue with Buell, a Harley brand, a few years ago. Most companies leave recalls to customer service and it's seen as an embarrassment. Harley issued six recall notices. John Russell says: "One of our people came to us and said we should do more. Specifically, we should have a party for every customer who had had a problem with the recalled model. And we should do it at a race meeting. He would have been fired anywhere else. But, the hierarchy didn't get in the way. He was clearly right. He understood those customers. So, at every race meeting that season, we invited all Buell owners who had had a problem to join us for a party."

### **10. Hierarchy inhibits employee contribution**

Hierarchies act as a filter for the truth. Don't punish people for bad news. At Harley they say "Tell me true, tell me early".

Harley's leaders insist that their success is down to a business process that allows people at the frontline and on the assembly line to take the lead on behalf of customers, rather than down to the simple fact that the company's bikes have always been, er, way cool. And the facts back this up.

Yes, the company's bikes have been icons of cool since at least Dennis Hopper and Peter Fonda brought them to mainstream attention in Easy Rider, and probably long before that. But, it was only after the company set up customer-centered business processes and gave control to people on the front line that its profits started to take off.

And, John Russell is right: no matter how boring your industry, you can inject a sense of 'wow' and buzz into it by taking the lead in re-designing your customer experience around a distinctive proposition. It can be as boring as nails or paint or PC maintenance. It's the theatre you construct around it that creates the compelling story that attracts customers to you. We're not talking PR here. We're not talking advertising. We're talking a themed customer experience.

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