

Sharing Knowledge Improves Stryker's Performance

How measuring internal customer service drives positive results in one of the world's biggest medical equipment companies

by Jennifer Robison

There are several ways to determine the well-being of a business: profitability, growth, stock price. But those metrics all indicate how healthy a company was in the recent past. Many senior executives use in-house efficiency -- how well and quickly a project moves from department to department before reaching completion -- to diagnose the general health of their companies.

The problem is that accurately diagnosing efficiency is very difficult. Leaders usually lead from 30,000 feet, and from that height, much of what's below is invisible. Most leaders are much too far away from daily operations to accurately assess interdepartmental behavior. Furthermore, that's not their job. Determining if IT is dragging its feet on a request from marketing is not what CEOs are paid to do.

STRYKER EMEA'S CHALLENGES ARE MORE INTENSE THAN THOSE OF MOST OTHER BUSINESSES. THE DIVISION HAS 1,800 EMPLOYEES IN 21 COUNTRIES WHO SPEAK ALMOST TWO DOZEN DIFFERENT LANGUAGES.

But figuring out if the company is losing money, time, and psychological capital on poor internal customer service is part of a leader's job. That's because internal customer service affects profitability, shareholder value, and employee engagement.

Though business leaders shouldn't waste time determining if marketing has a legitimate complaint or if IT is just busy, they should make time to take the temperature of their companies. Stryker Corporation, one of the world's largest medical products and services companies, has made taking the company's temperature an integral part of its business performance metrics -- and company leaders are making good use of an effective thermometer to measure efficiency.

Ubiquitous logo

Stryker makes and sells trauma, spine, and micro implant systems; joints; orthobiologics; powered surgical instruments; surgical navigation systems; endoscopic products; and other forms of medical equipment. Indeed, it's a rare hospital that doesn't display the Stryker logo somewhere. Stryker's annual revenue is about \$5 billion. The company has facilities around the world, and Stryker EMEA is the group in charge of sales in Europe, the Middle East, and Africa.

Like every organization, Stryker EMEA's departments aren't always in perfect accord. But the company's challenges are a bit more intense than those of most other businesses. The division has 1,800 employees in 21 countries who speak almost two dozen different languages. Stryker EMEA is headquartered in Montreux, Switzerland -- hundreds of miles away from most of its facilities. Its culture of decentralization means that locations, and to a certain extent departments, work fairly independently of each other. Stryker EMEA's diversity and decentralization work in its favor in many ways -- chief among them is its ability to tailor the company to local conditions. But it can make interdepartmental relations tricky.

Stryker Corporation in general, and Stryker EMEA in particular, are committed to minimizing the issues that can turn management challenges into costly problems. Since 1990, Stryker has worked with Gallup to increase employee and customer engagement; hire, train, and coach better managers; and increase the effectiveness of the company's leaders. The linkages between profitability, leadership, and engagement are clear, and Stryker works hard, and successfully, to capitalize on them. And the company isn't done yet.

ICE

In most companies, departments and employees are interdependent. Job performance and employee engagement in shipping, for example, can be profoundly affected by the performance of sales and marketing, and the reverse is equally true. Thus, internal customer service can have a significant impact on employee engagement.

The linkage between employee engagement and profitability is well-known, but many companies are less aware of the similar connection between internal customer service and business performance. Stryker EMEA found that the linkage was crystal clear when it started to measure internal customer engagement systematically in addition to other key performance metrics.

"They felt that from a business point of view, it was necessary to reinforce processes, because central functions -- technical service, operations, marketing, human resources, finance, [and] clinical affairs -- were struggling to meet local market needs, while local markets had increasing demands on the center that could not be met or were consuming resources that were not always in line with central initiatives," says Andrew Green, Gallup partner and key advisor for Stryker EMEA. "But how can they identify the issues and areas of misalignment in a way that is effective and efficient if they don't measure them?"

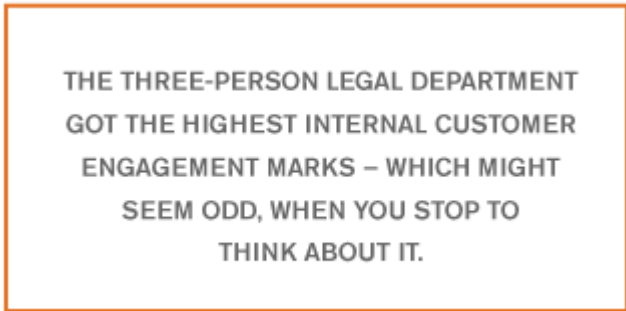
The Internal Customer Engagement (ICE) program looks, on the surface, a lot like Gallup's external customer engagement program, the CE[®]. And well it should -- internal customers *are* customers, albeit captive ones, and their emotional engagement is similar to any other customers'. The methodology of CE[®] is similar to ICE's too: Gallup studies the company in depth, analyzes the results, and designs a program involving an identity-protected survey.

When employees have finished their first survey, Gallup analyzes the results and determines a baseline that future results can be measured against. Then the company reviews the department-by-department results and formulates workgroup-level action plans. At this point, most companies realize that the survey was the easy part.

Love your lawyer

The 13-question Stryker EMEA ICE survey is focused on the issues that influence internal customer service and business performance. In 2004, Stryker EMEA's overall ICE score was considered mediocre. This suggested that day-to-day interactions were negatively affecting performance -- and consequently, external customer engagement -- throughout the division.

Some departments, however, received very high ICE scores. Stryker's three-person legal department, for instance, got the highest marks -- which might seem odd, when you stop to think about it. Legal departments, by their very nature, don't have to get along with others. The law is the law;



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legal doesn't necessarily have to negotiate with internal customers, and there's no way for other departments to get around "the royal *no*" as Pascal Cabanel, Stryker EMEA's chief legal counsel for Europe, puts it. Yet the department was seen as the best internal service provider in the company. In fact, the legal department is a pretty good model of internal customer service for any company.

"I always thought my work would be more helping people find solutions rather than saying *no* -- the royal *no* is why people get upset about lawyers," says Cabanel. "I'm trying always to explain why we cannot do that or this, and then trying to elaborate a solution."

Cabanel and his team have a remarkable ability to understand the law, which is admirable in a division that covers 15 of Stryker EMEA's 21 countries, but also the company's sales growth motives. They serve their function -- keeping the company on the right side of the law -- but they perform it in such a way that it furthers the ends of their internal customers.

"You can say *no* for the pleasure of saying *no* or to have less work, because it's easy [to say *no*]. If I say *no* two times, my day is done," says Cabanel. "But the point is to treat people with respect. We are part of the organization, and we have a special knowledge, but it's a question of sharing this knowledge to improve the

business." By limiting *no* and maximizing assistance, Stryker EMEA's legal department has become a partner rather than an obstacle. That attitude has won them the affection of every other department -- and serves as an example too.

What the legal department does every day is essentially what Gallup recommended that other departments focus on doing: Ask direct questions, resolve conflicts, find solutions, and show a strong, visible commitment from leadership. But that's what every department should do every day; to move the ICE scores up, more specialized effort was required as well.

When the first ICE scores were released, everyone in every department attended a meeting in which their scores were announced and discussed. It was made clear, repeatedly, that ICE was designed to increase growth by aligning the front-office and back-office employees. In other words, ICE wasn't a chance to complain; it was a method to improve performance.

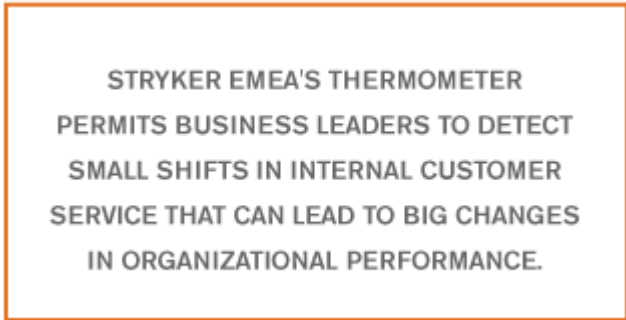
Subsequently, departments convened their own group discussions of the scores and found ways to improve their behavior. "All Gallup metrics -- like ICE, CE¹¹, and Q¹² [Gallup's employee engagement survey] -- are designed to be a starting point for deep dialogue between managers, teams, and departments to help them identify and resolve key issues," says Green. "In companies like Stryker, this ongoing dialogue is the key to its ongoing evolution and success."

And the process worked. By the next year, the division's overall ICE scores had shown a modest improvement. Legal (whose scores were already high) and the regulatory affairs/quality assurance departments showed the most improvement, but all departments increased or maintained their scores. Although the numerical improvement was incremental, it indicated that employees were beginning to have a deeper appreciation of the value of internal customer service.

Value assessment

But what's the dollar value of this change? According to Freek Koopmans, Stryker EMEA vice president and CFO, it's too soon to tell how internal customer service is paying off. But the subtle behavioral shifts are, he says, inherently valuable. "It's really setting us up strategically to drive this division in a better direction," Koopmans says. "ICE is a good way of measuring if you're doing the right things."

There are several signs that ICE is helping Stryker EMEA do the right thing. Everything Stryker EMEA does is meant to maximize growth. As Ken Royal, a Gallup principal and engagement manager for Stryker, says, "At Stryker, it's twenty percent growth forever. If you miss by four percent, next year you'll [need to] grow twenty-four percent." The business units with the best ICE scores also have the best or fastest improving employee engagement scores.



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More telling, the departments that have the highest CE¹¹ scores give the highest ICE scores to colleagues. What that suggests is that customer-facing employees

who have the highest regard from clients also feel the highest regard for their colleagues. Clearly, the support they get from their coworkers translates into better customer engagement.

But ICE has had an effect that may be impossible to measure. "Departments really align, particularly through the ICE survey but also through the Q¹², because they're getting engaged and better informed," says Koopmans. "They really become part of the whole solution of getting a better business."

Being part of the solution plays out in subtle ways. For instance, leaders of organizations that emphasize internal fairness, keeping promises, and respect tend to face less fallout when they do the things that make people mad -- budget discussions leap to mind. But Stryker's business units are now more likely to listen and cooperate. Since 2004, they've been treated with respect, and they've seen that every unit is working to align and increase the whole organization's performance.

Sales in the spotlight

Because Stryker EMEA is a sales organization -- all manufacturing is done elsewhere -- sales are necessarily the division's primary focus. The inherent danger in such organizations is that the back-office functions not only feel less important, but actually *become* so.

"In fast-moving sales-led organizations like Stryker, central functions are often seen primarily as the supporting cast to the sales team, rather than [as] adding a lot of value in their own right," says Green. "Within Stryker, there has been a growing awareness of the importance of the central functions and the critical need for clear alignment of purpose and activity to drive best overall performance."

Yet no engagement program is worth the money unless it helps drive sales. "ICE does align the business properly behind what's important," says Koopmans. "It drives HQ beyond HQ, to [the realization that] it's a service and a support function that needs to add value to the business and the sales force."

But it works both ways. Royal was there the day the function leaders first received their ICE scores at a meeting with the sales leader peers. Great salespeople are motivated by concrete results; they tend to see any program from HQ as an obligation -- if not a burden -- unless they believe that it will increase their sales.

How or whether ICE would increase sales wasn't initially apparent, but when Royal explained that the service the function teams provided to the sales teams could be proven to affect external customer service and sales, the sales team perked up. "And when the functional leaders saw their ICE scores, some of them even apologized to the sales leaders," says Royal.

As Koopmans pointed out, ICE is part of strategizing for the future, and that's an issue Stryker EMEA takes very seriously. Most of its employees are fairly new; 69% have been there five years or less. For these young lions to acclimate themselves, they have to absorb the culture, highly decentralized as it is, fast and well.

"At Stryker, if you can't work with and through the businesses and clearly add value in your own right, forget about being seen as a successful leader," says Green. "ICE has started a process of internal dialogues that is changing the way business is done at Stryker, and all the indications are that business is now being done better. If new employees don't learn how to provide great internal customer service, how can you expect them to develop the right habits that deliver great external customer service on a consistent basis?"

Advanced

As we all know, some of the most important things in life, as in business, seem intangible. But some *are* tangible, if a business looks closely enough -- or has the right measures. So it's no surprise that Stryker EMEA sought and found a way to measure the seemingly intangible while limiting the potential side effects. Stryker EMEA's thermometer permits business leaders to detect small shifts in internal customer service that can lead to big changes in organizational performance. And that's a remarkable advance.

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