

THE EXTRA POINT

BY JERRY ROBERTS



297 Empowerment is an Issue of Trust

The Ritz-Carlton hotel chain authorizes every employee on the payroll to spend up to \$2,000 to benefit any customer. But is there more to the story of why their system is empowering for their workers? I'm Jerry Roberts and today we'll learn how the underpinnings of the Ritz system can work for any company here in Guam. It's next. on The Extra Point.

Okay, the Ritz-Carlton lets every worker spend up to \$2,000 per customer, and that has them all feeling empowered. Now let's get to the rest of the story and why it matters to you.

If your company sells products and services on a repeat basis, your customers have a lifetime value. For the Ritz it was \$250,000. If you were with us yesterday and you figured out what your customer lifetime value is, as I asked, then how much would you authorize workers to spend to maintain that relationship?

A lot of managers and business owners worry about letting employees make money decisions, and the \$2,000 Ritz figure makes their heads spin. Here's the thing, the amount is irrelevant. The key is that employees know they are trusted to do the right thing for the customer and the company. Ritz management doesn't sit up at night, worried that workers will abuse their standards and just give the money away to family or friends. In fact, research shows that when workers are entrusted with greater responsibility and higher spending limits, for example, they generally honor that trust.

Trust and empowerment leads to engagement, and that usually leads to higher worker retention and higher profitability. So how can any company set up a system like this?

1. Talk about trust with employees and get their opinions. Discuss spending limits for all workers to use on the spot — no additional permission needed — to solve a customer issue.

2. Take fear out of the equation. You'll back up their decisions, even if they make a mistake. You might want to tweak the policy or discuss certain situations, but no blame sessions. It was their call.

3. Talk about situations and how to handle them. If it's a restaurant and a customer reports the food was bad, their meal is replaced, or maybe the whole table eats free. If you repair cars and your technician didn't get a job done on time, perhaps you offer a free oil change the next time it's needed. Again, let everybody give their ideas on what they feel is appropriate.

4. Train team members to handle problems calmly and quickly. Accuracy and fairness are essential to any such program, but speed is also a major factor. A customer may smile at you when you refund his \$10, but he may be grumbling under his breath because he had to wait two hours to get it.

5. If this concept is new for your organization, huddle up after a month and see how people feel about it. What was customer feedback like? Were there rough spots to get past?

If you want to build a culture of trust, start by trusting. If a rogue employee rips you off, deal with the situation but don't cancel the spending limits for the honest workers. Train your people, let them own this idea and show patience as it develops. You may be amazed at what a little empowerment can do for your business.

That's The Extra Point. Get out there and make something good happen today. For 93.3 and the Ray Gibson Show, I'm Jerry Roberts.

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