

# (Feed) Back To Basics

**I**N 2003, THREE years into his five-year masters degree program in accounting at Brigham Young University, Adam Edmunds was bored stiff. He'd gone to all the lectures and learned about the importance of corporate auditing, but nothing got him excited. He started wondering if he was going down the wrong career track.

Then one day he attended a seminar on the implications of the federal guidelines for stricter ethical and reporting standards at public companies (called the Sarbanes-Oxley Act) to prevent accounting-based frauds like those perpetrated at Enron and WorldCom.

"The professor said that any new legislation always presented opportunities for creative entrepreneurs to make money—and a light bulb went on in my head," says Edmunds, now the CEO of Allegiance, which helps companies link customer and employee loyalty and engagement to profits. "I knew this was important and I really wanted to do something about it."

Edmunds' insight was that employees at big companies may witness unethical, illegal and discriminatory practices, but don't have an easy, safe or anonymous way to report them. He began putting together a web-based program that provided ethics training, calling the company SilentWhistle (as in whistleblower).

Edmunds submitted his business plan to a BYU competition.



With prior experience as an entrepreneur reselling cell phones on eBay and selling used cars, he was confident he would win. But he didn't.

One of the judges, venture capital investor Spencer Tall, says he didn't vote for Edmunds partly because it was a "proposal for a single product; it wasn't a real company."

Edmunds was lucky enough to sit with Tall at a dinner following the competition. "Spencer told me that my premise that government legislation leads to good business opportunities might be wrong because he had been burned investing in something that was supposed to capitalize on a new law," Edmunds says.

**ADAM EDMUNDS HELPS COMPANIES LEARN SOMETHING THEY MAY HAVE KNOWN ALL ALONG: THE KEY TO SUCCESS IS HOW WELL YOU LISTEN TO YOUR CUSTOMERS AND EMPLOYEES.**

**BY SCOTT S. SMITH**

NOT ONE TO let a defeat get him down, in 2004, Edmunds was named BYU's Entrepreneur of the Year for SilentWhistle, winning \$25,000 to build the company. But Tall turned out to be right: although SilentWhistle attracted customers, they wouldn't pay much for the program. Edmunds had to make payroll by selling his house and BMW. At one point, he even paid his workers with American Express gift certificates.

In 2005, after two years of struggling, Edmunds realized his company needed to provide more if it was to survive. Enter Allegiance Technologies, a company that measured employee and customer loyalty run by Dr. Gary Rhoads, a BYU professor of marketing.

Edmunds and Rhoads figured that a company soliciting tips from employees on ethical problems would also want to improve the quantity and quality of feedback from workers and customers to build loyalty. Considering that the new firm, called simply Allegiance, has had triple-digit annual growth ever since, it was a match made in money-making heaven. (Privately-held, it says sales are in the \$10 to \$15 million range.)



Allegiance, whose customers include T-Mobile, Overstock.com and Yamaha Motor Corporation USA, describes itself as a facilitator of Enterprise Feedback Management (EFM). SilentWhistle is a product line that provides one-third of the revenue.

The company was doing so well, even past naysayers came calling, including former competition judge Tall, who was then working with Allegis Capital. In 2007, he invested in Allegiance. "We're very bullish about the company," Tall says.

**BUT NOW, WHEN** budgets keep getting cut, will companies continue to invest in customer-relationship building? "We're hearing that businesses realize it's more important than ever to be able to compete, and it's a lot more cost-effective to retain current customers than find new ones," says Edmunds, who expects to have more than 2,100 customers by the end of 2009.

In fact, the Council on Financial Competition says it costs 5 to 10 times more to attract a new customer than to keep a current one. And consulting firm Bain & Company found that the average firm loses 10% to 15% of its customers each year, while a 5% improvement

## The Spillover Effect

If your employees are unhappy, it's likely their attitudes are rubbing off on customers—and that's not good for business. Here are ways to make sure all that's spread is good cheer.

**You can't argue with statistics:** Target Training reports that 60% of all customers who stop dealing with a company do so because of perceived indifference from an employee.

**Yet many firms don't seem to know how to keep their workers excited about their jobs:** Bain & Company says the average company loses 20% to 50% of its labor force each year. **And that's very expensive:** According to Columbia University, replacing an employee can cost 150% of that person's annual salary.

Eliminating the Spillover Effect is just one by-product of Allegiance's work. Just ask Zions Bancorporation, a bank holding company that manages \$54.6 billion in assets, which recently began using Allegiance's programs. The bank learned that employees who had been there one to five years were the most likely to leave, and the most complaints were about the new benefits program. The concerns were quickly addressed. Claire Howells, vice president of engagement for Zions, says that it now has a turnover rate significantly lower than the industry average.

Among the tips Allegiance gives its customers:

### MEASURE EMPLOYEE ENGAGEMENT OFTEN.

Ask about the full range of issues, from quality of peers to likelihood that they will want to change jobs. Use a scale from "strongly agree" to "strongly disagree." Ask what they like about both their manager and the company. Share the information with everyone who can provide solutions.

### HELP EMPLOYEES BE HELPFUL.

Workers want to feel like they are doing something important, so use their talents wisely and empower them. Remind them of the big picture so they link what they do with corporate results. Measure customer interactions with a mystery shopper or tool and provide feedback to employees. Give more training, provide mentors and help them build team skills.

### CREATE A BETTER WORK ENVIRONMENT.

Sort out conflicts to reduce stress, set realistic expectations on what can be achieved, pay fairly compared with peers, recognize contributions with rewards and get rid of bad managers.

in customer retention could yield a 75% increase in profitability.

Allegiance tackles the customer retention issue through its Engage program, which won the 2007 Product of the Year from *Customer Interaction Solutions*. The program goes beyond standard Customer Relationship Management (CRM) systems, which try to understand customers' attitudes and motivations.

"I think CRM is by and large a misnomer for programs that just make it easier to garner the first sale, which should just be the beginning of the customer life cycle," Tall says. "Companies want to provide good customer service, but most don't make it a critical mission, so it remains mediocre."

But Engage's results are better than average. The program creates an automated continuous dialogue between companies and their customers; measures why customers are satisfied or not; provides analytics; and points to actions that can build engagement or a stronger bond. According to Edmunds, improvements in customer-loyalty scores generally precede changes in positive business results by 45 to 60 days—not long, considering the alternative is losing business.

Not a company to rest on its laurels, Allegiance launched a consulting practice last year at the request of its clients, who wanted help interpreting the customer data and implementing change.

As far as competition goes, "they tend to specialize in either loyalty or ethics issues, and we think our fast growth is because we do a better job at both," Edmunds says.

But getting there required a lot of very hard work. Edmunds, now 30, feels too many new entrepreneurs don't realize the intensity and length of commitment needed to launch a company.

"Every business plan talks about an exit strategy in three to five years," he says. "Any start-up is always going to be much more difficult than you can possibly imagine, and if you really want to be successful, you need to think in terms of staying at it for 10 years or more."

In the future, if Edmunds ever decides to give a college lecture and judge a student competition, he'll know just what to say and who to vote for. ✂