



The Business Case for Empathy

The more an organization can understand and empathize with the key motivators of their employees and customers, the more likely that organization will have sustainable success.
~ Chip Conley, author of *Peak: How Great Companies Get Their Mojo from Maslow*

In an uncertain economy, empathy may seem like a soft business skill. It can, however, serve as a catalyst for new growth, innovation and employee engagement, all of which drive profits and long-term results.

The more an organization demonstrates care for its customers and employees, the greater the potential for uninterrupted growth, higher profits, improved products and happier employees. Empathy may, in fact, be the most underappreciated and overlooked strategic business tactic.

Empathy is a powerful social force. Physiologically, each of us is hard-wired to care. Specific brain cells known as “mirror neurons” enable us to experience other people’s emotions. This capacity contributes to our levels of intuition, thoughtfulness and insight.

As we cope with the daily challenges of an increasingly fast-paced world, we need to reclaim our basic empathy abilities, which often get lost in the shuffle of stultifying business routines. Organizations can learn to become empathic to forge connections with customers and employees.

“Companies prosper when they tap into a power that every one of us already has – the ability to reach outside of ourselves and connect with other people,” writes Stanford University Adjunct Professor Dev Patnaik in *Wired to Care: How Companies Prosper When They Create Widespread Empathy*.

A Message from Nancy...

I have a couple of questions to ask you:

1. Is your business as successful as you think it should be?
2. Are you and your team able to pinpoint the solutions necessary to create positive changes to get where you need to go?



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Real People in the Information Age

Most organizations over-rely on data, to the exclusion of face-to-face customer contact. It's important to remember that we are intrinsically social animals, with an innate ability to sense what others are thinking and feeling.

We rely on our intuition to help us make decisions. But in large groups, contact is lost — as is our instinct for determining what's going on outside the group. Corporations can become far too insular.

If you stay in touch with colleagues and customers, you'll have a better sense of what's going on in the world. You'll also surpass competitors at spotting new opportunities.

Large institutions often choose to rely on data and market research for information on customer experiences, abandoning face-to-face interactions that preserve relationships. These businesses invariably become far removed from their customers' day-to-day lives.

Harley-Davidson is one notable exception, its office a shrine to the motorcycle culture the company helped create. Offices display photos, memorabilia and banners from rallies. Customers and employees ride together. Engineers, accountants and administrative staff acquire an intuitive understanding of the customers who buy their products.

Harley-Davidson's leaders mandate that company executives spend measurable time on the streets with motorcycle riders. While many employees don't ride, the company nonetheless instills its lifestyle and values. Empathy is a key element of this corporate strategy.

In Your Customers' Shoes

Modern technological improvements in data-mining provide strategic plans, sales forecasts and manufacturing reports. Companies become so dependent on these models that they can lose touch with reality.

Firms use all of this information to create maps — market segmentations, research reports — of how customers use their products. But these maps are poor substitutes for actual human contact. Many managers make critical decisions based on numbers, without any personal feeling for the people they serve. They fail to spot new opportunities and innovative solutions for customers.

Nike has built an entire culture that celebrates the potential for athletic greatness in each of us. The company's headquarters resemble an athletic center; its employees take breaks for running, basketball and soccer games. The people who develop running shoes are usually runners themselves. They possess a basic intuition that cannot be captured in any market report.

Other major companies have learned the value of empathy:

- IBM helps customers keep their information technology up and running by staying as close to them as possible.
- Microsoft succeeded with the Xbox because it was designed for gamers by developers who love games.
- Apple makes computers, iPhones, iPads and iPods for people who covet cool, easy-to-use products. The company's organizational culture reflects its customers' lifestyles.

Business happens on the street, in stores and in homes. When companies have a real connection with end users, they come up with better product designs. Harnessing the power of empathy closes the gap between abstract data and reality.

Consumers don't buy goods based on demographics. Nobody, for example, opens his wallet because he's a 25- to 30-year-old white male with a college degree. As people go about their daily lives, problems arise that beg for solutions. Consumers are willing to spend money on solutions that will get the job done. Your ability to empathize with them and anticipate their needs determines whether your product or service will sink or swim in the marketplace.

It's worth noting that Sony cofounder Akio Morita and Apple's Steve Jobs were famous for never commissioning market research. Instead, they'd just walk around the world watching what people did. They put themselves in their future customers' shoes.

When a Company Lacks Empathy

Some business executives dismiss the need for empathy, favoring the more concrete and defensible virtues of rational analysis. They have a point. So did Blockbuster executives when faced with Netflix's debut.

Blockbuster witnessed Netflix's dramatic growth in the very early 2000s and chose to do nothing. Company leaders saw the world from a solitary vantage point: atop a \$6 billion business with 60% margins, tens of thousands of employees and a thriving nationwide retail chain.

Blockbuster's management team certainly didn't view the world from its customers' perspective: late fees that drove renters up the wall, a limited range of movies that eschewed anything that wasn't a new release.

Netflix's ultimate market domination is a cautionary tale for other complacent companies. The Blockbusters of the world go belly up because they sell what they *want to sell* – not what their customers *want to buy*.

Empathy helps companies stay grounded. Face-to-face encounters with the people you serve provide context for market research and other data.

The Way Things Used to Be

Overly simplified, abstract information often carries authority inside organizations. Knowing and understanding your customers is the antidote.

“The problem with business today isn't a lack of innovation; it's a lack of empathy,” writes Professor Patnaik.

Empathy is the ability to step outside yourself and see the world as other people do. For some companies, it's also a rarely discussed engine for growth.

Harley Davidson gets it right once again. The company hires fans and publicizes its connection with consumers. Leaders work hard to stay in touch with consumers' changing needs.

This is the way business used to be conducted two centuries ago. For thousands of years, craftsmen made things for people they knew. Tailors, cobblers and other tradesmen understood what their customers wanted.

This approach ended with the Industrial Revolution. As more goods were mass-produced

in factories, suppliers and consumers experienced a growing rift – one that we've been struggling to repair ever since. It's much harder to succeed when you create products for people you don't know – individuals whose lives seem alien to yours or who are halfway around the world.

Connecting through Social Media

Information technology is reshaping the company/consumer relationship, often bringing benefits to both. The misuse of technology, however, can erode customer care.

Despite living in an age where technology has made always-on data connections ubiquitous, we are more disconnected from the people we impact than at any other time in history. Even with the proliferation of social-media sites, we continue to miss opportunities for genuine dialogue.

Fortunately, many companies are changing this. They know their customers crave the ability to provide immediate input on specific products and services. Consumers prefer to buy products from businesses that know and care about customers' needs. Managers and front-line employees must listen empathically to what consumers have to say. When managed properly, social-media sites allow open communication.

A 2011 study conducted by Parasole Restaurant Holdings and newBrandAnalytics found what consumers say online increases staff ownership of the employee/customer relationship.

Indeed, technology can actually enrich relationships between customers and employees. But it requires commitment from senior managers, who must:

1. Affirm their commitment to active, empathic involvement with customers
2. Understand the ways in which current procedures and systems mediate interactions with customers
3. Promote the deployment of social networks and other technologies to help customers tell their stories
4. Encourage and enable workers and managers to hear them

Only when employees can step into their customers' shoes can companies add authenticity to the claim, “We care for you.”

Inside the Empathic Organization

Professor Patnaik has created the term “Open Empathy Organizations” for those that encourage employees to focus on empathy as part of the company mission. Success requires employees at all levels to be genuinely interested in other people, and there must be multiple ways for them to interact.

Open Empathy Organizations also provide ways for employees to buy and use the company’s products and services. Netflix gives DVD players and free subscriptions to employees, who can learn firsthand how customers experience the company.

Similarly, gardening giant Smith & Hawken boasts a large garden at its company headquarters. Leaders encourage employees to plant and tend to crops, while familiarizing themselves with the company’s products. At such empathic companies, employees begin to understand how their work plays a positive role in their customers’ lives. Staffers become more attached to the results they see at work.

Employees perform at optimum levels when they know they make a difference. When they are encouraged to demonstrate care for customers, they become more engaged and energized.



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