BROKEN WINDOWS BROKEN BUSINESS

How the Smallest Remedies Reap the Biggest Rewards

"A wake-up call for owners and leaders of businesses."
—KNIGHT RIDDER NEWS SERVICE

MICHAEL LEVINE

The Revolutionary Broken Windows Theory for Business

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Warner Business Books
Warner Books

Hachette Book Group
237 Park Avenue
New York, NY 10017

Visit our website at www.HachetteBookGroup.com

First eBook Edition: April 2010

ISBN: 978-0-446-53558-8

To the champions, the heroic men and women who understand that business is more than the toil for money—it is a demand for excellence. Their rare passion in the cause of commerce inspires all of those inside and out of their enterprise, and to them this book is enthusiastically dedicated.

Acknowledgments

It's been said before, better and more forcefully than I can, that writing a book is not a solitary undertaking. It's encouraged, refined, assisted, and expanded by any number of smart, passionate, inspiring people, who sometimes do the most when they don't realize they're doing anything at all. Such is the process of writing a book, at least for me.

To each of these benevolent witnesses, my gratitude, real and lasting:

Rick Wolff, my determined, diligent editor at Warner Books, whose contributions to the birth of this work were indispensable.

Craig Nelson, my longtime and valued agent and friend, who has watched over my publishing life with the care of a dedicated and experienced surgeon.

Jeffrey Cohen, a smart and valued friend, who continues to encourage my writing.

My LCO-Levine Communications Office staff and associates, headed by Chief Operating Officer Dawn Miller. Staff: Mike Abrams, Clarissa Clarke, Liam Collopy, Shannon Hartigan, and Brian McWilliams. Associates: Rick Citron, Cindy Carrasco, Phil Kass, Steve Shapiro, and David Weiss.

My closest personal friends, every single one of whom has brightened darkness when life has inevitably cast shadows, but just as often celebrated my victories as if they were their own: Peter Bar Adam Christing, Craig Hollander, Richard Imprescia, Karen Karsian, Nancy Mager, John McKillop, Mark Miller, Evadne Morakis, Cable Neuhaus, Alyse Reynolds, Tara Kennan, Dr. Robert Kotler, and Lisa Yukelson.

Publishing associates far and wide, who continue to use their formidable skills to prod me to get my ideas into print: Craig Black, Bill Hartley, and Michael Viner.

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Introduction

When is a dirty bathroom a broken window?

No, that’s not a riddle. It’s a question that could today be at the core of a business’s success or failure. Answer that question correctly and use that answer as a beacon, and your business could dominate its competition indefinitely. Ignore the solution to the puzzle, and you will be condemning your business to failure in a very short period of time.

The “broken windows” theory, first put forth by criminologists James Q. Wilson and George L. Kelling in a piece called “Broken Windows” in the *Atlantic Monthly* magazine in March 1982, explains what a broken window is in criminal justice terms. But the brilliance of that theory goes much further than one interpretation. It can and should be applied to business, too, and it can make a critical difference—if American businesses will simply take the time and have the courage to notice.

When Wilson and Kelling first unveiled the theory, the idea of concentrating on seemingly petty criminal acts like graffiti or purse snatching seemed absurd: How would a crackdown on jaywalking lead to a decrease in murders?

The broken windows theory states that something as small and innocuous as a broken window doe in fact send a signal to those who pass by every day. If it is left broken, the owner of the building isn paying attention or doesn’t care. That means more serious infractions—theft, defacement, violent crime—might be condoned in this area as well. At best, it signals that no one is watching.

This is the heart of the broken windows theory: Wilson and Kelling write that “social psychologis and police officers tend to agree that if a window in a building is broken and is left unrepaired, all the rest of the windows will soon be broken.” Why? Because the message being sent out by a broken window—the *perception* it invites—is that the owner of this building and the people of the communi around it don’t care if this window is broken: They have given up, and anarchy reigns here. Do as you will, because nobody cares.

Wilson and Kelling suggested that a “broken window”—any small indication that something is amiss and not being repaired—can lead to much larger problems. It sends signals, they said, that the bad guys are in charge here; no one cares about maintaining some kind of order, and anyone who wishes to take advantage of that situation would be unopposed. It leads to lawlessness, a kind of anarchy by neglect.

“Just as physicians now recognize the importance of fostering health rather than simply treating illness, so the police—and the rest of us—ought to recognize the importance of maintaining, intact, communities without broken windows,” wrote Wilson and Kelling.

Years later, Wilson told me that the idea behind the broken windows theory “had to do with the responsibility of the police to take seriously small signs of disorder because people were afraid of disorder, and there was a chance disorder could lead to more serious crime.” Still, critics of the theor greeted it with skepticism, believing that attention to small infractions would necessarily decrease th amount of attention that could be devoted to much more serious crimes.

The same objection, in slightly less genteel verbiage, was raised when Rudolph Giuliani, the newl elected mayor of New York City in 1994, announced his intention to eliminate graffiti on subway car and move the hookers and pimps out of Times Square, to make Manhattan more “family-friendly.” Critics practically laughed in Giuliani’s face, intimating that the “law and order” mayor—who had been elected based largely on his experience as U.S. attorney for the New York area—was dealing with the small crimes because he knew he couldn’t contain the larger ones.

~~They were proved wrong. Giuliani and his new police commissioner, William Bratton, believ~~ed that if they sent out clear signals to criminals, and to New York’s citizenry generally, that a “zero tolerance” policy would be applied to *all* crime in the city, the result would be a safer, cleaner city. And the statistics bore them out: Over the following few years, the numbers of murders, assaults, robberies, and other violent crimes all went down dramatically. And it had all started with graffiti on subway cars.

I can hear you asking, “What does that have to do with my business? It’s all about crime and criminals.”

That same theory is applicable to the world of business. If the restroom at the local Burger King is out of toilet paper, it signals that management isn’t paying attention to the needs of its clientele. That could lead the consumer to conclude that the food at this restaurant might not be prepared adequately, that there might be health risks in coming here, or that the entire chain of fast food outlets simply doesn’t care about its customers.

Given that scenario, it is not a stretch of the imagination but in fact a point of logic to conclude that the broken windows theory should be applied to business, as it was to the problems of crime in urban areas. Certainly, the perception of the average consumer is a vital part of every business, and if a retailer, service provider, or corporation is sending out signals that its approach is lackadaisical, its methods halfhearted, and its execution indifferent, the business in question could suffer severe—and in some cases, irreparable—losses.

This book is about broken windows in business: how they happen, why they happen, why they are ignored, and the fatal consequences that can result from their being allowed to go unchecked. It is meant as a cautionary tale, a primer, a road map, a manifesto, and a salute to those companies that fix their broken windows promptly. It will explore not only specific examples of broken windows, how they occurred, and what their long-term results were but also the culture that creates an environment in which windows are broken and left unfixed.

I believe that small things make a huge difference in business. The messy condiment area at a fast food restaurant might lead customers to believe the company as a whole doesn’t care about cleanliness, and therefore the food itself might be in question. Indifferent help at the counter in an upscale clothing store—even if just one clerk—can signal to the consumer that perhaps standards here aren’t as high as they might be (or used to be). An employee at the gas station who wears a T-shirt with an offensive slogan can certainly cause some customers to switch brands of gasoline and lose an enormous company those customers for life.

But that’s only the tip of the iceberg. I think we as a society have fostered and encouraged broken windows in our businesses by standing by and letting them happen. If the waiter at a local chain restaurant is impolite, or even merely complacent, about our order, we chalk it up to a bad day, one employee in one outlet of a large chain, and we don’t send a letter to management or the corporate level. Even if we do change brands of gasoline after seeing an attendant in an offensive T-shirt, we do not write or e-mail the president of the oil company to alert him to the problem. We are enablers to window breakers in every aspect of every business. We don’t even necessarily patronize those companies that fix their broken windows, if the less attentive one is in a more convenient location or has a slightly lower price.

That’s not to say we are all to blame when a company has broken windows and doesn’t fix them, but it does mean we all bear some responsibility to stand up for what we actually want and have every right to expect out of a company to which we’re giving our hard-earned money. In a capitalist society we can assume that a company that wants to succeed will do its best to fulfill the desires of its consuming public. If the company sees sales slipping but doesn't have data from consumers as to wh made them decrease their spending on a retail level, the company will not necessarily know what to fix.

Still, corporations and even small businesses that don't notice and repair their broken windows should not simply be forgiven because their consumers didn't make enough of a fuss. It is the responsibility of the business to tend to its own house. The owner of a Starbucks franchise who decides that revenues are at a healthy level, such that he or she can put off painting the store for another year, is asking for trouble: Yes, things are fine now, but when the paint is faded and peeling and consumers are no longer getting the experience they've come to expect, it will be too late to fix things with, literally, a fresh coat of paint. The time to repair broken windows is the minute they occur.

It's better, however, to prevent such smashed panes of glass to begin with. This book will examin the origins of broken windows with two purposes in mind. First, we will see how the small things tha can snowball into large problems develop, so we can best illustrate how to repair the damage once it' been done. But it is equally important to see how these things happen so that a smart business owner can make sure to prevent them at—or before—the very first sign of trouble. If you have a policy to paint the store every year, you'll never have to worry about whether this was the year you waited too long.

In order to best understand how the broken windows theory relates to business, it's important to examine the original theory—as it related to criminal activity—in some detail. Because of the brilliant thinking of Wilson and Kelling, "Broken Windows" illustrated a serious societal problem th was going unnoticed, and helped turn around some of the country's largest cities (including the large of all) by paying attention to detail.

It began with a program in New Jersey in the mid-1970s. The Safe and Clean Neighborhoods Program was meant to improve the quality of life in twenty-eight Garden State cities, and it was to d so, in part, by increasing the number of police officers on foot patrol, rather than in patrol cars. Polic chiefs, Wilson says today, felt that such a move was not likely to lower crime levels, "and the police chiefs were right: They didn't have an effect on crime rates. But they *did* have an effect—and in my view, a powerful effect—on how people felt about their community and their willingness to use it, suggesting that fear of disorder was as important as fear of crime."

Indeed, as Wilson and Kelling wrote in the *Atlantic*, "residents of the foot-patrolled neighborhoo seemed to feel more secure than persons in other areas, tended to believe that crime had been reduce and seemed to take fewer steps to protect themselves from crime (staying at home with the doors locked, for example). Moreover, citizens in the foot-patrol areas had a more favorable opinion of the police than did those living elsewhere."

What does this all mean to business? It's not likely that having police officers walk the aisles of a Wal-Mart store will increase sales. But it was the *perception* that something was being done to increase order that made the difference for the people living in these New Jersey cities.

In a business (as we'll discuss in detail throughout this book), the broken windows can be literal o metaphorical. Sometimes a broken window really is a broken window, and a new pane of glass needs to be installed as quickly as possible. Most of the time, however, broken windows are the little detail the tiny flaws, the overlooked minutiae, that signal much larger problems either already in place or about to become reality.

We'll examine companies—huge ones, household names—that have failed to notice and repair their broken windows and have suffered greatly for it. We’ll also look at those that have made it a ~~priority to attend to every *potentially* broken window and ordered plenty of replacement panes to~~ make quick, seamless repairs. The lessons learned will be many, and varied, and they will have happy and, well, not-so-happy endings. Sometimes companies that deserve to be rebuked for their laziness will go unpunished, but other times there will be retribution at the hands of the public, which shows exactly what happens when you give the people what they *don’t* want.

What the public wants more than anything else is to feel that the businesses—retail or service-oriented, consumer or business-to-business—that work for them *care* about what they want. Consumers are looking for businesses that anticipate and fulfill their needs and do so in a way that makes it clear the business understands the consumers’ needs or wants and is doing its best to see them satisfied.

Broken windows indicate to the consumer that the business doesn’t care—either that it is so poorl run it can’t possibly keep up with its obligations or that it has become so oversized and arrogant that no longer cares about its core consumer. Either of these impressions can be deadly to a business, and we’ll see examples of both as we proceed.

If you run a business, and you truly believe that little things don’t make a difference, you really should read this book—it may save your business. If you don’t run a business but would like to, this can be the road map to your success. If you’re merely interested in business and wonder why one succeeds where a very similar one fails, perhaps the examples contained here might help answer that question for you.

But it can’t be overemphasized that tiny details—the smaller, the more important—can indeed make a tremendous difference in a business’s success or failure. Sometimes, yes, a company can mak a huge mistake (the whole New Coke thing was less a broken window than a neutron bomb placed dead center at corporate headquarters), but often, even those are foreshadowed by the little things tha go, alas, unnoticed.

A broken window can be a sloppy counter, a poorly located sale item, a randomly organized menu or an employee with a bad attitude. It can be physical, like a faded, flaking paint job, or symbolic, lik a policy that requires consumers to pay for customer service. When the waiter at a Chinese restauran is named Billy Bob, that’s a broken window. When a call for help in assembling a bicycle results in a twenty-minute hold on the phone (playing the same music over and over), that’s a broken window. When a consumer asks why she can’t return her blouse at the counter and is told, “Because that’s the rule,” that is a broken window.

They’re everywhere. Except at the really sharp businesses. Read on.

Chapter One

Broken Windows in Business

The broken windows theory was such a revolutionary, seminal concept in criminal justice that when was published in 1982, it was considered a complete and total reversal of everything that had come before it. The notion that perception was as important in controlling crime as statistics, that letting "small" crimes slide by was sending a signal not only that the criminals were in charge but that the police were either unwilling or unable to stop them, was laughed at, ridiculed, considered absurd or "radical."

It wasn't until the theory was put into practice in the 1990s on the world's largest stage, in the city of New York, that its seeming simplicity was shown to be genius. Between Mayor Rudolph Giuliani and Police Commissioner William Bratton, the commitment to fixing New York's broken windows—graffiti, fare jumping, squeegee wielding, and the like—might have sounded like an assault on an insignificant annoyance, but it was actually a call to arms, a declaration of war on crime, that proved to be the salvation of a city in crisis. In showing the world that New York City would not tolerate *any* infraction, Giuliani and Bratton were making the larger point that serious lawbreakers would be facin much harsher penalties. The good guys *would* be in charge here.

It is a distinction between "law" and "order," one that is important, because it defines what the broken windows theory means and how it will apply to the business world. To adhere to the *law*, one simply manages to live without violating the set code. Simple enough. But to maintain *order* in a city country, or company, the goal must be to have *everyone* follow the same rules and to make sure that each rule carries the same weight.

To have a rule that says "Thou shalt not murder" and one that says "Don't cross the street against the light" seems like something approaching a contradiction—it sounds like the two infractions shouldn't even be mentioned in the same sentence. But both are rules, both are laws as set up by society. If it is generally accepted that we can violate one, isn't it logical that we could violate the other without any additional fear of punishment?

Rules don't have to be universal, either; they can vary from neighborhood to neighborhood, as the authors of "Broken Windows" discovered when the Newark, New Jersey, police made sure more officers on foot patrol were dispatched as an experiment in the 1970s. In one neighborhood, the foot-patrol officer, whom Wilson and Kelling called Kelly, was careful to enforce the informal, unwritten rules that were set up in that section of the city:

"Drunks and addicts could sit on the stoops, but could not lie down. People could drink on side streets, but not at the main intersection. Bottles had to be in paper bags. Talking to, bothering, or begging from people waiting at the bus stop was strictly forbidden. If a dispute erupted between a businessman and a customer, the businessman was assumed to be right, especially if the customer wa a ~~stranger. If a stranger loitered, Kelly would ask him if he had any means of support and what~~ his business was; if he gave unsatisfactory answers, he was sent on his way. Persons who broke the informal rules, especially those who bothered people waiting at bus stops, were arrested for vagrancy Noisy teenagers were told to keep quiet.”[1]

Wilson and Kelling noted that “these rules were defined and enforced in collaboration with the ‘regulars’ on the street. Another neighborhood might have different rules, but these, everybody understood, were the rules for *this* neighborhood.”

The rules in and of themselves were not exactly revolutionary, nor were they especially strict. There was not a “no tolerance” policy for addicts or alcoholics—they were simply asked to stay in certain areas and to not do certain things in public places. But the rules, as stated, were expected to b enforced, every one.

The same is true in the larger and more dramatic experiment that took place in New York City. When Giuliani and Bratton chose to crack down on graffiti artists, squeegee men, and fare jumpers (those who leap over turnstiles to gain free access to the subway system), they were making the statement that some things that were tolerated before would no longer be acceptable.

It was a calculated expression of control that was meant to make a statement not only to those wh would spray-paint subway cars or jump over turnstiles—it was also meant (and, it could be argued, *mostly* meant) to be seen by the public.

As Wilson explained to me recently, the police chiefs to whom he and Kelling spoke were actuall correct in their expectations that increased foot patrols would not make a difference in the overall crime rate. Where they did have an effect, however—and it was a major one—was on public perception: “on how people felt about their community and their willingness to use it, suggesting tha fear of disorder was as important as fear of crime.”

Giuliani, speaking to the Conference of Mayors in May 2000, added to that sentiment: “New York City during the 1960s, ’70s, ’80s and into the early ’90s served as a symbol of decline. I keep a national magazine cover describing New York City in 1990 as ‘the Rotting Apple,’ a city in decline. And at that time, people in the City of New York *accepted it*. They accepted the idea that this was ou lot in life: that we were an old city that had seen our greatest days… the perception was that things were never going to be as good as they used to be.”[2]

Notice that the “perception” of the city’s population is what is being mentioned here. The more people saw their city as a place with a glorious past and a mediocre present, the more it became the truth. It wasn’t until the little details, the minor infractions, were dealt with that the quality of day-to day life for citizens of the city showed noticeable improvement, and at that point, real change could b achieved.

Now, how does this apply to business?

The broken windows theory is all about the unmistakable power of perception, about what people see and the conclusions they draw from it. It doesn’t claim that cracking down on graffiti will lead to fewer murders; in fact, crime rates overall are not necessarily affected by the theory being put into practice, as Wilson himself acknowledged. What is important is that as the quality of life in these areas improved, even on a scale that might seem insignificant, the population began feeling better about its surroundings, and *that* led to significant change: People spent more time out of their homes participating in events and patronizing local businesses.

In business, perception is even more critical. The way a customer (or potential customer) *perceive* your business is a crucial element in your success or failure. Make one mistake, have one rude employee, let that customer walk away with a negative experience *one time,* and you are inviting disaster.

I work in the public relations business in Hollywood. I have represented Barbra Streisand, Charlto Heston, Linda Evans, Fleetwood Mac, Vanna White, Demi Moore, Michael J. Fox, Robert Evans, and Michael Jackson, among many others. I understand the power of perception, and believe me, it can b devastatingly powerful—for good or for bad.

Perception is also something that happens in the blink of an eye. There is nothing more fleeting than a first impression; it is made in a heartbeat. But a perception can be made at any time, even afte you have been acquainted with a person or company for years. And opinions turn on such perception

For example, let’s say you have bought your coffee at the same store every day for the past five years on your way to work in the morning. You’ve gone there unfailingly, sometimes added a bagel o muffin, and occasionally stopped in at lunchtime. The counter staff knows your name, knows your usual order, and can anticipate your preferences.

But one day, even without thinking about it, you happen to notice as you stand in line waiting to order that the walls haven’t been painted in years. There are slight cracks and chips in the paint just behind the counter help. It’s never occurred to you before, but that small perception makes a difference.

Maybe you start to wonder if those paint chips aren’t falling into the coffee or onto a surface whe rolls and bagels are cut and prepared for sale. Perhaps the fact that you noticed the paint job makes you realize just how long you’ve been waiting on line every morning. It’s just possible that you consider which other aspects of the store’s physical plant—including its cleanliness—might be in disrepair. You might end up by wondering exactly why you’ve been frequenting this particular business all along.

That one little perception can pack an extraordinary wallop, can’t it?

Now, nothing assumed in this scenario is necessarily true: There’s no reason to think the coffee outlet’s cleanliness, commitment to service, sanitary conditions, or food preparation are at all in question. But you perceived one flaw, and from that allowed your mind to wander into territories it might not have ventured without some direction.

It’s not a place the owner would want his customers to go. And if he takes care of broken window like the paint job, he can avoid such mental journeys. It’s better to create a *positive* perception, of course, but avoiding the negative ones is far and away the most critical thing one can do to attract an keep customers. There is no alternative for an unbroken window, other than one that is under repair.

Let this book be your manifesto, your obsession, your bible of perception. From this moment on, consider how everything *seems* to your customers, your employees, the public in general. Yes, you have to care about what really *is*, but you also have to concern yourself with the way things *appear* t be.

It doesn’t matter if you tell a suspicious customer about your scrupulous cleaning techniques, you patented methods for keeping the food away from anything that might fall on it, or your plan to spee up counter lines. Mostly, it doesn’t matter because the customer *isn’t ever going to tell you about he concerns;* she’s just not coming back to your store again. Generally speaking, consumers will not voice their complaints. (I know, you’ve heard plenty of bitching and will argue with me, but the trut is that the vast majority of those who find something wrong will not communicate that perception to you—they’ll just stop being a customer.)

The thing about a broken window is that it’s not always obvious. The owner of the coffee outlet i this scenario isn’t necessarily someone who doesn’t care about his business or is given to outrageous lax upkeep. This is someone who either didn’t notice that his paint job was starting to erode or felt that ~~by waiting another year to paint he could save some operating capital, and besides, sales~~ were consistent and the customers hadn’t complained. There are other, squeakier wheels to grease.

Unfortunately, that is the attitude that can sound a death knell for a business, but on a frequency th human ear can’t detect. Let things slip, let the clientele notice things you haven’t, and you might as well throw a Molotov cocktail into your store and start from scratch: Your business is on its way out. Constant vigilance, an absolute obsession with detail, is essential to running a business today, particularly one that deals directly with the public (although we will be considering business-to-business broken windows as well).

If you’re not obsessed with the details of your business, you can believe me, there will be someon who *is* obsessed with his, and he will see to it that he overruns your customer rolls and decimates the loyalty you’ve built up with your regular clientele. Show the slightest chink in the armor you’ve buil up, and an exposed weakness will become the most obvious flaw you can imagine. Your business, to put it simply, will not survive too many broken windows. And “too many” is “one.”

Consider the case of Martha Stewart. Was Ms. Stewart convicted of insider trading? Fraud? Tampering with a public trust? No. She was convicted of wrongdoings involved with *covering up* whatever alleged improprieties had gone on. Why was she trying to cover up? Because she was concerned about the *perception* that her business was unscrupulous and that she, personally, was not trustworthy. Obsession with detail? Perhaps, but far too late. You can’t fix a broken window by throwing rocks through all the others.

Many a politician has been brought down not by accusers who had solid evidence that the official had done something illegal or unscrupulous, but by the effort to suppress the *perception* that might have come from the allegation itself. History is littered with the carcasses of officials who were discarded after trying to cover up something that might not have been as serious a scandal had it been dealt with quickly and efficiently—and publicly.

A broken window, make no mistake, is best repaired *before* it breaks. The most desirable scenario is to fix the problem before it is visible, and never to have to consider perception, because there will be nothing to perceive. But if a flaw arises, the only course of action—the *only* course—is to deal wi it immediately, to do so without trying to put a cosmetic sheen on it, and to make sure it is, without question, repaired. A piece of masking tape on a cracked window might prevent it from breaking, but it will be visible for all to see and will have the same perceived effect as a broken window itself. Repairs must be complete and immediate.

But what constitutes a broken window in business? It’s easy to spot the physical ones, like the peeling paint on a wall, but what about the less obvious problems? What about employees who don’t follow the company’s stated policies and present a flawed, incorrect picture to the consuming public? How can you deal with a broken window when you’re in corporate headquarters and there are thirty thousand outlets to oversee?

Well, consider the case of the world’s largest restaurant chain. Its broken windows have come ver close to bringing down the house. The last chapter in this story has yet to be written, but the fact that was ever in question is a testament to the power of broken windows and how far the mighty can fall. Indeed, consider the case of McDonald’s, which once was considered (and considered itself) invincible, and see what broken windows can do, even to a giant.

PERCEPTION VS. REALITY

- It is your customer's *perception* of your business that will dictate his or her level of loyalty to your business. Make one mistake, and you can damage that perception.
- Little things mean a lot. If you notice that the carpet on the floor at your dentist's office is a littl worn, you might find yourself wondering whether the dental instruments have been replaced recently.
- Broken windows are best repaired before they break.
- It's the cover-up that gets you—don't make excuses for broken windows or deny that they're broken. Take your hit, own up to the problem, and fix it.
- Obsession to detail is essential. There is no substitute.

Chapter Two

Can McDonald’s Be Saved?

For those born during or after the 1950s, a world without McDonald’s is just short of unthinkable. The golden arches making up the hamburger behemoth’s logo create a symbol so ubiquitous, so huge so utterly pervasive, that the thought of it vanishing from the street, let alone the world, is practically laughable.

But it could happen someday. And why? Because the huge company has neglected its broken windows, and the public has taken notice.

Despite its presence in virtually every country, on every continent, in almost every town in the United States, McDonald’s is not the paragon of customer satisfaction or brand integrity it once was. In fact, consumers are fed up with Mickey D’s indifference toward them, its abandonment of its core principles, and its obvious contempt for those who patronize its tens of thousands of stores.

Consider this: The American Customer Satisfaction Index (ACSI) is compiled each year from quarterly surveys made by the University of Michigan’s National Quality Research Center, in conjunction with the American Society for Quality, a Milwaukee institute, and CFI Group, a consulting firm based in Ann Arbor, Michigan. In February 2003, it was reported that for the tenth year in a row, McDonald’s had scored below average—and significantly so—for the fast food industry.

On the 100-point scale used by the ACSI, McDonald’s score was 61, down over 1.5 points from a similar survey done a year earlier. And the company’s average score was 5 to 10 points below the industry average since 1994, according to the ACSI.

Among the questions the sixteen thousand consumers surveyed answered were evaluations of the outlet’s food, its service, and whether the order was handled correctly.

The same time period’s survey results saw Taco Bell’s scores go up 1.5 points, Domino’s Pizza up 2.7 percent, Wendy’s up 2.8 percent, and chief rival Burger King’s scores up 4.6 percent, a good 7 points higher than McDonald’s.

Bad enough? Wait: A *Fortune* magazine article of April 2002 showed a sixth consecutive quarter of “disappointing profits” for McDonald’s. The stock price took a good number of hits, and there wer wholesale changes in the executive suites at the company’s Oak Brook, Illinois, headquarters. In 200 the purveyor of the Big Mac with Cheese was announcing it would eliminate the “supersize” option from its stores, calling the process “menu simplification.”

All right, so McDonald’s, one of the world’s largest corporations, is going through a rough time. Well, what does that have to do with *your* business? If you sell hamburgers, french fries, or sodas, yo might *welcome* the collapse of a behemoth competitor like McDonald’s.

Well, if something of this magnitude can happen to McDonald’s because it is failing to fix its bro~~ken windows, can’t the same thing happen to you, no matter what business you might be in~~, if you don’t see to the small things that make all the difference?

What is especially puzzling about McDonald’s is that the company’s core philosophy would seem to stand for exactly the kind of attention to detail and basic service that seems to be lacking in its practice. The corporation’s headquarters boasts a posted list of promises made to consumers that *mus* be kept, under any circumstances. Among them are fast service and clean facilities, two areas that were cited by consumers as lacking in McDonald’s restaurants during the ACSI survey.

By contrast, Papa John’s, the pizza chain with far fewer outlets than McDonald’s, is at the top of the fast food industry (which likes to call itself “rapid service”) in consumer satisfaction and has bee consistently so for a few years. With a score of 78 in the 2002 survey, Papa John’s not only came in first among fast food restaurants but was also the only such chain to beat the retail sector average anc do so for a number of years in a row.

McDonald’s, it was noted by the ACSI, ranked last in its category and among *all retail outlets* for the eighth consecutive year.

In fact, the American Society for Quality quoted its past president, Jack West, as saying that “the greatest weakness for McDonald’s is service quality. People go to McDonald’s for a combination of fast service, consistent products, low price and convenience. Obviously, McDonald’s is not consistently meeting those expectations.”

Roots of the Problem

Granted, some of McDonald’s troubles were not directly the fault of the company itself. An epidemi of mad cow disease in 2001 and 2002 caused some panic, particularly in Europe, regarding eating beef, and that certainly didn’t help the sales in hamburger outlets. Globally and in the United States, economic lethargy meant jobs being cut, fewer people eating in restaurants, and slower sales. Concerns about cholesterol and heart disease led to a decrease in the consumption of beef overall. These things were outside McDonald’s control, although the corporation was capable of responding t some of them, a subject we’ll touch upon a bit later.

The point is, those outside concerns were not the main reasons for McDonald’s decline in custome satisfaction, which led directly to decreased sales. (The corporation announced closings of its outlets in a number of countries, something that would have been unthinkable just a few years ago.) The University of Michigan study of consumer satisfaction found in 2001 that 11 percent of McDonald’s customers were dissatisfied with their visit on any given day. Close to 70 percent of those dissatisfie customers were even more disgruntled following some contact with the company, because the complaints were not handled to the customer’s satisfaction. And here’s the part that really tells the story: *More than half of all dissatisfied customers cut back on their visits to McDonald’s and told as many as ten other people about their experience.*

McDonald’s brand contract, stated in its headquarters and at all its outlets in writing, states that th brand vision is “to be the world’s best quick service restaurant experience,” which is to include outstanding service, quality, value, cleanliness, and “having every customer in every restaurant smile.” If eleven out of every one hundred people who walk in aren’t smiling on the way out, are angry about the way their complaints are received, and might become less frequent visitors, there is something wrong.

~~According to the University of Michigan study, the top five complaints by McDonald's customers~~ were rude employees, not having Happy Meal toys, slow service, missing items or receiving the wron order, and unclean restaurants. All of these points of contention fly directly in the face of McDonald' stated goals, their most basic promises made to consumers.

These are all broken windows, and they are not being repaired. In fact, as is the case with most broken windows, more glass is being shattered while the first cracks still await attention.

It starts, clearly, with something as seemingly insignificant as an inadequate supply of toys to go with Happy Meals, the prepackaged products aimed at young children. Because McDonald's does a great deal of advertising and promotion to children, and emphasizes the Happy Meal toy in all of it, children will often ask to be taken to the restaurant specifically to get that particular toy. When the franchise owner or manager has not ordered an adequate number of toys, or the company itself has failed to produce enough and supply its restaurants, the child is disappointed, the parent frustrated, and the cycle of dissatisfaction set in motion.

But the broken windows at McDonald's are much more plentiful than the absence of expected toy For adults, they are often so obvious and numerous that a discussion of them seems superfluous, but they are worth examining.

Come Back, Ray!

It is my contention that if Ray Kroc, who bought the McDonald's name and system and built the corporation almost single-handedly into one of the largest companies in the world, were to rise from the grave and walk into a present-day McDonald's franchise, he would die a second, more painful death.

From embarrassment.

In many locations, the cleanliness and efficiency Kroc so diligently guarded are nonexistent. The condiment areas are not cleaned regularly. The counter help is, at best, indifferent. The bathrooms… well, let's stay out of the bathrooms.

Key points are the ones that Ray Kroc emphasized a half century ago: dependable quality; fast, accommodating service (it doesn't have to be "friendly," but it sure as hell should be "polite"); a clean, comfortable place to eat; and value for the working people who make up the overwhelming majority of McDonald's customers.

On the surface, that doesn't seem like such a tall order: The company should just go back to Kroc principles and then enforce them strictly. But it's not that simple. The world isn't the same today as when Kroc walked into a San Bernardino hamburger stand in 1954.

The broken windows at McDonald's are not all that different from those in other large businesses that have seen their star power decline in recent years. But when the business is based on speed and consumer satisfaction, and both of those begin to erode at the same time, the prognosis is not good. McDonald's needs to get in touch with its inner Ray Kroc, and fast.

And if it can happen to them, it can happen to you. Think about it.

DESERVE A BREAK?

- Customer loyalty is a wonderful thing to have, but customer *stupidity* should not be expected. Customers won’t stick with you if you stick it to them.
- Core values—the things that a business promises its customers—are never to be taken for granted. If you make a promise to consumers and don’t keep it, you are asking for bankruptcy.
- The little things that plague McDonald’s aren’t the quality of the food or the promises the company makes. They are the promises *not* kept—the dirty bathrooms, the absent Happy Meal toys. Customers are disgruntled because they’ve been told to expect something and then are giv less.
- Broken windows can be repaired, but they have to be seen and fixed as quickly as possible.

Chapter Three

Obsession and Compulsion

Some people suffer from a condition known as OCD, obsessive-compulsive disorder. Its symptoms may include an incredibly focused interest in one topic or the inability to function without certain rituals, like frequently washing hands or locking doors over and over. These people often seek treatment and can sometimes lead what is considered a normal life through therapy, medication, or other avenues.

While in personal life OCD is a challenge, in business, obsession and compulsion are *good* things. In fact, they are necessary. Without an obsessive attention to detail and a compulsive drive to fix broken windows in a business, disaster is being courted. In today's business climate, everyone should have OCD concerning broken windows.

And no window is too small to break; nor is any break too small to repair. Everything counts, significantly more than you might think.

The concepts of obsession and compulsion are central to the idea of broken windows. I can't stress strongly enough how important it is to have a driving, obsessive fixation on your business, and a compulsion to see everything done in the right way every single time. Repairing what mistakes are made along the way can't be an optional thing; it has to be an absolute, unquestioned necessity that would literally cause you to lose sleep were it not taken care of immediately and completely.

Obsession

Obsession is the fixation on one idea, subject, or concept. It allows virtually no other thoughts and becomes an all-consuming, all-important idea in the mind. It would not be an exaggeration to say that in order to prevent and repair all broken windows, you must be—not *should* be, not *may* be, but *must* be—obsessed with your business.

You have to feel personally affronted if something goes wrong with your business. And that "something" can be *anything*. The idea that a trash can hasn't been emptied, that a counter hasn't been cleaned, needs to be a personal insult, an abomination. You have to feel physically ill if you find a problem in your business, no matter how small and (here's a word I use with great caution) insignificant it might seem.

Nothing is small, and absolutely nothing is insignificant.

It's not enough to be concerned about your business; it's not enough to be interested in its success

You have to be obsessed, or you are inviting disaster. If you're not lying in bed at night trying to thin of ~~ways to improve business, to serve your customers better, and to fix the broken windows you~~ have or will have soon, you are not doing your job properly. And that fervor must be communicated to every single employee you have. It's not enough for *you* to be obsessed—*everyone* who works for the company must be equally single-minded.

There are few companies as well entrenched in the American landscape these days as Starbucks. The company that convinced the world that a four-dollar cup of coffee is not ridiculous has a presenc on what seems like every corner, has become part of the language, and now sells coffee in supermarkets, convenience stores, and bodegas in addition to its own stores. Its service is still considered exemplary, and its product is being accepted by people the world over. It's hard to imagin that things could get much better for Starbucks.

Indeed, even the company's chairman, Howard Schultz, believes Starbucks is doing as well as it can do. He has warned his investors that the current sales performance can't be sustained indefinitely But he knows where the windows that might be broken are, and he has a plan to keep them crack-free

Schultz increased the paid training time for the company's "most motivated employees" by as much as a third, to thirty-two hours, in early 2004. His plan was to make the employees better educated about coffee generally and, by extension, better at selling more brewed coffee and bags of whole beans. He wanted to make sure that customers entering a Starbucks would be met by employee who knew their product inside and out, and could discuss it, recommend choices, and answer questio as well as anyone in the industry.

That's impressive, and it is also a sign of obsession. Schultz understands that Starbucks has expanded rapidly and that such growth often presages a fall. Companies like Boston Market, Crazy Eddie, and Kmart have all suffered from too much too soon. Schultz wants to ensure that no such thi would happen to the upscale coffee chain in his charge.

His choice—to improve the Starbucks brand by improving its employees' knowledge of the product—is a bold move. It shows obsession on his part, and it demands obsession on the part of thos who work for the chain. By knowing as much as they can possibly know about their product, Starbuc employees must cross over from interested to obsessed with coffee, and they must demonstrate this obsession to their customers by exhibiting the level of education and training they have received. It's a fine line to walk, as the employees must know how to be helpful and knowledgeable without being irritating know-it-alls.

Obsession is a dangerous tool. It's essential, but it has to be handled properly to be effective. Yes, the customer base should be made aware of your total commitment to service, but you can't demonstrate it in such an overbearing fashion that it becomes obnoxious.

How obsessed must you be? Keep in mind that Ray Kroc used to grab a mop and clean up when he visited a McDonald's he felt wasn't up to snuff. Rudolph Giuliani didn't rest until every New York City subway car was free of graffiti. CEOs hire mystery shoppers to report on the state of their retail outlets, then go into the stores themselves and double-check what the mystery shoppers have reporte It's not enough to demand that something be done—you have to make sure that it is done by checkin *yourself*.

The saying that a chain is as strong as its weakest link has great resonance in the world of the broken windows for business theory. An employee—especially one who has direct contact with customers—is the most visible type of broken window imaginable. Nothing will drive customers awa faster than an employee who isn't with the program.

Service is the absolute center of broken windows for business. Your product might very well be th best in the world, but if it's being sold and represented by employees who with every word and actio ~~betray their complete indifference toward the customer and the customer's needs, you will fail,~~ without question. Indeed, if the first employee to come into contact with the customer (counter help i a retail setting, the receptionist in a doctor's office, etc.) is not the best possible face for your business, you have a broken window that could very easily shatter your business very quickly.

Become obsessed with your hiring practices, since it is much more difficult, expensive, and damaging to hire a bad employee and then be forced into a firing situation. Know ahead of time what kind of person you need, and then take steps to hire one with the proper knowledge for the job and th proper *attitude* to exhibit that knowledge. Hire the obsessed, but hire the obsessed who can relate to customers if the employee is going to have any contact with your clientele at all.

Obsession is not just a line of perfume—it's a tool, and a valuable one. Without it, you will be operating at a disadvantage, and in business today, you need every single advantage you can get. Eat, drink, and sleep your business. Worry about it. Load up on antacids. It's not going to be an easy ride, but you can make it a successful one if you're obsessed enough.

Compulsion

There is a very clear line between obsession and compulsion. Where obsession demands merely an intense, focused interest on all aspects of your business, compulsion requires more practice. It is just as powerful and just as essential a concept as obsession, but it relies more on instinct and conditione responses than thought and planning. Compulsion is to obsession what lust is to love.

It's one thing to like your living room to be neat; it's quite another to be incapable of leaving the room if everything is not in exactly the proper place. Compulsive behavior means that you are paralyzed if things aren't precisely the way you have decided they should be. Watch the television series *Monk* and you'll get the idea: The character might be investigating a horrible murder, but he can't really concentrate on the clues if the shades on the windows aren't all lowered to the same leve That's compulsion: the involuntary need to have things be a certain way.

In business, compulsion is as useful a tool as exists on the planet. It is perfect to help fix broken windows, as it will not allow you to even consider going on with your day until that window has bee repaired. Compulsion implies a stubbornness, a devotion to detail and order, that goes far beyond wh most businesspeople believe to be sufficient, even excessive.

Compulsion means not ever letting a customer see a bathroom that isn't spotless. It means never letting someone stay on hold with a voice mail system for more than one minute before contact with real human being. It means not one employee who isn't going to say "please" and "thank you" to every customer, no matter what the circumstances. Compulsion is all about consistency, since it tolerates nothing outside the established order, and it requires all repairs to be made immediately.

George Steinbrenner III is not the most popular employer on the planet. In fact, he is legendary fo being demanding and uncompromising with his employees, from the parking lot attendant to the $25 million-a-year Yankee third baseman. Nothing is ever good enough, and nothing escapes Steinbrenner's notice. If something is going on at Yankee Stadium, the man everyone calls the Boss knows about it. If that something is not what the Boss wants, it is changed—*now*.

Steinbrenner's insistence on having enough bathrooms in the stadium, a building that existed for fifty years before he owned the team that plays there, has been well documented. He knows about the