



## **CRM Transforms Workforce Management**

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I frequently ask contact center directors and managers what's new and innovative in their operations, and they usually respond with the mention of some hot new telecom device or IT application. Almost never do they comment on what's new and innovative in management. Then when they are asked specifically about management, they note that, for all of the changes in contact centers in recent years, there isn't anything new and innovative—managing one is just about the same as it has always been.

### **Corporate Strategy**

If that's your answer, then let me suggest that you look into customer relationship management (CRM) and what it will soon be requiring from your contact center workforce. CRM is a corporate strategy that promises to forever change the management of contact center operations. Some may think that CRM involves only IT or that it's only about focusing on the customer—and that's nothing new—but its implications extend well beyond this understanding. Corporate management has learned that the cost for your rep to somehow dissatisfy a customer—regardless of whose fault it is—is many times greater than the cost involved in assuring that every customer contact with your reps is satisfying. Service quality has become the priority for today that product quality was in the '70s and '80s, and the effort to achieve service quality promises to be just as revolutionary.

The answer to the following question will reveal how well your contact center is aligned with CRM strategy: *What percent of your customer contacts result in customer ratings of Satisfied or Highly Satisfied?* If your customer satisfaction research data indicates that your reps currently satisfy 98 percent or more of the customers they contact, then your operation is ready for CRM. If your research data puts your ratings at between 80 and 98 percent, then it's very likely that skillful improvement initiatives can get you ready. For contact centers with customer satisfaction ratings of between 60 and 80 percent—which, by the way, are the norm for today's major contact centers—it will take dedicated leadership and a substantial transformation to get operations aligned with CRM strategy. Contact centers operating below 60 percent are a long way from being CRM-ready and are probably in need of new management.

### **New Service Level Defined**

As CRM emerged in the late '90s, it redefined the relationship between customers and the companies that serve them. Today's intense competition, mature markets, and demanding customers have forced companies to adopt this aggressive new strategy and its goals of developing customer loyalty and reducing wasteful servicing costs. Corporate thinking has shifted to "let's keep the customers we have because it's a lot cheaper than getting new ones." Forward-thinking executives have come to believe that treating customers well is the best source of profitable and sustainable revenue growth.

CRM strategy is concerned most with maximizing the value created through customer relationships. However, the goal is not simply to please all customers or to increase the level of service, but to manage the company's investment in pleasing customers so that the effort is proportional to the customer's value to the company. CRM initiatives first of all focus on raising the standard of service for all customers so as to stop running off customers who represent future value to the company. Complete customer satisfaction is no longer a differentiator of companies; it is a minimum requirement because customers no longer tolerate poor service as they once did. Even customers who can't have what they want need to feel satisfaction with the way they have been treated. The secondary focus of CRM is on differentiating service levels based on the estimated lifetime value of customers. Intentionally, customers who are perceived to offer unprofitable relationships receive perfunctory yet satisfying service, whereas customers with high-value potential receive service that assures satisfaction and develops long-term loyalty.

In theory, a serious investment in new information systems will facilitate the capture of customer preferences and transaction data and make it uniformly available to marketing, sales, and customer service operations. When these improvements are combined with an equally serious investment in redesigned customer service operations, companies will be able to focus on each customer individually and in a customized way. In addition to enhancing the satisfaction and loyalty of the company's customers, this level of functional coordination and effectiveness dramatically improves the productivity of customer service employees and reduces the costs of service operations. Quality is just as free in service operations as it was found to be in factory production. It is ineffective work, rework, and waste that add unnecessary cost. Eliminating these operational inefficiencies will generally trim 10 to 30 percent of a contact center's operating budget—savings that quickly pay for the operational improvements and fund the IT investments.

### **CRM Changes Contact Center Operations**

Corporate initiatives to implement CRM strategy can drive sweeping changes throughout customer service operations. No longer is it enough for contact centers to just "handle" customer calls quickly. CRM-aligned operations are being reconceived as their company's principal human touchpoint for customers and subsequently are being equipped with advanced information and communication technologies to support customers with more options and greater efficiency. Furthermore, the company representatives who deal directly with customers are increasingly given much greater discretion with which to resolve customer concerns and assure satisfaction. The role of today's representative is shifting from a limited-ability call handler to a legitimate agent of the company who is accountable for building customer relationships that create financial value.

CRM represents a challenge for contact center management that extends far beyond the traditional performance standards of call "hold" and "handle" times. The transition to CRM will require dramatic changes in almost every aspect of their operations. Traditionally, call centers have been managed with emphasis on logistical efficiency—cost-center operations that place or handle the required high volume of calls at the defined minimum acceptable level of quality and lowest possible cost. What has for years been acceptable performance for call centers will not deliver the ROI that drives CRM investments. Even the better contact centers continue to operate with formative metrics that don't result in quality service and value for the customer. Objectives such as (1) answering 80 percent of all calls within 20 seconds, (2) keeping call "handle" times below 300 seconds, and (3) making sure that reps are on the phones talking to customers for 80 percent of their workday have little impact on quality and customer value. Likewise, many call centers have already worked hard just to achieve their 70 percent customer satisfaction ratings, 30 percent customer callbacks, and 40 percent employee turnover. Good enough for yesterday, perhaps, but not close to what it will take to make CRM strategy effective.

### **Redesigned Managerial Systems**

Because CRM requires substantial changes in contact center operations, the transition will require more than the installation of new information and telecommunications technology. A redesign of operating processes, roles, structure, and managerial systems will also be required.

Essentially, the move to CRM requires call centers to transform their focus from call-handling logistics to customized service operations that are capable of precisely delivering appropriate customer-centric servicing at any moment. High-value service work is much different.

The principal distinguishing feature of real service work is worker discretion. Service workers are expected to have and apply the appropriate knowledge to a situation by attending and responding to it adaptively, thereby creating value by meeting the specific needs of each customer. Workers decide what work to do and determine the appropriate methods for completing it, usually with a minimum of restrictions.

These differences, which stem from the amount of discretion required for workers to perform the work, have a tremendous impact on what is effective and what is not in regard to performance improvement. To appreciate the substantial differences between logistics and service work in terms of their fundamental characteristics and the methods they employ for effective performance improvement, a broad comparison is provided. (See table.) Take some time to reflect on this information and relate it to other kinds of work with which you are familiar.

<b>Comparison of Logistics and Service Operations</b>		
	<b>Logistics Operation</b>	<b>Service Operation</b>
<b>Fundamentals</b>		
Function	Making and moving products	Interpreting and providing experiences
Value Proposition	Maximize financial value by increasing cost efficiencies	Maximize financial value by creating more value for every customer
Value Creation	Created in advance of consumption (stored opportunity)	Created at the point of consumption (perishable opportunity)
Means of Value Creation	Machines	People
Output	Tangible	Intangible
Performance Measures	More objective	More subjective
<b>Strategies</b>		
Operations Strategy	Mass production through standardization, scale, size and automation	Mass customization through differentiation, flexibility and a service unit of one
Marketing Strategy	Group consumers to meet common needs	Differentiate consumers to meet individual desires
<b>Organization</b>		
Organization Design	Highly structured machine bureaucracy	Changing performance-focused work groups
Work Design	Low-discretion work	High-discretion work
Workers	More dependent	More independent
<b>Performance Improvement</b>		
Improvement Strategy	Engineer - optimize machine performance by bringing people into alignment with the machine's work	Humaneer - optimize human performance by bringing the system into alignment with the people's work
Improvement Focus	People	System
Driving Force	Mandate	Improvement expectation
Source of Assessment	Supervisor	Self-assessment
Target	Root cause	Contributing causes
Improvement Process	Orientation, standardization and control	Facilitation, support and development
Improvement Techniques	Process redesign, policy change, training and controls	Shared experience, new information, interpretation, system realignment, practice, adaptation and integration

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For logistics work, the common goal of improvement initiatives is essentially to get workers to use prescribed methods to perform the standardized tasks that comprise their work. The desired level of performance is already engineered into the task and typically further supported by methods, tools, instructions, training, policies, etc., that are prescribed to direct and control workers. If managers can get workers to follow the work design—to do what they are told—then the work will be completed effectively.

In service work, the goal of performance-improvement initiatives is to get workers to use their discretion in order to provide customers with the greatest satisfaction. In this way, these workers

create the highest value for the customer, and in turn for the company. The desired level of performance is achieved when workers do their best with every problem or opportunity, using whatever knowledge and expertise they have or can access. Service workers do their best when they perform at high levels of service differentiation—when the service rendered most closely fits what the customer really values. The role of these workers is to perceive and assess consumers' desires and appropriately vary their work behavior to maximize the value received by customers, which in turn maximizes the financial value to the enterprise. Achieving this objective requires high levels of discretion exercised by capable workers. Distinguished from logistics work, which involves people supporting machine systems that generally make and move (or handle) products, service work is performed by people and only supported by machines. In service work, people themselves are the principal means of value creation and therefore the source of enterprise performance.

### **New Methods for Management**

The potential for increases in value created by service workers represents a substantial opportunity, yet a principal factor complicating this achievement is management's persistence in using traditional control-based methods (e.g., mechanization, standardization, measurement, and training) for improving performance and productivity. These methods are highly effective for production and logistics workers, yet much less so with the service workers that make up the CRM-aligned contact center workforce. What goes unrecognized is the negative effect of these methods on work with organic characteristics (e.g., nonlinear, requiring discretion, self-paced)—work that depends mostly on people, not machines, for the achievement of performance and productivity. Fortunately, the social sciences now provide many insights with the promise of improving service work.

It is tempting to believe that new technology alone will lead to extraordinary levels of performance and productivity in a CRM-aligned contact center, but this is simply not possible. Although IT applications can provide representatives with the right information to serve customers well, the critical component needed for improving service performance and productivity is the transformation of workforce management. There is a considerable journey between conceptualizing the CRM-aligned contact center and actually capitalizing on the benefits of successful implementation. New operational processes and managerial systems must be developed, and the transition itself must be carefully planned. Representatives, managers and support staff must prepare for their new roles. Informed leadership is crucial, and sustained organizational support accelerates the journey.

### **About the Author**

(James S.) Jim Pepitone is a managing director of Pepitone Worldwide LLC, which provides management consulting and operations improvement services to the contact centers of major companies throughout the world. The firm is best known for its science-based approach for improving organizational operations—sales and service functions that depend on people for creating market value. ([www.pepitone.com](http://www.pepitone.com)) Jim has authored three books in his field: *Future Training: A Roadmap for Restructuring the Training Function* (1995), *Motivating Employees* (1999), and *Human Performance Consulting* (2000). Jim holds a BBA in Industrial Management and an MBA from The University of Texas at Austin, and an M.S. in Organization Development from Pepperdine University. Jim can be contacted at [jimpepitone@pepitone.com](mailto:jimpepitone@pepitone.com).