



# Future Competitiveness for the Service Sector and Call Centres

## *A Whole Systems Approach to Better Service at Reduced Costs*

### **Management Overview**

There is a striking parallel between the blind alley that trapped Western manufacturing, preventing it from increasing cost-effectiveness and customer service and the current development trends within the service sector, typified by the call centre.

The scientific management-based efficiency model, when driven too far, failed manufacturing in the West. Technology-driven solutions, ignoring the real needs of the customer and the worker, led to gross inefficiencies and industrial unrest. Competition from Japan forced a major shift in strategy, processes, organisation and culture. In the 1980s and 1990s the spread of the 'Toyota Production System' and 'Lean Manufacturing' revolutionised factories across the developed world. It balanced the needs of customers, the human needs of the worker and the opportunities afforded by new technology. People formed cellular teams performing 'whole work'. Many of those that did not adopt the new way of thinking failed to compete and eventually closed.

A 'whole work' revolution, similar to that which hit manufacturing in the West, is about to hit the service sector. Currently many service sector offices and most call centres, whilst seeking to have the lowest component cost, actually create large hidden costs either for themselves or the customer. Optimising around the wrong things can create customer frustration and desertion; staff stress, demotivation and absenteeism and the hidden costs of unhealthy work, dysfunctional organisations and customer loss.

Those organisations able to embrace 'whole work' in the service sector will ultimately out-compete those who cling to the current mind sets. Those making the shift to become integrated service organisations which are technically and socially balanced, with lean processes and which provide 'whole work for whole people', will gain a significant market advantage through flexibility, reduction of wasteful activity, improved quality and customer service and increased staff motivation, retention and innovation.

This paper proposes that there is a logical, stepwise approach to achieving this, a methodology with accompanying tools and principles that enables businesses to transform themselves from the old paradigm to the new. It offers an invitation for forward-thinking business leaders to engage in conversation about how they can prove the approach for themselves and then lead change within their companies and business units.



## **Creativity Unlimited – a Brief History of Manufacturing**

Manufacturing in the West started its journey in the craft workshop using low capital intensity and high levels of human input and skills. In 1764 Hargreaves and the Spinning Jenny set manufacturing on the trail of increasing mechanisation. This took it to the factory, the production line and in some cases the ultimate expression of the technical approach, the robotic production line in a ‘lights-out’ factory. Along this journey there was a period in which the production line, inspired by Henry Ford’s commercial success and Frederick Taylor’s ideas on scientific management, seemed to be the only way in which to organise factories efficiently.

The results of this industrial revolution were huge and beneficial from the consumer’s perspective. The cost of goods dropped dramatically in real terms. The quality and conformity of what was commonly available were transformed. There was an explosion of creativity and productivity. Many items such as cars, carpets and refrigerators became basic to Western life, rather than the right of the few. New technologies such as medicines, radios, televisions, air travel and computers could grow and develop, merging into the fabric of society. This was a fantastic achievement. We owe much to the drive of the likes of Taylor, Ford and the host of engineers and technicians who applied themselves to the development of large-scale installations to exploit these technologies. In essence they made modern life possible.

## **Service Sector Parallels**

The current explosion of the service sector in this century has parallels with the slower evolution of the manufacturing sector in the last three.

A similar technical revolution is taking place. The power of computers has been doubling every few years for the last few decades. Hand-held devices now have more power than the original mainframes that ran corporations. Telecommunications have grown exponentially from Morse code and the teletext, to the current bandwidth capacities, modulating individual wavelengths of light in fibre optic pairs. Only fifteen years ago the speed of communications, currently delivered by broadband over old copper wires to private homes at incredibly low prices, belonged exclusively to those large corporations who could afford the multi-million pound investment needed to build private fibre optic LANs and WANs. Today high-speed internet brings global connectivity, applications speed-processing and the world’s information onto our laptops in our homes. This is impressive.

Like its manufacturing forbears, technology is now making it possible for the service sector to do whatever it likes. The question is what should it do?

## **Technology vs. Whole Work**

In answering that question, the service sector needs to scroll the story forward and recount how the Japanese exposed Western manufacturing’s Achilles heel. Western management, in pursuing ‘excellence through technology’, forgot that work is the coming together of people using technology for a shared economic outcome. With the wisdom of hindsight, and from the perspective of whole systems thinking, it is now possible to see that competitive and sustainable organisations must balance three strands:

- Firstly, all work originates out of the servicing of a customer who wishes to pay for what is produced. For work to be whole, work must be customer-led, responsive to their needs and match the way in which customers want to avail themselves of the service. Customer demand sets a rhythm and pattern that ripples through every aspect of the work needed to satisfy it;
- Secondly, the nature of work is shaped and reshaped by the available technology and must evolve as technology makes new things possible. However, with the caveat that good technology is always the servant of the customer and the worker and not vice versa – technology is a good servant and poor master;
- Thirdly, whole work must be fulfilling for the workers at all levels and be organised on a human scale. Maslow pointed out that for work to be sustainable it must meet workers’ basic needs and



then go on to provide their higher needs for significance, creativity and social engagement. Work that is whole in this way allows the worker to remain motivated and healthy and in turn leads to increased productivity, learning and improvement.

These three aspects are fundamental to all work systems. Any work design that does not balance these three things will ultimately fail to be competitive and sustainable. Even if bucking the trend generates a cost benefit in the short term, it will always unravel in the medium term. Henry Ford's initial 'they can have any colour so long as it is black' had to give way to a rainbow of customer choice once growing competition removed the monopoly advantage of being the first mass producer.

### **Western Manufacturing's Blind Alley**

Historically Western manufacturing became unbalanced when management pursued technology in opposition to people. The worker stopped being the master of the production process and was reduced to the unreliable cog in the manufacturing machine. Customers became persuaded to put up with what was available; the Friday afternoon car was born! However, people in work reacted negatively to being made less than human. Between the 1950s and 1980s the technical strait-jacket of the production line model led to industrial inflexibility and un-competitiveness, while its effect on people was to fuel industrial unrest. This was typified by:

- Worker-management confrontation in a culture full of friction and mistrust;
- The cost advantages of mechanisation being offset by increasing human costs in the form of inflexibility, demarcation, absenteeism, sickness, strikes and disputes;
- The production line's denial of people's innate creativity either leading to their expressing their passions and energies outside the plant in their hobbies, or, inside the plant, in power struggles with management. Either way the work capacity of the people was lost by the employer;
- The quality of outputs suffering because disenfranchised people see quality problems as 'theirs' and not 'ours';
- Change being slow because it had to be negotiated through a complex world of territories, differentials and rivalries;
- Management seeking ever higher capital investment in complex technologies in order to get round the 'worker problem', but finding that this made flexibility even harder to achieve;
- Productivity being negotiated down, so that shift targets only required part of the available time, workers' card-playing skills increased and the cost per unit of production rose to unsustainable levels;
- The workplace being taken over as a political battlefield till eventually the whole country lost out.

This made Western industry vulnerable to a new model for work developed in Japan, which hit the West in the 1970s and 80s. The Japanese car industry in the postwar period nearly went bankrupt because of foreign competition. The pressure forced it to develop a new way of thinking about work that fitted its own market and resources. Toyota's staff revisited the ideas of Taylor, Ford, Deming and others and reassessed their work processes as a whole. This gave birth to the 'Toyota Production System', known in the West as Lean Manufacturing. At its heart was a paradigm shift that put the customer and the worker back at the centre of the manufacturing process. Customer demand pulled production through the system just-in-time. Workers' social needs were met through team-working within family-sized production cells. Their creativity needs were met by ensuring that cells' work was value-adding. Their autonomy and self-realisation needs were met by making the cells responsible for planning their own work, for ensuring their quality was continuously improving and for driving out the 'seven wastes.' Cell teams were expected to be thoughtful, motivated, competent and flexible.

This was not sentimental socialism but hard business sense as James Womack, who coined the term 'Lean Manufacturing' pointed out:



“The lean producer, by contrast (to the Western production line), combines the advantages of craft and mass production, while avoiding the high cost of the former and the rigidity of the latter.....Lean production is ‘lean’ because it uses less of everything compared to mass production - half the human effort in the factory, half the manufacturing space, half the investment in tools, half the engineering hours to develop a new product in half the time. Also, it requires keeping far less than half the inventory on site, results in many fewer defects, and produces a greater and ever growing variety of products.” (*The Machine That Changed The World*, Womack, Rawson, 1990).

As a result customers bought where the price was right, where they could have what they wanted and where the quality and reliability were excellent. They started buying Japanese. Western ‘production line’ industry could not compete with Japanese whole work practices. The UK motorbike industry disappeared before it knew what had happened. The Western automotive industry started its long decline from supremacy. Everyone else from electronics’ to household product manufacturers had to change or go the same way.

### **The Service Sector should not be Making the Same Mistake**

The technology revolution has hit the service sector much later than it did in manufacturing. It is only recently that IT and telecoms are making new ways of working possible. Manufacturing’s experience has shown that the lack of technical constraint is either an opportunity or a trap. It is management’s role to choose how to respond.

Bewitchment with technology can lead management into downplaying the needs of the customer as a person and the human potential of their workers. The wrong use of technology can initiate a vicious circle: deformed work provokes unreliability in people; the obvious response to increased human unreliability is more technology, with less space for people to get it wrong; this leads to lessened human performance – and we know where this is going.....

Alternatively, management can choose whole work and adopt the service sector’s equivalent of Lean and Cellular Manufacturing. The Japanese experience showed that this creates a positive cycle. Satisfied customers are a pleasure to serve leading to motivated people with rewarding work seeking ways of doing it better; enabling technology makes this possible and the ability to have significant work and social engagement leads to workplace stability and growing skill levels.

We know from the manufacturing sector that the latter approach, which is counter-intuitive to those in the technology spiral, has radically out-competed all alternative models.

### **Which Journey is the Service Sector on?**

If one looks at the service sector today and in particular what is happening in call centres, one has to be concerned at how far down the production line path the sector has already gone:

- The structure of much work in call centres creates friction at the interface where customers meet workers who don’t have significant decision-making capacity, often reducing both sides to anger;
- Customers have a growing frustration from imposed poor service. Most of us have experienced shoe shops that cannot order your size because there is ‘no demand for it’. Anyway, the computer sends the outlet what it thinks it needs and the staff have no way of telling it about you. ‘Come back next week, sir or madam, we may have it in.’;
- Managers who resent using call centres for their own needs set them up and manage them at work;
- Customer loyalty is being replaced by a commoditised market chasing ever cheaper deals. Utilities are ‘growing’ through ‘positive attrition’. A net addition of 200,000 to the customer base can represent the balance between 1,000,000 new gains and 800,000 desertions. This is hugely expensive;
- The growth of off-shore call centres doing half a task is leading to further relational separation between the server and the served, increasing the cost of maintaining security and controlling fraud;



- Evaluation is often on the volume of activity and not the quality of outcomes in disjointed systems that are not aware of the knock-on effects, so:
  - The NHS's trumpeted 'Payment by Results' is actually 'Payment by Activity'. The more times a patient comes back the more money the hospital makes. **Do not improve the system. It will cost us money!**
  - Many call centres measure the number of calls answered and not why the call was made in the first place: **the more complaints the better the performance!**
- Often the call centre system drives the people and not the people the machine, taking away the significance people need from planning their own work.

Workers trapped in the system feel empty, frustrated and powerless. Rather than worker resentment and boredom being expressed in the industrial unrest seen in the manufacturing sector, the service sector is seeing workers voting with their feet. Call centres see a repeating pattern of growing churn rates and increasing recruitment and training costs, regardless of which country they are in. Other service units battle with absenteeism. Nurses often prefer to work for agencies than have a permanent role in a dysfunctional system. The symptoms are surprisingly similar to the industrial sector before the introduction of whole work.

### Warning: Treating People Like Machines Kills

It is worth briefly covering another aspect of research into work that is emerging from leading doctors and academics. They have shown that disempowered work damages workers' health and reduces their life expectancy. Studies by Professor Marmot of University College London Hospitals and others, which followed cohorts of workers over long periods, discovered that there is a 'health gradient' in the British working population. Jobs that are a) insecure, b) monotonous, c) lack autonomy, control and self-direction, d) have an imbalance between effort and reward and e) suffer a deficit in procedural justice, have a strong correlation with ill health. The people who do these jobs are more likely to have higher cholesterol levels and worse cardiovascular outcomes than those in more self-directing jobs, even if these appear to be fast-moving and high-pressured.

Unexpectedly, poor health amongst workers correlated as strongly with badly-designed jobs as with smoking, lack of exercise and poor diet. The logical conclusion is that treating people like machines kills them. This knowledge places a significant duty on those who determine the way in which other people are expected to work.

### Can Whole Work Deliver in the Service Sector?

Whole systems organisation design work demonstrates that whole work does improve performance in the service sector. This can be illustrated in the three thumbnail sketches below:

1. A Government Agency	A Government Agency was redefining itself as a telephony-based service rather than a multi-office, paper processing service. The fundamental question was how to keep the telephony relevant to the customers and the staff motivated by the new processes. Whole systems analysis showed that to achieve its goals the fundamental service was actually locality-based. This meant that the call centre element should not be virtualised. A relationship between a processing/telephony team, a local visiting team and group of customers living in an area, was central to delivering the service. To do this, the peaks and troughs in a group of customers' use of the telephones needed to be absorbed by a 'right-sized workgroup' planning its resources between being on the phones and its back office activities. This gave excellent standards of response while preserving the relationship with the local customers. The approach identified a recurrent, initial saving of £40,000,000 pa from the initial rebalancing of work, with further savings possible when a new generation of enabling IT could be brought on-line.
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2. An Acute Hospital Trust	As an example of the service sector outside of call centres, a hospital trust had recently centralised the management of 18 operating theatres but was struggling to get the utilisation needed. It was also under huge financial pressure to balance its books. Using the multi-level aspects of whole systems analysis it was possible to see how surgical speciality and theatre support teams needed to interact so that theatres were better planned and used. The project identified £1,500,000 pa in savings and how to achieve better utilisation. This is being realised in practice.
3. An Energy Utility	An energy utility was having difficulty in tracking customers, revenues and debts through the deregulated market. It used telephone-based sales, invoicing and debt collection teams. These had to co-work with engineers, meter readers and connection and disconnection teams. The teams also had to work with the regulator and with the utility's competitors in the energy market. Using whole systems thinking in one internal department led to the root cause of a multi-million pound debt being identified and changes being made to address it. In another internal area the same thinking resolved the complexity of acquiring multi-site customers and taking them through the regulation process so that all the work of registration was carried out in line with customer expectations and needs, making the organisation able to be more competitive in this important niche.

The conclusion is that balanced, whole work systems are possible in the service sector and that they deliver significant financial as well as other benefits. This is especially true if the total cost-benefits of the systems are evaluated and not just transaction or component costs.

### Which Side of the Horse?

Martin Luther said that: 'Humanity is like a drunken man riding on a horse, who having fallen off on the left-hand side, is so concerned not to do it again that he falls off on the right'.

Business process designers often behave in this way. They can oscillate between hard technical design in which people shrivel and the more human-centric approach in which productivity and profitability can appear secondary to personal fulfilment. Neither of these is a right or whole solution. Whole work is about creating effective and efficient processes and structures, using technology which empowers and motivates people to deliver to high economic and quality standards. Its skill is both-and and not either-or.

Whole work solutions are not idealistic dreams but hard business pragmatism. Companies pursue them to create a step-change in efficiency and effectiveness. The engines that drive improvement and competitive edge are customer service and creating sustainable work that motivates staff, provided they are contained within the whole work processes and empowered with the right technology. As a work solution, whole work will always give better results in the long term than either production line approaches or concentrating solely on motivation and fulfilment.

### What does a Whole Work Solution Look Like?

Changing to whole work is about applying a standard set of design principles to any business situation. Using these, each service organisation will create a unique solution. But all solutions will have a common look and feel. The uniqueness stems from the particular mix of customer needs, organisational history, products, processes, resources, staff, technologies and the common feel from the underlying principles. So what are the characteristics of whole work?



Customers have a better experience because they:

- Have the opportunity of building a relationship with the supplier;
- Interact rapidly with a person or team with the knowledge and scope to meet their needs;
- Find that if the first contact is defeated, his or her close colleagues can sort the problem;
- Have a person who takes on the responsibility for seeing that their request is settled in full and only closes the case when the right outcome has been reached;
- Never find themselves ricocheting from pillar to post or phone queue to phone queue.

Staff know they are empowered through whole work because:

- As an individual and as a workgroup their work is meaningful;
- Responsibility and authority match;
- The technology used supports the team rather than condemning them to ‘feeding the beast’;
- Their performance measures correlate to a well-done job for the customer and company;
- The measures are challenging and stretching but achievable and within the team’s sphere of control;
- Leadership is fair, supportive and enabling;
- They are in a team with a positive social dynamic and to which they can relate;
- The way in which work is organised encourages:
  - the workgroup to become a supportive team
  - workgroups to cooperate and stimulate each other;
- Work is about learning and developing as a whole person;
- There is a good spirit in the place, so that work is fulfilling and rewarding.

Managers know that the organisation is performing well because:

- The work is cost-effective and meets targets;
- Individuals and workgroups are self-motivated, naturally cost-effective and responsive to challenges and change;
- Good performance flows naturally out of the system rather than having to be driven out of it;
- There is commitment to the work as evidenced by reduced staff turnover;
- The organisation is a ‘learning organisation’.

There is a risk that this sounds like platitudes. Managers may respond by saying: ‘You haven’t seen my staff or my business challenge.’ But most of us know that an organisation that was able to work in this way would fly. Whole work analysis provides a practical route for organisations to get there.



## Next Steps

At this stage we need to ask if any of this has struck a chord with you? Is your organisation grappling with:

- Decreasing customer loyalty or high rates of staff churn;
- Processes that have a greyness about them but no obvious solution as to what can be done;
- Indirect costs that are hard to control;
- Major investments in new processes, IT or telephony that are failing to deliver their business case benefits?

If it is, then Tricordant would love to talk to you because you have a whole work issue.

We can offer you a logical stepwise process supported by effective tools that will enable you and your organisation to embrace whole work. We can help you diagnose and address the roots of these whole systems-level problems, and then together with you and your staff we can transform current work to whole work; jointly delivering between 10% to 30% improvements across a wide range of measures.

Our preferred next step is a meeting to discuss the issues you are facing and explore how our approach fits your challenges. This is always without obligation. Beyond this we can offer whole-work audits. These are short visits to scope the issues and propose how to move forward with a tailored programme to engage your managers and staff in designing and then implementing whole work.

## A Shared Process

We in Tricordant provide:

- The inclusive approach to enable you to engage with the issues;
- Insightful tools which we share with you and train your people to use;
- Group facilitation to develop ownership and move the change process forward;
- Project management to keep the process on track.

Our shared goal would be a practical step-change in your organisation's business effectiveness, balanced use of technology and increased motivation and culture.

The approach can start in one discrete area of the business and grow into others, as it delivers results.

If you would like to learn more about the Tricordant approach, its people and their track record, you can find these on our web site at [www.tricordant.com](http://www.tricordant.com), or alternatively we can send you a printed introduction to the Tricordant approach. You can e-mail us at [irwin@tricordant.com](mailto:irwin@tricordant.com). Alternatively, we can contact you to discuss points of interest and to arrange a meeting at a mutually convenient time.

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