Deploy Small Teams to Get Big Results

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Small teams in large corporations can 'out small' today's successful smaller players, and win big. Smaller competitors to today's largest corporations are consistently winning in customer satisfaction ratings without the so called economies of scale associated with large (frequently out-sourced) customer care centers.

For the largest companies in some key sectors, such as telecommunications, technology, and financial services, there is the potential to eliminate 25-50% of their customer care costs. They can win big by reconnecting those who sell and deliver a customer experience, with those who attempt to salvage a poor customer experience … and put them on the same team.

Today's disconnected functions & processes can now be reconnected. Enabled by today's technologies, the workforce can be reorganized in the form of small cross-functional business teams. Each team would holistically serve a very small segment of customers (somewhat like a franchise, and in many respects harkening back to the best aspects of yesterday's mom & pop businesses). Such a business team is then positioned to focus on, innovate toward, and deliver results that matter: (1) efficiently serving & supporting more customers with fewer employees, and (2) effectively driving up more revenue.

Bigger is not Better

Over the last decade-and-a-half, for the large corporations in these key sectors, poor customer care has been pervasive, widely publicized, and shows no sign of improving. Results from the American Customer Satisfaction Index make this clear (acsi.org – National Quality Research Center, Stephen M. Ross Business School at the University of Michigan). In the industries with extensive customer care call center operations, the largest companies are the worst performers in customer satisfaction. They lag on two critical dimensions: (1) today's level of satisfaction relative to others, and (2) their rates of improvement (non-existent).

- For land line phone service, you might expect Verizon should be a leader in customer satisfaction. Yet their customer satisfaction rating has declined 4% over this decade, and is 4 points less than the smaller players and only one point ahead of Comcast's last place position.

- Perhaps you might forgive Comcast's last place position in customer satisfaction with phone service – they're new to phone service – but you would expect Comcast to be a leader in satisfaction with cable, not down 15% this decade, and 22% behind the smallest cable companies.

- In healthcare, customer satisfaction with United Healthcare Group lags the small company leaders by 13%, and has shown no improvement for years.

- And likewise in banking (2007 results), Wells Fargo and CitiGroup score 4% lower than they did over a decade ago, and lag the small banks by 14%.

The common themes are that: (1) incremental improvements (e.g. Six Sigma, Lean, and the like) have not worked to improve customer satisfaction ratings for some of the biggest companies, and (2) the top performers and improvers in customer satisfaction are primarily the smaller players. (The exception is that AT&T leads in landline service.)

Economies of Scale are an Illusion

A major contributing factor to such poor performance is that isolated functions attempt to optimize their performance, to the detriment of both the customer experience and the company's performance. For instance, sales people sell and installers install, but typically they do not adequately consider the impact of neglecting to manage customer expectations … thereby creating calls to customer care.

To make matters worse, today's dissatisfied customers are not quiet, they tell everyone they know, and broadcast their disillusionment over the Internet. Remember the case of the Dell customer from a few years ago. A blogger, Jeff Jarvis, reported on his blog Buzzmachine that Dell would not fix his machine at home, despite the fact that he paid extra for that service. The blog received widespread coverage by other bloggers and eventually the mainstream media. An analysis by Market Sentinel about Jeff Jarvis's Buzzmachine concluded that, "Taken all in all Jeff Jarvis's Buzzmachine is the eleventh most influential voice on Dell's customer services in general," and said "Whether coincidentally or not, Dell's sales stalled. In October 2005 Dell issued a profits warning." Dell has since pulled some customer care back to the U.S. However, I suspect a lot more needs to be done to reconnect the people who sell the promise, with those who deliver service.

Take my recent experience with Verizon. I have had Verizon Avenue DSL service for years in my condo (Verizon Avenue provides service to high rise buildings). After receiving 2-3 promotional mailings/week for the cheaper regular Verizon DSL service, I called to switch. The new modem arrived, an email said the service was ready, but it would not work. I called for help. The regular DSL service people were unaware of Verizon Avenue. They directed me to call the local business office.

The local office stated that regular DSL would not work, and that Verizon Avenue is the only service for my building. They then offered a full refund, plus a free month of phone service for the inconvenience. To top it off I then called Verizon Avenue and demanded they match the price of regular DSL. I now pay $16.99 per month instead of $29.95 per month to Verizon Avenue.

What a waste of the customer's time. What a waste of Verizon's time, marketing dollars, and refund dollars. Plus Verizon Avenue is now out $12.96 per month and … I am writing about my experience.

A strengthened local business team, with full responsibility for all sales, provisioning, and service for my area, would never have let any of this happen. But this kind of nonsense happens all the time.

After analyzing numerous call centers, and thousands of individual phone calls, I can safely say that many calls are unnecessary (as many as half in some situations). Yet call centers are more focused on "abandonment rates," "time to answer," "average handling time," and "first-time call resolution and closure." In other words, there is a focus on measures that drive everyone to get better at work that should not have to be done at all.

In industry after industry calls should not occur:

- The majority of billing inquiries to a leading telecommunications company would not have occurred if the phone and related services were sold and installed right in the first place.

- The numerous calls to a bank regarding check clearing would not occur if expectations were managed up-front (e.g. 2-days for in-state and 4-days for an out-of-state check).

- Likewise, for the HMO, where working with providers to keep their info up-to-date (e.g. tax #s) and their claims submitted properly, would eliminate processing both problem claims and related calls.

The key question becomes: "What needs to occur so the customer would not have the need to call?"

The answer is that the product or service would have to be delivered right, and expectations managed right, the first time. Furthermore, when something does go wrong for the first time, the feedback must be immediate and consequential to the person or persons creating the problem. This ability to rapidly learn and change is pretty basic, and essential in order to preclude more errors of the same type – but it does not happen.

Executives, frantic about the escalating cost of customer care, still cling to the notion of economies of scale from centralized functions. Centralized hiring, training, managing, and access to telecom and systems may have made sense at one time. However, I suspect the economies of centralization have likely been an illusion all along. And, in any case, such economies are now rendered obsolete by today's technologies and increasingly tech-savvy workers, customers, and suppliers.

Reconnect the Disconnected

Now is the time to reconnect the disconnected functions. Now is the time for the industry behemoths to 'out small' the smaller players. Now is the time for decentralized, technology-enabled self-managing,, customer-centric, entrepreneurial business teams … a lot of jargon for a simple concept.

The concept is to establish small teams (8-15 people), with each team running a piece of the business, much like a franchise. For such teams, and the team members, there would be a tangible linkage between their day-to-day actions, and business results. Each team member would be 'a big cog in a small wheel' where their work is visible - eliminating obfuscation and opportunities for finger pointing and excuses, … and adding opportunities (and peer pressure) to contribute and perform. Now those who manage customer expectations up-front are part of a team, and feel the consequences of their work on their team.

So for a cable TV company this might mean having a town served by its own team. So if you as a customer lived in that town, your experience with the cable company would be nearly the entire responsibility of that team. The team would have a sales person (perhaps with a storefront retail presence), a dispatcher, install/repair techs, and a few call center agents – ideally all located together within the same building in the town (although a virtual team might be created with dedicated reps in a call center supporting their teammates in the field).

The corporation would support the team with such things as products, marketing, and systems (e.g. billing). Each team would also be enabled (with Web 2.0 technologies) to share knowledge, and share work when needed, with the other teams.

The same concept can work in a variety of industries. For a web development & hosting company, why not have small teams of sales people, designers, technologists, serve one customer segment (e.g. plumbers or electricians with the need for a web presence)?

For a Health Maintenance Organization, why not have a small cross-functional team support all the employers, doctors, hospitals, and members for a small geographic region? They would know very well the idiosyncrasies of contractual terms with their local providers and client companies, enabling a more effective service experience for all.

In any of these examples, the small team will get better and better at serving their customers and constituents – through tailored and continuously improving work processes.

Business Teams → Business Results

Years ago I worked to pilot this small-team concept for an HMO and quantified the upside to as much as 50% more lives served per employee in the claims department and the call center. The gains were due to performing upstream processes right the first time and managing expectations of the various constituencies – leading to a reduction in duplicate and extraneous claims (20% fewer claims), 35% fewer suspended claims, and 32% fewer problem related phone calls … all critical to improving the overall customer experience.

So rather that focus on trite measures like 'install time,' or 'average call handling time,' or even 'sales dollars,' the business team is more focused on broader business goals.

As a measure of efficiency they might measure "customers per employee" (total installed base of customers/total employees on the business team). In other words, the team gets credit for serving a pool of customers, whether they call or not. And the less customers call, the more customers they can handle. This measure encourages the team to work together to define root causes of the calls and then to fix 'upstream' process failures and/or better manage customer expectations about products, services, and billing. It would also encourage not selling to high-maintenance high-risk customers, unless it is priced accordingly.

This brings me to perhaps the ultimate measure of a team's effectiveness: "revenue per employee" (total revenues for customers of the team/total employees on the business team). This would encourage sales to long-term good paying customers (and discourage sales to high-maintenance low-revenue customers). It would encourage cross-selling and up-selling by everyone on the team, not just the sales person. Plus it keeps a focus on the power of renewals and referrals for everyone on the team.

Capturing good customers and building market share with small teams is not a foreign concept. It has worked over decades for various retailers, the fast food industry, and business franchises. For instance, Whole Foods Market uses small self-managed teams for each department in their stores and has double the industry sales per square foot.

'Out Innovate' the Smaller Players

Here is where the large companies can have a competitive edge over their small company competitors. The large company will have more small teams, and therefore the more opportunity for experiments and innovations. Today's technologies; such as: wikis/blogs, shared knowledge/collaboration tools, the social web, and software to handle internal markets; now makes it possible to effectively share knowledge on a large scale.

Plus today's increasingly tech-savvy workers, customers, and suppliers not only can make this work, but increasingly expect this kind environment and these kinds of tools. The companies that provide them win.

Attract the Best New Workers

Especially for the incoming generation of workers, Gen-Y, work is not an end in itself unless it is immediately meaningful. They want capability and performance to count for more than seniority, position, and titles (they are used to it, with on-line communities and games run by those that earn widespread respect). They are a generation where everyone wants a voice. When they don't get what they want they leave (I know of a call center where annual turnover has gone from 35% to over 100%.) On-the-other-hand, companies that 'get it' (think Google) will create a great work environment to attract and keep the best workers, and they will win in the marketplace. Small business teams provide such an environment.

Fast Teams → Fast Results

Implementing a cross-functional customer-centric team does not have to take months. Just look at what happens naturally in times of corporate crises. I was talking about this with the VP of claims at a leading health care insurer. He told me a story of what typically happens.

He remembers the last crisis when the claims department was accumulating a serious backlog of problem claims requiring a multi-discipline review. So what was done? A 'SWAT Team' of specialists (e.g. the Eligibility Group, the Provider Group, Legal Group, etc.), was pulled together and located together in a 'War Room' to resolve the crisis.

Essentially this cross-functional team started processing problem claims. The problem claims were dispatched with increasing speed as the team worked together and got to know some degree of each other's expertise. The pile was whittled down in matter of a few weeks and 'success' was declared. Then the SWAT team disbanded.

It is interesting to note that such cross-functional customer-centric teams are routinely put in during times of crisis, and then abandoned after the crisis has been abated. Why, if putting cross-functional teams together to rectify a crisis is common sense, is not common sense to organize that way?

Basically because there is a long history of functional departments, no one in power gives serious thought to any alternative. When pressed, they argue one team can work for a short time, but using multiple teams for the everyday processing of work cannot be supported.

With today's technologies that excuse is obsolete. Teams, as well as customers and suppliers, can be enabled and supported with real time connectivity, workflow processing, and communications systems.

'Out Small' Your Smallest Competitor

So now, with the power of new technologies and an emerging innovative entrepreneurially inclined workforce, multiple business teams are not just possible but desirable, and likely inevitable:

> "When communication gets cheap enough, you can afford to decentralize in a way that gives you both the benefits of bigness, like scale economies, and the benefits of smallness, like motivation and flexibility." - Tom Malone - The Future of Work, 2004

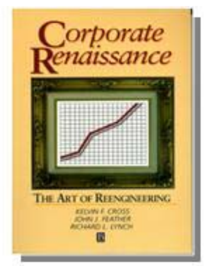
> " … sooner or later, the Web is going to turn our smokestack management model on its head. … enabling a management model where just about everything is decentralized."
> - Gary Hamel - The Future Of Management, 2007

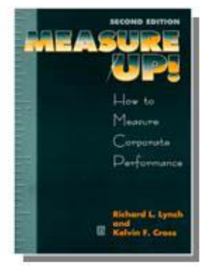
We are now at the tipping point where new ways of working are inevitable. Large companies, with small teams and a new assault on service failures, can now 'out small' their smallest competitors … and win big.

Kelvin F. Cross, President of Cross-Rhodes Associates LLC, helps companies rethink how work gets done. We help put people & technology on the road to results … leading to better experiences for the company, employees, and customers.

Specifically, we investigate & resolve work process problems, design new ways for work to get done, assess the staffing and cost impact of changing systems & work flows, and at the same time transfer our skills to your people.

Kelvin has authored numerous articles & books …





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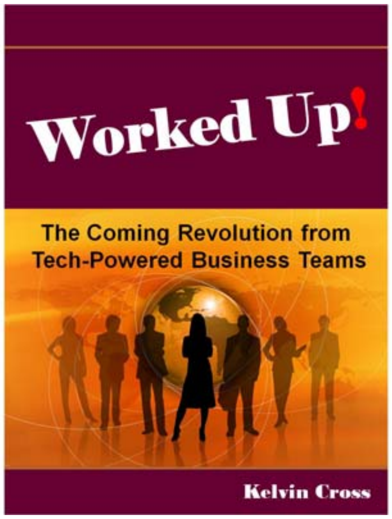

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