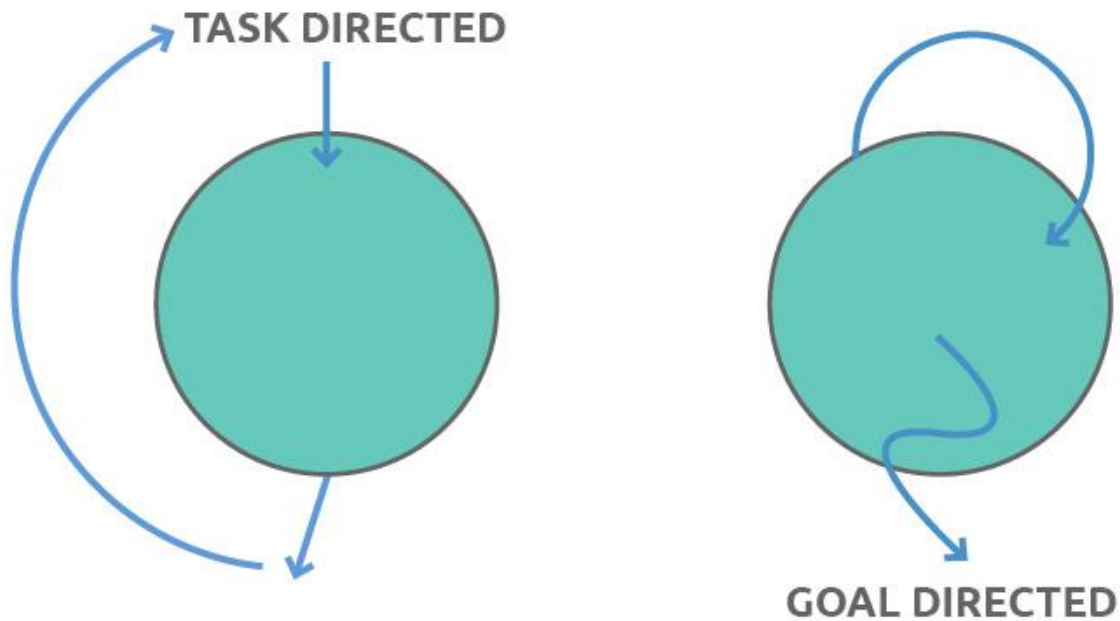


Transforming Customer Interactions

From task based to goal directed customer conversations



Service Resonance

Author John Rives and Susan Mackie

Introduction: Transforming Customer Interactions

Investment in the Customer Experience began to accelerate in the early 2000's. One of the road markers for this trend was the publication of the Net Promoter Score¹ by Reichheld in the Harvard Business Review (Reichheld, 2003).

In the current environment, the majority of Australian CEO's have Customer Experience as one of their top 3 strategic objectives. In most instances, members of the Executive Team now have NPS scores as a component of their bonus and incentive program²

With all this keen interest and investment, one should have seen dramatic and transformational changes to Customer Experience in Australia. Yet, the Customer Experience remains largely unchanged, and unfortunately for some has actually deteriorated.

We believe there are three key factors that account for the failure of most Customer Experience programs:

1. Investment in people's capability (the ability to perform a task) as opposed to people's capacity (the ability to understand and achieve a goal through resilience, will and way finding);
2. Performance measurement and reward systems that perpetuate a task orientation over a goal orientation;
3. Broad, unfocussed investment in the Service Ecosystem (product design, staff training, service mapping, customer touch points, performance management, organisational policies and information and billing systems) as opposed to targeted investment to remediate Service Dissonant³ processes.

These three factors combine to undermine the significant investment in Customer Experience. The purpose of this paper is to focus on the first two factors that are interconnected and concern the performance of customer service staff.

Our observation is that Australia continues to develop task-based workers as opposed to goal directed workers. In other words, organisations train people to be efficient at closing an account as opposed to saving the account from being closed. We have observed data that indicates that less than 10% of account closures at a major bank resulted in an attempt to save the customer. However, every worker met the performance targets for productivity and data quality.

¹ Net Promoter Score is a registered trade mark of Reichheld, Bain and Co and Satmatrix.

² (Source – 2013 Annual Reports NAB, Westpac, ANZ, CommBank, Telstra, Optus).

³ (Service Resonance Company Pty Ltd, 2013)

The reality is that transactions and task-based interactions are increasingly being completed by customers online and on mobile devices. This trend will only accelerate over the coming decade. Customers increasingly call an organisation when they have a complex problem that can't be solved online. What use are task-based workers in this new world of complex problem solving? What will happen when all the simple transactions migrate to the web and the people in call centres and branches are still task directed?

The questions must be asked: "Why are we are teaching people to close accounts faster (task directed) and forgetting that saving the account (goal directed) is the true benchmark of success?" In order to unlock the potential of each customer interaction (Interaction Optimisation) organisations must transform workers from being task directed to being goal directed and orientated.

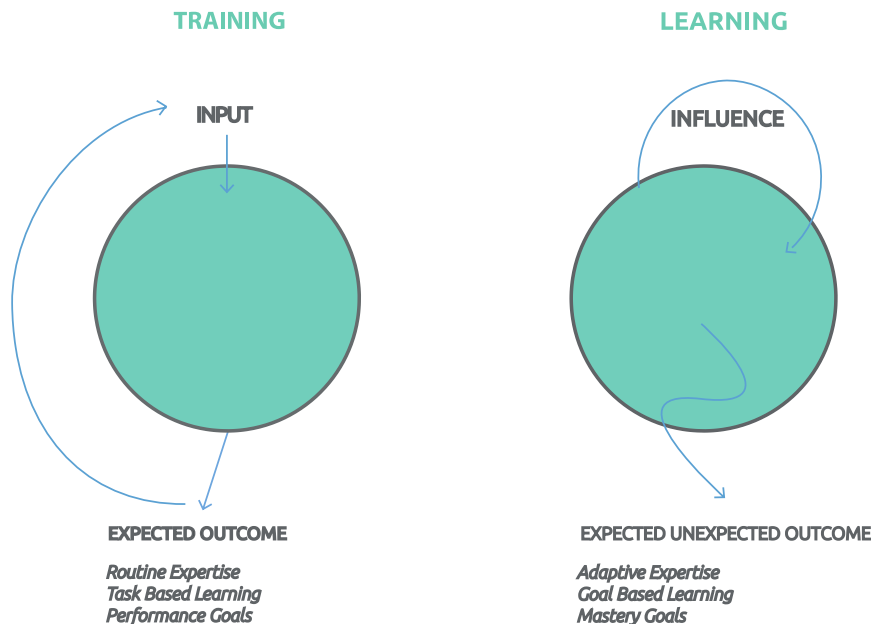
This requires investment in human capacity to create adaptive and resilient employees capable of taking on challenges and seeking out different strategies to achieve goals. We must build a work force that is change ready and a culture where learning is valued and set backs are viewed as opportunities to grow.

Human Capacity at the Core of Customer Experience

Evidence indicates that not one of the top banks, telecommunications providers or utilities in Australia is investing sufficiently in human capacity. The focus remains on building capability (the ability to perform a task) over capacity (the ability to set a goal and develop strategies to achieve that goal). This claim is highlighted by the fact that 90% of the training investment is on induction and on-boarding programs. Even with this investment, many new workers exit induction training with serious skill shortages and virtually no investment in the Customer Experience.

Transforming customer interactions requires building adaptive employees that can respond appropriately to each customer interaction. The notion that Customer Experiences can be scripted and manufactured is flawed.

The following diagram explores the difference between teaching capacity as opposed to capability. Current approaches treat training as one dimensional with a known and measurable outcome as depicted in the “training” diagram. Whereas, developing the capacity to learn is less structured and adaptive as depicted in the “learning” diagram.



*Lin, Schwartz and Bransford 2007

Why do the majority of organisations continue to “train” employees? There are two key factors that drive this behaviour:

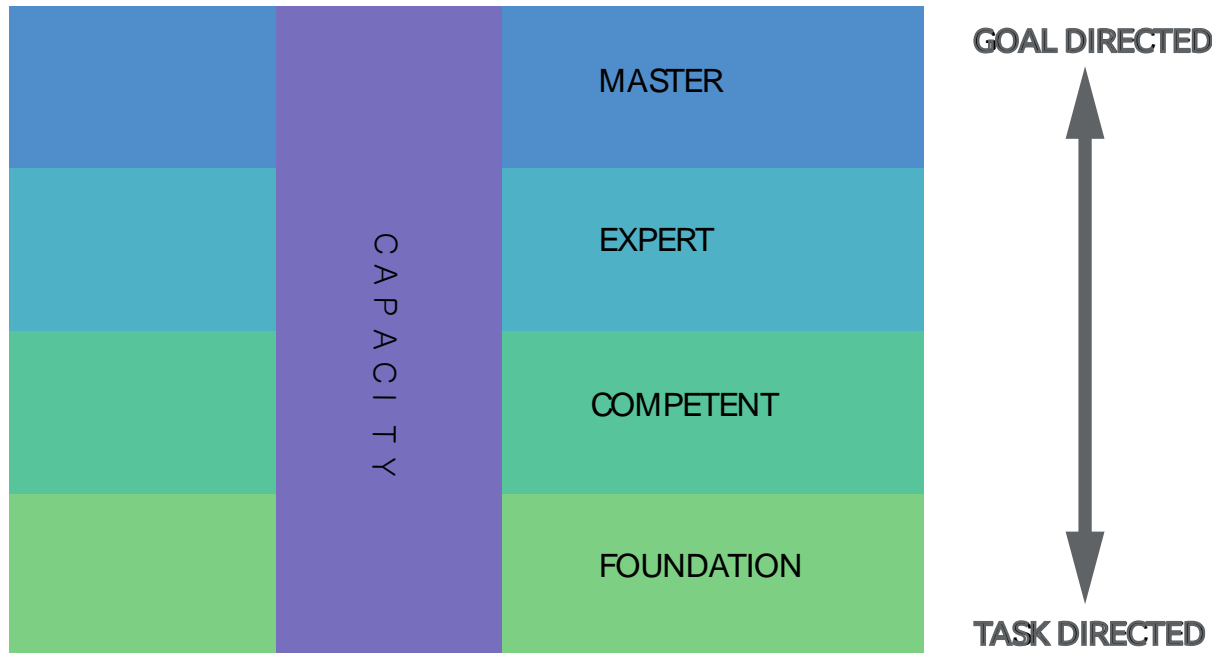
1. Training is easy. It is highly structured, finite and measurable with predictable outcomes. It is straight forward to test for comprehension, produce a score (pass or fail) and move on to the next training task.
2. Training is necessary. Obviously, a new employee needs to know how to close an account and many hundreds of other tasks to perform his role. However, if this is the primary goal (and in many cases the only goal) then the objective becomes how to teach this task at the lowest possible cost.

In contrast, building capacity is difficult and must be achieved over time. We know that pacing and spacing is required to avoid cognitive overload in employees. Layering additional content into an already over loaded curriculum will diminish the return on that investment. (Dempster, 1988)

To achieve the greatest benefit capacity must be built over time. A Meta-Analysis conducted by Prof John Hattie (Hattie, 2008) showed that the concept of scaffolding learning has been demonstrated to achieve superior learning outcomes and embeds the learning more deeply. Hattie’s learning scaffold represents the latest thinking in regard to how to people learn and build both capability and capacity.

The following diagram demonstrates the concept of the learning scaffold.

CAPACITY AT THE CORE OF LEARNING



COPYRIGHT SERVICE RESONANCE COMPANY 2013

At the bottom of the learning scaffold learners are taught basic functions and tasks. At the Foundation level the parallel with current induction programs is obvious. As the learner ascends the scaffold learning becomes more goal directed and adaptive leading to Mastery.

The diagram demonstrates that Capacity is built over time. However, teaching capacity and a goal orientation must start during the early phases of learning as demonstrated by the purple cylinder extending throughout the scaffold. This has significant implications for Australian organisations' approach to induction training and beyond. Realising improved Customer Experiences demands a change in how we learn and requires ongoing investment in building capacity and mastery. Much of this work is based on research into performance goals (demonstrating a skill) versus achievement goals (demonstrating mastery) (Kliengeld, 2011) (Yeo, 2008)

The Capacity Tools, what we refer to as those skills a learner must acquire to become adaptive and resilient, incorporate the work of Prof. Carol Dweck (Stanford University) on Growth Mindset. In a Growth Mindset, people understand that challenges framed as learning can help you become smarter. Struggling and working on a challenge is good for the brain and our neurological growth. Mindsets play a critical role in people's view about personality, capacity and capability in terms of whether they are static traits, and hence cannot change, or have malleability and can in fact change (Dweck, 1998).

People with a growth mindset actively seek out challenges to learn, ask for feedback, maintain effort over a sustained period and persist in the face of difficulty. In a fixed mindset, people

avoid feedback, work to look smart and avoid any situation that undermines the way they are perceived by others. Current training programs fail to address the mindset of employees creating a sense of helplessness when challenges are encountered.

The Capacity Tools also seek to develop and foster the “State” of customer service employees that is a critical element in delivering lasting and sustainable Customer Experiences.

The one constant in the digital era is change. As product development life cycles accelerate and products become more and more tailored, overcoming change fatigue and a helplessness response is essential to avoiding burnout and disengagement. The work of Fred Luthans on Psychological Capacity has demonstrated that each customer interaction is influenced by the emotional state of the employee (Fred Luthans, 2008). Developing hope and optimism in employees assists organisations to create a change ready culture where employees have the psychological resources to cope with change and still engage each customer interaction with enthusiasm. The alternative, an organisation filled with pessimism, cynicism and low engagement, will inevitably lead to poor Customer Experiences.

We often hear that customer service employees are disengaged and stressed due to the amount of knowledge they require to perform their roles. This sense of being overwhelmed is attributed to high employee turnover and poor Customer Experiences. We hold a different belief. Our experience is that employees become disengaged due to the lack of challenge and routine nature of the tasks they perform. This is compounded by a service ecosystem that prevents them from solving customer problems contributing to their negative state. Ultimately, it is the lack of challenge and sense of helplessness that leads to disengagement. How many employees in your organisation left because they were too challenged as opposed to being emotionally fatigued?

The purpose of the Capacity Tools is to create a culture of adaptiveness, resilience, growth mindset, self-regulation and the concept that individuals are malleable and not fixed entities. They also seek to create change ready people that approach each customer interaction with hope and optimism. To achieve Interaction Optimisation we must re-imagine learning to prepare employees to deliver better Customer Experiences. We must evolve from teaching transactional tasks, creating task directed workers, and instead build learnable intelligence that extends beyond induction where works have a goal directed orientation and experience challenges daily

Customer Experience and Performance Measurement

It is not sufficient to build adaptive and goal directed employees without addressing the fundamental flaws in the performance management systems employed today.

In order to explore this topic we have focussed on one of the most task based elements of an organisation: contact centres. Our experience is that building engagement in contact centres is often one of the most challenging management tasks. Whilst we focus here on contact centres, the concept of Interaction Optimisation applies to all customer interactions through any channel.

The narrow focus on task directed activities in contact centres in our experience leads to task based measurement systems. Every interaction is counted, timed and dissected based on the notion that cost reduction is the underlying goal of the service ecosystem. In this paradigm organisations monitor Average Handling Time (how long an employee takes to complete a call referred to as AHT), Calls Per Hour (how many calls an employee complete per hour) and other task-based objectives. While these measures serve a useful purpose in tracking the overall cost to serve via a particular channel, they are given far too much emphasis.

In addition to call statistics, most contact centres use a quality monitoring and coaching regime to try and develop the capacity of customer service employees. This is typically undertaken through call monitoring or observations by a supervisor or coach. The investment in this quality monitoring effort is aimed at optimising the effort required to complete the required number of reviews for each employee each month.

For example, a standard Quality Monitoring System (QMS) in a contact centre records calls and does some statistical analysis to select a good sample of calls for review. The quality coach or supervisor listens to these calls and completes a quantitative assessment of each call based on pre-defined scorecards (usually stored in the QMS software).

Once complete the employee and the supervisor review the scorecard and development areas are discussed. Through this process it may be discovered that an employee needs to develop better selling skills or skills for handling difficult customers. What does the supervisor do now?

Often the options are limited to following development choices:

1. The supervisor can “double jack” (or monitor live calls) and coach the employee after each call to develop the skill. This presents two problems: *a*) most calls aren’t relevant to the skill being developed and *b*) the time invested per employee is so small that no meaningful learning occurs (Adsit, 2010).
2. The supervisor can have the employee “double jack” with another employee deemed excellent at the skill in questions (an “expert”). This has the same problems, plus the deemed expert isn’t qualified in staff development.
3. The supervisor may send the employee on a 1 or 2 day training course aimed at developing the required skill. As we know this does not embed the learning and may have a short term impact, but does not lead to any underlying change.

So, what really gets measured and why? The reality is that the easiest components to measure are the call statistics spewed out every minute, every hour and every day by the contact centre software. So, executives look at the numbers and set targets to reduce AHT or offshore the function to a lower cost region, and this is what the employee logically believes is their core objective. Customer Experience takes a back seat to what we perceive as productivity.

Is it any wonder then that a bank employee can close an account without pausing for breath? The precious AHT target is met and he can move on to the next transaction.

Our experience tells us that these performance measurement systems are fundamentally flawed. Organisations are so caught up in making these systems more efficient that they haven't asked the question "What is the true impact on the Customer Experience?"

I recall a business I once advised that serves as an excellent example of how measuring the wrong performance goal can drive a task directed culture at the expense of the business goal.

The business collected medical reports for insurers from doctors. The process involved sending a doctor a request to complete a medical history for one of her patients. The business completed thousands of these reports each month and its customers, those businesses needing the medical information to assess an insurance claim, valued how quickly a report was completed and the quality of the information in the report.

The business measured staff on how many phone calls they made each day. It was a simple measure. 60 calls per day was bad and 100 calls per day was good. The logic was that more phone calls meant more reports being returned.

What determined the success of the business was meeting the customers' expectation in regard to report speed and quality and the margin it made on each report. The gross margin on each report was a straight forward calculation: the number of reports that were completed per person per day. Yet, this key ratio was not measured by the business. Instead, they measured the number of phone calls.

By changing the performance measure to the number of reports completed per day and eliminating the calls per day measure an interesting thing happened. The business made less phone calls and the number of reports completed per person per day increased dramatically from 5.4 to 7.2 resulting in a 75% improvement in gross margin.

Individuals developed their own strategies for getting a doctor to complete a report. Some would email the doctor a personal note. Others would send a hand written fax. While others would make less calls, but take the time to build a relationship with the clinic manager, who in turn influenced the doctor to complete the report.

A logical outcome was that reports were completed faster by doctors as well. The average time to complete a report was reduced by 25% within three months. Yes, the performance management and measurement system had to be re-built from the ground up, but otherwise no change to technology was required.

I like that story as it serves as a real example of the impact that changing from a task directed approach to a goal directed approach can have on a business' performance. What we measure matters.

As demonstrated by the example, task based performance measures are a deep flaw in the service ecosystem that has a negative impact on the Customer Experience. Most organisations agree that a fundamental shift is required toward creating goal directed employees. Yet, the current management practices only reinforce task directed behaviours.

The unspoken truth is that organisations don't trust staff to do the right thing. In my example, the belief was that if the business stopped measuring the number of calls then people would be lazy and performance would decline.

Unfortunately, that business is not unique. The attitude prevails that if we give staff the latitude to focus on solving the customer problem then costs will blow out. And so, organisations create task directed employees that are trained to follow the script at the customer's expense. Sure, organisations have sales campaigns and funny hat days to distract them from the truth. They measure NPS and try to eke out a few more promoters to keep the shareholders happy, but true service innovation eludes them as the greater focus is on cost.

Let's reflect back on the issue of high staff attrition and low engagement and its underlying cause. Clearly, these measurement systems only contribute to the poor emotional state encountered in so many customer service employees. To create change and transform customer interactions the measurement systems will need to support goal directed behaviours.

Reimagining Human Capacity and Customer Experience

The purpose of this paper is to stimulate a critical review of the status quo of Australia's approach to delivering better Customer Experiences. In particular, Service Resonance Co. is concerned about the deepening gap between investment in technology and human capacity.

Australian executives must reimagine the way people learn and the performance systems that continue to foster task directed behaviours. It does not take courage to believe that Interaction Optimisation holds the key to revenue and profit growth. Or to believe that better Customer Experiences will drive long-term success. What does take courage is to believe that focussing on human capacity, as opposed to cost, is the strategy that will achieve this goal.

Developing customer service employees who are adaptive and resilient and have the hope and optimism to manage change and remain engaged is essential as businesses seek to evolve from task directed to goal directed organisations.

Some words of comfort for those brave innovators: good service is always more efficient than bad service. In the long term building capacity will deliver a lower cost base and revenue growth. One need not choose one or the other.

A Note of Caution

This paper intentionally avoids discussing the third reason for a failure to deliver better Customer Experiences:

Broad, unfocussed investment in the Service Ecosystem (product design, staff training, performance management, organisational policies and information and billing systems) as opposed to targeted investment to remediate Service Dissonant⁴ processes.

⁴ (Service Resonance Company Pty Ltd, 2013)

Building human capacity and a goal directed workforce is essential to long-term growth. However, the most capable person can't achieve a goal that is restricted by poor policies, systems and products. Investment in the service ecosystem to enable people to solve problems and deliver outstanding experiences is an essential element of building a Service Resonant business (Service Resonance Company Pty Ltd, 2013); a business where both employees and customers can realise their goal of a great experience.

Bibliography

Adsit, D. (2010). The Futility of Call Centre Coaching.

Dempster, N. F. (1988). The Spacing Effect: A Case Study in the Failure to Apply Results of Psychological Research. *American Psychologist* , 627 - 634.

Dollard, L. (2003). Emotional dissonance, emotional exhaustion and job satisfaction in call centre workers. *European Journal of Work and Organisational Psychology* , 366-392.

Dweck, C. (1998). *Self-Theories: Their Role in Motivation, Personality and Development*. New York: Psychology Press.

Fred Luthans, J. A. (2008). Can positive employees help positive organisational change? *The Journal of Applied Behavioural Science* , 48 - 70.

Hattie, J. (2008). *Visible Learning*.

Irem Metin, S. M. (2011 - Vol 1 No 6). The Advances in the History of Cognitive Dissonance Theory. *International Journal of Humanities and Social Science* .

Kliengeld, M. a. (2011). The Effect of Goals Setting on Group Performance: A Meta-Analysis. *Journal of Applied Psychology* , 1289-1304.

Reichheld. (2003). The One Number You Need to Grow. *Harvard Business Review* .

Service Resonance Company Pty Ltd. (2013). *Theory of Service Dissonance*. Melbourne, Australia: Service Resonance Company Pty Ltd.

Siderstorm, B. a. (n.d.). Remember the material better later. *Unpublished continuing research* .

Yeo, S. K. (2008). Goal orientation profiles and task performance growth trajectories. *Motiv Emot* , 296-309.

About the Author

John Rives is a thought leader in service design, service measurement and customer experience. He has over 20 years of accumulated knowledge within service businesses including several years as a CEO.

John co-founded the Service Resonance Company in 2013 to partner with organisations seeking to transform their Customer Experience programs. Service Resonance offers consulting services to assist businesses transform their Service Ecosystems.

John created the Customer Experience Capability and Capacity Framework (CXF) in 2013 as a digital learning system for high customer contact roles. This work draws on trans-disciplinary areas of service design, learning sciences, neurosciences and cognitive learning. A part of this development has been in co-junction with Prof Carol Dweck, Stanford University.

John came to Australia in 1992 to establish Optus Communications as one of the leading customer centric brands in Australia. His work at Optus saw him gain a reputation as an expert in the field of service design that he continues to enjoy today.

In 1995, John joined Optus Vision as Director of Customer Service and Information Technology where he once again assumed responsibility for translating the vision of service excellence into a commercial reality.

Later, as CEO of United Customer Management Solutions, he continued to pursue the integration of technology and human capital setting the standard for best-in-class service delivery.

Prior to Co-Founding Service Resonance Company, John spent ten years working with entrepreneurs of privately held businesses to realise their growth potential. On average, his clients have experienced annual growth in excess of 20% and delivered many great Customer Experiences on the journey.

Email the author: john@serviceresonance.com

About Service Resonance Company

Founded as a Customer Experience advisory firm, Service Resonance Company provides services and consulting in Service Ecosystem Design, Service Measurement and Digital Learning Solutions.

Service Resonance Company has developed the Theory of Service Dissonance; a Customer Experience measurement system that enables businesses to identify Service Dissonant processes and target investment in the Service Ecosystem.

Our Digital Learning Solutions are based on the Customer Experience Capability and Capacity Framework (CXF). The CXF has been designed to assist businesses to transform task directed workers into goal directed customer advocates. This work draws on trans-disciplinary areas of service design, learning sciences, neurosciences and cognitive learning. A part of this development has been in co-junction with Prof Carol Dweck, Stanford University.

Service Resonance partners with Be Learning to design, build and deploy tailored Digital Learning Solutions based on the CXF.

For questions about this article or Service Resonance Company please contact:

email: info@serviceresonance.com