



RAISING STANDARDS • OPTIMISING ORGANISATIONS

Briefing Paper

Creating Competitive and Compassionate Contact Centres

Systems thinking – a new paradigm



“We invented management; it’s now up to us to re-invent it”
Dr W. Edwards Deming



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About the author

Mark Woods is an apprentice served, degree qualified, engineer with masters degrees in engineering and management. Mark is a consultant and trainer who specialises in raising standards and optimising organisations using a range of tools, techniques and standards, the core of which is systems thinking.

Mark has presented on a variety of subjects throughout the UK and internationally and is a regular contributor to a range of publications, usually contributing under the banner of “Management Matters”.

He is founder and managing director of Status Management Services Limited.

From the author

Thank you for downloading this free briefing. This series of briefing papers represents the culmination of consultancy findings and research effort. Our hope is to educate and inform so that you can become both familiar and comfortable with ideas that may be new to you or simply to re-acquaint you with forgotten ideas. After reading, you will have, hopefully, set up strong foundations from which you will be in a position to move forward with your aims and ambitions.

Finally, I would greatly appreciate any feedback to mwoods@status.co.uk

Introduction

Since the invention of management over a century ago, management has become detached from both the day to day operation of the organisation and from delivering value to the customers who pay for it. Nowhere is this more prevalent than in the recent invention of contact centres and call centres.

Conventional wisdom is that managers set targets and then create systems to monitor, measure and control the execution of these targets. These systems include budgets, performance management, incentives and appraisals, which are used to exercise control and ensure that targets are met. Simple, obvious and wrong!

We need a change in management thinking.

Systems thinking

Systems thinking, that is, looking at an organisation as a network of interconnected parts that delivers value to the customer, is a way of examining organisations and, in doing so, a couple of different themes emerge:

- 1 The primary task of management is to study the system; to make the work “work” better.
- 1 Management is about prediction.

For contact centres, a systems approach to management is about designing work against customer demand – things that clients and callers want, as opposed to designing the work against traditional functional hierarchies which are usually constructed for the convenience of the organisation. To design against demand removes unseen waste that has been inadvertently designed into the system. As waste is removed, capacity increases and costs are reduced providing scope for growth.

In order to undertake this task, we need to consider a number of inextricably linked issues:

- 1 Primarily, the “purpose” or “intent” of the organisation, that is, what are we here to do in terms of the benefits and capabilities that are delivered to clients?
- 1 How the system of interrelated parts delivers on the purpose
- 1 Performance measurement: how we know how we are doing
- 1 Processes: how we do what we do

Critically, understanding the organisation as a system will require us to differentiate what has been termed the “Value” work (the calls we want and that add value) from the, necessarily brutal, term of “Failure” work (the calls we don’t want that add cost). Failure work is “demand caused by a failure to do something or do something right for the customer”. Failure demand is created when the work does not “work” properly. In contact centres, this includes the extra demand created when calls are not returned, things are not sent, errors in routing, errors in call coding... the list is long.

Failure demand is a major cause of sub-optimisation of a system and possibly the single greatest lever for improved performance, improved profits and added value to the client. Consultancy research shows that, in many centres, it can be in excess of 40% of the centres’ activity.

Understanding value demand and failure demand is especially powerful where contact centres are outsourced. The contact centre can deliver not just useful information back to the client company, cementing the relationship, but also knowledge and understanding that allows the client to identify issues and improve their processes, creating a win-win situation.

Failure demand is ... possibly the single greatest lever for improved performance, improved profits and added value to the client.

Purpose

The intent or purpose of an organisation must be defined from a customer's point of view. Rather than simply describing your products and services, describe the benefits or capability your customers acquire as a result of interacting with you. In a housing repair department, it might be to "repair properly and quickly"; in an engineering service organisation, it might be "preventing failure"; and, in a call centre, it might be "solving customers' problems".

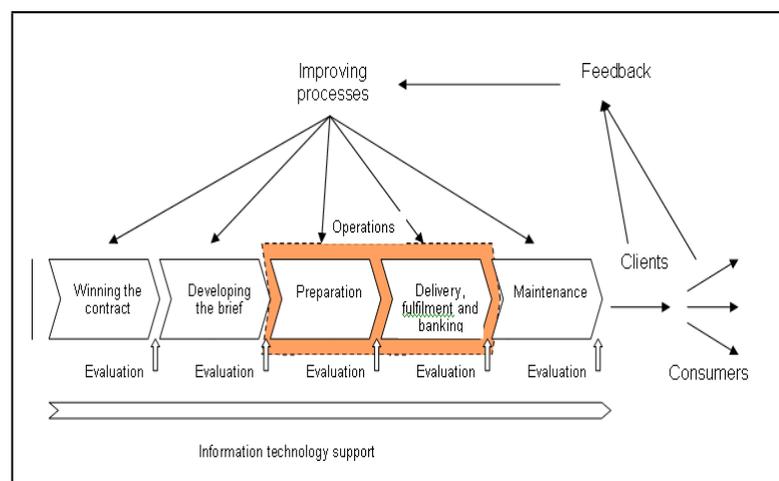
Essentially, the purpose of an organisation must be written from the perspective of the things that the customer really cares about.

The system

In many contact centre operations, the systems are currently inadvertently designed for demoralisation.

The first stage in executing the subtle yet significant change in thinking, and of engaging staff and motivating them, is to design a top level "systems diagram". The systems diagram maps the critical processes that the organisation needs to undertake in order to satisfy its customers. It is these critical processes that should be linked to the performance measurement system and any associated operational or ISO type procedures.

In contrast to an organigram or "family tree", the systems diagram shows the flow of relationships **through** the organisation and highlights the need for internal departments to treat one another as suppliers and customers. This creates a win-win situation for the departments and, crucially, the system as a whole. The systems diagram below shows the key processes of an outsourced contact centre that processes applications from holiday parks. This systems approach eliminates departmental silo thinking replacing it with interdepartmental teamwork. Efforts to optimise the organisation are then focused on the system, which in turn focuses on the clients, customers and consumers, in accordance with the organisation's purpose or intent.



Performance measurement

Contact centres are usually data rich; metrics are meticulously maintained and scrutinised against the **activities** undertaken; time to answer, length of call, call volumes, number of calls made per day per agent, backlogs and abandon rates. Again, the list is long. Again, sadly, these metrics are simple, obvious and wrong.

To engage people in improvement, world-class organisations use measures that relate to purpose, not budget.

John Seddon. "On target to achieve nothing"

- 1) These measures focus on capacity planning and assume, in error, that all of the work undertaken is of the same value. It is not. Traditional measures do not account for the difference between value work and failure work.
- 2) No account is taken of the variation that exists in the system.

Understanding the organisation as a system of interconnected parts that delivers value, and developing an associated performance measurement system, allows us to:

- 1 Measure and remove failure work. This provides the greatest lever for increasing capacity and productivity.
- 1 Focus on issues supporting the purpose of the system, for instance understanding, and then reducing, the end to end transaction time.
- 1 See all measures in a "time series" in order to understand the levels of variation within the system and to begin to predict future performance levels.

But what is a "time series"? A time series is essentially a diary of events shown on a graph which uses numbers instead of words. We call these graphs process prediction charts™.

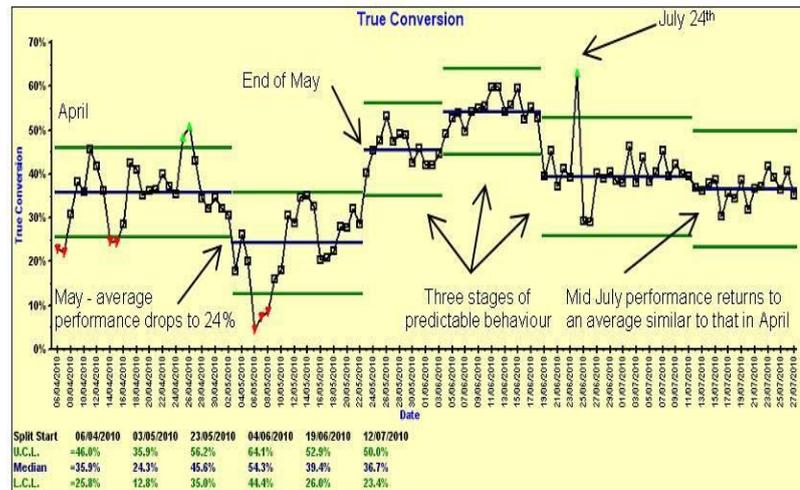
In order to develop this point, we have taken a real call centre indicator called "True Conversion" which is about the true conversion rate of outbound telesales calls for a group of telesales operatives.

The process prediction chart™ of True Conversion below reveals many interesting features – the causes of which certainly warrant investigation! The chart starts in April with an average (blue line) true conversion rate of just under 37%. The green lines indicate the limits (calculated from the data¹) that we would expect if the process were stable. As we can see, at this time, some days (the points in red), are well below the lower limit and some days (points in green) are well above the higher limit. As such, this process is unstable.

At the beginning of May, average performance deteriorates to a true conversion rate of about 25% and the system remains unstable. Then at the end of May, there are three stages of relatively predictable behaviour, each at a different average performance level with roughly the same degree of variation. June 24 would have caused a stir – here we have a performance value that is way outside the predictable limits for that period – why?

¹ If you are interested in the calculation please feel free to contact me

Finally, in mid-July the performance returns to the same degree of predictability as at the beginning of April – why? Looking at True Conversion on the process prediction chart™ raises so many questions about the behaviour over those 4 months – questions that should be investigated if sustainable improvement is to be achieved!



In the majority of organisations, this data would usually be looked at in tables or, at best, some form of graph, rarely with the added insight that statistical emphasis of the process prediction chart™ can deliver

Processes

The systems diagram shows the top level view of how the organisation delivers on its purpose. The systems diagram is then directly linked to the performance measurement system. In order to complete the circle, all that remains is to bind the systems diagram to the lower level detail of the core delivery processes so that the purpose can be met.

The processes need to reflect the systems diagram and describe the end to end activities from the point of initial contact with a customer to the point where the customer has been delivered their desired solution in the shortest possible time with as few interactions and handovers as possible, and is satisfied or even delighted. This is end to end management; the management of “flow” through the organisation as opposed to functional or hierarchical management.

As a thought experiment, it might be useful to compare the end to end transaction time with the actual time that it takes to do just the value work previously described. The difference is waste. In understanding the centre as a system and understanding the processes within the system and developing a complementary measurement system, this waste can be progressively eliminated.

However, once developed, documented and in place, processes, as described by documented procedures, corrode. They should only ever be regarded as “current best practice” and they should regularly be challenged and reviewed by the people on the front line to ensure they remain “best practice”.

People

As a direct result of the activity based target setting culture, agents have to meet targets even when the system conspires against them.

Calls are taken, the agent wants to move on (to help the customer) but the system requires a code to be entered; the agent invariably enters a code he or she can remember, at which point there is now 'dirt' in the system.

Calls are taken but the agent knows s/he is slipping behind. A surreptitious note is made of those calls on voice mail and this is used later to call back on the chance that they will still be on voice mail and the call totals can quickly be increased.

Creativity and ingenuity are being applied at astonishing levels to beat the system.

If the system was designed so that the agent's role was to provide a service AND at the same time to improve the service, two things would be likely to happen:

1. The creativity and ingenuity so elegantly applied to beat the system would, instead, be focused on improving the system
2. The information recorded by the operator would be more likely to be both accurate and useful

The greatest generation of motivation comes from within and is the drive for success and recognition. The more elegantly we can harness our people's talents to the aims and objectives of our organisations, the happier we will all be. In order to optimise our organisations, we need to harness the innate intelligence and creativity of our people. Systems thinking allows us to create, for our people, both joy in work and joy in learning.

Systems thinking allows us to create, for our people, both joy in work and joy in learning

In short, as noted by Myron Tribus, "The people work IN a system. The manager should work ON the system, to improve it, with their help."

Therefore, a manager's role is as much creative as administrative. Managers need to stimulate those in an organisation to contribute ideas. The job of managers needs to change so that their focus is helping their staff solve problems that are beyond the control of their staff.

Information technology is **NOT** the answer

Most managers have a love hate relationship with IT: most managers have been exposed, in some form or another, to the overpromising, under delivering and runaway costs of IT, yet most managers know there is a real part for IT to play in delivering improved performance.

IT systems are increasingly feature rich and the features are often alluring; performance measures, dashboards, cross selling sales tools, call line identification (CLI), computer-telephony integration (CTI), interactive voice response (IVR), tools to route, batch, queue, sort, scan, record and control work, a myriad of associated tools to track and monitor the work of workers. But these are not benefits.

None of these features will provide a benefit unless it is understood why the customers are calling. In fact, some tool driven approaches can even breed resentment: in the extreme, why would you want to be sold something else when you are calling to complain about the products or services you already have. How offensive is the ubiquitous “can I help you with anything else?” when you have not been helped to start with? The number one issue is to understand the nature of demand from the customer’s point of view.

IT systems rarely record how long it took to meet the customer’s requirements in full and to their satisfaction.

IT investment is frequently driven by a raft of alluring features that produce little, if any, impact on how the work works.

Taking action

To paraphrase an observation from Deming: often, those in management know everything about their organisation except how to improve it. There are, however, systematic and structured methods with which to improve an organisation and systems thinking is one of them.

Fundamentally, systems thinking provides a solution to the current “sweatshop” accusation levelled at many contact centres.

A key step in the process in adopting a systems management approach is likely to be the creation of a cross-functional team from all the relevant levels of the hierarchy to:

- 1 Determine the purpose of the system i.e. what are the benefits and capabilities that you are looking to deliver; understood from the customer’s point of view?
- 1 Understand demand from the customer’s point of view
- 1 Establish if the failure demand is predictable: if it is predictable, it is preventable
- 1 Understand the frequency of the different causes of failure
- 1 Align performance measures to the purpose of the organisation
- 1 Present all data in a “time series” to show the full range of variation experienced
- 1 Focus the team on reducing variation
- 1 Change roles and responsibilities to managing the flow of work through the system
- 1 Manage the flow of work through the system

Benefits

Together, we can show you and your people how to understand and improve the system within which you work.

If the system is designed to meet the work that the customer values, cost will fall as service improves - counterintuitive and proven.

Implemented properly, managing a contact centre as a system can deliver staggering results.

- ┆ Customer satisfaction significantly improves.
- ┆ Staff motivation and productivity improve as people are allowed to:
 - help customers solve problems;
 - improve the way in which their work works.
- ┆ Repetition and duplication are reduced, and wasted time and effort eliminated from the system.
- ┆ Staff churn and associated recruitment costs are reduced as people are more motivated.
- ┆ Absenteeism falls.

Essentially, the focus shifts from “making the numbers” to “meeting the purpose, learning and improving”.

How much has this paper whetted your appetite for creating a compassionate and competitive contact centre? Engage with us and become part of the story! For a consultative meeting or additional information, please contact Mark Woods on 07976 426 286 or email him at mwoods@stadius.co.uk.

Appendix

Finally, the table below provides a quick summary showing the differences between traditional management and systems thinking.

Problems	Solutions
People work slavishly to procedures and specifications.	Focus people on the purpose of the organisation.
There is no distinction between value demand and failure demand.	Design the system to meet the work that the customer values. Understand the type and frequency of failure demand and eliminate it.
Performance measures and metrics focus on activity, function, capacity and time.	Focus metrics on solving customers' problems and reducing the time from the initial point of demand to the point at which the customer is satisfied.
Functional measures force sub optimisation of the system because each function seeks to achieve its targets at the expense of the overall system	
Targets are set for the number of calls to be made or taken, with no account of variation.	Understand the causes of variation and act to reduce them.
Management is focused on ensuring the people do as they are told.	Management is focused on improving the performance of the system.
Specialist functions are created placing the best people where customers find them hardest to find. This increases complexity and time to resolution, it results in duplication, it increases handling errors and creates stress on customers as they have to repeat problems.	Place experts in a place where customers can find them easily and they can help to solve customer problems.
Agents focus on making/taking the required number of calls.	Agents focus on solving the customer's problem, first time.

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Additional Resources:

Are you in chaos, clarity or confusion?
Review your organisation's performance;
take 10 minutes with the Status Coffee
Break Challenge at:



www.status.co.uk/coffeebreakchallenge

The Coffee Break Challenge is a questionnaire which been designed to provoke thinking about your organisation's current performance. Be honest with yourself. It is deliberate that there are no scores: the challenge is designed to make you think. There is no one looking or checking!

Additional Briefings:

It's broken – Housing repairs and other field service operations

An examination of systems thinking as applied to housing repairs and other field service operations. In the housing arena, a plethora of Government targets is actually hampering the effort to improve. This paper seeks to return to basics, that is, to define the "purpose" of the system and, from there, create management systems that deliver value to the tenant or client.

David and Goliath: Optimisation 3D™ and Six Sigma

Six Sigma has mixed reviews in the press. This paper seeks to examine the fundamental focus of Six Sigma and contrast it with the Status process, Optimisation 3D™, whose focus is to delight the customer.

Targets, goals and other management myths

Conventional wisdom is that managers set targets and then create systems to monitor, measure and control the execution of these targets. These systems include budgets, performance management, incentives and appraisals, which are used to exercise control and ensure that targets are met. Simple, obvious and wrong! This paper sets out a "systems thinking" alternative.

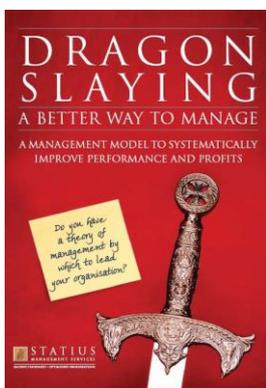
Are you the lucky one?

This paper undertakes an examination of performance appraisal systems and of merit rating in particular. It uses "The Red Beads" thought experiment to highlight the issue of the "natural variation" that exists within any process and the folly of assigning good, or bad, results to individuals instead of to the system.

Easy Meat? Cutting the Fat in Construction

The purpose of Lean Construction is to increase capacity by designing the construction process to optimally respond to customer demand. So, if an organisation can cut even just small chunks from the 55-65% of work that the Lean Construction Institute estimate is used to produce waste, staggering results can be obtained. This paper explores that debate.

Dragon Slaying



Dragon Slaying is Mark's long-awaited book which picks apart a number of management myths. The benefits in adopting the ideas in the book are:

- 1 A more informed understanding of how an organisation delivers value to customers and stakeholders; how the work in an organisation works
- 1 The development of a strategy for "Listening to Customers and Stakeholders"
- 1 The development of the organisation in which everyone's efforts result in:
 - o Improved performance
 - o Less stress
 - o Improved profit