

Snapshot

Call Center Management to Create Performance Advantage

On December 9 - 10, 1999, the Wharton Financial Institutions Center held its fall Call Center Forum meeting at the new Inn at Penn at the University of Pennsylvania. The new format, starting on Thursday afternoon and ending earlier on Friday proved convenient and we will keep this in mind for future meetings. We are again planning to hold the spring meeting in conjunction with a visit to one of our Forum member sites. Dates and arrangements will be confirmed shortly.

The December meeting was one of our largest with several representatives attending from each of twelve institutions. We were pleased to welcome a number of new participants to the meeting as the Call Center Forum, now in its fourth year, continues to evolve in response to the changing business environment.

To introduce the Financial Institutions Center to new participants, the Center's Director, Anthony M. Santomero, described the research mission as a vehicle to provide meaningful insights into issues central to the industry. The Center supports primary research by Wharton faculty, with an emphasis on maintaining close working relationships with executives and practitioners from a diverse set of financial service firms. The Call Center Forum is one example of this partnering

relationship between Wharton research and industry. The Center's broader range of activities includes research initiatives in the areas of productivity and performance, financial risk management and the study of market structures.

The meeting's research discussions focused on several broad themes related to call center management: the impact of e-commerce, human resource strategies and outsourcing. Harbir Singh, Chair of Wharton's Management department, provided a strategic overview of the issue with his analysis of sources of competitive advantage in the e-commerce environment. Our dinner speaker, Kay Jackson from Response Design Corp., continued the theme by describing her work in integrating Web and telephone strategies in call centers. This presentation was followed the next morning with a panel discussion moderated by Tony Santomero.

Panel participants including Jacqueline Sommers from Merrill Lynch, Gene Marshall from Chase Card Services and Scott Farber from Bank of Montreal described institutional strategies for incorporating the Web in these three different financial service business models.

The second theme focused on human resource management issues. Over several sessions, "Chip" Hunter, Steffanie Wilk, and Lorna Doucet discussed their current and



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future research activities. Their discussions addressed job design, staffing strategies, career pathing, and CSR information search practices. In addition to working with member firms to collect data, several of these projects will be supplemented with data from the Response Design Corp. annual call center survey.

The discussion on outsourcing was intended to stretch some of the traditional thinking on the subject. We invited a group of Wharton MBA students to present their business plan for developing a call center outsourcing capability in India. The proposed operation would be focused on U.S. financial service clients' in-bound call services and provide the full range of customer access vehicles, including e-mail and the Web.

What follows is a brief "snapshot" summary highlighting the meeting's discussions. Relevant academic working papers and other material related to the Call Center Forum and Financial Institutions Center initiatives are available at the Center's Web site:

[http: fic.wharton.upenn.edu fic](http://fic.wharton.upenn.edu/fic)

A Strategic Framework for Achieving Competitive Advantage in the E-Commerce World

Harbir Singh, Edward H. Bowman Professor of Management; Chairperson, Management Department

Harbir Singh provided an overview of key concepts in strategy and competitive advantage as they relate to the newest developments in e-commerce in financial institutions. He described how e-commerce is changing the competitive landscape, how it affects sources of competitive advantage, and the implications of these new developments for management.

In his presentation, Singh asked what role strategy plays as the firm addresses changes brought on by developments in e-commerce. How can the firm evaluate a "good" or a "bad" strategy? A firm facing changes brought on by e-commerce must ask first of all what business and markets it will be competing in, taking into account the competitive pressures and requirements stemming from these decisions. Then the firm must find ways in which to be successful in its chosen business. It is important to realize that all firms have a strategy - whether it is implicit or explicit. The key is to explicitly address fundamental issues driving the business. To successfully address these challenges, a firm must identify and analyze opportunities and challenges, enhance its ability to make decisions, and respond to increasing complexity and size of business.

The effects of e-commerce have been felt most strongly in three areas: the lowering of communications costs, the increased speed in bringing together buyers and sellers - the brokerage effect -, and the changing nature of the value chain.

E-commerce has changed the dynamics of competition, and has made it imperative that firms identify their sources of advantage in this new playing field. For example, information that is expensive to gather but cheap to reproduce can serve as a source of advantage. Informational advantages can be made more lasting if single users can only benefit if a network of users adopt a standard. The existence or development of complementary products or services can also provide sources of value in the e-commerce environment.

Singh then explored the impact of e-commerce on business barriers to entry. In many industries, barriers to entry have dropped dramatically due to e-commerce. Barriers to entry arise from several factors: economies of scale and scope can change due to e-commerce e.g., priceline.com. Capital-based barriers can be reduced, e.g.

ama on.com. Brand names can be created, e.g. travelocity. One the other hand, some new e-commerce companies have themselves become brand names -in many cases not even offering the best prices. There is in this an implication of a barrier to entry - a customer will return to familiar and reliable sources of service.

As the firm reflects upon new e-commerce opportunities, it must think clearly about its positioning in the industry, opportunities for developing and leveraging capabilities, dealing with competitive reaction, and diagnosing the nature of the competitive game.

Singh next asked whether e-commerce has increased the presence of substitutes. As a firm, how do you choose to enter the e-commerce fray when you already have a physical "bricks and mortar" presence -commerce can create substitute channels to reach customers, such as Barnes and Noble's online presence. Firms with heavy investments in physical capital face relatively higher barriers in responding to e-commerce based substitutes. The academic literature further demonstrates that established firms have greater difficulty responding to innovations that threaten large investments in core operations. One potentially efficient response is to create a new unit that incorporates e-commerce functions, rather than integrating into existing operations.

In analyzing capabilities as sources of advantage, a firm creates a product for which it hopes there is substantial demand. To be successful, the capability must be non-substitutable, difficult to imitate and widely applicable. -commerce creates a new integration effect in this process, where the supply chain can be redefined. For some time, the new supply chain and the existing one will co-exist, requiring investment in both

capabilities. Managing the economics of this process represents a significant challenge - firms can ill afford to delay their investment until the time when the new business concepts are proven and mature.

In conclusion, Singh emphasized the need for strategic management. As a firm reflects upon new e-commerce opportunities, it must think clearly about its positioning in the industry, opportunities for developing and leveraging capabilities, dealing with competitive reaction, and diagnosing the nature of the competitive game. The firm must further recognize where e-commerce may provide opportunity: in information access, in brokering between buyers and sellers, or in creating new integration models. Singh emphasized the importance of developing a test bed for e-commerce, assessing the new business model over time, and developing the capabilities to compete effectively using electronic channels.

Engineering the Customer Experience: Call Centers and the Web

Kathryn Jackson, Response Design Corp.

Kay Jackson's remarks at the Thursday evening dinner continued the theme of e-commerce and call center service delivery. Her comments specifically called upon experiences RDC has had through their work with clients in the area of Web and call center integration. She began by exploring the key issues affecting customer experience with a financial firm's service channels, and ultimately driving customer loyalty. The customer desires convenient access to the firm's services, and personalized, efficient service whether it is through face-to-face, "high touch," or high tech channels. Customer preferences dictate a company's customer contact infrastructure. As the customer becomes more Web-savvy, companies must restructure themselves to meet

these new preferences. The old model for customer service used to revolve around products - but this has changed drastically as customers gain access to company information through multiple channels. The new engineering model dictates that the organization of information must be customer-driven.

Most firms began with a simple informational web site, merely a digital brochure, adding a layer of usability by adding transactional capabilities in effect, the beginning of self-service , and finally evolving to relational web sites, offering rapid self-service combined with individual, one-on-one problem solving, assistance and community.

Jackson then continued to detail the ways in which successful firms have engineered their customer touch-points. Competitive players in the financial services industry have followed a three-stage evolution to developing a fully functional delivery channel incorporating Web site, contact center and financial applications. Most firms began with a simple informational Web site, merely a digital brochure, adding a layer of usability by adding transactional capabilities in effect, the beginning of self-service , and finally evolving to relational Web sites, offering rapid self-service combined with individual, one-on-one problem solving, assistance and community.

As they integrate Web capabilities into their existing customer service links, all firms inevitably face new challenges. Jurisdiction, for example, is often a key area of friction. In the traditional model, different areas "own" or manage individual access channels. This creates frictions and difficulties in obtaining consensus. Integrating the points of customer contact and maintaining consistency are required in the Internet environment. Over the long term,

customer contact channels must be aligned under the same leadership focused on managing customer experience.

Another common challenge noted is that of security. With the combination of financial services and self-service transactions, the concern for the customer's perception of security is of utmost importance. There are no panaceas: all options must be evaluated and a company must identify its customers' comfort level.

These opening remarks served to animate a continuation of the discussion of Web applications over dinner. The subject was addressed again in next morning's industry panel.

Call Centers and the Web

Gene Marshall, Chase Card Services

Jacqueline Somers, Merrill Lynch

Scott Farber, mbanx (Bank of Montreal)

Anthony M. Santomero, Richard K. Mellon Professor of Finance; Director, Financial Institutions Center

This panel discussion, moderated by Tony Santomero, continued the discussion led by Harbir Singh on the previous evening. The three panelists, representing three different financial services business product models, commented on the impact of the Web in their firms and call centers specifically.

Gene Marshall began the session by discussing the challenges facing banks attempting to modernize their information technology infrastructure. One challenge that has proven to be universal is that of updating or replacing legacy systems, a costly operation that must necessarily take into consideration analyst and shareholder expectations for short-term financial performance. In Chase's case, they decided to keep their legacy system intact, while establishing separate Internet capabilities. Their hope is to merge the two as they evolve.

Marshall's own focus within Chase is on credit cards, and in this capacity he sees Chase's Internet presence as a supplement to but not a replacement for more traditional means of customer contact, primarily telephone and mail. Chase advertises its cards on sites that fit the Chase image, and are able to sign customers up online, even providing a certain level of "virtual" credit that they can use while their actual cards are being mailed. Marshall noted that the Internet adds another level of complexity to human resources management needs: people who have written as well as verbal communication skills.

A common challenge: ensuring that customers have the same experience whether they come through the branch, telephone, or web.

Jacqueline Somers continued the discussion, addressing questions Merrill has had to address as it developed its Web capabilities from an "information point" to a place where a customer could get account balance information and perform other account management activities. An important part of Merrill's strategy was to designate a chief technology officer whose explicit responsibility was to plan Web-based customer interactions strategically, work on providing multi-access availability, and to update privacy and security capabilities. Somers noted changes in the call center as a result of the Internet, e.g., the need for more help-desk type technical information. She also reflected a concern that Merrill shared with other firms in the group - the challenge of ensuring that customers have the same experience whether they came through branch, telephone, or Web.

Scott Farber, of the Bank of Montreal's mbanx electronic delivery service, was the final speaker in this segment. He discussed how mbanx began unique Web site areas for each service area. But like Merrill, mbanx realized the need for uniform

customer experience whether they went to the online mortgage site, for example, or any other service Web-site. Conceptually, mbanx wanted to give the customer the same experience on the Internet as they would have in the physical world, where branches look and feel the same to a walk-in customer. They implemented rules for Web-site design, to give the customer a similar experience, and more importantly, consistent information - whether they come through the Web, the phone or the branch. Farber also pointed out - and the group agreed - that the "behind the scenes" processing is not changing as fast as front-end delivery. As such, electronic customer interactions often end up being processed in more costly manual environments. This of course adds to the economic challenge facing all financial firms as they manage these multiple delivery channels. Farber also noted that the bank considered ways in which they could add value to the Web customer experience - for example, they added links for home shopping and insurance companies.

The group discussion that followed included the observation that the Web is providing an organizational integration force that has eluded firm management for decades. In Web-design and in recognizing the need for common customer experience, organizational "silos" are being forced to come together with a customer-centered focus.

Management Strategies for Employee Skill Development and Career Mobility

Larry "Chip" Hunter, Assistant Professor of Management
Steffanie L. Wilk, Assistant Professor of Management

Chip Hunter and Steffanie Wilk began their session by reviewing the research structure of their multi-year study of the impact of management strategies on employee skill development and career mobility. While their focus will be on the financial services industry,

another research team at Cornell University will be examining call center work in the telecommunications industry. At a later date these two projects will be brought together in an attempt to discern common lessons learned and the impact of industry on call center practices.

Call center employment is a rapidly growing segment of the US labor market and an increasingly important component of financial service employment structures. How will these jobs evolve over time Will call center jobs become the "factory jobs of the future," involving repetitive work, offering minimum opportunities for advancement, and requiring a minimum level of skill Or will they

become the new "information economy" jobs, with challenging tasks and opportunities for skill acquisition and promotion, requiring more technologically capable workers The research underway will shed light on factors that will influence either of these outcomes and seek to determine whether there are identifiable management strategies that will lead to improved organizational performance.

Hunter and Wilk will examine current technical, interpersonal and product-knowledge skill levels and mixes in call center jobs, to see whether these levels are appropriate for achieving service quality and efficiency, and how appropriate skill levels differ across distinct customer segments, jobs and tasks. The research will examine the way in which employees develop careers in customer service and sales, which management approaches most effectively encourage development of long-term career goals, which employees are best positioned to take advantage of career development

opportunities, and how outsourcing and segmentation affect career trajectories.

Are skill-based job ladders effective In other words, do they lead to employee retention and satisfaction, and to better performance in sales and service Do they do a better job of matching workers to appropriate jobs What, if any, are the costs to efficiency Hunter and Wilk polled the meeting attendees about the effectiveness and relevance of certain performance metrics they are considering in dealing with retention turnover, individual employee performance and growth, and comparisons of groups or different centers.

Will call center jobs become the "factory jobs of the future," involving repetitive work, offering minimum opportunities for advancement, and requiring a minimum level of skill Or will they become the new "information economy" jobs, with challenging tasks and opportunities for skill acquisition and promotion, requiring more technologically capable workers

In the coming months, the research team will be refining hypotheses and developing new tests with several industry partners. Over the summer there will be a need to add additional survey participants to enrich the data set. This field-based data will be complemented by information from Response Design Corp.'s "Leapfrog " annual survey results.

Please see accompanying description of the Leapfrog survey.

For the remainder of the session, Hunter and Wilk discussed first-cut results from their analysis of the "Leapfrog " call center survey data, including findings on turnover, career pathing strategies and performance metrics. In addressing turnover, Hunter and Wilk make the distinction between "good turnover" - when the firm is not unhappy to see a person leave, or when the person is moved to a different part of the company - e.g. promotion or lateral job change - and "bad turnover", representing the loss of a desirable employee. For the most part, their preliminary results show that employees with more senior jobs tend to exhibit a

greater rate of positive turnover, less negative turnover. Also, Hunter and Wilk found - perhaps unsurprisingly - that of turnover tends to occur in the first three years of employment.

They then looked at what firms are doing to reduce turnover. To summarize: the top two actions cited were improving recruiting and hiring, followed by increasing rep control over work. 1 of firms found little meaningful change from improvement in recruiting efforts, while 0 found these efforts effective. of firms noted that greater control over work did not have an effect on reducing turnover, while 0 did find the changes to be effective.

With respect to career pathing strategies, they found that of firms had clearly defined career paths for their employees. Moreover, they found that the firms with clearly defined career paths tended to place greater effort on pre-employment testing, and used more formal in-class training than firms with no clearly set career pathing strategies.

When asked their opinion on what were the most essential skills for a rep, the top five named were communication 9, telephone customer service, temperament, problem solving and general intelligence 1. Technical skills were 9th on the list. However, when polled on training expenses, the average

firm spent 0 of their training budget on product knowledge and technical skills training and only 0 on the "soft" skills cited as more important.

With respect to job complexity, they find that 0 of firms reported that their reps handle both inbound and outbound calls. The data suggest that firms that required reps to handle both inbound and outbound calls were more likely to place more emphasis on "soft skills" training. They also found that firms that required reps to handle both inbound and outbound calls were more likely to experience higher turnover.

Hunter and Wilk closed with a discussion of performance metrics based on the survey results. The top five listed were:

- 1 Calls resolved on first contact
- Inbound talk time
- Outbound talk time
- satisfied customers
- Costs per call

For more information on the project, and to discuss participating in the field research, please contact

Peter Burns at the Financial Institutions Center or to speak directly with Chip Hunter, call 1 9 - 9.

"Leapfrog!," the Response Design Corp. Call Center Survey

Through one of the Forum's sponsoring members, researchers at Wharton were introduced to Kay Jackson and her colleagues at Response Design Corp. (RDC). RDC conducts an annual survey of call center metrics and has agreed to provide Wharton researchers with access to the resulting database for the purposes of academic research. Specific firm identities and other confidential information are protected under the survey design and Wharton agreements with RDC.

The "Leapfrog" database includes survey responses from 100 organizations, of which over 60% are in the financial services industry, and covers over 300 customer contact metrics including questions on employee performance management, service levels, training, customer satisfaction, technology and leadership. Survey participants receive a detailed report profiling call center practices and trends, and detailed reports on their individual company data. For more information, see the Response Design Corp. web site at

[http: www.responsesdesign.com](http://www.responsesdesign.com)

Customer Service Orientation and Information Search Strategies

Lorna Doucet, Assistant Professor, Department of Business Administration, University of Illinois at Urbana-Champaign and FIC Fellow

Continuing with the theme of human resources practices, Lorna Doucet discussed her ongoing research which examines the links between call center service reps' personalities, emotional responses, and attitudes, and their effects on performance and the quality of customer interactions. Doucet's latest research addresses the way in which attitudes and behaviors affect the information strategies reps develop to respond to customer inquiries and which approaches lead to better performance.

As a Ph.D. student at Wharton, Doucet's earlier research analyzed service representatives' behaviors, correlating behavioral data with performance characteristics. Among her findings, she was able to demonstrate that emotional responsiveness in a representative was in fact often detrimental. "Smiling along" - emotional empathy with the customer - lengthened the time of the call but did not affect the quality of the exchange from the customer's point of view.

Her findings also revealed that "burnt-out" reps also were less likely to be emotionally empathetic, and therefore less likely to have lengthy phone conversations - something which increased their efficiency without negatively affecting customer satisfaction. Naturally the lesson here is not to encourage burnout but rather to make reps aware of what the customer perceives as a "high quality" exchange.

While emotional responsiveness may not be effective, informational responsiveness was seen as a key success factor. The most successful reps were the ones who could match their answers to clues given by the customer over the phone - this matching skill especially shortened the length of the call while effectively taking care of the customer's needs. This quality was a primary driver of customer satisfaction.

In extending her research, Doucet is examining service rep information search strategies. Where do service reps get the information they need to solve problems? How do technology-driven practices differ? What informal strategies are employed? How do personal beliefs and personalities affect the process? And what are the effects on performance?

In her preliminary explorations of these issues, Doucet conducted in-depth interviews with service representatives, and analyzed the historical performance data for those interviewed. She

Doucet found that there was an important division in reps' perceptions of the importance of timeliness of the call vs. comprehensiveness of the information given.

defined performance in terms of both quality and call time, and sought to find patterns in the ways in which information search strategies affect performance.

Among early findings, Doucet has noted a behavioral difference between reps who value time efficient responses vs. those who strive for comprehensiveness. It also appears that these two groups may rely on different search strategies in attempting to respond to customer queries.

Doucet's preliminary findings also suggest that reps who valued comprehensiveness but not timeliness tended to rely on others, not "figuring it out for themselves." Those who valued timeliness tried to develop the information independently. The most effective mix, reps who

were able to be both quick and accurate, tended to be people who preferred to find information for themselves. They also tended to be more comfortable with the technology, and used non-call time to familiarize themselves with the information.

The question of time pressure and management intervention raises a number of issues. It is well documented that individuals' responses to outside time pressure tend to be dictated by their pre-existing attitudes towards timelines. How then do managers address these training issues and develop workable performance metrics to achieve efficiency goals? This will be another area of focus for the research project.

The theoretical foundation developed in these early interviews emphasizes three important factors with respect to call center rep information strategies:

Service reps differ in personal values regarding appropriate service and levels of interdependence.

Uses of information sources are linked to personal values.

These values and choices are reflected in performance differences.

In extending this research and developing an expanded database, Doucet will require participation from several of the forum sponsors. Working with her, participating firms will help select a sample of reps for short survey interviews and access to relevant performance data. While the full study will combine data from the several firms, participating firms will have an opportunity to discuss results from their own sites.

For more information on the project plan please contact Peter Burns at the Center or call Lorna Doucet directly at 1 - 908 - 922 - 9100.

Comtel: Establishing a Customer Interaction Center in India

Shezan Amiji, Wharton MBA candidate

Rishi Navani, Wharton MBA candidate

Krishna Srivivisan, Wharton MBA candidate

The subject of outsourcing has been a recurring theme in the Forum's discussions over the past several years. The final segment of the December meeting introduced a new perspective, with the goal of broadening traditional thinking on the subject. Three Wharton MBA students, Shezan Amiji, Rishi Navani and Krishna Srivivisan, presented their business plan for establishing the means to outsource call center services globally, in this case, in India.

Driving the business model are relative staffing cost advantages, the potential to attract and retain relatively better-educated and motivated service representatives and advances in global communications that provide the necessary technology at rapidly lowering costs.

The plan is to provide inbound call center services for U.S. financial service firms in a sophisticated environment that integrates access from phone, fax, e-mail and Internet channels. Driving the business model are relative staffing cost advantages, the potential to attract and retain relatively better-educated and motivated service representatives and advances in global communications that provide the necessary technology at rapidly lowering costs.

In response to a question about product knowledge and training, the students indicated that a portion of labor cost savings would be used to invest in the higher cost training requirements. At the same time, they also believe that higher retention rates and relatively higher levels of

employee education will lead to a greater return on the initial training investment.

Issues of privacy and access to customer information were discussed as further challenges to be overcome in attracting client business. In this regard, exclusive contract and/or operating structures were suggested as possible alternatives.

While no final conclusions were reached, the issues raised served to highlight the challenges and opportunities afforded by outsourcing. It was further noted that globalization of call center outsourcing is indeed developing momentum. One participant suggested that one or more significant announcements from financial services firms may be forthcoming in the next year.

Industry Participants at the December Meeting

Aetna

Banaca Mediolanum, SpA

Bank of America

Bank of Montreal

CIG A

Fidelity Management and Research

First USA Bank

Fleet Bank

Huntington National Bank

KeyCorp.

Merril Lynch

Response Design Corporation

The Chase Manhattan Bank

visit the project Web site at: <http://fic.wharton.upenn.edu/fic/wfic/forum.html>

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The Wharton Partnership

Financial sponsors of the Call Center Forum are recognized as members of the "Wharton Partnership." This recognition includes access to a broad range of Wharton resources. The Partnership links member firms with developments in Wharton management education, the school's research capabilities and its MBA and undergraduate students. Thomas Piatek, Director of corporate and foundation relations at Wharton, provided a brief introduction of the program and opportunities for member firms.

The Wharton partnership supports alliances with approximately 100 member companies around the world. These alliances provide benefits to member companies in recruiting, executive training, and research.

The relationship between each partner and the School is unique. The Wharton Partnership works individually with member companies to meet their specific needs. Opportunities include:

Increased visibility on the Wharton campus, through speaking engagements and presentations to Wharton student clubs, and by participating in advanced study projects, case studies and other academic programs and events.

A competitive recruiting edge: Partners are given advance opportunity to schedule interview dates on campus, and receive annual MBA and undergraduate placement surveys.

Access to a worldwide network. With advisory boards in East Asia, Europe, Latin America and representative offices on two continents, Wharton has a broad and highly developed global network.

Educational resources. The partnership offers information on customized executive education programs held at Wharton's Aresty Institute, as well as Wharton Direct, a new initiative which broadcasts interactive programs for technical and management professionals from Wharton's Philadelphia campus to state-of-the-art learning centers in more than 100 major metropolitan areas.

For more information, please contact Tom Piatek, at 215-898-0000