From 'push' to 'pull' – changing the paradigm for Customer Relationship Management

The call centre is heralded as a strategic weapon in the competition for excellence in customer service; it is at the heart of Customer Relationship Management (CRM). Yet rather than build the relationship with customers, many call centres are spoiling it. Customers are frustrated at having to make choices from IVR (interactive voice response) options that bear little or no relation to their problem or need as they see it; they are irritated at having to hang on, repeat their requests, get passed around and so on. In the worst cases politeness is becoming a substitute for service; customers want their issue dealt with, they will only put up with so much handling, however customer-friendly the interaction.

The result in such cases – and there are many – may not be strategic advantage, but strategic fumbling; dropping the ball, driving customers to seek services elsewhere. The espoused goal of the call centre – improving customer service – is undermined by the methods employed.

'Push' design and management

The causes of the problems are to be found in the design and management of these organisations. In simple terms, call centres are designed and managed on 'push' or 'top-down' principles. What can be learned from what has occurred in call centres is a lesson to managers throughout an organisation. The call centre is central to CRM, but remedies have far wider implications.

How do call centres typically get designed? Managers plan; they either use industry data – speculation based on previous experience – or actual data – calls in to existing organisation structures – to estimate the volume of work to expect. The work is 'sized' using data about typical call length. These measures are translated in to the service standards with which the call centre is to operate (time to answer the call, average handling time). These measures set the budget and the budget becomes a sword of doom.

How do call centres typically get managed? Given the above, the pre-occupation of managers is 'how many people do I need to meet the standards?' and 'how do I get them to do it?' This is to see management's role as resource planning and management. Managers understand their job as managing budgets, standards and people. In call centres we see a host of Human Resource practices, all employed on the assumption that the people can make the difference. In fact, the people cannot make that much of a difference, the capability of a call centre is governed by the way work works – how it is designed and managed, and that is the responsibility of management.

'Pull' as a better way

Management needs to learn a better job: to act on the organisation as a system; this being the fundamental methodology for 'pull' thinking and practice. When the call centre is understood as a system, the potential for improving performance becomes vivid and realisable. Moreover, when managers learn to think and work this way, the role they have played in causing sub-optimisation also becomes apparent. This, it has to be said, is often a major block to making changes. Managers are not comfortable when they are asked to question their basic assumptions and, moreover, they are reluctant to take the same issues up the hierarchy. The hierarchy speaks a different language; after all, the hierarchy set the budget.

To understand a call centre as a system is to understand the way the work works from a different, and more useful, point of view. In describing a systems perspective, it is helpful to compare it to the norm, which is, essentially, a 'mass production' view of work; it is the very thinking that resulted in industrial strife in the last century. Systems thinking is derived from the theory of quality (1). The two ways of thinking about the design and management of work are summarised in figure 1.

Mass production thinking		*Systems thinking*
Top-down	*Perspective*	Outside-in

Functional specialisation	***Design***	Demand, value and flow
Separated from work	***Decision-making***	Integrated with work
Related to budget, showing activity, productivity, standards	***Measures***	Related to purpose, demonstrating capability
Contractual	***Attitude to customers***	What matters
Extrinsic (incentives)	***Motivation of people***	Intrinsic (pride)

Figure 1: Mass production thinking versus systems thinking

Customer-driven design – understanding demand

The purpose of any commercial organisation is to get and keep customers. The customers' relationship with the organisation can only be made up from the transactions they have with it. Thus it is important for managers of call centres to understand the nature of customers demands – why customers call in from their point of view, and how the organisation (and bear in mind the work often goes beyond the call centre) responds.

Think about it this way. If an organisation understands why a customer calls in ('demand') from the customer's point of view, it should also understand what matters to the customer ('value'). If the organisation then deals with that work ('flow') in the most efficient way, by just doing the value work, service improves, the relationship is built and costs fall.

Many traditional, 'mass production' managers struggle with this idea; they are used to equating improved service with greater cost. Many will read the last sentence of the preceding paragraph and assume that the implication will be higher cost because this means using more expensive people, those they tend to keep in specialist functions 'behind' the front line. However, instead of thinking 'cost', managers should work on the 'causes of costs', (and one is managing with traditional, hierarchical and functional budgets – to which I shall return below).

When demand into call centres is understood from the customers' point of view, an alarming volume of what I call 'failure demand' (2) – demand caused by the failure to do something right for the customer - becomes apparent. This work represents a major cost as well as significant damage to the relationship. In some call centres failure demand runs as high as 75% of the total volume. I have never seen it lower than 25%. Mass production thinking treats all demand as units of work. The systems thinker does the obvious thing – understand demand from the customers' point of view and work on the causes of failure to remove them. However, the traditional organisation design obviates working this way.

The problems caused by other functions are not represented as costs on their own budgets; these other functions can make their numbers despite the costs caused. Managers of call centres who do appreciate these issues are forced to 'work through the hierarchy' to solve the problems. They are expected to attend meetings and make presentations, but often nothing gets done, for the hierarchy represents an inefficient means for solving such problems – the preoccupation of the various managers is to meet their own objectives – the inability to solve problems is designed in. It is not an answer to allocate such costs to the relevant functions or divisions; the costs should be eradicated. To do that, and thus to improve performance, requires a different way of designing and managing the work; it begins with understanding demand from the customers' point of view.

Customer-driven design – understanding value and flow

Consistent with the desire to manage work standards, managers of call centres typically specify procedures for how the work is to be done. Where procedures do not match with customer demands, which is all too often the case, waste occurs – re-work, duplication, lost time and so on. By contrast, the object of a systems design is to design flow against 'value' – what matters to customers for each type of customer demand. An example will illustrate:

A telecommunications company's call centre had the following procedure for dealing with calls: Every call necessitated bringing up the customer record on the IT system; note had to be made of the customer's request and actions taken. If the customer's need could be dealt with within three minutes, it should be done. If it seemed likely to take longer than three minutes, call centre agents had to raise a 'task' on a separate part of the IT system. The entries that needed to be made on this 'task' system duplicated much of the work already done on the customer record. The task then had to be sent to the relevant department for action. Such tasks would wait in electronic queues.

When this call centre's work was studied 'outside-in', looking at demand and flow, it became clear that enormous resources were being spent on 'non-value' work. Moreover, the batching, sorting, queuing and counting ('managing') of work was causing errors and failures to meet commitments made to customers. In turn, this was causing 'failure' demand from customers – calls to progress chase, complain, raise a query and so on. The management's preoccupation with cost, which was behind the 'three minute' edict was actually causing costs. Some of the costs associated with waste were measurable, the costs of the impact on customers were much greater and incalculable.

The 'procedures' were thrown away and instead call centre agents worked to the principle of 'handling everything that came in through to completion'. Those (in other departments) who had the 'answers' were brought on to the call centre floor. Thus training became 'pull' – what was needed, because of customer demand(s), was learned immediately. In two weeks the call centre came under control, it reached a steady state. Then the volume of calls began to drop, because of less failure demand, and customers (these were business-to-business customers who had frequent contact) immediately commented on the change. Of greatest surprise was the impact on average handling time – it remained unchanged. Managers discovered for themselves that learning to do the value work, and only that, reduced overall resource utilisation and did not increase it in the call centre. None would have predicted such a result, for it goes against the grain of a productivity mind-set.

Customer-driven design – the role of IT

In call centres, IT systems usually control the way the work is done. In the example above, the IT system was not only used to govern work procedures, it also counted work, giving managers data about volumes and activity. These measures became the tools of management and managers used them in the ways they were obliged to – data about volume led to moving resources around to deal with the work; data about activity led the managers to 'manage people' in inappropriate ways (see later). It is a paradox that 'managing with the budget' causes sub-optimisation – managing costs causes costs.

Managing resources – moving people around according to the work – may seem to be a logical thing to do. But managers overlook the fact that they themselves have caused many of the work 'backlogs'. To 'hose' resource at backlogs causes 'lumps' in the work flow. In simple terms, it makes the whole of the work more unpredictable and it can also cause more errors and waste, for the purpose of the work often becomes 'bust the backlog' which is not the same as thinking 'do the value work'.

Managing people – 'motivating' them with prizes and the like, essentially treating their performance as different (when it appears to be so but is not – see below) also appears to be a logical thing to do. However, psychology has taught us that extrinsic forms of 'motivation', when linked specifically to a task – 'do this to get that' – cause the worker to focus on 'getting that' and as a consequence the quality of work suffers. Even worse, such 'incentives' cause the task to become de-valued; the intrinsic value of doing the work is lost.

The above problems have their routes in traditional managerial assumptions, but the data for their expression are provided by the IT system. In my experience the majority of the data provided by IT systems in call centres has to be turned off when changing to a systems approach. The IT systems represent an enormous amount of waste in creation and, furthermore, are a primary cause of waste in the way the work works. The small amount of data provided by IT systems that have value need to be used in a different way. Two examples will illustrate:

Measuring capability of the system

In an insurance claims call centre, the first system measure to be established was time to settle claims – the purpose of the system from the customer's point of view. This was not available on the IT system (lack of measures relating to purpose is a common problem) and took some time to establish. Once

the measure was known, people – managers and staff – could focus on the reasons, how time was wasted or lost and how time was used to do the 'value work' – what mattered to the customers.

The measures in use – work volumes and activity – were scrapped, for they were part of the problem. Only total volume in was kept as a measure from the traditional set, and to make it more useful it was plotted in a control chart. The control chart helped managers judge the stability and predictability of the system 1[1].

Measuring the capability of agents

Similarly, the first system measure to be established amongst the work teams was agent capability. It was found (as is most often the case) that agents' performance was entirely governed by the system – the way the work worked. Mangers who assumed the agents to be responsible for differences in activity were actually making things worse.

This is always a difficult idea for managers to grasp, so an example may help:

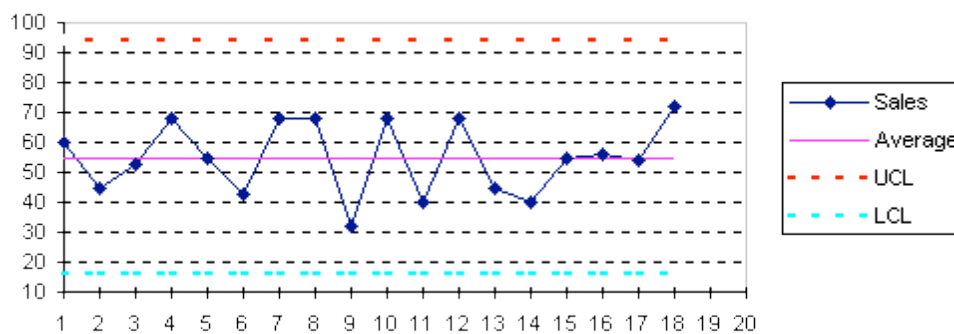Figure 2 shows a Call Centre service agent's work activity every day for twenty days.

Figure 2: Call centre service agent's calls taken by day

What this chart shows is that we can expect the agent to take as few as twenty and as many as ninety calls on any one day. The variation is caused by the service agent's system – the nature of calls, availability of information, utility of procedures and so on.

Most managers look at such a chart and express either disbelief or panic. Their attention is always drawn to the lower limit - they are terrified at the prospect of all service agents taking as few as twenty calls. However, one wouldn't expect a series of observations at the lower or, for that matter, the higher limit of the chart. The chart simply illustrates that the variation existing within the observations (numbers of calls per day) would lead one to expect values as high or as low as the limits. Most, however, would occur around the mean.

Ignoring this fundamental truth, managers set work standards, spend resources on 'motivational' programmes and police peoples' performance. The agents, who are victims of the system, do whatever they have to do to succeed or survive, regardless of the impact on customers.

Systems thinkers are aware that there is always variation, in anything that we do. In a call centre, the job of management should be to manage flow and reduce or remove sources of variation, in that way performance will improve. When working this way, managers become leaders, they harnesses service agents' ingenuity towards contributing, learning and improving, rather than driving agents to use their ingenuity against the system.

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1[1] The value of control charts in decision-making is beyond the scope of this article. Readers who have an interest will find help at the Vanguard Consulting web site: www.systemsthinking.co.uk

IT and supplier relations

The measures provided by the IT systems are also used for contractual purposes when outsourcing work to suppliers. Here is a typical example:

An IT manufacturer of home computers had out-sourced customer service to a supplier. The supplier was judged on achievement of a service level – time to answer the phone. When service levels were poor, the manufacturer would lean on the supplier. In turn, the managing director of the supplying organisation would lean on his managers who would, in turn, shout at their engineers to pick up the phones or be faster in dealing with customer problems. Two consequences arose:

1. The 'simple fix': The fastest way to resolve customer problems was to ask the customer to go through a routine that re-configured their hard drive – the consequence was the hard drive would be in the same state as it was when it was originally shipped. Any customer who had not backed up his or her computer would lose all of the software that had loaded and all of their personal files.

The 'dumb front end': To get the phones picked up, the supplier hired cheap labour – people who could do nothing of value for the customer. When call volumes were higher than even this resource could cope with, managers told 'experts' – those who could solve problems – to pretend to be a 'dummy', that way they would meet their service level.

Service levels were met, the customers experienced dreadful service and costs rose. This organisation had a lot to learn.

This example illustrates a more general problem in outsourcing customer service to call centres; neither party is interested in the nature of demand. The contracts deal with volume, not nature. Effectively organisations outsource their waste – the costs of dealing with failure demand become hidden. Often the costs are incredible. It is not in the supplier's interest to declare the fact (assuming they think this way) because the work represents revenue.

IT has been central to the development of both call centres and CRM. The nature and use of IT is a reflection of our current management thinking. In simple terms, if the IT solutions didn't appeal to managers they would not be bought. They do appeal because they fit the current management paradigm.

IT offers features, not necessarily benefits

Customer Relationship Management might be more properly called Customer Record Management, for this is a feature of the IT systems that people can find useful. And in my experience I would say no more than 'useful'. Managers need to be reminded that the many features of IT systems (Record Management, Caller Line Identification, Customer-Telephony Integration, Interactive Voice Response and so on) are just that, features. To the extent that the are benefits will depend on how they help or hinder the way work flows and they can often make flow worse. In applications of CRM I have yet to see managers working with data on the relationship between the features IT systems and the flow of work. It is always (and wrongly) assumed to be a positive relationship.

Holder and Fairlie (3) comment: "Relationship marketing is an attempt to recover some of the traditional values of the neighbourhood shop… It seems ironic that we are today struggling to harness sophisticated data-mining software to vast consumer databases." Irony is a good choice of word. We are asking computers to do the very thing they are least able to do and we are asking people to not use the very thing people are best able to do, form relationships with others (customers).

From 'push' to 'pull' – changing the paradigm for CRM

Mass production thinking leads to 'push' design and management. Managers have to 'make budgets', workers have to 'work to procedures'; the consequences for customers are evidenced in the bad fit between what matters to customers and the way the call centre responds. To design call centres from a systems perspective is to think 'pull' rather than 'push'. The object is to understand the nature of customer demand, its predictability and variation and design optimal responses. Not only is this cheaper for the organisation, it improves customer satisfaction; it builds the customer relationship rather than destroying it.

The call centre can be the eyes and ears of a business; it can be central to relationship management. However, the call centre is not an island; it is subject to the design and management of the wider organisation. In traditional mass production organisations, the design of the relationship with customers can be characterised as 'make and sell'. Ford was famous for the slogan 'you can have any colour you like, as long as its black'. Today, we see many organisations' marketing plans being driven by production capabilities ('we make it, you sell it'). By contrast, Toyota's Lexus line represents a model of 'make to order', production being 'pulled' by demand (4).

In Japan people say the only way to lose your Toyota salesman is to leave the country. It is a long-term relationship based on one-to-one behaviour and not limited to the showroom. Incredibly, Toyota has brought marketing into an entirely different relationship with production management. The basic condition of 'pull' thinking is managing flow; marketing creates flow. By contrast, in mass production organisations you find marketing and service managed as different functions with differing objectives and measures. As a consequence, you often find a problematic relationship between call centres and marketing. The way marketing behaves has a major influence on the nature of customer demand on a call centre. For example, marketing may offer a price which, because of the IT system, will mean call centre agents completing information fields in such a way that the customer gets an invoice that is not easily understood. A simpler and astonishingly common example is marketing offering the customer something no one in the call centre has knowledge of.

'Pull' thinking goes beyond the creation of product or service, it helps us look at every transaction between the organisation and the customer **and from the customers' point of view**. This is a fundamental shift in our thinking about the way we work with customers. The traditional 'make and sell' paradigm uses above-the-line 'push' marketing tactics. They have led to the ubiquitous statement: 'half of my marketing budget isn't working, the only trouble is I don't know which half'. It always occurs to me to ask 'how do you know its half?'. In the last ten years we have seen growth in direct marketing. It is attractive because it is more measurable, but what are not and cannot be easily measured are the costs of intrusion. The shift of interest from 'below-the-line' marketing to CRM masks the fact that there has been no real change in philosophy. CRM is often no more than more sophisticated 'push'. Managers invest enormous resources on what is an appealing idea – they have no idea of the potential consequences. An example will illustrate:

The central marketing function in a bank was making a major investment in customer databases. The whole plan was based on the proposition that knowing more about customers would lead to more 'tailored' offers of products and services. I suggested that rather than invest such a large amount of resources in something that was, in effect, no more than a 'bet', it might be more profitable to understand the nature of current transactions between the bank and its customers. Further, it would help to know the value created at these points of transaction and then model changes to what went on at a 'local level' (from the customers' point of view), to understand what might predictably occur if such changes were applied universally. I was met with incredulous looks. In essence the marketing executives were uncomfortable with the idea of working in a local branch and a call centre; after all, they were 'from head office'.

Similarly, I was working with a telecommunications organisation that had invested in consulting help to create a new 'customer-facing' structure. The new structure separated the 'consumer' channel - retail outlets - from the 'corporate' channel – corporate sales staff. I found many small business users being 'turned away' from the retail channel as their procedures instructed such 'demand' to be sent to corporate sales. Corporate sales found such accounts to be unattractive to pursue, as the volumes were small and would not thus help in achieving sales targets. Taking the customers' point of view led to a design based on demand; it led to an immediate rise in revenue.

The central issue is how do we design and manage work to create 'relationships' with customers? If CRM remains no more than a sophisticated 'push' method, it will pass on and be remembered as the late Nineties customer fad, and perhaps thought of as something exploited by the IT industry. If organisations grasp the nettle of 'pull' design and management, the paradigm will have truly changed; and this will be a change from which there is no going back. Anyone who doubts that proposition should study the evidence. The Toyota system – the exemplar of 'pull' methods – is now forty years old and continuing. The methods are a quantum leap beyond economies of scale, they represent

another economic level – economies of flow2[2] s Service organisations in the UK that are learning to adopt this thinking are building confidence fast, reinforced by the fast benefits of removing waste. Managers who have learned to work this way, never go back to what they did before.

The call centre is the place to start

Spoiling the relationship with customers is not the fault of the call centre alone. Call centre managers may install IT, define procedures, manage activity and do other things that hinder the flow of work, but the relationship goes across all boundaries. However, the call centre is a powerful place to start a change to a systems perspective.

For the call centre to be the eyes and ears of a business you have to look 'outside-in', to understand demand, value and flow from the customers' point of view. This always creates a compelling case for change and, moreover, provides the means to make an immediate start on improvement. The substantial early gains – productivity gains occur in weeks – builds managers' confidence in taking a systems approach to the design and management of the work. Managers discover for themselves the limitations caused by the way they have traditionally managed and thus attack the 'causes of costs' with confidence. Management's role changes to managing the system – understanding and improving how well the work flows, end to end, to fulfil the customers' expressed value. The consequence is always improved service, improved efficiency and improved morale. It is also a first step on the journey to genuine Customer Relationship Management; customers love to deal with organisations from which they can 'pull value' – what else would they want?

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1   "In Pursuit of Quality: The Case Against ISO 9000", Seddon, J. 1997, Oak Tree Press."The Vanguard Guide to Transforming Call Centre Operations", Seddon, J. et al, 1999, Vanguard Publications.

2   Editorial, Holder and Fairlie, Interactive Marketing Vol. 1 No. 3, 2000

3   "The Toyota Production System", Ohno T., 1988, Productivity Press.

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