

CUSTOMER CARE (DES 3102)

LECTURE : 5

TOPIC : Care of Internal and External Customer

LEARNING OUTCOMES

After completing this chapter you should be able to understand:

1. Quality of service delivered to external customers is often determined by quality of service those internal customers (employees) provide.
2. How companies create an internal customer, and method to enhance internal customer relationship.

TOPIC OUTLINE

- 5.1 Everyone has a customer
- 5.2 Developing understanding of internal customer needs
- 5.3 Service quality steering groups
- 5.4 Service improvement teams
- 5.5 Problem-solving techniques
- 5.6 Suppliers
- 5.7 Standards and Charters
- 5.8 Service Level Agreements
- 5.9 Suggestion schemes
- 5.10 Employee care
- 5.11 Enhancing the environment

Anita Roddick of the Body Shop has publicly recognised that 'my people are my first line of customers'.

The quality of service delivered to external customers is often determined by the quality of service that internal customers - employees - provide each other. This chapter demonstrates how companies can create an 'internal customer' philosophy by everyone recognising they have a customer and by encouraging participation of employees in service improvements.

It deals with how to develop understanding of internal customer needs, team-work and employee care, as well as looking at methods for generating suggestions and ideas from employees and process improvement.

5.1 Everyone has a customer

The concept of customer care becomes more accessible to many people when they recognise that everyone throughout the organisation has a customer. The quality of service supplied to people within the organisation often determines how well the external customer is served (Figure 5.1).

If organisations wish to improve the quality of their service they need to overcome the 'them and us' attitudes prevalent in many companies amongst both management and staff. To foster a service philosophy, therefore, organisations need to recognise the importance of the internal customer and the need for greater information sharing and problem ownership by employees.

In best-practice organisations each department undertakes surveys on how well they are meeting internal customer needs. They then take action to improve the quality of the service they are providing.

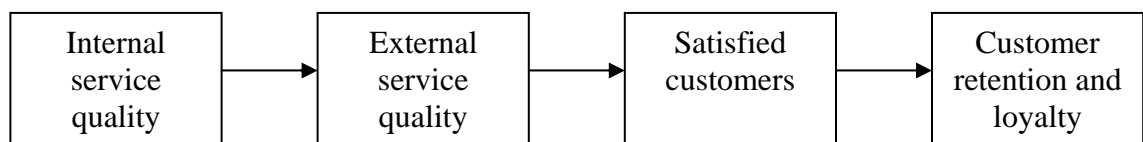


Figure 5.1 The link between internal and external customer care

5.2 Developing understanding of internal customer needs

Recognising the supplier / customer chain is pivotal to service improvement and forms the basis of the concept of total quality management. Awareness and understanding, therefore, of who the internal customers are and what the internal customers need is vital to cultivating employee commitment.

British Airways, for example, helped break down the barriers between departments and create a greater understanding of people's role by holding 'A Day in the Life of' event for all its staff where each function gave presentations and displays for other members of staff on their role within the organisation.

Similarly, Dow Chemicals in the United States held 'Special Emphasis Days' to allow individuals to become better acquainted with each other's day-to-day responsibilities and problems. Participants were purposefully seated next to people they did not know and at the beginning of the day asked to interview their neighbours to gain a greater understanding of others' roles within the organisation and to get to know them as individuals. Throughout the day, group work took place to investigate typical customer problems and the day included feedback and demonstrations of service areas, which caused frustration to customers.

One way to encourage greater understanding at the beginning of service programmes is to organise a series of workshops for all staff where the chain effect of service can be emphasised. Employees can be given a series of typical problems to work on which cut across departments and functions to illustrate that everybody is part of the service quality chain.

Another method is for each department to listen to its customers, then develop a customer charter and standards or service level agreements and an action plan for improvement.

At Hyundai Car UK, a customer-service training programme involved all members of staff and their managers. As part of the two-day workshop, each department received feedback from their internal customers in what they perceived to be their strengths and weaknesses, and where the service could be improved. This formed the basis of departmental action plans.

5.3 Service quality steering groups

In an effort to generate greater understanding of the internal customer, many organisations establish working parties or steering groups drawn from many parts of the organisation to spearhead service initiatives.

At OneTone, the Telecommunications Company, a new kind of teamwork based around total quality management was introduced. Eleven managers sat as members of the total quality culture steering team. Below this, six-process quality teams to prioritise and

develop new systems. This involved over 800 people. In this way a spirit of co-operation was developed across functions and departments.

5.4 Service improvement teams

When people work together to solve common problems a greater degree of understanding can be encouraged.

Service improvement teams are often made up of people from a variety of different functions. They try to identify problem areas and put forward and implement ideas for improvement using problem-solving techniques.

5.5 Problem-solving techniques

Cause-and-effect or fishbone diagrams - sometimes known as Ishigawa diagrams, after the Japanese professor who invented them - are often used to identify the causes of a problem. They encourage study of every element or cause of a problem and depict the problem graphically in the form of a skeleton of a fish, with each bone representing causes of the problem and its head the effect (See Figure 5.2). In this way, participants are able to see a whole problem rather than just its elements and understand the relationship and parts of the problem. The order in which different aspects of the problem should be addressed can be also prioritised.

Other techniques which can be used in problem-solving include problem checklists, the Pareto (80/20 principle), and multiple-cause diagrams.

Problem checklists allow participants to approach a problem in a systematic fashion. A typical checklist includes questions such as:

- What is the current problem?
- Why does this problem occur?
- What is the history of the problem?
- What is the ideal solution?
- What power do you have to act?
- What action can you take now and in the future?

Participants work through the list in a logical fashion to identify possible solutions to problems.

Pareto analysis can be used to establish the pattern between a number of items and their contribution to the extent of a problem, and is particularly useful when analysing numerical findings. Pareto, who was an Italian economist, realised that 80 per cent of the Italian nation's wealth was owned by 20 per cent of the population. The same proportions

apply in many other cases. This 80/20 rule (or in some cases 70/30 or 60/40) helps improvement team members concentrate on the principal causes of a problem.

Multi-cause diagrams are a useful means of representing a problem graphically and showing all its causes and their inter-relationship. Figure 5.3 shows a multiple-cause diagram for a hypothetical problem of poor telephone response.

Other techniques available from the TQM stable include scatter diagrams to identify and increase relationships, control diagrams to control variations, and histograms to identify and measure variation.

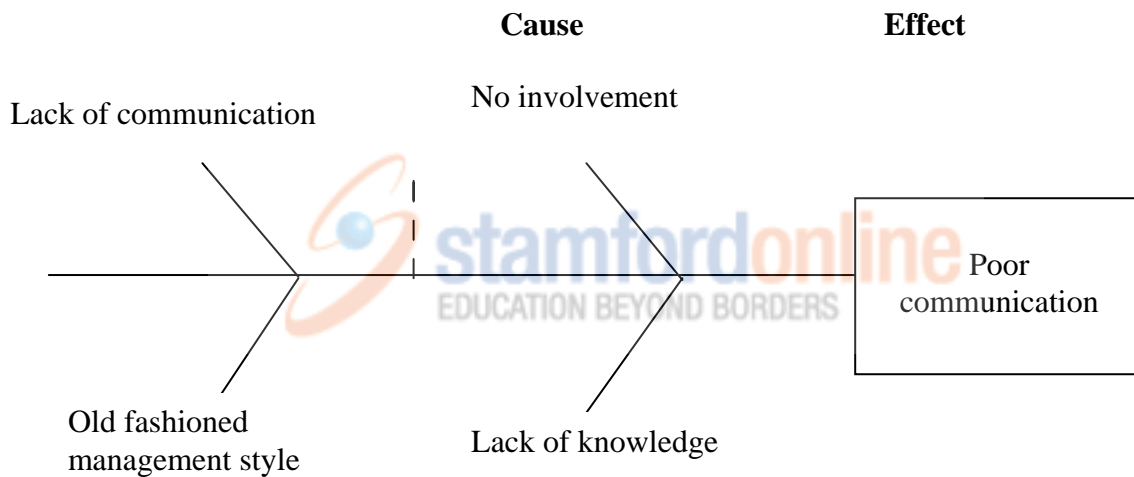


Figure 5.2 Example of a cause-and-effect diagram

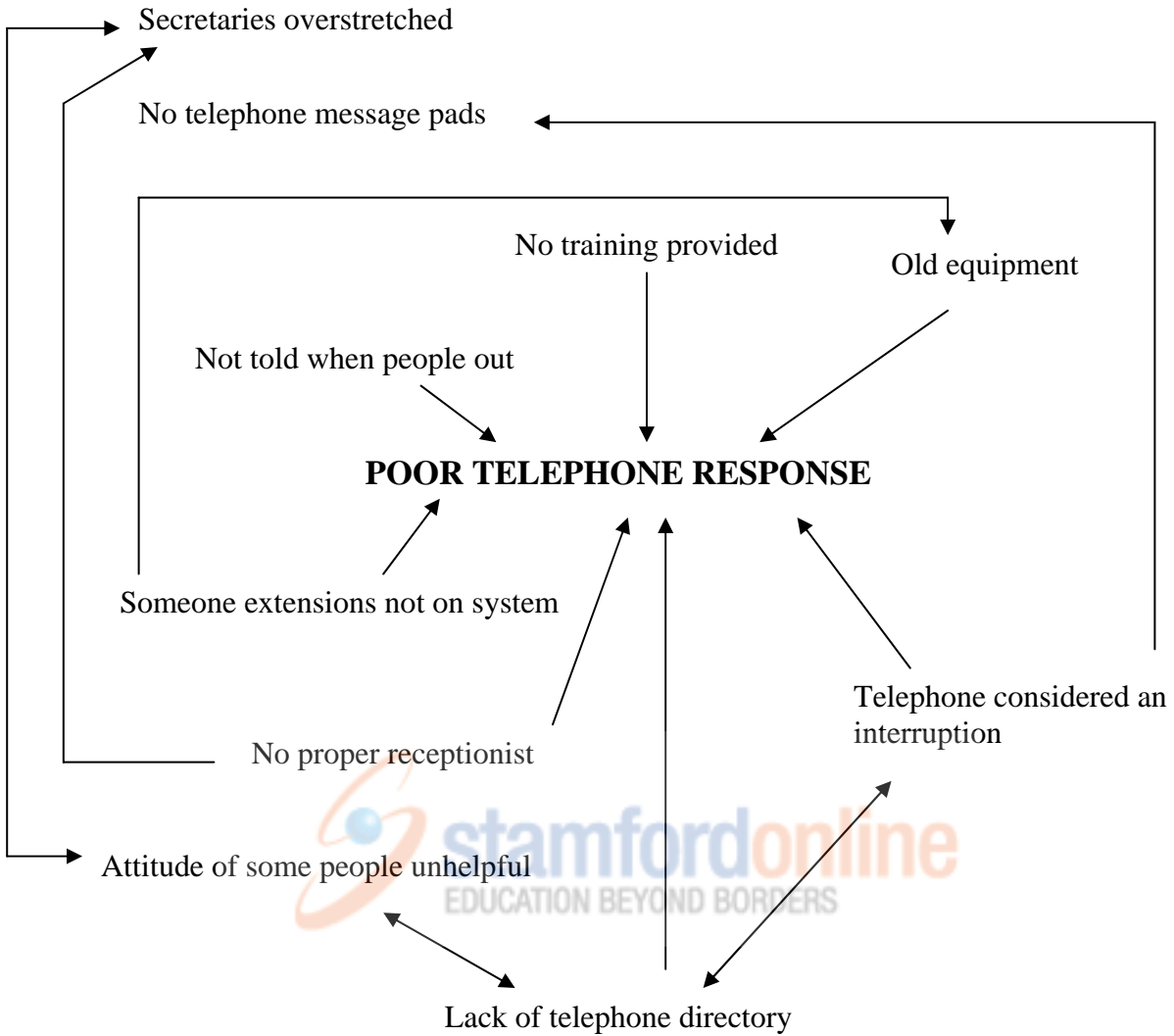


Figure 5.3 Multiple-cause diagram

Normally when a problem has been analysed in this way, further information is required and team members need to gather information which is then interpreted to arrive at a solution. Solutions are often more readily accepted by management when the idea is compatible with company objectives, so it is important that these are made known to the participants of improvement groups prior to their making a presentation to senior management.

At National Westminster Bank, Quality Service Action Teams were established to solve problems and implement solutions at a local level. Steering groups at regional level ensured support and direction. A six-stage problem solving procedure was developed as follows:

1. Select the problem.
2. Identify the causes.
3. Investigate the problem.
4. Develop solutions.
5. Determine the action plan.
6. Presentation to management.

Service quality improvement teams are formed in many organisations. However, each company adopts different names and utilises the problem-solving techniques, which are most appropriate to the organisation. American Express, for example, ran service improvement teams as part of their service quality initiative and has developed 'Do and Review' service improvement teams to review department work methods and workflow procedures by actually helping to do the work. Corrective action plans are developed, discussed and implemented.

5.6 Don't forget suppliers, alliances and partners

The drive for a better service for customers often changes an organisation's relationships with suppliers. Suppliers are an important link in a service quality programme and it is useful to include them in plans for service improvement.

One means of doing this is to make suppliers aware of the organisation's customer care programme and to exact high standards of product and service quality from them in return. The monitoring of quality from suppliers should be undertaken in a participative fashion rather than as an audit. This latter route often leads to defects being hidden, rather than a process of dialogue and co-operation taking place to ensure continuous improvement.

Some organisations include their suppliers in service quality improvement teams to investigate ways of jointly making improvements to processes and practices.

When John Egan took over as chairman of Jaguar Motors, he found that praise for the XJ6 series was overwhelmed by a reputation for unreliability and poor quality. By systematically questioning Jaguar owners, analysing warranty claims and other studies, he found that 150 recurring faults existed. The startling finding was that 60 per cent of the faults originated with bought-in components. Egan insisted that suppliers improved their standards. Testing systems were approved, joint studies initiated and quality audits introduced. All suppliers have to sign an agreement accepting responsibility for warranty costs arising out of their failure.

Likewise, as many organisations create partnership and alliances, it is important that each understands the other's needs and requirements, plus the values which underpin the service offered.

5.7 Standards and Charters

An important factor in the consistency of service delivery is the establishment of standards of service.

However, the standardisation of service may create some dissent amongst employees, as exhortations to constantly wish the customer 'A Nice Day', for example, can be seen to be American indoctrination. It is therefore necessary to strike a balance between delivery of *personal* service and the formulation of standards, which can be guaranteed to be delivered on a consistent basis to the customers, and to convince employees that performance cannot be measured without standards.

All standards of services should be realistic, achievable and measurable. Members of staff must be involved in the setting of service standards, which they know they can apply on a regular basis.

'Hard' as well as 'soft' standards may be set. Hard standards are quantifiable, for example to process 95 per cent of applications within 24 hours. Soft standards are qualitative, for example to be courteous and polite to customers. Standards may also be set on both a local as well as a national basis. World-class call centres are changing from their past fixation on hard measures of agent productivity; e.g. number of cases answered, call duration; to measures on call *quality*; e.g. the empathy shown, the call resolution; as measured by customers' perceptions.

The Citizens' Charter aims to improve the accountability of public services by making sure that everyone is told what kind of service they can expect to receive and making sure that people know what to do if something goes wrong. Organisations such as the Post Office already have a Code of Practice, which sets out standards of service, the complaint procedure, guidance and advice.

As a result of privatisation, the utilities also set out guarantees to their customers. For example, Thames Water guarantees to provide specific measurable standards of service in their day-to-day dealing with customers. If they fail, customers may rightfully claim payment. For the keeping of appointment, Thames Water's standards is, 'We will keep all appointments on the day notified to you, or otherwise give you at least 24 hours' notice of cancellation. If we fail to do this, you will be entitled to payment of £5.'

5.8 Service level agreements

In organisations such as IBM, Amoco, Chevron International, Sony and Powergen, internal customers are charged for services which are provided to them by other parts of the organisation.

In these companies, as in many parts of the NHS, service level agreements have been established. These set out the services to be provided by the internal suppliers, and the agreed quantity and quality.

Where service level agreements are developed, the process should include:

- Defining who the customer of the service is and who are the supplier and their respective roles.
- Setting out the description of the service and how this will be delivered in terms of quality, quantity and time.
- Defining a formula and procedure for determining the pricing structure for the service.
- Outlining the duration of the agreement and terms for amendment and termination.
- Defining how service quality will be monitored.
- Defining what involvement is expected of the customer.

5.9 Suggestion schemes

Another means of encouraging internal service quality improvements is the use of suggestion schemes. Such schemes have existed in the UK for many years; the earliest known in this country was introduced by the Royal Navy in a Scottish shipyard in 1869.

Suggestion schemes can be run alongside customer's service quality initiatives and are a useful method of bringing about service improvements. The United Kingdom Association of Suggestion Schemes, formed in 1987, believes that well-run suggestion schemes can not only pay for themselves, but also provide an excellent financial return. Some organisations achieve a payback of 15 to one. Non-financial benefits include improved teamwork and a sense of ownership.

Suggestion schemes encourage lateral thinking and normally involve ideas for improvements in service quality, reduction in waste, increase in productivity and cost savings.

American Express ran a suggestion scheme called 'Dare to Succeed'. This was run by the Managing Director and the Executive Committee. Prizes won included certificates of appreciation awarded by the President in New York (the winners stayed one week there) and weekend holidays and financial awards.

East Midlands Electricity ran a 'Eureka' suggestion scheme at the suggestion of a total quality action team. It was highly publicised via the company newspaper, poster and local briefing seminars.

It is difficult to develop a successful employee suggestion scheme if a climate for dialogue between managers and staff is not generally encouraged. Also, there is a danger that when some of the suggestions made by staff are passed to management for consideration, ownership of the ideas can 'get lost in the system'.

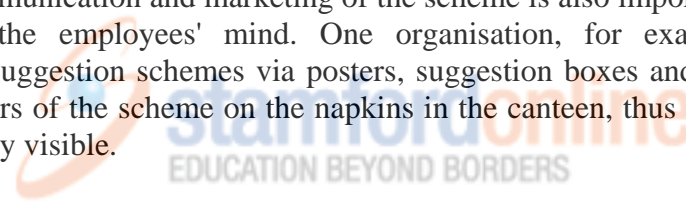
Ideas for improvement need to be readily acknowledged in a speedy and personal manner. Often if senior managers administer the scheme they find difficulty in giving it the time and attention it requires. To overcome this, in some organisations a full-time administrator is employed to oversee suggestion schemes, at least for their initial start-up

period. Other organisations set up staff committees to develop the schemes and evaluate suggestions. This can, however, involve a lengthy process if the committee becomes too large or does not consist of the appropriate members. Supermarket chain ASDA ran a suggestion scheme call, 'Tell Archie'. Suggestions were sent by employees directly to Archie Norman, the CEO. The scheme generated 40 000 suggestions in five years.

Whatever the system adopted for administering the scheme, it is important that an easy method of sending in the suggestions is devised, preferably not through line management - employees can sometimes feel inhibited by their direct manager or supervisor to whom they may have made a similar suggestion in the past which has gone unheeded. All suggestions should be acknowledged quickly, and time-scale for a response given to the employee who has made the suggestion. Employees often become disillusioned with the scheme if no information is given to them on the outcome of their suggestions.

The rules applicable to the scheme and award levels for suggestions also need to be well publicised and seen to be fair by all those concerned. Ideas, which are rejected, need to be accompanied with a clear explanation of the reasons and a note of thanks for the employee's suggestion; otherwise employees can become quickly de-motivated.

Fast rewards and the recognition of suggestions are critical to the success of a suggestion scheme. Good communication and marketing of the scheme is also important to keep it in the forefront of the employees' mind. One organisation, for example, not only communicates its suggestion schemes via posters, suggestion boxes and newsletters but also prints reminders of the scheme on the napkins in the canteen, thus ensuring that the scheme is constantly visible.



5.10 Employee care

As the drive for service excellence extends throughout organisations, the need for companies to commit themselves to high levels of staff care has become more apparent. As Mr Marriott, founder of the Marriott Hotel chain, has been quoted as saying, 'How can we, in a service industry, make customers happy with unhappy staff?' Marriott's philosophy is, 'Take care of your employees and they will take care of your customers.'

Organisations such as Thomas Cook take responsibility for employees' health, safety and welfare by organising facilities such as gyms, swimming pools, creche and private healthcare. Hi-fi retailer, Richer Sounds, puts 1 per cent of its profits into a hardship fund to provide grants or interest-free loans for staff to use.

5.11 Enhancing the environment

The environment in which employees work also shapes the quality of the service provided to customers. If a member of staff works in a draughty, ill-lit environment where information is not readily at hand or where equipment is below standard, service

delivery can be affected. Call-centre environments, for example, can be viewed as 'satanic mills', and this, coupled with the intensity of the work itself, can lead to high levels of attrition.

Providing additional car parking space and more storage facilities, and improving meals in staff restaurants, can often influence an employee's attitude towards his or her employer. A lack of hierarchy can also have an influence. When Archie Norman joined ASDA, it was an organisation ridden with hierarchy. The then CEO had to circulate a memo saying, 'My name is Archie' to prevent everyone from calling him by his surname. Other organisations such as Virgin Atlantic and Tesco have deliberately fostered environments in which there are fewer layers between the 'front line' and the directors. In a job vacancy advert, Tesco proclaimed, 'Our culture is free of bureaucracy, hierarchy and red tape ... we encourage you to think outside the box, accept accountability and bring new, fresh, original thinking'.

As part of a service improvement quality drive in one building society department, staff members were involved in the process of identifying service improvements, which were recorded on a service action plan. From 80 suggestions for improvements, approximately half related to the environment in which the employees worked. The introduction of each item as green plants, a relaxation area, improved refreshment facilities and desk lights, although not directly linked to customers care, had a great impact on morale and motivation within the department. Importantly, it showed the staff that their managers were willing to listen to their suggestions and start a process of two-way dialogue.

When staff at Equitable Life were encouraged to organise their own work rosters and hot-desking procedures, their ideas included setting up 'Well Done' board to recognise achievement, 'fun squads' to organise social events and 'mufti days' during which employees could wear casual dress if they made a donation to charity.

Summary

Everyone throughout an organisation is someone's customer and regularly provides a service to other people in the company.

Understanding internal customer needs is a key step in improving internal service quality.

There are various methods of engendering an understanding of internal customer needs, including conducting attitude surveys, holding workshops, and setting up steering groups and encouraging service champions.

Process improvement is gaining in popularity as a method of providing a more flexible and customer-focused service and of breaking down departmental barriers.

Service standards and service level agreements help specify what is expected of all sections and departments.

Suggestion schemes can run alongside service quality programmes.

Employee care is important in creating the right atmosphere for employees to care for their customers.

REFERENCES

1. Customer Care, (3rd Ed, 1992) Sarah Cook, Kogan Page.

TUTORIAL QUESTIONS - WEEK 6

- 1 a) What do you understand by the term 'internal customer'?
- b) Explain the various methods an organisation can implement to enhance internal customer relationship.

