BRIEFING NOTES FROM www.ValueAdding.com
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HOW GREAT BRITAIN PLC CAN COMPETE

The news that the Prudential is to relocate its Call Centre from Reading to India, with consequent UK job losses, ought to send warning signals to Call Centre staff throughout the UK, where there have already been similar cost reduction announcements from British Airways and others in the Financial Services sector.

In Britain we have high employment costs, which (along with other factors such as the strength of the pound) have been partly responsible for the demise of our manufacturing base. We have built a service industry economy in its place, and established numerous Call Centres as the primary point of contact between businesses and the customers they serve. The question for managers running similar operations in this country is "How can we compete, when we have a higher cost base?"

Recent history shows that businesses which export their Call Centre operations for reasons of cost do not export all of their processes, for reasons of quality and service. Whatever your business there is still a market in the UK for high quality and high value services, for innovation and for those providers who need to stay as close as possible to the needs of their customers.

However, even after you have positioned yourself correctly there will still be pressure on costs, which now need to be examined more holistically. For example, the employment of staff does not just involve paying their wages. Where the rate of staff turnover is high the total costs of recruitment can be a burden, and a more holistic type of investigation may extend to cover the total cost of purchasing, review of supplier base, and rationalisation of marketing activities. However, at some point even these cost reduction activities will run out of steam. As was once said, "Nobody ever shrunk a business to greatness!"

The real answer lies in understanding how your staff can add value to your business and thus to your customers. If the British economy is to grow through making better use of skills and knowledge, a more powerful cost reduction solution lies in using your staff more efficiently, and for once this does not mean improved IT systems.

Using sport as an analogy, a football manager selects a different team to play on different days, depending on the skills mix of the players and the opposition they are due to face. The manager understands the skills of all his (staff) players and also the context of the job he is asking them to do. After assessing the job required of them (dependent on the opposition) he picks the players with the right physical and mental skills for that job.

Just as in football, so in business: better results may be achieved by using the right staff for the right job. This could be lower cost, higher sales or increased market share. However, unlike the football manager, who is working with a squad of only 20, your situation is made more complex by the numbers of people you employ, the wide disparity in their capabilities and the fact that right now you probably do not know the full extent of their skills.

Conventionally, if you want an appreciation of your team's individual skills, you are limited to studying training records and/or relying on the skills of your HR people in interview situations.

Whether we are recruiting new staff or choosing the right people mix from current resources most of us ask but too often cannot answer several important questions.

- ***What skills do these people have?***
- *What skills are required for current projects?*
- *What skills will be needed to achieve our objectives in the future?*
- *Who should be part of the team on the next project?*

New tools and techniques are now available to help answer these questions.

Skills Frameworks provide managers with an overview of the skills within the organisation. They are already being used successfully, where management understands the importance to their future of using skills and knowledge efficiently.

Implementing a Skills Framework requires carefully thought-out processes. This demands an investment of your time, but the return on that investment will be tangible.

ValueAdding.com can demonstrate the benefits of Skills Frameworks to you, and help you identify how to get the best from your staff.

Contact *richard.coombes@ValueAdding.com*

Losing customers?… or winning new admirers?

The words 'Customer Strategy' and 'Managing the Customer Expectation Gap' may sound quite sophisticated, but they boil down to a simple enough concept – making sure the customer gets what the customer reasonably wants or expects. At times it is too easy to lose sight of these basics of the supplier/customer relationship.

We know that it costs us nine times more to gain a new customer than to retain an existing one, so it follows that if we are to succeed in meeting or exceeding the customer's expectations we need to understand basic Customer Expectations. These are simple enough. We are all customers each day, and we all want to know that

- *The service or product will work when we want it and where we want it.*
- *We will be billed accurately, on time, and fairly, getting value for money.*
- *If we have a problem, the supplier will take that problem away, and rectify it, keeping us informed as to timescales and potential outcomes.*

If this is all we expect as customers, the gap should, in theory, be easy enough to measure, with discrepancies easily targeted for improvement. But this is where we need to understand the service perceived to have been delivered, as well as the original service promise. It is not enough to say that I promised X and kept my promise, if the promise is flawed. Let me illustrate what I mean by this.

A sizeable High Street retailer has launched an e-shop facility, with home delivery. They believe this facility to be excellent, as it uses the latest technology to offer customers an easy way of doing business with them. However, when you discover that Home Delivery can only quote a delivery time of between 8am and 6pm, how do you feel? Can you really wait all day to take delivery? Are you going to be satisfied?

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ValueAdding.com Ltd
Tel: 0800 545 600
email:admin@ValueAdding.com

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What I have described does not fit our simple model of Customer Expectations, namely, 'The service or product works when we want it and where we want it'.

It is the customer's perception of service that counts, not the Service Provider's. So the fact that the supplier is meeting Key Performance Indicators relating to stock availability and delivery times really does not mean a great deal. These KPIs cannot provide a picture of whether the Customer Expectation Gap is closing or widening.

Your customer interfaces can provide valuable information about how your customers perceive your service and style of relationship. By installing and monitoring feedback mechanisms at these interfaces you will be able to map your customer's perceptions against your internal KPIs and devise a strategy to bring the two closer together.

This might entail adjusting your customer expectations or enhancing your communications. But equally it might involve changing your infrastructure to enable you to deliver what your customer really wants. Whichever it may be, by capturing quantitative and qualitative information from your external interfaces you will be able to strive for the zero gap which represents World Class.

But why not push this concept further? If we genuinely want to be World Class, why not apply this concept of feedback mechanisms to our internal interfaces? Only rarely do we structure Continuous Improvement programmes around the internal customer.

Contact *chris.fegan@ValueAdding.com*

Making Partnering Work

In this day and age of increased partnering between customer and supplier, there has been much misunderstanding of what successful partnering entails.

The process is normally initiated from a desire to improve current commercial relationships. Clearly, the supplier is looking for longer term contractual arrangements (revenue and profitability stability) and the customer is normally driven to reduce cost (increased value for money and better affordability).

To achieve these aims, the objective is to ensure that risk lies with the "party best able to manage it". If this is not achieved then it is unlikely that the customer is able to obtain better value for money over the life of the contract. Sadly, this is quite often the crux of the whole issue and the main reason why partnering arrangements fail to either be completed or run into trouble once the contract is let.

The larger the contract, generally, the more that the customer is looking to transfer risk to the supplier to manage. For this to happen there has to be openness of communication that has, probably, hitherto never existed, much improved project management as well as faster processing and decision making on both sides.

Remarkably, the more complex the projects, the more often the project management culture starts along "warm and woolly" lines, sustained by a strong belief that it will be "all right on the night". Needless to say, it very rarely is. This is due to expectations, on both sides, having been unrealistically inflated.

A genuine partnering contract will have mechanisms and incentives for improving efficiency and reducing costs on both sides. It will also, in many situations, entail some form of gainshare mechanism for the supplier.

Experience would suggest that for most partnering deals, especially for the supply of complex and sophisticated systems and services, the supplier initiates the process. They can often see where big savings can be made to processes or procedures and, consequently, are aiming for some sort of long-term lucrative cosy arrangement with the customer.

Where this starts to unravel is that, in many instances, the suppliers think that most of the savings will come out of the customer's organisation and processes and do not see changes being necessary to their own service delivery mechanisms. Not only is this viewing the world through rose tinted spectacles, it misses the essential part of such contractual arrangements which is continuous and measurable improvement by both parties.

Another major failing is for the customer to be too prescriptive and specify in great level of detail, rather than define a performance criteria or capability requirement. Being too prescriptive effectively limits the supplier's options and their ability to be innovative and competitive.

Therefore it is essential in managing expectations that consideration is given, at the earliest stages, to:

- *Defining measurable outputs*
- *Defining performance standards*
- *Making it clear that payment will be linked to quantity and quality of service*
- *Agreeing incentivisation mechanisms*

There are normally loads of issues around the above and it certainly does not mean the customer throwing open his books from day one. A careful and structured release of data is required to ensure that there is customer primacy at the early stages and that the contract is, ultimately, both value for money and affordable.

To ensure that the risk, responsibility and rewards are aligned, effort and resources need to put into the early stages of such projects and that is where outside support can be most valuable.

For further information on this topic, contact

andrew.cranfield@ValueAdding.com

Getting to know us

Andrew Cranfield BSc FRSA FMM

Andrew has worked as a consultant and senior interim manager in the aerospace, consumer electronics, printing, engineering and defence industries.

His work has included successful corporate rescues, and he has implemented Activity Based Costing in a Government Department, advising on commercial negotiations on strategic partnering initiatives, to improve service and provide better value. This included leading teams to implement Public to Private Partnerships and Public Finance Initiative type contracts, as well as advising on strategic and policy issues.

Andrew is skilled and experienced in delivering change management programmes within tight timescales. He has also tutored and mentored senior industrial managers and has a background of corporate finance work in emerging technologies and acquisitions.

Andrew has an engineering degree and a Fellowship in Manufacturing Management from Cranfield University, where he also tutored. He is a visiting lecturer on the Manchester Universities IGDS programme on implementing concurrent engineering.

Competencies

At ValueAdding.com *"We help clients to respond to market requirements by improving their processes and costs through the skills of their people."* We have consultants with a broad range of expertise and significant experience that can help you overcome a wide range of problems. For each of the problems or issues listed below please make contact with our lead consultant in that field.

PROBLEMS OR SUBJECT AREAS

SKILLS FRAMEWORKS
Led by Roger Cooper:
Email: roger.cooper@ValueAdding.com

PROCESS REDESIGN
Led by Richard Coombes:
Email: richard.coombes@ValueAdding.com

CHANGE MANAGEMENT
Led by Andrew Cranfield:
Email: andrew.cranfield@ValueAdding.com

HR AND THE CORPORATE COACH
Led by Amanda Smith:
Email: amanda.smith@ValueAdding.com