



Vision of customer loyalty helps propel British Telecom into the 21st century

LEADING EDGE STRATEGY



Ian Smith

"A billion chances to keep them loyal." That's what Ian Smith saw when he joined BT as director of customer services, Consumer Division, British Telecom.

In any given year, his people handle a billion inbound calls and 14 million outbound calls. What an opportunity! In 1995, Smith launched a daring culture change initiative. Within 12 months, the success was so evident that since that time, his strategy has been adopted in other areas of the company, many of which now fall under his responsibility. Smith's story illustrates what can happen when someone has a vision for change as well as the courage and perseverance to pursue that vision and change a monopolistic 110-year-old telephone company into a vibrant, customer-focused, globally competitive leader.

British Telecom traditionally has been a leader in its industry. However, in the past 10 years, the telecommunications giant has come under fierce attack from new competitors taking advantage of new rules and rapidly changing technology. At the same time, consumers have become more informed, more discerning, more demanding, threatening a potential lowering of market share and profit margin. *Impact!* talked with Ian Smith about his part in helping BT meet this challenge.

How would you describe the organization's culture when you joined BT?

I joined the company in 1994. In 1984 it had become privatized, yet there was still a strong legacy of the monopolistic philosophy, particularly in the consumer marketplace. Cable companies were just beginning to offer telephony. We knew competition was coming. However, since we still had a very high market share, there was little desire to change.

I saw a burning need for BT to start thinking "customer in" rather than "network out." BT was always "the telephone company" in Britain. Our strategy was that as the incumbent competitive leader, we remained in a strong position as long as we delivered our basic service with consistent quality. Also, we believed that our brand strength justified our higher prices, as long as they were not way out of kilter with the competitors.

Continued on page 8

BT's culture change

Continued from page 7

What happened to “wake up” BT and force it to consider changing its culture?

Just as important as the product and pricing, our main responsibility in customer service was to take every opportunity to create customer experiences that give them good reasons to stay with BT.

Customer expectations grow as technology and process and competition create new solutions. What was considered a complicated innovation a few years ago is now expected as a matter of fact. Recently, I heard a story about a customer complaining about the sound quality of his mobile phone as he was calling Hong Kong from inside a tunnel in Los Angeles!

Some of my people who had been working with AchieveGlobal (then Kaset International) recommended the company's customer service training and associated consulting expertise. I supported their recommendation because it fit with my vision for greater customer focus.

How did you decide what kind of changes to make?

The key is to understand and respond to the new expectations before our competitors do. When I joined the company, I was given a goal of reducing complaints to a certain number. My response was that when we make a mistake, we want our customers to let us know and give us the opportunity to fix it. Our first objective is to be sure our customers tell us, rather than telling their friends, colleagues, neighbors or anyone who would listen.

It's easy to lower the number of complaints. Simply turn them away or turn the complaints into “inquiries.” However, there are two reasons to encourage complaints (and temporarily raise the number of complaints you receive). If customers tell you and you respond, they won't have to tell others. And if you do recovery the right way, you prove you are responsible, reliable, innovative, and you care. That gives them a great feeling of comfort that they have chosen such a supplier. Later, you can use the information you get from complaints and do a root cause analysis to reduce mistakes.

What did you see as the best way to change the culture?

Each of my original 50 call centers reflected a different part of BT's history. So our first goal was to develop standard business processes, using observations of “best in class” within and outside of BT. We involved the people responsible for using the processes.

Then, everyone participated in training (Achieving Extraordinary Customer Relations and Selling...Naturally!).

We made a strong point of linking that training to the vision and to the strategy work we were doing. We wanted people to know in what context the training was offered. We set new measurement goals for the call centers, moving away from internal statistics such as answering and call handling time to more about customers' perceptions of the way calls were handled. That was a significant change.

Tying all of this together, we developed a culture change program called “For a Better Life.” Changing behaviors to enable more personal accountability was at the heart of the change. We focused on four behaviors: personal ownership, decisive action, considered risks and instinctively knowing what to do for the customer. We introduced this across the division and created programs that constantly reinforce the new culture.

How did you communicate the changes to the rest of the organization?

Communication was absolutely crucial. Not only to the call center front line, but just as importantly, communicating to my peers and up to the top of the organization. Clearly, I needed buy-in and support from the top of the organization. I needed them to understand the different ways we were doing things. There was no point in my recognizing and rewarding particular behaviors that create high levels of customer satisfaction if senior managers continued to focus on the internal, statistical measures.

I had to “sell” many things. For example, when I first arrived, the work environment was less than satisfactory. I told management I could never deliver world class service in an environment in which you wiped your feet on the way out, not the way in!

So I wasn't merely asking the company to provide funding for the training and technology, but also for improving the environment. I believe that the way you feel about your appearance, your environment and your pride in your work and in your colleagues reflects itself in the way you interface with your customers.

We used a variety of media, because people take in information in different ways. Some prefer the written word, some only “get it” through the spoken word or pictures. We put together a video of what BT would look like when we had become a customer-focused organization and showed it during every training session.

I reinforced the communication with personal visits—at least once every 18 months—to each of the nearly 100 call centers I now manage, I spend time with the call center

manager, the first-tier managers and as many of the customer service advisors as possible. I also have lunch with advisors (with no managers in attendance!) to reinforce the message and hear directly from these frontline people about their concerns and questions.

Major change takes constant reinforcement. As a friend once told me, when you, yourself, are totally bored with what you're telling them, they are probably just beginning to understand.

What other things did you do to change the culture?

We do an annual Care survey among our employees. We noticed that recognition was not highly rated. A focus group told us that recognition only came from management and there was a great deal of evidence that some employees perform well in front of managers to get recognition, but lapse back when no manager is around. That was counter to the individual responsibility culture we were trying to create.

So we challenged those people and a few of the managers, saying, "You come up with a business case for what you would like to have. And they came up with a plan that was more peer related and more inclusive. Previously, less than 10 percent of the people were recognized. In the new scheme, 50 percent would have the opportunity. The advisors presented a business case, and my management board gave them the budget approval to go ahead with the program, which they called Magic Moments. If a peer heard an advisor doing something very good for a customer or a colleague, they could recognize that person on the spot.

Another major change was to reinforce personal accountability by raising authority levels from £25 to £150 and basing authority levels on ability levels. Since the managers could now delegate authority to those they felt were capable; they had to pay close attention to the abilities of their employees and coach more effectively.

We also reassessed the job of every manager in Customer Services to ensure they were moving from the old culture of command and control, measured by speed and volume, to the new culture of leadership and coaching, measured by quality and customer satisfaction. Even to this day, some managers struggle with that shift. It's tough to achieve that balance.

How has your job changed?

I'm now the managing director of customer service, which means I have not only the people in the call centers, but also the engineers that work on the local loop. Just about every

aspect of the customer relationship is under my responsibility, providing a continuity that greatly benefits the customer. We required putting the whole field engineer organization through a similar process of cultural and behavioral skills training. Many of them work remotely, so reinforcing and rewarding the behaviors is much more difficult. Hopefully by summer 2000 all 14,000 engineers will have been trained.

Just before the reorganization of Customer Services, the call center division had achieved the highest levels of overall customer satisfaction ever. The organization did recognize our ability to deliver high levels of customer satisfaction and loyalty. This helped BT stem the tide of losses to cable television. The gains we had in second lines more than compensated for the primary lines we were losing. And thousands of customers have come back to us after trying other vendors. We created a careful process for assuring customers that they are welcome back.

What was the biggest challenge?

There were a number of challenges. One was overcoming cynicism and skepticism about BT's earlier attempts to try every known management technique, only to see them revert after the end of the financial year. We needed to have a strong vision and program that was sustainable beyond the end of the financial year.

We had to make sure people saw things as lasting. So on my field visits, I would answer doubts by saying, "You're absolutely right, but when I'm here in another 18 months, I'll ask you the same question, and by then I'll expect you to have bought in and come on board."

What has this meant to you personally?

For me it reinforces experiences I had in previous organizations about focusing on customers, listening and involving people. If you focus on customers and listen intently to what they need, you'll be successful. It also reinforced another belief of mine. Look at the scale of decisions people make in their private lives—not just in bringing up families, but decisions about buying houses and cars and the positions they hold in the community and social life. They get involved in major decisions. So when they come to work, don't assume that they are incapable of making decisions in matters over £25. And when you allow people to use their judgement, they blossom.

BT's culture change

Continued from page 9

The right kind of coaching gives people the roots to grow and the wings to fly. It's wonderful to see people develop. My organization is more than 80 percent female employees, many of whom are working mothers. Our "Management Experience" program, a two-week residential course including the weekend, was out of reach of many of our employees. So we developed a way for these people to begin practicing management skills during their lunch break, or an hour after work. That way, they would go through this process over the course of a year. At the end, we have a graduation and tell them, "You are now accredited to be a manager. At the next available job opening, you will be first interviewed."

It is truly fulfilling for me to watch people develop. I see their enthusiasm about this program and hear what people who have been managed by graduates say. Knowing I've been a part of developing that person from being an advisor to a manager and seeing generations of new managers come out in proportion similar to the gender proportion of the group is hugely satisfying.

What happens next?

We have to recognize and take advantage of the impact the Internet is having on business. We will devise new systems that use the new technology to enable customers to serve themselves more by automating simple transaction activities. Then the advisor can really become a consultant when the customers cannot serve themselves.

And as we begin to develop those systems, AchieveGlobal's Cycle of Service process becomes a tremendous enabling tool. It helps us focus on the customer need and replace our old service support systems with ones that are much more able to give customers the simple, one-touch approach they may require.

As we introduce new products and new service offerings, we use the Cycle of Service process to ensure we are managing the customer experience properly. The process includes advisors, engineers, product managers. Together, they manage the customer experiences. The new systems will give them the information they need to use their customer service skills at a higher level. ■

Making a difference!

Every objective for BT's customer service initiative was exceeded within the first 12 months.

1. Increase revenue

- Second Line sales were 120% above revenue target.
- Friends & Family program was 50% above revenue target.
- Corded telephone sales were 16% ahead of revenue target.
- Cordless telephone sales were 27% ahead of revenue target.

2. Improve customer satisfaction

- Independent surveys by an external company indicated an aggregate rating of 95.5% satisfied. The very satisfied rating moved to 86%. Both scores were the highest on record.
- The number of customer complaints was reduced by 25%.
- A 15% increase in "first customer-call resolution" was achieved.
- The "call abandonment rate" dropped to below 2%. This represented a significant reduction and was well below the industry norm of above 6%.

3 and 4. Improve job satisfaction and increase employees' pride in working for BT

(BT measures the relationship it achieves with its employees annually. The survey is conducted by an independent audit company.) Twelve months after implementation of the initiative the division reported the following results:

- Job satisfaction up 44%.
- Proud to work at BT up 42%.
- Line Index Score (relationship between individuals and their line manager) up 27%.
- Productivity improved by several additional measures.
- Call volume before and after the initiative was analyzed on two levels: quality of calls and number of calls. Key performance indicators reflected a 15% increase in the number of incoming calls, and these were managed by a customer service team that was 22% smaller. The quality of each call also was deemed to have improved. Call productivity, based on these numbers, showed a gain of 32%.