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Knowledge Management: The ROI of Employee Braintrusts

New Strategies for Reversing the Recent Trend

A Knowledge-Driven Consulting® White Paper

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The Plight of the Employee Brain Trust

Your company recently endured a wave of downsizing or the departure of a few key baby boomers headed off into semi-retirement. Critical knowledge and intellectual capital walked out the door. Customers are calling. They need answers. Of course, the remaining employees are not only responsible for their own work, but also for the work of those who left. How can they assimilate two or three other jobs and the knowledge that goes along with them and be effective; not burn out, or negatively impact morale?

> "As long as customers have a choice to go somewhere else, as long as repeat business is important, companies must deliver the highest levels of customer service and satisfaction to stay in business."
>
> *Professor Claus Fornell,*
> *American Customer Satisfaction Index*
> *University of Michigan*

In the hypothetical and real world, matters could always be worse. For instance, in the midst of this brain-drain, your product development and marketing teams launch 10 new products. Since you just lost key people in Quality Assurance, the buzz making its way up the leadership chain is that the new products are being released without enough testing. You're in for a rough time with a flawed product and ultimately your contact center will take the brunt of customer frustration.

After any product launch, business picks up quickly. You'll need to roll out revised product information, troubleshooting steps, and new service policies to the current employees who are already overwhelmed due to a lack of institutional knowledge. Additionally, you may find you need more people, but you can't hire and train fast enough to maintain a satisfactory level of performance and service. Unfortunately at some point you must realize you can't hire your way out of growth and still maintain profit.

Combine these scenarios with the real-world facts that customers today expect to contact your company via various channels, they are more loyal to price than brand, and that the marketplace is continually flooded with new products and services, and you have potential for disaster. This flurry of activity, just to keep up with the competition, not only increases the amount of knowledge your employees need to master, it also dictates the need for a systematic process to manage the glut of continuously changing information. Regrettably, increased budgets for the Contact Center are usually not provided to handle the additional inquiries and questions that result from increased business activity.

> "Many companies purchase technology just because their competitors do, but they really do not think through what they expect from their technology in terms of major strategic change. For instance, they focus on how the technology will make a given process faster—when what they really need to look at is if the process is even the right one to build customer value."
>
> *Martha Rogers,*
> *Teradata Center of Customer Relationship Management, Duke University*

Many companies are dealing with similar scenarios, and are unsure how to manage the exponentially increasing amount of information and understanding required of their knowledge workers. What is the best way for a company to handle the exploding need to manage knowledge? Could this all be part of the disappointing results of CRM systems gone awry?

While there are numerous reasons for the lack of CRM success, this particular white paper is focused on how to manage the employee brain trust; a component critical to succeeding in today's Knowledge Economy and CRM-centric business environment.

The Unsolved Knowledge Economy Challenge

According to numerous industry analysts (Gartner, Meta Group, AMR Research and Yankee Group), a staggering 55 to 70 percent of CRM and Contact Center projects fail to meet their objectives. Why, when the objective is to provide better service and build strong connections with customers, is the achievement of CRM still elusive? Companies have spent millions and sometimes billions of dollars on CRM and Contact Center technology hoping for, and many times achieving, efficiencies that can only be afforded by technology. But in Bain and Company's survey of 400 executives, 20 percent believed their CRM initiatives actually damaged customer relationships. Yet another study by Forrester Research reports high satisfaction with the actual application functionality and capability. So, if the technology is not failing, what is?

Simply put, technology without the proper people and processes in place only enables you to deliver bad service faster. Despite the millions invested, only efficiencies improve, not necessarily performance. On the flip side of efficiency is effectiveness. And so the questions continue:

- How can you handle more customers without adding headcount?
- How can you accelerate new employee ramp-up time?
- How can you increase first call resolution or reduce call talk time without sacrificing customer service or giving agents the wrong message?
- How can employees keep up with all the new service and products (features, functions and benefits) and comparisons to other products when Marketing is releasing new programs every three months?
- Wouldn't it be nice if customers actually used the available, but seldom understood, self-service functions without contacting an employee, and the answers customers needed were easily found, understood and applicable?

Change Management Matters Most: Thought Leadership

> "Technology failures and disappointing implementations are often blamed on the software. Failures have less to do with technology and more to do with not managing change, poor communication and training."
>
> *Software Disasters are Often People Problems, CNN.com Technology Report, 2004 (AP)*

The achievement of CRM, self-service and other such objectives depends directly on all employees, especially customer-facing employees. It is now well known, as a result of studies conducted at the Purdue University Center for Customer-Driven Quality, that 90 percent of customers create an impression about the company from these customer-facing employees. In fact, 60 percent will terminate the relationship based on a bad experience in the contact center. Gartner reports that 70 percent of executives believe they have a well-run contact center, providing good service, while only 46 percent of customers report satisfaction with that service. That is a fairly large gap between how organizations think they are doing versus how their customers feel about the company and the service it is providing.

Our research, along with that of other analysts firms, show that CRM failures have some common characteristics:

- Ineffective preparation of employees to understand the changes they are facing
- Lack of understanding about the importance of CRM and each employee's buy-in of their role in the big picture, and
- Unwillingness of the organization and its executives to support employee's edification to continually meet the new challenges in this Knowledge Service Economy.

The changes in how business is conducted are huge, yet the flawed trend is to downplay the change.

"The bottom line: users executing a successful software implementation spent 10-15 percent of the project budget on change management."

Dana Stiffler,
AMR Research Report, 2003

Via gap analysis of many companies, Hitachi Consulting's research and delivery teams found the only way companies attain real value (bottom-line results) from any new technology is to simultaneously invest in related change management programs and applications that support their people (knowledge workers) through the transition period.

A critical component of CRM application deployment is managing the change. This is supported by years of research by destination CRM, Metagroup and AMR. A crucial part of managing change is the management of knowledge. (Detailed analysis of change management can be found in our Change Management white papers on www.hitachiconsulting.com.)

In fact, a new paradigm is establishing itself: in application delivery, the people component must have financial support and become a priority over the technology. Instead of letting the technology determine the success (or lack thereof), programs to manage the change in processes, knowledge and education must take center stage.

In the next section of this white paper we not only define how Knowledge Management (KM) has changed in today's business world, but we offer best practices and examples of how it has helped companies maintain and gain market share by empowering and retaining their brain trust.

Knowledge Management versus Content Management

> "Knowledge Management is the systematic process of finding, selecting, distilling and presenting information in a way that improves employee's comprehension and insight to solve problems for a business."
>
> *Dr. Natalie L. Petouhoff, Hitachi Consulting*

Knowledge management is not a technology; it is a solution or three-legged stool comprised of people, process and technology, each of which are required to support it properly. Knowledge management solutions enable companies to provide customers with information and knowledge in an efficient and effective fashion because knowledge is the tacit information (e.g. ideas, expertise, and values) used to solve and resolve customer questions and issues. Knowledge management represents 80 percent of the brain trust's holdings.

Content Management, on the other hand, which uses technology to publish and share content, focuses on explicit information (e.g. facts, policies, procedures) and represents only 20 percent of a company's enterprise information assets. Content management (sometimes confused with knowledge management) is related to the technology part of the three-legged stool.

The Dangers of Not Using Tacit Knowledge

> "Many companies don't know what they know. This can lead to duplication of efforts, inconsistent messages to customers and, most importantly "doesn't allow a company to outthink their competition."
>
> *Peter Senge, Author of The Fifth Discipline: The Art and Practice of Learning Organizations*

In the past, reporting on and analyzing explicit or structured information helped us to understand the business environment, customers, suppliers and other key business levers. Tactical and strategic decisions were based on structured information found in relational databases, legacy data stores and reporting systems. The dangers of not having a system to collect and distribute tacit knowledge include:

- Incomplete, inaccurate and limited information for decision-making
- Ineffective use of precious employee time to obtain the right information
- Poor collaboration among groups who make uninformed decisions
- Lack of accurate, real-time information in the right people's hands when they need it
- Weak compliance with regulatory rules, resulting in possible violations and fines

So, why then do executives, middle management and contact center agents continue to base decisions on this static (explicit) information that only represents 20 percent of what is going on within the organization, when the tacit knowledge is what can ultimately help in making timely business decisions that afford competitive advantage? We're not sure, but hopeful that the following example of how tacit knowledge turned a business around will change the mind set of those trapped in leveraging only static information.

> "In our research, it was clear that knowledge was the prime currency in our national and global economy and it provided value to the bottom line."
>
> *Michael Stankosky, Knowledge Management Thought Leader, Professor, George Washington University*

At Nestle®, the Contact Center Director encourages agents to report activity and issue trends daily and hourly. In one instance, customers were calling in with concerns about the amount of caramel in their Caramel Crunch Bar®. Taking this customer intelligence very seriously, the agents relayed the information to the manufacturing plant. Within hours the problem was solved.

It turns out only one third of the bars were receiving the proper amount of caramel. Instantly taking that tacit knowledge and implementing in restructuring the caramel delivery mechanism, the candy bar quality was quickly brought up to par. In addition, the call volume decreased and customer satisfaction increased.

Nestle listened to its customers and responded quickly based on that tacit knowledge. If only explicit information had been used, it might have been months (or worse, never) before they discovered the issue, reported it to the right channels, analyzed it and taken some corrective action.

While this example is rather simplistic, it can be applied to almost any product, any industry and any contact center. Tacit knowledge can enable businesses to turn on a dime and recover quickly enough to stay in business, retain customers and beat the competition.

The Financial Impact of Poor Knowledge Management in Contact Centers

We now know, while organizations can use technology to deliver calls faster and smarter (skills-based routing) as well as to deflect calls to theoretically less expensive, self-service channels, it is still employee performance that makes or breaks the impression of the company on the customer.

> "Shareholder value of companies that place a premium on employee development, training and knowledge management are higher than those that do not."
>
> *Donald J. Stanley,*
> *The Impact of Empowered Employees on Corporate Value, Pepperdine University*

A poor knowledge management system, or a lack of one altogether, greatly impacts the effectiveness and financial success of a contact center. For instance, in terms of transforming customer contacts into relationships, which can be a significant competitive differentiator, both tacit and explicit information is required. Without it, employees:

- Lack product knowledge in a changing environment
- Take longer to answer questions
- Don't appear to be knowledgeable or helpful
- Feel dissatisfied about their jobs.

Inefficient customer service produces disgruntled customers and increases call handle time, increasing the financial burden of the contact center and reducing its ability to be a profit center versus a cost center.

Without a knowledge management system, agents do not have quick access to the right information at the right time and ultimately spend more time on the phone with customer. Increased call time, also known as Call Resolution Time (CRT) or Call Handle Time (CHT), has a huge financial impact on the profitability of a call center. Decreasing call time by mere seconds can save companies millions of dollars. Increased call time also directly increases Cash Cost Per User (CCPU), which, depending on the size of the call center, can also have great impact on the cost of operating the call center.

> “Re-engineering was the innovation that forgot people. Knowledge Management experts know that people are the key to making this innovation a reality.”
>
> *Thomas H. Davenport,*
> *What’s the Big Idea?*
> *Creating and Capitalizing on*
> *the Best Management Thinking*

When Purdue conducted a study to determine the factors that affect caller satisfaction, the biggest driver of caller satisfaction was first call resolution (once and done). In addition, it was found that there was a direct correlation between the ability to complete first call resolutions and the amount of agent turnover. The higher the first call resolution, the lower the agent turnover.

According to studies done by Purdue University, the three top reasons agents give for leaving are:

- Too much stress – 47.5%
- Low pay – 17.5%
- Product is too complex/too much to learn via the current training – 15%

Understandably, agents who spend all week receiving heated calls from customers they cannot satisfy are more likely to consider other employment. Agents need successful interactions with their customers in order to feel good about their jobs. Working in a call center is a stressful job. However, agents who undergo extensive knowledge management and training are twice as likely to stay on the job. And while agent turnover is most often not calculated as part of a contact center budget, it is very costly. Purdue University showed it costs between $6,000 and $8,000 to replace one agent. This means that a contact center with 200 agents and 20 percent turnover has attrition costs somewhere between $240,000 and $320,000 per year.

In addition to costing the contact center, increased call time results in disgruntled customers. Customer churn represents one of many reasons a good Knowledge Management system is a crucial component of successful CRM. It is five to six times more expensive to gain a new customer than it is to maintain a current one. Sixty percent of customers that are dissatisfied with the experience they have with contact center agents will take their business elsewhere. Those that stay, when dissatisfied, have a lower repurchase probability and smaller purchase values, thereby stagnating customer lifetime value.

Solutions and Best Practices

Knowledge Management best practices include managing ten aspects of a Knowledge Management program. These ten aspects are:

1. Determine your Knowledge Management strategy, including the business case
2. Gain stakeholder financial and resource support
3. Appoint a Knowledge Management leader who will be responsible for the ongoing maintenance of the data, both tacit and explicit
4. Follow a Change Management Plan to reduce resistance (implementation costs)
5. Map out service resolution processes to determine what information is needed by who and when, then decide the best way to present it

6. Determine your data management and metadata management plan
7. Choose a technology platform that will support the service resolution process at your company
8. Integrate the Knowledge Management system into existing systems
9. Develop user acceptance via a learning organization culture
10. Educate customers on self-service

A Knowledge Management system must connect people and leverage their know-how. The goal is to create combinations of people and technology to produce networks of people who transform themselves into Braintrust Collaborative Networks. Then, not only will your company realize the benefits from CRM and Contact Center technology (efficiency), but with that collective brainpower, the people side of your business will be more effective as well.

Conclusion

When a company knows the value it intends to provide and to whom, it is easy to begin to link its knowledge resources in a way that makes a difference. Companies that want to differentiate their products and services, respond quickly and effectively with the right solution the first time, and serve customers in a coordinated, consistent, intelligent, innovative and knowledgeable way will be driven to embed knowledge management into their culture.

> "Reward the behavior you want repeated. If you want people to share knowledge, then reward them for that."
>
> *Dr. Natalie L. Petouhoff,*
> *Hitachi Consulting*

For more information on Knowledge Management, search key words in the Knowledge and Success area www.hitachiconsulting.com.

About the Authors

Brian R. Johnson, managing vice president of Customer and Channel solutions for Hitachi Consulting, has 20 years experience assisting companies with improving and automating their customer facing functions. He has extensive experience helping clients develop CRM strategies, architect technical CRM solutions, plan for complex global implementations, and manage the process and organizational change required to successfully transform themselves into customer-centric organizations.

Lisa Darnell is a customer solutions manager for Hitachi Consulting. She has been involved with CRM implementations since 2000 with a heavy focus on software implementations in the Call Center. She has experience implementing CRM in a variety of industries, including telecommunications, aerospace, energy, software, high-tech manufacturing, insurance and apparel.

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As Hitachi, Ltd.'s (NYSE: HIT) global consulting company, Hitachi Consulting is a recognized leader in delivering proven business and IT solutions to Global 2000 companies across many industries. We leverage decades of business process, vertical industry, and leading-edge technology experience to understand each company's unique business needs. From business strategy development through application deployment, our consultants are committed to helping clients quickly realize measurable business value and achieve sustainable ROI.

Hitachi Consulting's client base includes nearly 30 percent of the Fortune 100 as well as many leading mid-market companies. We offer a client-focused, collaborative approach and transfer knowledge throughout each engagement. For more information, call 1.877.664.0010 or visit www.hitachiconsulting.com.

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