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Report to the Chairman, Subcommittee on Oversight, Committee on Ways and Means, House of Representatives

August 2000

CUSTOMER SERVICE

Human Capital Management at Selected Public and Private Call Centers

GAO

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The Honorable Amo Houghton
Chairman, Subcommittee on Oversight
Committee on Ways and Means
House of Representatives

Dear Mr. Chairman:

Since most Americans use telephones as their principal mode of contact with government agencies, call centers and the people who work in them shape perceptions about the quality of government's overall customer service. A frontline measure of how government meets the needs of its customers is how successful it is in answering its telephones—and answering them promptly, accurately, and courteously. The challenge of providing quality telephone customer service is greatest for government agencies, such as the Internal Revenue Service (IRS), which must respond to calls dealing with a variety of complex subjects.

As you requested, this report discusses strategies for managing human capital—that is, people—in telephone customer service operations at organizations that were identified to us as having noteworthy or innovative strategies and practices, and that handle calls dealing with subjects of comparable complexity to those at IRS.[1] Specifically, our objectives were to discuss what common approaches, if any, underlie the practices that selected public and private sector organizations used to (1) identify human capital needs as part of developing management strategies and practices to meet missions and goals; (2) implement human capital strategies and practices;[2] and (3) evaluate human capital strategies and practices to continuously improve their operations. We also observed certain practices and strategies that were important to the organizations in all stages of human capital management. Figure 1 illustrates the continuous human capital management cycle as we address it in our objectives.

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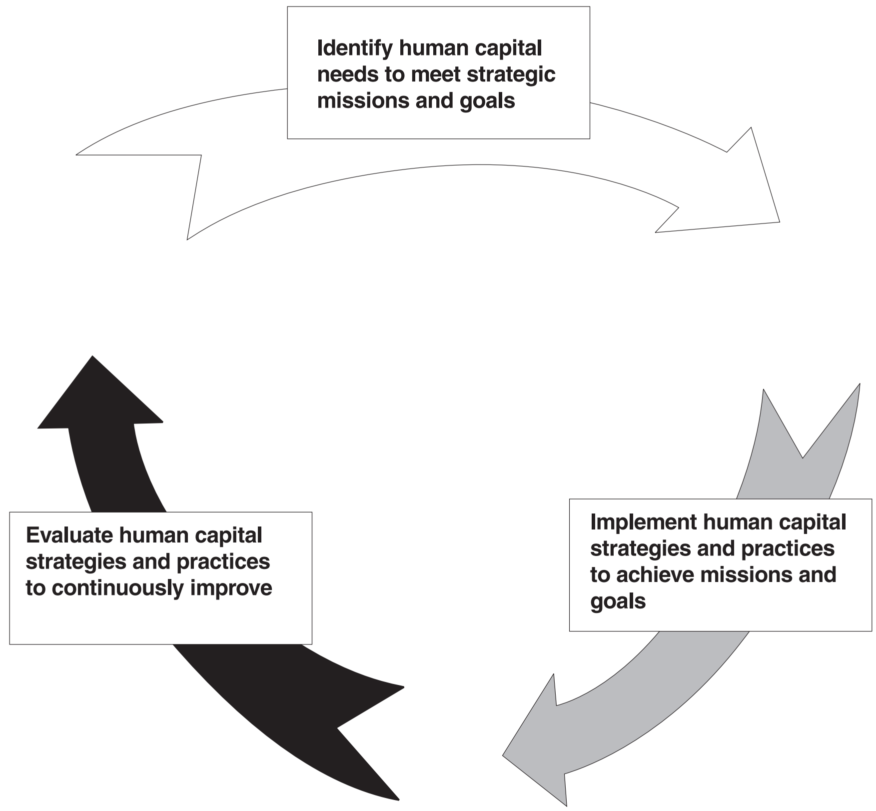
[1]To assist you in your oversight of IRS, we will also issue a follow-up report discussing human capital management issues in IRS' telephone customer service operations. The follow-up report will discuss how IRS might benefit from practices we have observed at these organizations as it implements major changes to meet its productivity and service goals.

[2]We addressed the overall implementation of human capital management strategies and practices, and we addressed specific strategies and practices for managing recruiting and hiring, training, and evaluating and improving job performance.

Figure 1: Human Capital Management Cycle



Source: GAO analysis of available literature.

To address our three objectives, we visited or telephoned the following 11 public and private sector organizations that were recommended to us by industry experts or identified in the literature as having noteworthy and/or innovative telephone customer service operations: Allstate Insurance Company (Allstate); California Franchise Tax Board; Canada Customs and Revenue Agency; General Electric (GE) Appliance Company; Hewlett-Packard Company Executive Customer Advocacy Group; Illinois Department of Revenue; International Business Machines, Inc. (IBM), Product Sales and Service Division; Kaiser Permanente; Social Security Administration (SSA); United Parcel Service (UPS); and Utah State Tax Commission. We examined documentation and did interviews at each location using a structured data collection and interview instrument. We also attended an Arthur Andersen, LLP, seminar on best practices in contact center management. Appendix I provides detailed information on our objectives, scope, and methodology.

We did our audit work between May 1999 and June 2000 in accordance with generally accepted government auditing standards. We asked the representatives of the outside agencies, with whom we consulted, to review a draft of this report for accuracy and clarity. Their comments are incorporated as appropriate.

Results in Brief

Although the 11 organizations in our study had widely varying business goals for their telephone customer service operations, they had commonalities in the ways that they employed their people to meet these goals.

Three major themes emerged in discussions at the call centers regarding how human capital needs were identified to meet missions and business goals. First, officials in both public and private sector organizations said that they determined human capital needs (the numbers and skill mixes of staff) on the basis of clearly articulated service-level goals.[3] Second, goals for the operation and management of the call centers were supported by top leadership in many of the organizations—leaders who understood the role of telephone customer service in meeting overall organizational goals and objectives and were willing to commit the resources needed to meet them. Third, managers of the organizations said that they regularly reassessed human capital needs in the context of a changing environment, including technology improvements. For example, a manager in the SSA Office of Telephone Services said, “We see our telephone service as a living, breathing operation…Right now, we are focusing on improving our automation options to give customer service representatives[4] the time to deal with the calls that really need to be handled personally.”[5]

[3]Service level is a measure of how promptly calls of all types (e.g., Spanish language calls and general information requests) are answered. It is expressed as a percentage of calls that are answered within a given time period (e.g., 80 percent of incoming calls answered within 20 seconds).

[4]The organizations in our review used different job titles for their telephone customer service representatives. For example, they were called “revenue tax specialists” at the Illinois Department of Revenue and “client service agents” at the Canada Customs and Revenue Agency. For simplicity and clarity, we use the title “customer service representative” generically throughout this report.

[5]See Social Security Administration: More Cost-Effective Approaches Exist to Further Improve 800-Number Service (GAO/HEHS-97-79, June 11, 1997). This report reviewed how well SSA’s 800 number provided service to the public. The report noted that SSA had been recognized for its service to the public and recommended telephone customer service improvements, including an expansion of automated services to handle routine calls.

Officials in both public and private sector organizations cited leadership and competitive compensation as being most critical to implementing human capital strategies and achieving business goals. Therefore, these organizations strove to (1) retain committed, dynamic call center managers who respected employees and communicated with them extensively and (2) offer compensation packages that were at least comparable to those offered by firms competing in the same labor markets. For example, a manager of an Allstate call center said that the company had a long tradition of valuing and respecting employees and prided itself on providing open and honest communication. Strategies for managing the discrete human capital activities of recruiting and hiring people, training them to do the work, and evaluating and improving job performance were part of a larger strategic plan for excellence at most of the organizations. For example, several call center managers considered themselves recruiters for their entire organizations since telephone customer service was a key entry point.

Officials discussed processes for evaluating call center operations, including human capital management strategies, and using the results to make improvements. Some officials said that evaluation results were used to make improvements at every stage in the human capital management cycle. Individual telephone customer service representatives at some organizations were evaluated on many of the same qualitative and quantitative performance measures as the overall call centers' operations, linking the goals and performance of the organization to the work of individual employees. Examples of the types of qualitative assessments conducted included internal monitoring of selected calls and surveys of external customers to determine their levels of satisfaction with the service received. Management information systems also generated several quantitative performance measures from which leaders and managers could select those most meaningful for evaluating call center performance (e.g., the percentage of abandoned calls and average time in a queue (waiting to speak to a representative)).

In addressing our three objectives, we observed commonalities in the management of the call centers that could be useful for IRS to consider as its modernization and restructuring are planned and implemented.

Background

An organization's human capital—that is, people—defines its character and capacity to perform. Two principles are central to the human capital idea. First, people are assets whose value can be enhanced through investment. Second, an organization's human capital policies must be aligned with and assessed by the standard of how well they support the organization's mission, core values, and strategic goals.[6]

People are the largest operating cost of most federal agencies. This fact notwithstanding, human capital management has lagged behind efforts to strategically manage other federal resources (e.g., information and financial systems). The Government Performance and Results Act of 1993 was a key impetus for bringing management principles to the government. The act set timetables for federal agencies to begin implementing strategic management principles. Agencies were to develop their first strategic plans by fiscal year 1998; set performance goals for fiscal year 1999, and for each year thereafter; and issue their first reports on actual performance toward achieving those goals in March 2000. As a result, we found that some agencies have improved performance and become more results-oriented by implementing strategic management principles. However, we also have found that in their management improvement efforts, agencies often have not adequately developed plans for strategically managing their human capital.[7]

In June 2000, the President issued a memorandum to the heads of executive departments and agencies directing them to take actions to assess their human resources management. The President directed that agency heads fully integrate human resources management into their planning, budgeting, and mission evaluation processes; clearly state human resources management goals and objectives in their strategic and annual performance plans; and renew their commitment to effective recruitment, development, and management of their workforces.

The checklist we published in September 1999, contained a five-part framework against which federal agencies could measure human capital management systems. The five elements were as follows:

[6]See Human Capital: Key Principles From Nine Private Sector Organizations (GAO/GGD-00-28, Jan. 31, 2000), Human Capital: A Self-Assessment Checklist for Agency Leaders (Discussion Draft) (GAO/GGD-99-179, Sept. 1999), and Human Capital: Managing Human Capital in the 21st Century (GAO/GGD-00-77, Mar. 9, 2000).

[7]See Managing for Results: Opportunities for Continued Improvements in Agencies' Performance Plans (GAO/GGD/AIMD-99-215, July 20, 1999).

- Strategic planning (establishing the agency’s mission, vision for the future, core values, goals, and strategies).
- Organizational alignment (integrating human capital strategies with the agency’s core business practices).
- Leadership (fostering a committed leadership team).
- Talent (recruiting, hiring, developing, and retaining employees with the skills for mission accomplishment).
- Performance culture (enabling and motivating performance while ensuring accountability and fairness for all employees).[8]

At the same time that federal agencies have been working to strategically manage their operations, they have focused on improving service to their customers. Studies by the National Partnership for Reinventing Government (NPR), which is a governmentwide initiative to reinvent government, documented a lack of customer focus in government operations and was instrumental in efforts to improve government customer service. Noting that government agencies rarely get their funding directly from the public, an NPR report stated that, lacking the direct link to their real customers, agencies often focused instead on powerful stakeholders, such as Congress or higher level management. In the process, the government’s focus moved further and further from public service. The NPR also found that customer service provided by government agencies lagged behind what customers had come to expect in their dealings with private organizations. A February 1997 NPR report also noted that improvements in providing customer focus and involvement in strategic planning were under way at several federal agencies.[9]

Clearly, human capital management and customer service should be focuses of the federal government in the decade ahead. Our study of strategies for managing human capital at noteworthy and/or innovative telephone customer service operations was requested to offer insights and perspectives that could be useful to government call centers, including IRS’, as they strive to meet new human capital management and customer service goals.

[8]GAO/GGD-99-179.

[9]See Serving the American Public: Best Practices in Customer-Driven Strategic Planning, A Federal Benchmarking Consortium Study Report (National Performance Review, Feb. 1997) and From Red Tape to Results: Creating a Government That Works Better and Costs Less, Improving Customer Service (Accompanying Report of the National Performance Review, Sept. 1993).

Human Capital Needs Were Based on Goals, Supported by Leaders, and Regularly Reassessed

Three major themes on how human capital needs were determined emerged in discussions with officials from most of the organizations we studied. First, officials said that they determined human capital needs (the number of staff and skill mixes) on the basis of clearly articulated service-level goals—that is, measures of the percentage of calls of all types that they wanted to answer within a given time period. Notwithstanding the importance that the call centers placed on the quality of responses to telephone inquiries, service-level goals come first because they drive call center staffing and budgeting levels.[10]

Second, these officials said that call center goals were embraced by the top leadership of the organizations, who understood the role of telephone customer service operations in meeting overall organizational goals and objectives and were willing to commit the resources needed to meet them. Third, they said that managers regularly reassessed human capital needs in the context of a changing environment, using a strategic planning process to predict changing conditions for the long and short term and respond to these changes in a positive manner.

Staffing Based on Clearly Articulated Service Level Goals Was Key

According to officials from the organizations we visited, a key to determining the number of telephone customer service representatives and the mix of skills and expertise they needed was to have clearly articulated service-level goals for meeting customer needs. Various organizations chose different service levels for different reasons. The following are examples of service-level goals that were reported by officials from the organizations we visited or telephoned:

- SSA’s goal was for 95 percent of callers to reach its national 800 number within 5 minutes of their first attempt.
- UPS had a goal for 90 percent of calls to be answered within 15 seconds, Monday through Friday.
- GE Answer Center’s goal was for 100 percent of calls to be answered within 90 seconds.

According to a book that provides guidance on call center management for practitioners, there is no “industry standard” service level. Each organization must determine a service level for its call centers, taking into account its own unique circumstances. Factors that organizations should

[10]Service-level goals are not the only goals that are important for call centers to establish. For example, these goals do not address the quality of the telephone service provided. Certainly, an appropriate service-level goal could be met at a call center and customer service could still be poor, with callers receiving inaccurate information, discourteous treatment, or answers to questions that they never asked. This fact notwithstanding, service-level goals are the first goals that call centers need to set.

consider include (1) the costs of answering the call (labor and telephone equipment costs), (2) the value of the call to the organization, and (3) caller tolerance (how long the callers are willing to hold for service). It is also helpful for organizations to benchmark (formally or informally) with competitors or similar organizations.[11]

The following are two observations from officials about lessons learned and factors to consider when determining appropriate service-level goals:

Social Security Administration. In discussing lessons learned about setting goals, an official noted that on average business days, the call center must exceed its service goals to make up for the inevitable high call-volume days when the goal will be missed. SSA's historic trend data show that Mondays and days following holidays are the busiest telephone days, and that the first week of the month and the first 3 months of the year are busier than other weeks and months. Thus, officials said that they knew on certain days, such as the day after New Year's Day, they would be overwhelmed by calls and would not meet their access-level goal.

Allstate. Officials discussed pitfalls of setting service-level goals too high or too low. If an organization seeks a very high service level, large numbers of customer service representatives will have idle time while they wait for calls. However, low service levels, with callers constantly waiting in a queue, can create employee stress. Time is also added to the length of calls because customers complain about waiting to speak to the representative, thereby exacerbating an already undesirable situation.

Call Center Goals Were Supported by Top Leaders in Many Organizations

At many of the organizations we visited, officials noted that support from top leaders was necessary to meet call center goals. Three examples follow of comments we received on the importance of having the support of organization leaders for call center plans and operations:

California Franchise Tax Board. An executive said that following U.S. Senate hearings in 1997 and 1998 on instances of poor treatment of taxpayers by the IRS, "…our Board became willing to move resources and commit funds for a quality call center operation." A consultant was hired to look at the operation, and a major reorganization took place. The executive noted that she was recruited from another state agency in part because of her strong background in human capital management. She said that another strong manager was given responsibility for day-to-day

[11] Brad Cleveland and Julia Mayben, Call Center Management on Fast Forward: Succeeding in Today's Dynamic Inbound Environment (Annapolis, MD, 1997).

operation of the call center and was empowered to make changes. Systematic planning to meet improvement objectives replaced crisis management.

One senior customer service representative described the transition from her perspective as follows:

"The changes started at the top. They got rid of poor supervisors, they got personal computers for employees, and they gave us a half hour every day off of the phones… Before, we were expected to be on line for 7 hours, and our pay would be docked for time away. The atmosphere improved immediately. Managers seemed more like partners. There was less criticism directed at employees. Managers also welcomed communication from on-line employees about what was working well and what was not working well."

Illinois Department of Revenue. This department did a complete reassessment of its human capital requirements, which resulted in an increase in the number of customer service representatives, an upgrade of the qualifications for the positions, and steps taken to make the jobs more desirable. A manager said that a key to successfully implementing human capital improvements was that senior department leaders understood the unique demands on telephone customer service representatives. Senior executives and managers came to the call center, sat down with employees, listened to their concerns, and then delivered on promises they made for improvements. She noted that workspace was reconfigured so that it is among the best space in the department. Better workspace helped to build pride among staff regarding their unit and reinforce its obvious value to the organization.

She also said that several other steps also helped to reduce the stress of the jobs. Senior managers supported policy changes that supplemented call center staff with trained volunteers from other departments during lunch hours and when call volume was high. They created opportunities for call center employees to cross-train in other areas during slow periods on the telephones.

Kaiser Permanente. A director of the California call centers said that top leaders have understood the importance of the call centers' providing "extraordinary customer service" since they first opened in 1995. Top leadership made an up-front investment in staffing, training, and technology that, from the beginning, resulted in call centers' employing well-trained and empowered staff who had a strong customer service culture and available modern technology. The director noted the following:

"…today, employees at all levels, from customer service representatives to senior managers and everyone in between, know the call centers' goals to continually build customer loyalty and create a customer-driven culture through exceptional service."

The importance of having top leaders' support for call center goals was documented by the findings of a team of employees who evaluated the California call centers' operations and recommended improvements. The team's work was part of a broader initiative that focused on reengineering major business processes—with one of its primary goals being "to create flexible processes and systems that position Kaiser to respond effectively to customers in a changing marketplace." In focus groups and interviews that the team held with customer service representatives, managers, and key executives, leadership was cited as critical to the success of call centers in meeting goals. Interviewees said that leaders with a clear sense of vision and those who encouraged change and innovation created a call center environment that was conducive to success.

Human Capital Needs Were Assessed in the Context of a Changing Environment

Changes in service communications technology, caller demographics, and service goals changed expectations for customer service representatives. Some call center managers said that they were challenged to identify and prepare for long- and short-term changes before they occurred. For the long term, they studied how certain factors, such as communications technology improvements, changing customer demographics, and changing service goals would impact on expectations for their call center employees. For the short term, they needed to understand that call levels vary by time of the month and year, day of the week, hour of the day, and what was on the morning news. They strategically planned to give themselves the flexibility to adjust staff levels to take calls according to these ever-changing demands.

Long-Term Assessments Prepare for Changes in Technology, Caller Demographics, and Service Goals

Three examples of our discussions on long-term planning for changes follow:

Arthur Andersen, LLP. In a seminar on best practices in contact center management, Arthur Andersen, LLP, presenters noted that a major change for call center managers is an evolution from traditional call centers to "contact" centers that provide customer service in any medium that the customer chooses. Methods of contact included not only telephones, but also electronic mail and faxes as well as traditional correspondence and walk-in interactions. Contact center managers would need to assess how increases in customer demand for electronic mail service would affect service goals for telephone customer service.

Social Security Administration. A manager in the Office of Telephone Services explained how technology was changing expectations for customer service representatives:

"We see our telephone service as a living, breathing operation. It is not something that managers can set up and leave. Improvements and refinements are ongoing, and they change what we expect our customer service representatives to do. Right now, we are focusing on improving our automation options. With more of the responses to routine calls being automated, customer service representatives will spend more of their time on more difficult calls that really need to be handled personally. Callers may also include more elderly customers and more non-English-speaking customers who are uncomfortable with the automated system. Thus, customer service representatives will need different skill mixes to handle fewer calls that are more complex and longer than they are now."

Allstate. Corporate officials described how service goals changed human capital requirements for call centers. When call centers came into being in 1996, they represented a major change in the business norm for a corporation that prided itself on providing customers with personal attention from insurance agents who live and work in their communities. More changes were ahead as Allstate planned to integrate its telephone centers into all of its operations during 2000, to meet its goal of being there whenever the customer wants to call.

The first call centers were charged with providing a basic level of support to local agents when they were away from their offices. Customer service representatives took messages for agents and handled some simple adjustments to customers' policies, such as taking name or address changes. They did not quote insurance rates or take claims information.

Almost 4 years after the first call center was established, Allstate leaders announced plans to expand the role of customer service representatives to make a full range of insurance sales and service available by telephone as well as on the Internet or through a local agent. Under the new plan, customer service representatives would handle all of the needs of existing policyholders and potential customers.

In announcing the expansion of the customer service representatives' work, officials were planning several human capital initiatives, including hiring new staff, increasing the number of specialists, revamping training, and increasing compensation. For example, the director of field services said that several outside firms had been hired to help provide expanded training on all aspects of Allstate's sales and service operations.

Flexible Staffing Options Were Used to Handle Short-Term Changes in Call Volumes

For the short term, call center managers said that they were involved in a constant exercise to keep the correct number and mix of customer service representatives on the telephones to respond to an ever-changing volume of calls. To do this effectively, managers needed data on what call volumes might be expected for the weeks ahead. They needed to know how many calls were in a queue at any given time. They also needed options for flexible staffing to handle particularly heavy or light call volumes. As discussed in the following examples, organizations we visited had developed different ways of achieving staffing flexibility:

Social Security Administration. According to an executive for telephone services, SSA used spike employees on the telephones to meet service levels when call volume was heavy. Spike employees work in program service centers on specific jobs, such as processing benefit claims, but are cross-trained to answer telephone inquiries and can be diverted from their regular work to answer telephones when call volumes are high.

The official thought that the use of spike employees allowed the Office of Telephone Services to have needed staffing flexibility. However, he noted that overreliance on spike employees as a substitute for a full cadre of dedicated telephone customer service staff was undesirable. He said the challenge he faced was to meet service-level goals using as few spike employees as possible.

The first spike unit was formed in 1989. Since that time, the SSA official said that spike employees have been used more and more frequently to help with telephone calls. In September 1999, SSA had about 3,100 full-time and 700 part-time customer service representatives on its toll-free lines. Additionally, up to 60 percent of approximately 4,100 trained spike employees were available to assist on telephones during busy times. According to the officials we interviewed and a September 1999 Social Security Advisory Board report, one of the disadvantages of overrelying on spike employees was that they fell behind in their critical primary jobs. Also, dedicated telephone customer service staff were less expensive and better trained for the telephone position than spike employees.[12]

[12] How the Social Security Administration Can Improve Its Service to the Public (Social Security Advisory Board Report, Sept. 1999).

Illinois Department of Revenue. To facilitate the use of cross-trained employees for flexibility in covering telephones, position classifications were broadbanded as part of a major reorganization. Customer service representatives became part of a banded group of tax specialists, which included employees doing a variety of taxpayer service functions. Officials said that the change made it easier to cross-train people to help answer telephones during busy periods and provided opportunities for telephone customer service employees who were interested in learning other positions during slow periods in the call center. They also noted that former customer service representatives who were in other positions in the organization were offered overtime work in the call center during busy periods.

Canada Customs and Revenue Agency. Officials described other innovative methods of building staffing flexibility into call center operations. The manager of the Toronto Call Center said that she contracted with a private employment agency to bring on temporary employees during the 1999 tax filing season to supplement the regular workforce and seasonal hires. Call routing technology was used to direct less complex inquiries to the temporary employees, freeing the more highly skilled representatives to respond to calls that required specialized knowledge.

Hewlett-Packard Company Executive Customer Advocacy Group. A hotline manager said that a pool of retired employees worked part-time to answer inquiries, providing customers with technical information and support after they had purchased personal computers or technical workstations and systems. He noted that this strategy worked well because the retirees had a wealth of technical and organizational knowledge and experience with which to assist callers.

Effective Leadership and Competitive Compensation Were Cited as Keys to Successful Human Capital Management

Many officials in both public and private sector organizations cited effective leadership and competitive compensation as most critical to implementing human capital strategies and achieving business goals. Specifically, officials said that the keys to successful human capital management were (1) retaining committed, dynamic managers who respected employees and communicated extensively and (2) offering customer service representatives pay, benefits, and advancement opportunities that were at least comparable to those offered by firms competing in the same labor markets. At the five unionized call centers we visited, officials said that respect and good communication with employees extended to managements' working relationships with labor unions.

Regarding three specific aspects of human capital management—recruiting and hiring, training, and managing the performance of telephone customer service representatives—management strategies were part of a larger strategic plan for organizational excellence. For example, since telephone customer service was an entry point into their organizations, several call center managers saw their roles as recruiters for their entire organizations and used tools including skills testing, role-playing, and interviewing to evaluate applicants' skills and abilities. At some organizations, officials said that customer-service training programs were valued for the broad overview that they provided of operations, missions, and goals. Qualitative and quantitative measures were used to evaluate employees' performance on at least a monthly basis and as often as weekly at some organizations.

Leaders Who Respect Employees and Communicate Openly and Competitive Compensation Were Factors Needed to Manage Call Centers

The following are examples of responses from officials who were asked what factors they thought contributed to successful human capital management in their call centers:

Allstate. The manager of the Roanoke, VA, Call Center noted that the company had a long tradition of valuing and respecting employees. He said that at the call center, they pride themselves on providing open and honest communication.

When the Roanoke facility opened in 1996, as Allstate's first dedicated call center, the manager said that corporate leaders made a decision to extend the Allstate culture to the new hires. The customer service representatives, a predominately part-time workforce, including students and people working second jobs, were offered the benefits of full-time workers after completing 1 year of service and 1,000 hours. In this "regular part-time status," customer service representatives received sick and vacation pay, health insurance benefits, and up to $5,200 per year in tuition assistance. Pay rates were based on the consumer price index and salary levels for the insurance industry and the geographical area. Advancement opportunities as trainers in the call center or in other telephone or claims processing positions outside of the call center were available to those interested in pursuing careers with Allstate. Corporate managers said that current call center employees would also have opportunities for better pay and more complex jobs when the expanded call centers begin offering customers a full range of insurance products and services by telephone 24 hours a day.

Canada Customs and Revenue Agency. The manager of the Toronto Call Center cited "good open communication between employees and managers and throughout the entire agency" as a contributor to effective management of telephone customer service employees. Another positive she cited was her management team of people who see themselves as problem solvers and who are energetic, competent, and attentive to the needs of the employees. Also, customer service representatives were allotted 15 minutes each day to bring themselves up to date on developments within the agency that impacted on their work. The agency also had a system in place that allowed the customer service representatives to communicate problems outside of the call center that impacted their work. Customer service representatives who identified problems that were increasing call volumes advised their office's Service Enhancement Program representative, who notified a headquarters counterpart. At headquarters, steps were taken to resolve the problem and to prevent similar reoccurrences.

An executive with the Agency's Client Services Directorate said that pay and benefits, including health insurance, paid vacation, and sick leave, were attractive to employees. He also noted that the agency had a budget for funding outside education expenses for customer service representatives. The executive described his frontline telephone staff as being critical to organizational success. He said that these employees are "at the bleeding edge" where the agency meets its clients, and that they are a rich resource on what prompts clients to call and how they can be satisfied. He saw as a future challenge the need to make a business case for not putting the lowest cost personnel on the front line. Strategic plans included investing in customer service representatives to provide them with the right tools and compensation to do their jobs.

Kaiser Permanente. A director of the California call centers said that a main factor contributing to a positive environment in the call centers under his jurisdiction was "consistently treating customer service representatives right." He said that these employees are his customers, and he consistently recognizes outstanding service. The director said that respect for customer service representatives is demonstrated by empowering them, encouraging their suggestions for changes to make the call centers more efficient and effective, and asking them to "think outside of the box." He also noted that managers and leaders model exceptional service, rather than just telling others to provide it.

An important part of the compensation package for telephone customer service representatives was an incentive plan that each month awarded the top-performing telephone customer service representatives with an extra 10 percent of their base monthly wages. Established in October 1996, the incentive plan was designed to motivate and reward employees for individual and team contributions to the call centers' performance goals, tie cash compensation to organizational performance, and foster teamwork. Awards were based on the following factors:

- quality of calls (determined by supervisory monitoring);
- quality of system entries (the extent to which information entered into the computerized system detailed the caller's question, the representative's response, and any follow-up action that was needed, as determined by supervisory review); and
- call handling time (the average length of time spent on calls, as measured over the month).

In addition, some team measures (e.g., whether the call center met its goals for service-level and percentage of calls abandoned) were considered in recognizing individuals. Quality was emphasized over quantity.

Organizations Maintained Effective Working Relations With Labor Unions

At the five unionized call centers we visited—the four public sector organizations and Kaiser Permanente—officials said that they had generally maintained good communications and working relationships with union representatives. However, they also noted that the union negotiations were time consuming and involved concessions on human capital issues by both management and unions.

Examples of how management at three organizations described their working relations with labor unions follow:

Illinois Department of Revenue. Officials said that they achieved union buy-in regarding major personnel system changes, including broadbanding and eliminating narrowly defined position descriptions, because they communicated effectively on why changes were necessary and treated employees fairly in the transition. Business plans that were shared with union representatives showed that the automation of many job functions was changing the work environment and eliminating some functions, while creating needs for others. Some clerical employees had the opportunity to be promoted to entry-level professional positions on the telephones when their clerical jobs were eliminated. A workforce reduction was necessary, but it was accomplished with no layoffs. Officials said that the Department was reduced by more than 1,000 employees—from about 3,500 to 2,400 people—between 1985 and 1995 through attrition. Officials also noted that, due in large part to strong union influence, pay increases continued to be based primarily on seniority rather than performance, and that any proposed schedule changes for customer service representatives were subject to union negotiation.

Canada Customs and Revenue Agency. An executive said that unions had an impact on human capital issues, including staffing processes, training, and job security. She also noted the following:

"We have made a significant effort to seek union buy-in on management changes. As a result, change has been achieved at a slower pace than would otherwise have been the case, and management did not put in place some changes it might otherwise have sought. Two key efforts—establishing dedicated call centers and monitoring the quality of calls—were discussed and negotiated with national union management for 2 years prior to implementation. In the end, however, we maintained good communication with our unions and moved ahead on the efforts that are most important to us.

"Union concerns that dedicated call centers would be unpleasant, highly-regimented workplaces were alleviated by creating attractive office space with good technical equipment and establishing reasonable expectations for customer service representatives. We emphasized the benefits of automated response units responding to simple inquiries, computers that make client-specific mainframe data available, comprehensive training and an opportunity to be part of something new and different. We provided all of those things, as promised.

"Union concerns that monitoring the quality of calls would result in unfair evaluations of the performance of customer service representatives were alleviated by creating a unique system of peer monitoring on a voluntary basis. Customer service representatives volunteered to complete training and serve as monitors. The monitors listened to calls and prepared reports on the results of their monitoring, which assessed specific aspects of the calls, such as whether an appropriate greeting was made, the information provided was accurate, and the representative was courteous. Monitors gave the reports to supervisors to discuss with their employees. We did not require that customer service representatives be monitored. However, if they agreed to be monitored, they were offered the strong incentive of receiving training for identified skill gaps to enhance their performance and promotion potential."[13]

A manager also noted that union concerns over changing the work hours of customer service representatives to meet expanded call center hours were to be alleviated by filling undesirable shifts with new hires and volunteers. To make up for an experience gap during evening hours and on weekends, plans called for assigning more supervisors to the late shifts.

Kaiser Permanente. Officials told us that they had a good working relationship with their union because the company considered the needs and desires of employees. The relationship was formalized in the call centers' labor-management partnership vision, which stated "we aspire to build effective partnerships with all our internal customers through fair treatment of all concerns, continual communication, and understanding.

[13]At the time of our visit to the Toronto Call Center in December 1999, an official said that 70 percent of the telephone customer service representatives were participating in the monitoring program.

We stand in our customers' shoes during the decision-making process." The call centers' strategic plan also had as a goal "to be the employer of choice in our local communities, as measured by employee satisfaction and voluntary turnover rate."

Call center managers worked closely with the union in making key decisions regarding working conditions for customer service representatives. Officials said that salaries were negotiated with the union, as were decisions on mandatory overtime, promotions, and training. When managers had problems scheduling customer service representatives to work overtime, which occurred only infrequently, the union contract required that those with the least seniority would work. The contract also specified that promotions were to be based on length of service, and it stated that new customer service representatives would receive 4 weeks of training and a 75-day probationary period.

Some Call Center Managers Recruited for Their Entire Organizations

Some call center managers saw their roles as recruiters for their entire organizations and had comprehensive processes for evaluating applicants' skills and abilities, including skills testing, role-playing, and interviewing. Officials noted that call centers need to recruit and hire regularly because attrition from customer service representative positions is generally high. At the organizations we visited, officials said that attrition from the call centers was usually to other positions within the organization. As such, some call center managers said that it was important to the entire organization that good candidates be recruited and hired for customer service representative positions. Specific examples of recruiting and hiring strategies and processes, as described at three organizations, follow:

California Franchise Tax Board. Officials said that an in-house recruiting and hiring effort took place twice a year at the call center. About 100 positions were filled annually in an organization of 250 customer service representatives. New hires were generally assigned to work the swing shift with hours until midnight during filing season and until 8 p.m. during the rest of the year. About half of the new hires were from outside of the Tax Board. An executive noted that call center management took the hiring process very seriously, because once people are on board in the civil service system, it is hard to terminate them. She said that call center supervisors devoted up to 90 percent of their time for several weeks each year to evaluating and selecting candidates for customer service representative positions.

Internal and external candidates were identified from registers of people who took competency examinations that were ranked by the state personnel department. The call center generally sought to interview applicants who scored in the top three ranks on the examination.

Interview questions were developed on the basis of an informal best practices study of call center interviewing techniques. On the basis of their best practices' research, a team of telephone customer service representatives developed questions that were designed to measure applicants' customer service focus. For example, applicants were asked why they were seeking careers in customer service. Interviewers were seeking answers such as the applicant had previous experience in this line of work, enjoyed the diversity of customer service contacts, and was challenged to resolve difficult issues. Applicants also listened to a prerecorded telephone call and were asked to determine whether the call represented quality customer service and to make suggestions regarding how the call could have been improved. Call center supervisors checked job references of applicants who successfully completed the initial interview with particular attention to whether previous employers had found them to be reliable. They did background checks and interviewed candidates one final time before job offers were made.

Kaiser Permanente. At the two California call centers, in-house recruiting and hiring efforts were ongoing. A director for the 2 call centers noted that about 135 positions were filled in the last 6 months of 1999 in centers with a total workforce of about 475 customer service representatives. It took about 4 weeks to bring new hires on board. They were usually hired in classes of 18, so that recruiting and training efforts could be combined. In-house recruiters also served as trainers for new hires.

Because of policies to promote from within and encourage employee mobility throughout the organization, officials noted that hiring for customer service representative positions also indirectly impacted on the quality of candidates available for more senior positions elsewhere in the organization. The director said that he tells new hires that "from day one they should be deciding what their next job is going to be, and they should use their customer service positions as vehicles to future dreams."

The director said that interest in the customer service positions was high. Usually about 50 people applied for 18 positions. Most applicants were referred by current employees or they were working in other parts of the Kaiser organization. Externally, call center managers had contacts with local high school and college placement services, and they attended job fairs and did some selective newspaper advertising. Minimum qualifications were a high school degree and previous customer service experience. Strong candidates also should have basic computer knowledge and typing skills. Most importantly, the director said, he looked for individuals with good people skills, a strong work ethic, and an ability to adapt to changes.

During the 4-week recruiting period, candidates went through a series of one-on-one interviews, panel interviews, and role-play scenarios designed to assess their skills. They also completed written tests on grammar, spelling, problem-solving, and analytical ability, and they completed health screenings.

Training Was Valued by Some Organizations for Providing a Broad Overview of Operations

Officials in some organizations said that customer service training was valued for the broad overview it provided of organizations' overall operations, mission, and goals. They identified training programs for new and experienced customer service representatives as critical elements for effective management of their call centers. Training for new hires lasted approximately 4 to 8 weeks and included coursework on programs, services, or laws about which customers would be calling as well as instructions on how to use information systems and on effective communication skills. Officials in many of the organizations noted that in good call centers, training never stopped. In addition to classroom training, customer service representatives received mentoring and on-the-job training. Excerpts from two discussions about call center training follow:

Illinois Department of Revenue. Entry-level training was critical in this organization where most of the customer service representatives were college graduates hired externally for entry-level professional positions. Formal classroom training for new hires was about 8 weeks. The training included information on specific state taxes as well as 1- or 2-day sessions on general topics, such as personnel issues and ethics awareness. Officials said that telephone customer service training was open to tax specialists from other departments and was valued for the broad overview it provided of the mission, goals, and operations of the entire department.

Supervisors developed and taught the training. Officials noted that changes in the course content and/or delivery were easily made on the basis of feedback from students. For example, student feedback was responsible, in part, for establishing a training room designed to simulate workstations. Trainees had available to them all of the equipment and reference materials that they would find at their desks. They could role-play, listen to live calls and evaluate them, and take live calls and have responses played back and discussed in the classroom. The introduction of call routing technology, which makes it possible to direct specific types of incoming calls to specific customer service representatives, also changed the delivery of training. New hires were able to learn and become comfortable handling calls dealing with one type of tax at a time. Before the call router was in place, new hires needed to complete training for taxes on personal income, business income, and sales before they could answer calls.

Experienced customer service representatives were offered year-end training sessions and refresher courses. They were asked each year by supervisors what topics they would like to have covered in the training. After a 1-year trainee period, customer service representatives were not required to attend training, unless it was to convey changes in policy or procedures. However, officials said that almost all customer service representatives took advantage of training opportunities.

Social Security Administration. New customer service representatives received about 8 weeks of classroom training. Most new hires had on-the-job training between sections of the formal coursework, and they were assigned mentors for at least 2 to 6 months after completion of their initial training. Coursework was designed primarily to teach customer service representatives the technical aspects of the wide variety of programs administered by SSA (e.g., eligibility factors for Social Security retirement, disability, and Medicare) and how changes that take place after entitlement could affect benefits, providing a broad overview of operations. It also covered how to access, interpret, and make input to the databases associated with SSA programs. Additionally, about 15 percent of the initial training period was devoted to teaching interviewing skills and doing exercises to prepare new hires to deal effectively with the public.

According to training officials in Philadelphia, PA, and Baltimore, MD, most new hires were successful in mastering the coursework. Only 1 to 2 percent resigned during or immediately following training due to performance issues. To determine whether necessary knowledge and skills were mastered, supervisors monitored statistics, calls, and mentoring reports on new employees. If the data showed that an employee needed extra help, supervisors and mentors promptly provided it.

Officials said that a headquarters Office of Training was responsible for developing the content of entry-level customer service representative training. The training was delivered by supervisors and experienced customer service representatives in the districts.

Training of experienced customer service representatives was scheduled regularly because of frequent changes in legislation, policies, procedures, and software. Experienced representatives were to receive 27 training hours a year, delivered during the nonpeak period between April and December. District officials noted, however, that the amount of training was adjusted as needed. They said that 24 hours of training was delivered in a recent 2-month period on major systems changes. Refresher training was coordinated nationally, regionally, or locally, as needed, but officials said that training materials were circulated so that no office "reinvented the wheel" on a particular program. Officials were exploring new methods of delivering refresher training, including interactive videos with quizzes and evaluations and several computer-based training courses. They had also contracted with vendors for courses in stress management and customer sensitivity.

Individual Performance Standards Were Clearly Defined and Included Qualitative and Quantitative Measures

Performance standards for individual customer service representatives at the organizations in our review were clearly defined and included qualitative measures (e.g., accuracy and clarity of information provided) and quantitative measures (e.g., time available to take calls). Some officials noted that the quality of customer service provided was emphasized over the quantity of calls taken. Organizations assessed quality on the basis of monitoring by remote quality analysts, supervisors, or peers of a sample of calls taken by each customer service representative. They rated the quality of calls according to a standard set of criteria. Some officials cautioned that quantitative measures needed to be within full control of individual customer service representatives.

Discussions on performance took place frequently at the organizations we visited, although scales used for formal rating of performance varied widely. Supervisors met with telephone customer service representatives at least monthly and as frequently as once a week to discuss performance that was based on clearly defined performance indicators. Since performance feedback was provided so frequently, formal annual performance ratings should not contain surprises. Rating scales used at organizations we visited varied from four-level scales to a narrative rating with no rating levels. In some private sector organizations, performance ratings determined the levels of annual salary increases that customer service representatives received, while officials in public sector organizations said that time in the position and satisfactory performance determined salary increases.

The following are excerpts from discussions at two organizations on evaluating employees' performance:

United Parcel Service. Whether they were employed by UPS or by contractors retained to manage seven of UPS' nine call centers nationwide, customer service representatives were expected to meet the same performance standards. Customer service representatives were evaluated on quantitative measures of their call handling, availability, and timeliness. In addition, they were evaluated on qualitative measures of teamwork and accuracy, completeness of information provided, and professionalism in interactions with customers.

An independent UPS quality measurement group conducted silent monitoring and test calls. Test callers used scenarios that typical customers might have and called into the centers posing as customers. Both individual customer service representatives and call centers received quality scores that were based on the silent monitoring and test call results. The results were immediately shared with call center managers and passed on to customer service representatives in informal discussions and coaching by supervisors. Results for the year were incorporated into employees' annual performance assessments.

Quality scorecards were linked directly to pay. If a call center received a score of 7 or higher of a possible 10 for its quarterly performance, it received extra funds to pay customer service representatives' salaries. If the call center received a score of five or lower, it lost funds for salaries.

California Franchise Tax Board. Officials said that formal ratings were prepared once a year. Since supervisors gave customer service representatives written reports on their statistics (e.g., availability, idle time, and call length) at least monthly and monitored at least three calls a week for quality, ratings should not have contained surprises. An executive noted the following:

> "We actually use all of our rating levels (exceeds expectations, meets expectations, needs improvement, or does not meet expectations). Our customer service representatives accept the ratings because they are honest—based on objective statistics that they have received all year."

She also said that supervisors were committed to helping employees improve, noting that "supervisors have been on line themselves. They know that the customer service representatives have a tough job."

Job elements on which customer service representatives were rated were broad categories used for all Franchise Tax Board employees (e.g, quality of work, interpersonal skills, and job knowledge). A narrative section allowed supervisors to comment on job performance specific to telephone customer service. There was no standard for the number of calls answered, but customer service representatives were shown how their statistics compared with others answering the same type of calls. Customer service representatives wrote sections on their future performance objectives, on which they received supervisory comments, and they completed self-assessments.

Officials said that performance ratings were considered when customer service representatives applied for promotions. Ratings documenting performance that was not meeting expectations could eventually lead to employees' dismissal. However, annual salary increases were based on service anniversary dates as long as employees were performing satisfactorily.

Performance of Call Centers and Individual Customer Service Representatives Were Evaluated on Many of the Same Measures

Officials discussed processes for evaluating human capital strategies in their call centers. Individual telephone customer service representatives at some of the organizations we visited were evaluated on the same qualitative and quantitative performance measures as the call centers operations, linking the goals and performance of the organization to the work of individual employees. Examples of the types of qualitative assessments done included internal monitoring of selected calls, surveys of external customers to determine how satisfied they were, and surveys of the customer service representatives to determine how satisfied they were with the organization and their jobs. The call centers we reviewed were not lacking in quantitative data on their operations. Management information systems generated several quantitative performance measures that leaders and managers could use to evaluate operations (e.g., the percentage of abandoned calls and average time in a queue waiting to speak to a representative). Leaders and managers were tasked with selecting the quantitative indicators most meaningful for evaluating call center performance. In addition, formal and informal benchmarking studies against competitors and/or organizations with similar missions evaluated performance using both qualitative and quantitative measures. Some call centers did internal quality evaluations, while other organizations had staff employed outside of the call centers to do these reviews.

Evaluation results were used to make improvements. They were used by managers and shared with employees. Results of evaluations were incorporated at every stage of the human capital management cycle (i.e., identifying, implementing, and evaluating) for continuous improvement. Human capital investments initiated on the basis of evaluations included hiring more people, changing training course content and delivery, improving recruiting and hiring strategies, and doing evaluations of call centers differently. In one instance, efforts to evaluate and improve call center human capital management resulted in improvements throughout the organization.

Performance Measures Used to Evaluate Call Center Operations

Examples of how organizations in our review evaluated their call centers, including human capital management strategies and practices, follow:

Kaiser Permanente. The strategic plan for Kaiser Permanente's California call centers required that the centers evaluate their performance using qualitative and quantitative measures. Specifically, the performance of call centers and individual telephone customer service representatives were measured against the following goals:

- quality assurance scores of 92 percent on the basis of the results of monitoring a sample of telephone calls,
- customer satisfaction scores of 90 percent,
- 90 percent of calls answered within 30 seconds,
- 3-percent abandonment rate, and
- call handling time of 4 minutes and 45 seconds.

Call center performances were also evaluated through regular surveys of customers and employees. Customer satisfaction was evaluated through telephone surveys of a random sample of callers and postcard mailings. At the time of our visit, a contractor had recently completed more than 2,000 telephone interviews of customers who had telephoned 2 California call centers in August and September, 1999. The surveys were analyzed to provide information on

- the demographic profile of customers,
- how well caller expectations were being met,
- caller satisfaction with the automated voice response system,
- satisfaction with telephone customer service representatives' performance in core competency areas, and
- factors most important to achieving caller satisfaction.

Officials said that postcard mailings to customers helped to measure telephone customer service representatives' professionalism, courtesy, knowledge, and problem resolution skills.

Customer service representatives were surveyed annually to determine how satisfied they were with their jobs, and they participated in quarterly forums with management to address any issues they wanted to raise, ranging from allocation of parking spaces to work schedules. Eight telephone customer service representatives, two managers, and the call center director served on each forum. The results of the surveys and forums were provided to all call center managers and employees.

Social Security Administration. SSA's Office of Telephone Services evaluated the performance of its 36 toll-free call centers. Within the Office of Telephone Services, managers tracked and analyzed specific performance data on service indicators, such as average speed of answer, access rates, service accuracy, and caller satisfaction. They shared results to (1) identify best practices and assess causes for low scores and (2) try to improve. Each call center also did on-site monitoring of calls taken by telephone customer service representatives to determine training needs and to obtain information on site-level accuracy.

In addition, a headquarters office, the Office of Quality Assurance and Performance Assessment (OQA), conducted broader evaluations of call center operations overall and made recommendations for improvements. OQA (1) did semiannual customer satisfaction surveys, with assistance from a contractor, of 1,200 to 1,500 randomly selected customers who had called SSA's toll-free telephone operation during the survey period and (2) did silent monitoring of calls to evaluate the accuracy of SSA's toll-free telephone service and to obtain data on specific performance indicators, including employees' job knowledge, helpfulness, and clarity of explanations. Results of OQA's customer surveys and call monitoring are performance indicators that are reported in an annual SSA accountability report.

SSA also benchmarked its performance against other public and private sector organizations. In 1995, SSA worked on a major study of best practices that focused on the following three major areas: (1) identifying customers and their customers' needs, (2) improving telephone access, and (3) empowering frontline telephone customer service employees. The team produced a report on the best practices that they had identified at private sector companies.[14] SSA participated in another study in 1997 on best practices in one-stop customer service.[15] The study found that world-class providers listened to their customer and listened to their employees who delivered the service.

[14] Putting Customers First, Serving the American Public: Best Practices in Telephone Service (National Performance Review, Feb. 1995).

[15] Serving the American Public: Best Practices in One-Stop Customer Service (National Performance Review, Nov. 1997).

Results of Evaluations Were Used to Make Improvements

The following are examples of improvements that officials said were made as a result of evaluations of call center human capital management strategies and practices:

Illinois Department of Revenue. The Customer Service Bureau and its Taxpayer Assistance Division spent more than 2 years doing a detailed analysis of staffing needs, which included benchmarking studies of call center operations at other state tax agencies. Officials said that after it was released in February 1999, the study was used as justification for hiring more customer service representatives and upgrading the qualifications for the position to require a bachelor’s degree or 8 years of tax-related experience.

Since training was developed and delivered within the call center by supervisors and senior staff, training coordinators told us that the system for evaluating and improving training was informal. They said that supervisors often made minor adjustments from one session to the next on the basis of feedback that they received. Feedback from students was partially responsible for the decision to establish a training room to simulate workstations.

A committee of customer service representatives and managers developed a computer program for coding incoming calls by type of transaction. The program was put in place in February 1999. A manager told us that the program was to be used to make customer service improvements throughout the tax agency. For example, one letter was found to be very confusing to taxpayers, and data showed that the letter resulted in frequent calls. The manager said that it was to be revised.

United Parcel Service. Officials said that on the basis of the results of benchmarking studies of companies considered the best in the industry, in 1995, UPS consolidated its 61 districts into 11 districts, with a call center in each district. The locations of the call centers were also based on the information obtained during the benchmarking studies. The changes were made to help meet customer expectations and to improve customer service overall.

UPS officials said that one reason for deciding to change how call centers were evaluated was analysis of quality performance indicators. In 1998, a quality assurance group of 20 staff was established in Salt Lake City, UT, to provide consistent, objective evaluation results and improve quality at each call center. Leaders, managers, and staff could compare results among centers and identify best practices to improve call center operations overall.

UPS had consultants to help design its customer satisfaction model to determine what key elements make a satisfied customer. By compiling survey information on why customers called and what questions they asked, officials said that they believed that they could not only achieve first call resolution for more customers, but they could also take proactive measures to reduce the reasons for customers' having to call.

At the time of our visit, the results of training evaluations had prompted UPS to consider centralizing its telephone customer service training programs.

Allstate. A unit within the marketing department has special expertise in conducting benchmarking studies. It performs benchmarking studies for the customer service operations as well as studies other insurance industry practices and policies.

Allstate officials said that the benchmarking studies are incorporated into decisionmaking throughout the corporation. A senior field operations manager noted the following:

> "When we think we need to build five call centers, or we need a certain type of telephone technology, or an investment in human capital, a study of what others are doing will be included as part of the corporate decisionmaking process."

Concluding Observations

In addressing our three objectives, we observed commonalities in the management of the call centers that could be useful for IRS to consider as its modernization and restructuring are planned and implemented. Quality telephone customer service was essential to meeting the organizational goals of both the public and private sector service-oriented organizations in our review. Key to providing quality customer service was the identification, implementation, and evaluation of human capital strategies for telephone customer service operations.

To assist you in your oversight of IRS, we will also issue a follow-up report discussing human capital management issues in IRS' telephone customer service operations. The follow-up report will discuss how IRS might benefit from the commonalities that we observed in the management of call centers included in this report.

As agreed, unless you announce the contents of this report earlier, we plan no further distribution until 30 days from the date of this letter. At that time, we will send copies of this report to Representative William J. Coyne, Ranking Minority Member of the Subcommittee on Oversight, House Committee on Ways and Means; the Honorable Charles O. Rossotti, Commissioner of Internal Revenue; and other interested congressional parties. We will also make copies available to others on request.

If you or your staff have any questions about this report, please contact me at (202) 512-9110 or Alton C. Harris at at (404) 679-1900. Key contributors to this report are acknowledged in appendix II.

Sincerely yours,

Margaret T. Wrightson

Margaret T. Wrightson
Associate Director, Tax Policy
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Abbreviations

GE	General Electric
IBM	International Business Machines, Inc.
IRS	Internal Revenue Service
NPR	National Partnership for Reinventing Government
OQA	Office of Quality Assurance and Performance Assessment
SSA	Social Security Administration
UPS	United Parcel Service

Objectives, Scope, and Methodology

Objectives

To obtain information useful for the oversight of the Internal Revenue Service (IRS) modernization, the Chairman of the Subcommittee on Oversight, House Committee on Ways and Means, asked us to study the human capital management strategies that were used in selected telephone customer service organizations identified as noteworthy or innovative. Our intent was to learn about human capital strategies and practices at the organizations that may have applications at IRS as the agency revises its management processes.

Specifically, the objectives for this report were to review how selected public and private sector organizations

- identified human capital needs that form the basis for developing management strategies and practices to meet their missions and business goals,
- implemented human capital strategies and practices, and
- evaluated their human capital strategies and practices and used the results of the evaluations to continuously improve their operations.

As agreed with your office, we will issue a follow-up report discussing human capital management issues in IRS' telephone customer service operations and discussing how IRS might benefit from practices we have observed in the course of this review.

Scope and Methodology

To address our three objectives, we examined documentation and conducted interviews using a structured data collection and interview instrument. The instrument covered the topics of identifying needs and implementing and evaluating human capital strategies and practices. It included open-ended questions to provide interviewees with opportunities to offer broad observations and perspectives on human capital strategies that might not have been forthcoming in a narrowly focused interview instrument. We pretested the instrument with telephone customer service officials at the Illinois Department of Revenue and the Social Security Administration (SSA) and made revisions on the basis of the pretest results.

We did not independently verify the organizations' responses regarding their specific human capital strategies and management practices. We did not assess in detail how the call centers used technology to manage the flow of inbound calls and to provide telephone customer service representatives with on-line access to information they needed to assist customers. Perhaps more importantly, we responded to this request with the recognition noted in the literature that neat solutions for complex puzzles would not be found in quick calls or visits to other companies.[1] We recognized that effective human capital management involves an enduring commitment to a set of basic beliefs, traits, and operating strategies.

At each of the seven organizations that we visited, we interviewed a key executive who was responsible for the coordination of telephone customer service operations with overall organizational missions and goals. We also interviewed telephone customer service managers and officials who were responsible for recruiting, hiring, and training telephone customer service employees. At some locations, we toured call centers, observed customer service representatives at work, and talked with individual telephone customer service representatives.

We telephoned four other organizations and asked managers of the telephone customer service operation several of the key structured interview questions related to each of our objectives.

Selection of Organizations to Visit

We judgmentally selected the organizations to visit and telephone by reviewing literature on innovations in human capital management and by obtaining opinions from experts on what organizations they thought provided noteworthy or innovative human capital management in their call center operations. We chose telephone customer service operations that dealt with tax questions or specific subjects, such as benefits, investments, and installation and operation of technical equipment, that were comparable in complexity to tax issues addressed by IRS customer service representatives. (See table I.1 for a list of the organizations we contacted.)

Specifically, the director for Workplace Quality at the U.S. Office of Personnel Management identified the SSA telephone customer service operation as a public sector organization that is known for effective human capital management. We visited the Illinois and California state tax agencies and telephoned the Utah State Tax Commission on the basis of recommendations of an official from the Federation of Tax Administrators. The Canada Customs and Revenue Agency was cited in literature as having an internationally recognized reputation for high-quality taxpayer service and had participated along with IRS and the tax agencies of Australia and Japan, members of the Pacific Association of Tax Administrators, in a benchmarking study of customer service best practices.

Two private sector companies we visited—Kaiser Permanente and Allstate Insurance—were selected in consultation with the executive director of

[1] Jac Fitz-enz, The 8 Practices of Exceptional Companies (New York, New York, 1997), p. 9.

the Private Sector Council. The Council, with membership including about 50 major U.S. corporations, seeks to improve the productivity, management, and efficiency of government through cooperation with the private sector. Members volunteer expertise to government agencies by participating with them in projects that are coordinated through the Council. The other private organization we visited, the United Parcel Service, was selected in follow-up to our participation in a congressional delegation and IRS visit to its Atlanta, GA, headquarters to discuss human capital and telephone customer service issues.

The private call centers we telephoned—General Electric Answer Center, Hewlett-Packard Company Executive Customer Advocacy Group, and International Business Machines Business Product Division, and/or their parent corporations—were cited in best practices literature for their effective human capital management. The results of our survey of these organizations cannot be generalized to the universe of all telephone customer service operations. The selection of a different group of organizations might have yielded different results.

We supplemented our discussions with representatives of innovative or noteworthy telephone customer service operations by reading literature on human capital management, management practices of outstanding companies, telephone customer service management, and federal government efforts to improve management and customer service. These sources are cited as appropriate in this report. We also attended a presentation sponsored by Arthur Andersen, LLP, on best practices in contact center management.

We did our work between May 1999 and June 2000 in accordance with generally accepted government auditing standards. As agreed with the requester, we have shared the results of this review with IRS management and with our other teams that are conducting reviews of the federal government's human capital management. We also asked the representatives of the outside agencies, with whom we consulted, to review a draft of this report for accuracy and clarity. Their comments are incorporated as appropriate.

Table I.1 lists the public and private sector organizations we visited or telephoned. The table also provides information on the organizations' missions and descriptions of their telephone customer service operations.

Table I.1: Telephone Customer Service Operations in Organizations We Visited or Telephoned

Organization	Mission	Telephone customer service operation
Allstate Insurance Company	Multinational public company selling insurance products. It has a customer base of more than 14 million households in the United States and Canada.	Three call centers in Roanoke, VA; LaBrea, CA; and Jackson, MI, staffed by about 1,150 customer service representatives, most of whom worked part-time. The call centers provided after-hours support to insurance agents nationwide. Toll-free telephone lines were open from 6 p.m. to 9 a.m. for general information and to leave messages for agents. Allstate officials said that they plan to expand call center operations to handle customer sales and service in 2000.
California Franchise Tax Board	Administrator of California's personal income and bank and corporation tax law. Also responsible for nontax programs, such as the homeowners and renters assistance program and political reform act audits.	One centralized call center in Rancho Cordova, CA, was staffed by more than 300 telephone customer representatives, including supervisors. They were assisted during busy times by cross-trained employees from the correspondence section of the center and by former telephone customer service employees working overtime. Toll-free telephone lines were open from 7 a.m. to 8 p.m., Monday through Friday, and from 7 a.m. to 4 p.m. on Saturday. During filing season, the hours were extended from 6 a.m. to midnight, Monday through Friday, and from 7 a.m. to 4 p.m. on Saturdays and holidays. The call center provided taxpayers with information on return preparation, filing requirements, forms, refund status, and general tax law.
Canada Customs and Revenue Agency	Canadian tax, customs, and trade administrator. Also charged with redistribution of income through the delivery of social and economic benefits.	Four call centers in Toronto, Montreal, and Vancouver, and the national 1-800 Overflow Call Center in Ottawa, that responded to about 40 percent of the general inquiries. Telephones were also answered at 42 other sites throughout Canada where agents handled both telephone and walk-in inquiries. Officials estimated that about 2,600 full-time-equivalent positions were dedicated to telephone client services, providing taxpayers with general and account specific information on the programs administered by the Canada Customs and Revenue Agency. Toll-free telephone lines were open from 8:15 a.m. to 5 p.m., Monday through Friday, for individual taxpayers and from 8:15 a.m. to 8 p.m. for business taxpayers. During the 2000 filing season, calls from all taxpayers were also taken from 9 a.m. to 1 p.m. on Saturdays and Sundays, and lines for individual taxpayers were open until 10 p.m.

Organization	Mission	Telephone customer service operation
General Electric Appliance Company[a]	One of 11 core businesses of General Electric. Manufactures appliances, including refrigerators, ranges, dish-washers, microwave ovens, washing machines, dryers, water filtration systems, and heating systems. Also provides repair and maintenance services on appliances, operating a nationwide fleet of service vans.	A telephone hotline that provided consumers with product information and responded to questions about repairs. The answer center, located in Louisville, KY, handled about 2 million calls each year. About 200 telephone customer service representatives responded to inquiries 24 hours a day, 7 days a week.
Hewlett-Packard Company [a]	Designer, developer, and manufacturer of computer products, including personal computers, printers, computer workstations, and a range of hardware and software.	The Hewlett-Packard Company Executive Customer Advocacy Group provided support for customers contacting Corporate Headquarters regarding issues or concerns with products and services. The hotline was located in Palo Alto, CA. It operated from 8 a.m. to 5 p.m., Monday through Friday, with a staff of about 22 full-time-equivalent employees who were Hewlett-Packard Company retirees in part-time positions.
Illinois Department of Revenue	Collects taxes for the state and its local governments, including income and business taxes on individuals and businesses, income and sales taxes, taxes on public utilities, tobacco and liquor, motor fuels and vehicles. The department also administers tax relief programs for the elderly and disabled and provides property assessments among the state's counties.	One call center in Springfield, IL, was staffed by 34 full-time telephone customer service representatives who were assisted during busy times by cross-trained employees from other areas within the taxpayer assistance division. Toll-free telephone lines were open from 8 a.m. to 5 p.m., Monday through Friday, with extended weekday hours and one Saturday opening during filing season. Automated service was available 24 hours a day, 7 days a week. The call center provided taxpayers with help in completing their returns and answered questions about taxes, returns, bills, and notices that had been filed.
International Business Machines, Inc.[a]	Designer, developer, and manufacturer of information technologies, including computer systems, software, networking systems, storage devices, and microelectronics.	In the Product Sales and Service Division, about 6,900 telephone customer service employees provided information on product sales and service. Call centers operated 24 hours a day, 7 days a week.
Kaiser Permanente	America's largest not-for-profit health maintenance organization, serving over 8 million members in 17 states and the District of Columbia. An integrated health delivery system, Kaiser Permanente organizes and provides or coordinates members' care, including preventive care, hospital and medical services, and pharmacy services.	Kaiser Permanente had 17 call centers nationwide, with 12 centers located in California, the largest region. Regional call centers operated independently. The California region, where we visited, had 5.9 million members, while other regions had fewer than 1 million members each. The two largest call centers were located in Stockton and Corona, CA. Together, they employed about 475 telephone customer service representatives and about 80 management and support staff. Hours of operation were 7 a.m. to 7 p.m., 7 days a week. The member service call centers provided answers to questions on health plan-related topics, including benefits, copayments, claims, Medicare eligibility, available services, and physician information.

Organization	Mission	Telephone customer service operation
Social Security Administration	Manages the nation's social insurance program, consisting of retirement, survivors, and disability insurance and supplemental security income benefits for the aged, blind, and disabled. Also assigns Social Security Numbers to U.S. citizens and maintains earnings records for workers under these numbers.	Thirty-six call centers nationwide were staffed by 3,100 full-time, 700 part-time, and up to 60 percent of about 4,100 spike employees who were available to assist at busy times.[b] Toll-free telephone lines were open from 7 a.m. to 7 p.m., Monday through Friday, to answer callers' questions about Social Security benefits and programs.
United Parcel Service	World's largest package distribution company, it transports more than 3 billion parcels and documents annually.	Nine call centers nationwide were staffed by over 6,800 customer service representatives. Eight centers were open from 7 a.m. to 9 p.m., Monday through Friday. One center in San Antonio, TX, operated 24 hours a day, 7 days a week. Seven of the nine call centers were staffed by contract employees. The Newport News, VA, call center, which was a contract facility we visited, had 230 representatives who handled calls related to pick-up, tracking, and claims.
Utah State Tax Commission[a]	Coordinator of Utah taxes and fees, including taxes on income, sales, property, motor vehicles, fuel, beer, and cigarettes.	Three call centers—a main call center, motor vehicle center, and collection center—operated weekdays from 8 a.m. to 5 p.m. with about 35 telephone customer service representatives. The call centers responded to about 15,000 to 20,000 inquiries a month dealing with a range of questions on programs administered by the Commission.

[a]For these organizations, we conducted a telephone interview in which we asked managers of telephone customer service operations several key semistructured interview questions. However, we did not have detailed discussions with officials and employees at various levels of the organizations.

[b]"Spikes" are employees who work in program service centers on specific jobs, such as processing benefit claims, but who are cross-trained to answer telephone inquiries and can be diverted from their regular work to answer telephones when call volumes are high.

Source: GAO compilation of data provided by the organizations visited.

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