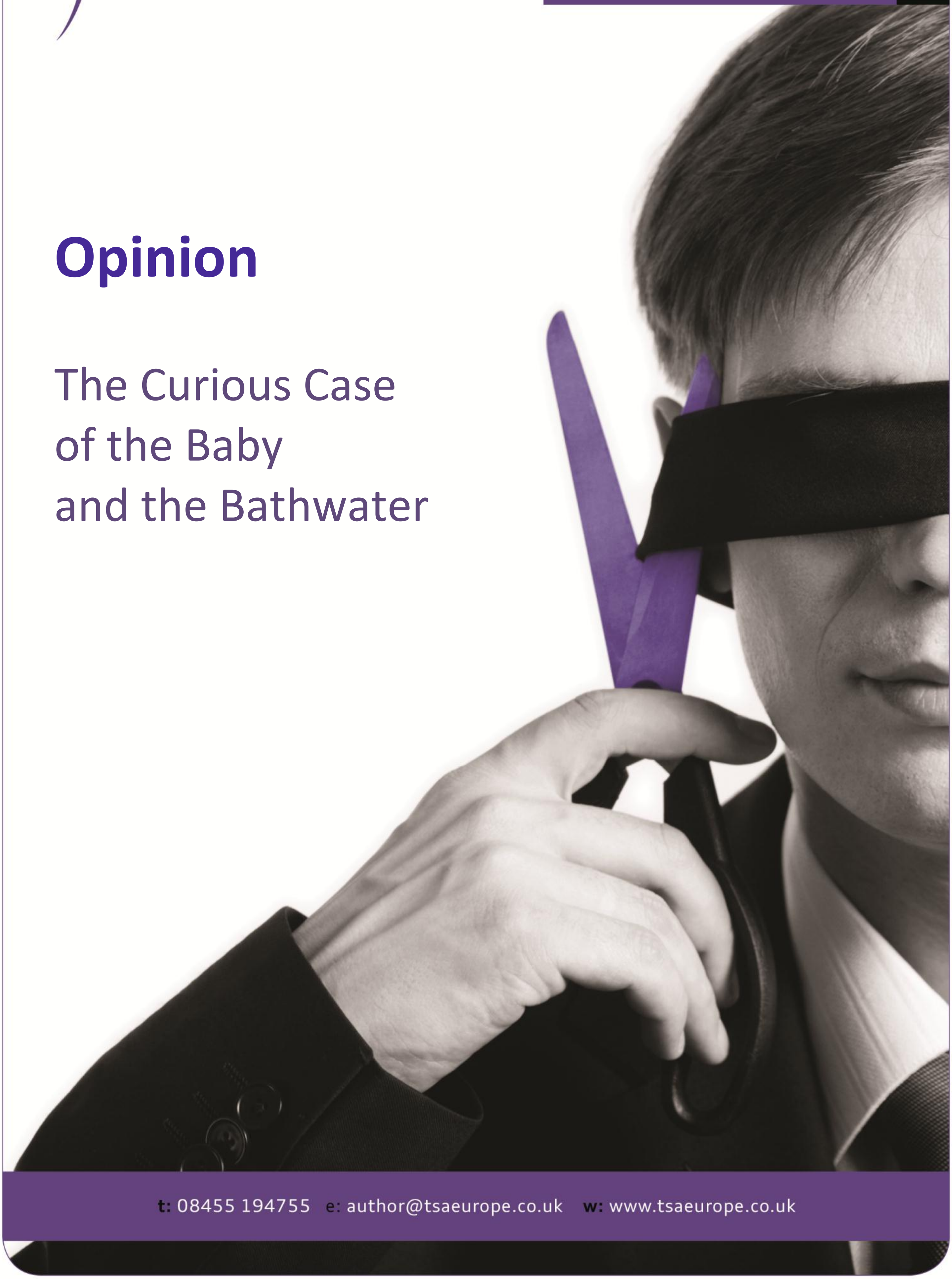
TSA Europe

Human Performance Delivered

Opinion

The Curious Case of the Baby and the Bathwater



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The Question of Customer Equality

Back in June 2002 a colleague asked me to read "The Streetcorner Strategy for Winning Local Markets" by Robert E. Hall. In recent years this book has been credited with starting the Customer Relationship Management (CRM) revolution and through its succinct messages ("know your customer intimately" and "not all customers are equal") spawned a variety of CRM software, customer data analytic companies and was instrumental in underpinning the approach of the evolving call centre industry.

The book was also personally interesting to me as my grandparents owned a corner shop in the Parkhead area of Glasgow from 1928 to 1972. I remember the shop vividly; I remember sitting on the counter with my grandmother talking to the customers who would pour through the doors asking for anything from mothballs to sewing thread in their own inimitable Glaswegian style. My grandmother knew all her regular customers by name: she knew the names of their families; what was up, down and around in their lives; what they bought regularly and most importantly what they could and could not afford. My grandmother was a master of real CRM, and as Hall agrees in his book, this is something that size, scale, geography and rapid pace of change just doesn't allow for in today's crisis-driven environment.

One of the key messages in the book is the almost heretical idea that "not all customers are equal" and although most businesses had known and acted on this for years, it had never been quite so publicly debated and agreed upon. The gist of Hall's advice is that businesses should shape their service delivery according to both what makes a profit *and* what the customer can afford – simple and logical really. Many organisations had already been operating in this fashion and as a result, depending on our value as a customer we either got directed to the web (cheaper transitions) or if we had "potential" we got to speak to people face to face (if we wanted to). In some cases, customers were asked if their business would be better given to someone else (i.e. you are just not profitable – no matter how we cut it!).

Data Data Data

Supporting this strategy were large analytic engines and costly databases that allowed businesses to get to know their customers and their spend patterns in real detail. These engines also allowed us to understand which customers were the most profitable, the most loyal, the least likely to require support and also those most likely to leave us for the competition.

So, I hear you ask, what does this have to do with Human Performance Management? Well here's the thing: many companies in the UK and Europe have, since 2008, had two key areas of focus: scaling their operation to meet changes in customer demand (which appears for many to be downward) and scaling the human capital of the organisation to meet this reduced demand. Certainly the aforementioned data analytic engines should be able to give us information on customer profitability, spend forecast and relationship requirements, but will they give us the information we need to ensure that our human capital has the right skills and attitudes for this brave (and somewhat unknown) new world? The answer, simply, is NO.

Talent in a Haystack

Businesses from all sectors are tightening their belts and reducing headcount; the likes of Lloyds, Marks and Spencer, Jarvis and British Midland (to name just a few), have all recently announced redundancies. My question for these companies and all other going through this process is; do they really know enough about their employees to make the right surplus-driven decisions? Do they know which of their employees are generating the most value for their companies? Sure, we have these wonderful Human Resource Management Systems (HRMS) that tell us who earns the most; how long they have been with us; what development they have had; who has given management the most problems; how they did on their last appraisal; but do they tell us who the real talent is in our companies? Do they tell us which of our employees are making a value contribution above and beyond that of their peers?

Case in Point:

Prior to a recent root and branch performance review of a client's business units, we were told about their top performer who, according to their data, contributed a vast amount of value to the company. Not being the type of company to take things on face value, we decided to review this Business Unit Manager (BUM)'s performance in the same way that we reviewed everyone else. Our data, when analysed in depth, painted a very different picture from the one we had been given. True, the manager was their highest performer in terms of revenue; but when the profitability of his particular operation was analysed in depth, his margin return was lower than expected and his cost of sale (people cost, technical support cost and central management overhead) were exceptionally high. Furthermore, he had been "sitting on the nest" of his customer base for 6 years and had not grown his account penetration in over 5 years. When analysed against his peers in terms of margins and account penetration our star performer turned out not to be number one, but in fact number three. Here was an individual who was very popular with the senior management and the board. Not only did he have excellent social intelligence but knew how to market himself well enough that the excellence of his performance was regarded by many as a "truism".

The Dark Art of Reduction

In this current financial climate redundancy and employee reduction is inevitable. Many organisations are now in their 3rd, 4th and 5th round of redundancies and there appears to be no end in sight. As reduction continues we will again look to our internal resources to see where we can make savings and as we turn a critical eye on our internal workings, we may find that it is not as easy as it might be to discern which of our employees are genuinely high performers; that the truth is often obscured by the dark filters of company politics; empire building; indebtedness; social alignment and protectionism.

There is also the complicating factor of whether or not we have made it really clear to our employees what it takes to get on in our companies; or perhaps our employees have seen those that don't live the company values get on and flourish. If we have not made it clear what it takes to get on, or if we have sent mixed messages then two key questions arise.

What makes us think we know enough about their actual abilities to decide whether or not they are worth keeping?

And

What makes us think they know enough about how they *should* perform to be able to prove to us that they are worth keeping?

A client recently asked me if "talent management" is still as critical today as it was six months ago; his logic being that as there are fewer jobs and opportunities we are less likely to lose our talent. In my view the identification of talent at all levels is *more* critical in light of the above. Let's face it, if you can have four high-performing employees doing the jobs that are currently being done by eight low-performing employees which would you as a business leader prefer? The cost equation alone makes this obvious. So where are our new "Employee Relation Management" tools? Where are the data analytics that support our decisions as to who stays and who goes? And where are the performance management tools that ensure that our remaining human capital is managed effectively and delivers what we really need it to do in 2012/2013?

The good news is that these processes, tools and systems do exist and, with the right advice and support, most organisations can ensure that the decisions they make on human capital today are well informed, politically neutral and right for the longevity of the business.

Warren Buffet was recently quoted as saying, "Only when the tide goes out do you discover who has been swimming naked". My hope for any company that is carrying out redundancies is that they realise the importance of finding and securing those employees who genuinely perform, quickly and effectively before they throw the baby out with the bathwater.

More Information

To know more about how our methodologies can help you and your organisation correctly scale your human capital, please contact author@tsaeurope.co.uk

About Us

TSA Europe is one of the world's longest running Human Performance Management Companies, focusing exclusively in the field of HPM. Since our foundations in 2000, our company has assisted more than 60,000 people from over 200 companies, with the knowledge, systems and tools to make immediate, sustained and measurable improvements to their performance.

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