



HIGH-YIELD METHODS

Designing process for service & front/back office environments

If You Have to Cut Customer Staff, Use a Scalpel, Not a Cleaver

What's the best way to cut customer-facing staff, which the recession may tempt many companies to do?

The best answer is, "Resist doing it." As my colleague Graham Hill aptly points out in his CustomerThink blog post back on October 21st (Why a Recession Means Doing BETTER, Not Just Doing Less), recessions trigger lots of knee jerk reactions from senior execs—including cutting sales because demand is down. I'd add cutting service because "customers should share our pain." Not that many senior execs would ever say the latter out loud, but I've met a more than a few who inwardly believe that in business downturns customers as well as companies should pay a price for lousy business conditions. After all, customers are obligated to help companies survive, aren't they?

What if you have no choice?

If your situation is so dire you must cut customer-facing staff—or you're stuck working for obtuse senior execs that don't yet comprehend the power of customers—*make sure you first redesign workflow and information flow so fewer people can deliver the same quality and quantity of customer-related work.* Only then trim, and with a scalpel. While still painful, these process-based job reductions work far better for customers *and* company than taking out the proverbial cleaver and hacking off a pound of flesh with every quarter-pound of fat.

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You have to spend to save.

Of course, redesigning work usually costs money. You'll likely need to engage an objective arbiter with no stake in preserving any function's staffing level or role. And you're going to burn up considerable staff resources. Hard to sell if your senior management is clinging to the "cheap and easy," meat-axe approach to lay-off—as in the "each function give me 10%" scenario? Unless you're the decision-maker yourself, taking the sane approach to cutbacks may require an adult dose of persuasion.

The costs of taking the meat-axe approach.

Fortunately for you, doing stuff the wrong way always comes with a cost—and lopping off a target percentage of employees, either by function or overall, is no exception. Here are some of the downsides of "cleaver-cuts," which you can raise in defense of sanity.

- *We have to cut work first before we can safely cut workers.* The "everyone's just gonna have to work harder" bromide doesn't cut it. Most companies have already sliced staff to the bone. Dumping the same customer-facing work on fewer people means employees *and* customers both take it in the shorts. Too much so and they'll both start leaving. And don't think your best employees can't find a new job in a recession. Smart companies often see slack employment as an opportunity to upgrade their staffs.
- *Losing customers during a recession starts a spiral effect:* Proper process design can help you reduce customer-facing staffing while minimizing impact on customers. But meat-axe cuts wound customers as well as employees. And when customers start leaving, companies cut more customer-facing employees to "compensate." Where does the cycle end? Go ask Circuit City, or CompUSA, or Sprint—all of which cut customer staffs only to wind up in the death spiral (or nearly so in Sprint's case). Or go ask the plethora of B2B companies that have cut so deeply into flesh to offset falling profits they wound up needing a buyout transfusion.
- *When you cut a fixed % of employees, you'll just hire them all back when business improves.* But when you redesign work so fewer people can do it better, you create permanent efficiencies. Along with quality improvements.

- *Customer perceptions don't improve when the economy improves.* Meat-axe cuts may be temporary, but the customer damage they do is permanent, or at least long-lasting and very expensive and difficult to repair.

As well as giving you these “talking points” for rebuttal (okay, I’ve been watching too much election coverage on cable), let me cite two past clients that had no choice but to reduce staff size to survive and how they got through it.

Case #1

Company A had built up layers and layers of supervision and cross-checking (not the hockey type) in sales and service, which together had ballooned to over 2,000 people. But as is so often the case, the majority of these staff members were actually needed to accomplish work *as designed*. Fortunately, this firm had just completed a senior management housecleaning, including bringing in a new CEO along with other top managers. Plus, the company had promoted and reassigned an exceptional field sales manager to corporate to lead the effort to tame this beast. And best of all, there wasn’t a meat cleaver in sight. We worked together to redesign customer-related workflow and information flow, going far into the back office. The outcome? Better than 30% sales and staff reduction, including staff empowerment to do what’s right by customers, together resulting in better customer care. Automation helped some, but redesigning work was the primary enabler.

Case #2

Company B had a similar overstaffing problem, but was in even worse shape, having received a “qualified opinion” (indicating that it might not remain viable) from its auditors. Again, the cleaver was locked up in a closet, and we started assessing some very tortured workflow and information flow. Not only did redesigning work significantly decrease staffing requirements, but it also rectified a number of serious work quality issues. And in an unusual development, during a workflow redesign team meeting a very upright VP looked at where the process was headed and volunteered that her entire function was redundant and should be eliminated. She resigned shortly thereafter, but we wish she’d stayed in a new role.

Would either company have survived the disruptive impact on customers or the chaos that would have created internally had they taken the meat-axe approach? Not a prayer.

Despite all the evidence to the contrary, some senior execs will never get it. Hopefully this ammunition will help you break through to yours.