

# The Customer First

Clarion call  
at AlliedSignal

By Dan Henderson



## Executive Summary

Many times, employees who work in areas that provide shared services don't recognize that other departments of the company should be treated as clients. To overturn this mindset and emphasize the importance of quality, AlliedSignal Business Services reorganized its traditional structure into a more client-focused one. By helping employees understand that the key to being successful internal suppliers was to recognize other employees as clients, the company was able to significantly improve its measures of performance.

AlliedSignal is an international manufacturing and technology company with approximately 77,000 employees and 325 facilities worldwide. Doing almost anything on an enterprise-wide basis can be a formidable task. Providing internal services to an organization this large and widespread has been a significant challenge.

AlliedSignal has grown through the acquisition of various businesses with separate operating styles. Part of its total quality initiative strategy has been to capture opportunities that take advantage of the company's size by combining the volume and strengths of all these businesses versus keeping them separate. To do this, it has been necessary to move toward a single company culture. The concept of a single, global operation to provide shared internal services melded nicely with this overall corporate strategy.

In 1994, the company's separate shared services initiatives and operations — human resources, information systems, travel operations, material management, and purchasing — were combined into a single, global organization. Dubbed AlliedSignal Business Services (ABS), the company is composed of 885 employees.

Initially, ABS was organized into four functionally based service areas: administrative and travel, computing and technology, financial, and human resource services. Since then, the organization has been fine-tuned so that service processes are aligned closely with specific customer segments. For example, the human resources department was restructured into two distinct teams to meet the needs of their different customer bases. Compensation and human resource services, including staffing, diversity and work/life

programs and university relations, serves the company's human resources community. The other employee services, including benefits, payroll, relocation, and human resource systems that drive self-sufficiency, support ABS employees in the United States and abroad.

A primary objective for ABS was to improve internal customer service and quality levels. Before that could happen, employees needed to understand that the key to a successful internal supplier relationship is recognizing that the people who receive the services are customers. This may sound rather fundamental, but it is not easy to instill a real sense of customer focus in suppliers who typically view their internal customers as simply fellow employees.

### **Workshop**

To inculcate this mindset, all ABS employees were required to attend a two-and-a-half-day workshop that was developed with the assistance of Greenwich, Conn.-based The Amherst Group Limited, a consulting firm that pioneered the concept of shared internal services.

The workshop, titled "Customer First, Last, and Always," was designed to modify the culture, attitude, and behaviors of ABS internal suppliers by redefining what employees did and for whom they did it. The goal of the workshop was to simulate an open marketplace for services where customers were free to go wherever they wanted to get services. This reinforced the idea that employees have no choice but to offer quality and service, as well as know how to respond when things go wrong.



John Sadlow, Amherst Group's project director who worked on ABS workshop, believes the time spent defining who customers are is a critical step in the process that many organizations overlook. The nostrum that "Everyone is your customer" is a road to nowhere, he says, and those who follow

that path fail to develop platforms for action.

Sadlow advocates the use of internal focus groups with service providers to uncover their perceptions regarding who their customers are. "There are always surprises," he notes. As an example, he cites an accounts payable group that believed their customers were outside suppliers. In fact, it was the business units within the enterprise, on whose behalf accounts payable was paying supplier invoices, that were the real customers. What distorted this perception were financial management practices that dictated end-of-quarter scrambles to meet earnings projections. Typically, the accounts payable department would be told by corporate to stop paying invoices temporarily in order to enhance the company's cash position, but they were not told to notify the business units working with the suppliers. When this occurred, suppliers would get angry because they weren't being paid and express that anger to their business unit contacts, who in turn would vent their rage on the accounts payable people, who would then ask "Just who are we working for, anyway?" The reason for the mistaken notion regarding who their customers were is understandable, given the circumstances.

This example points out the need for uncovering service provider attitudes and perceptions as a precursor to accurately identifying which customers are being served by each provider team.

As for ABS, much of the staff did not see themselves as customer representatives, but as employees doing something for other employees. To elevate customer service and satisfaction, it would be necessary for them to view themselves as part of a business that provided services to employees within the company first.

This necessitated incorporating several elements into the workshop. It was necessary to:

- Establish what the vision was for ABS, what constituted excellent service, and what had to be done to help make the vision real to employees.

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- Integrate a set of total-quality tools to help employees improve and become more competent.

- Set the tone for the performance standards and behavioral changes needed to make customers happy and improve the quality of services provided.

- Identify key action-plan items for follow-up within a specified time period.

CEO Larry Bossidy provided the ABS vision. It was upon his assumption of the reins at ABS that the total-quality effort was launched. He provided a historical look at these efforts, why they were important, what they accomplished, and how the workshop would support and advance the total-quality objectives.

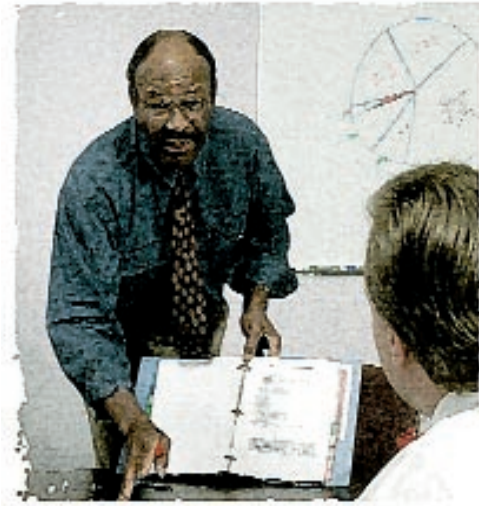
The integration of total-quality tools was an extension of previous efforts by Bossidy to drive changes and bring together a diverse organization. Most people within the company had gone through total-quality training, so they were already exposed to certain tools.

But going through training and putting the concepts to use in everyday work are two different things. Even though people approach training with a positive attitude and pay close attention during the program, it can be difficult for them to comprehend the significance of what is being imparted or to convert classroom lessons into improved customer service. A singular goal of the workshop was to help providers implement total-quality tools, such as process mapping as a diagnostic aid and constructing a visual workplace as a reinforcement tool, viewing them as elements to be used each business day for becoming more customer-focused and competent.

The last objective — to provide key action plans for follow-up — was one that truly helped facilitate change in the organization. It made the workshop objectives into something tangible that participants could take back with them and continue to use on a daily basis. The workshop helped ensure that anticipated changes would become reality. The success of any workshop is determined by the kinds of permanent improvements that occur within the organization.

#### **Service level commitments**

An important section of the workshop pertained to managing customer contact and customer requirements identification. One theme was to maximize the positive impact providers could have each time they came in contact with customers.



Another theme that emerged was recognizing the importance of etiquette and customer handling skills, such as how to deal with an irate customer and how to make a productive phone call.

A third theme was soliciting feedback from customers. Participants were encouraged to select the method of soliciting

feedback from a variety of choices that they thought would be most appropriate. This led into the problem/resolution process, which was divided into short- and long-term tactics. The short-term tactic might be to respond to a phone call from a customer with a problem; the long-term tactic is then to identify and correct the root cause of the problem. Provider groups were given the opportunity to create their own problem/resolution processes for short- and long-term issues, which were subsequently implemented on the job and accessed for effectiveness.

A number of exercises were built into the workshop. One negotiating exercise was designed to replicate the challenges ABS providers would face with their internal customers. The scenario involved an ABS team representing the company to an outside supplier. The team was economically disadvantaged — for unspecified reasons, they could not offer the supplier a competitive price — but were given other reasons why the supplier might choose them in spite of the price disparity. This was an opportunity to apply the precepts they were learning in the workshop, such as how to evaluate their ability to meet

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customer requirements and how to strike a deal. The idea of these exercises was to take the concepts out of the classroom so providers could see them in reality.

Satisfying internal customers is dependent upon having a model in place that formalizes expectations for performance between the supplier and the receiver of services. At the heart of this is the ability of ABS service teams to meet with customers to clarify requirements. The information gleaned at these meetings is then used to create a service level commitment, which formalizes service supplier/receiver expectations. It describes what the service entails, lists the team members who will provide the service, defines specific performance standards, and specifies how success will be measured.

The process of creating service level commitments helps energize teams and encourages them to meet regularly with customers. A service level commitment was created for every service the company provides, and these are updated annually.

Originally, the plan was to establish service level agreements, which differ from service level commitments in that they include a statement signed by both parties. But there was some hesitancy, particularly at the higher levels in the business units, to sign a formal agreement. The typical reaction was “We all work for the same company; we don’t need anything formal. Let’s just jot down what we think we need to do. We don’t need to sign anything.”

So, in most cases, service level agreements were transformed into service level commitments. There were some areas where providers and suppliers already had a form of service level agreement in place, such as the computer services organization and its internal customers, so those were



retained rather than converted to service level commitments just for the sake of uniformity.

But regardless of which type of service level arrangement was involved, it allowed ABS to open up discussions in a positive way. Employees could sit down with a group of customers and talk about services, service standards (metrics), and performance tracking against those standards before reaching an agreement (with or without the formal ritual of signatures). This put service teams in a much better position to understand what customers really needed and focus on achieving customer satisfaction in every transaction.

Service agreements motivate employees to meet with customers regularly to obtain a better understanding of their needs. Issues were identified earlier, which permitted ABS to re-engineer its processes when necessary and consistently deliver those services on a daily basis.

The service level commitment for payroll, for example, states that customer issues will be resolved within 72 hours. Payroll team members know they are being measured on how well they meet this standard. Every day the payroll service team meets for about 10 minutes to review the performance metrics from the previous day and allocate resources to address unresolved issues. This keeps them focused on and aware of meeting customer expectations on a daily basis. It also helps them allocate resources to unresolved issues.

### **Measuring performance**

Early on, ABS wanted to baseline its performance and find out how customers thought the company was doing. In 1994, the first broad-based customer survey was performed across all operations. It was a baseline survey to find out how satisfied customers were and how much they valued each service. A 1-5 scale was used (1 being completely dissatisfied, 5 being delighted). The first measurement was to determine customers’ overall satisfaction with services they received. In 1994, the company rated 3.2. An improvement goal of 3.7 was set for 1995, which was met. An additional 20 percent improvement was the goal for 1996, which was surpassed with a 23 percent improvement to 4.1.

Any customer who assigned a rating of 2 was considered to have received a “defect.” Each operation had a percentage rat-

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ing for this, with a goal of improving by 50 percent. For example, an area with a 20 percent defect rating would set a goal to reduce defects to 10 percent in the next 12 months. Overall, defects dropped from 15 percent to 7 percent in the first year of this measurement.

Finally, ABS measured whether customers perceived significant improvement in current service compared to the previous 12 months. The original baseline of perceived improvement was 59 percent, which increased to 66 percent in 1996.

### **Behavioral changes**

Perhaps the most noticeable behavioral change after the workshops was the sense of urgency to resolve problems. Almost everyone in ABS came to understand that if credibility was to be established, it had to be easy for customers to make complaints. Just as important, when a complaint was received, ABS employees had to be quick in responding and thorough in finding a solution. The workshop helped communicate to

employees that they were there to provide the best service they could for customers. That realization began to manifest in changed attitudes and simple but important details like promptly returned phone calls.

There have been dramatic improvements. ABS's reorganization has helped the company achieve better synergy and improvement among related processes, which has allowed it to serve defined customer groups more efficiently. ■

### **The Author**



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