DESTINATION excellence INC.

Training for Competitive Advantage

Results Oriented Training

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Businesses constantly struggle to determine the value of activities against their costs. One area that has been found to be particularly challenging in understanding the cost-benefit relationship is training. Businesses know that they need to train. Few businesses understand the true costs and benefits from that training. Therefore, typical companies enact and cut training at will causing confusion within their organizations and sub-optimizing their businesses as a whole.

Market leaders such as General Electric, Southwest Airlines and Home Depot and others have a clear and informed view of training. They use training to maintain a specific culture, develop specific skills and differentiate themselves in the market. This paper examines how market leaders use training to maintain their competitive advantage.

This paper provides findings in five key areas. These areas, and activities within them are:

1. Market leaders develop specific business measures and tie training to them. Market leaders utilize a balanced approach to measures that are holistic and complete, hold every individual in the organization responsible for their contribution to a particular area and measure only that which is important to the constituent group.
2. Market leaders develop specific curricula to address every business category and measure. We find that market leaders make sure that courses are tied to specific measures and outcomes, every position in the organization has a specific curricula during the tenure of that position and a course catalog is available to all people for training, development and career planning.
3. Market leaders are committed to allocating resources to support the required training. Market leaders include time and cost for training is included as part of the budget process, incorporate a lean training organization that is measured with other managers on results, utilize training with a mix of multimedia and independent study, allocate two to three times the resources for new hire training versus tenured training, allocate 3-5% of personnel costs for training of tenured personnel, include training in the information loop to management for the improvement of results and retention of people, deliver key skills and refresher training on a regular basis and train both for hard and soft skills.
4. Market leaders continuously evaluate the effectiveness of the training resources. They ensure that the true costs of training are evaluated including time, materials and ongoing maintenance training, true benefits of training are evaluated including impacts on gross margin, capital, and expenses and benchmarking, monitoring, testing, surveys, re-engineering and process improvement are used to ensure the maximum benefit from training.
5. Market leaders treat training as part of their interdependent business processes. They see that: training is treated as one element of the business process that works in conjunction with others, other elements included for evaluation and coordination are strategy, systems, structure, skills, staffing, style and shared values and projects are not initiated until all elements are aligned.

Destination Excellence is a leader in consulting for call centers, contact centers, sales centers and customer service centers. Destination Excellence has assisted a number of clients representing a variety of industries on a number of projects. Our work spans from establishing new call centers to technology evaluation to strategic planning to operational efficiencies to forecasting and staffing and, of course, training. We measure our success in terms of your success. That is why so much of our business comes from previous clients and referrals. Join the group of successful companies working with Destination Excellence to attain a competitive service advantage.

THE CHANGING FACE OF TRAINING AND EDUCATION

To succeed in today's competitive world economy, the U.S. must have a renewed commitment to a vastly improved education and training system."
James E. Burke,
CEO Johnson & Johnson

Taxpayers are increasingly placing greater scrutiny on their local educators. This is no surprise. Overall, the national spending per pupil in the 1990s doubled, while the quality of education declined. For instance, the Philadelphia school system's performance forced the state of Pennsylvania to take over the school district. Large, medium and small city Boards of Education and school administrators are scrutinized like never before. And it is no wonder. They are not just playing with our money, they are shaping our future.

Businesses today are also involved an the education system for the people in their companies. Years ago, training meant job training. Businesses now are really in the business of continuing education. The historic term training falls far short of that to which businesses are committed. Today's workforce must be continually refreshed on new methods, systems and processes to keep pace with the market. The end of formal school is where the real education begins.

Should it be a surprise that businesses, too, are scrutinizing their internal education systems? Not really. Businesses struggle with the same issue as taxpayers: do I get value for the money I am putting into the system? The question itself is not only a spending issue, but a value issue weighing the benefits received against the costs incurred.

One of the most valuable lessons learned in the public education arena occurred in the late 1990s in Texas. The state, wanting to ensure the appropriate value from their educational system, began using standardized tests and holding schools responsible for the results of their educational systems. While some may argue the precise statistics, the overall results were profound. The output from the education systems rose (as measured by standardized test). Most importantly, the areas that lagged in performance closed the performance gap considerably. Without any other changes to the educational system, schools began to perform better because they measure the outcome of their efforts.

What can businesses learn from this? Companies who hold training to a standard of achieving measurable results achieve appreciably better business results.

So why don't businesses measure the effectiveness of their training? There are many misnomers regarding the measurement of training. They include: you can't measure training, there are too many outside influences that impact the effectiveness of training, measuring training will change the welcoming feeling of training and training is more of an art than a science. When managers are willing to accept these excuses on why training can't be measured, they should not be surprised when training budgets are cut. After all, if you can't measure training's effectiveness, it's absence probably won't be noticed.

EXPAMPLES OF COMPANIES WHO USE TRAINING EFFECTIVELY

If you can't measure it, you can't manage it. If you can't manage it, you can't control it. If you can't control it, you have lost your influence over your future.

Returning to the parallel with public education, it is helpful to see how school systems who measure effectiveness fare over the long term. All indications are that schools that continually expect high performance, and measure against that performance, outperform schools that don't.

The same findings hold true for businesses. Businesses who have high expectations for the effectiveness of training, measure the effectiveness of training and hold individuals responsible for results, continue to outperform companies that don't.

Southwest Airlines

Southwest Airlines is an industry leader, ranked as the most admired airline and the second most admired company by Fortune Magazine[1]. Fortune recognized Southwest every year from 1997 to 2000 as among the most admired companies. Southwest has also received recognition for its corporate citizenship, customer service, safety as well as other facets of service. On top of all of this, Southwest is also known as one of the most profitable airlines in the industry. How they accomplish this is exemplified in how they train people.

In a Harvard Business Review Article, Southwest employees Ron Ricks, Libby Sartain and Colleen Barrett provided a number of insightful comments.[2] Describing why customers preferred Southwest's friendliness and service they said, "It all comes back to our people and our delivery of the product." They equip their people through training to deliver service to their customers.

Southwest's commitment to training is evident in the following comment. "We spend more money to recruit and train than any other airline. We take the time to find the right people to hire, at all levels within our organization, and we spend time training them. If we are evenly matched with our competitors on everything else, we win on customer service."

Southwest has a definite outcome that they expect from their training, differentiated customer service. Some would call this core competency, and others would call it a strategic advantage. Southwest views it as necessary for their business. In short, they say, "We invest in our people."

Southwest continually ranks at the top of their industry, and in the top tier of companies in general. Their commitment to investing in people is part of their company culture. When asked why they are not concerned about their competitors copying their formula, Southwest states, "Those companies don't understand the distinction between controlling costs and being cheap." In other words, they don't view training as an investment because they don't have a projected benefit of training. Instead, training is a luxury that gets cut whenever budgets get tight. With competitors who think like that, what is to fear?

[1] Fortune, March 4, 2002
[2] Harvard Business Review, June 2001, "Investing in Relationships," by Jody Hoffer Gittell

General Electric

Much has been said about the success of General Electric under Jack Welch over the past twenty years. Jack Welch added nearly one-half of a trillion dollars in market value to the company during his tenure. Twenty years ago the peer group of General Electric included IBM, Hewlett-Packard, Johnson & Johnson, Eastman Kodak, Merck, AT&T, Digital Equipment, SmithKline Beckman and General Mills[3]. Many more companies have come and gone from the list of most respected companies including Lucent Technologies, Coca-Cola, United Parcel Service, Procter & Gamble, Motorola, Rubbermaid, 3M, Levi Strauss Associates, J.P. Morgan, PepsiCo, Eli Lilly and Boeing. These companies have experienced varying degrees of success and failure over the past twenty years. None has seen the consistent success of General Electric.

The success of General Electric is not because of their markets; in fact much of their success was achieved despite their markets. Other companies, such as Merck had better markets. Companies, such as IBM, stood on the brink of market revolution back in 1983. So, what was it that made General Electric so successful over a long period of time? In a word, training.

Robert Slater recounts Jack Welch's philosophy on training in his book, "Get Better or Get Beaten, 31 Leadership Secrets from Jack Welch."[4] In "Leadership Secret 12, Create a Culture and then Spread It," Slater discusses Jack Welch's decision on GE's management training center in Crotonville. Many expected that he would close it to save money (GE was aggressively cutting costs in other areas of the business). Not only did Jack Welch not close it, he put $45 million into the renovation of it!

Slater describes Jack Welch's decision as follows, "Welch ignored the critics. He wanted to make GE more productive, and leaner. One of the best ways of doing that, [Jack Welch] believed, was to make sure the management training program existed and was used to foster his goals for the company."

In the latter part of the chapter, Slater concludes, "Business leaders need a place like Crotonville… if you are going to get your message across… to large numbers of your employees. It is important to have a vision. It is just as important to be able to communicate that vision to others. That is the leadership secret embodied in the Crotonville idea."

The "secret" of training at GE is not that GE had training (after all, who doesn't't). The secret was that they conducted training with specific objectives in mind and held managers *responsible* for producing *specific* results through training.

Home Depot

Home Depot is the youngest retailer to reach $50 billion in revenue. More impressive is that in the top ten most admired on the Fortune list, Home Depot ranked 4th in its return to stockholders.

In his parting comments in the 2001 Annual Report, Home Depot's co-founder, Bernie Marcus highlights two pillars of the company. The first pillar is building a sound business creating value for customers, employees and shareholders.

The second, according to Bernie Marcus, "involves a different kind of value. One cannot see all that a company is by examining the bottom line. When we drew up our initial business plan, we talked about

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[3] From the 1983 list of most admired companies from Fortune.com (http://www.fortune.com/lists/mostadmired/archive.html)
[4] Get Better or Get Beaten, 31 Leadership Secrets from Jack Welch, by Robert Slater, Irwin Professional Publishing, 1994

culture… Something special emerged, a culture in which employees were given the freedom, *training* and motivation to act as entrepreneurs, in which listening to customers improved us; in which vendors became partners in growth, and in which shareholders gained wealth by trusting in our abilities."

Clearly, to create the type of culture Home Depot has developed, training played the essential role of getting people to promote vision of the company in everything they did. People were given clarity of purpose, the tools to accomplish that purpose and measured on their ability to achieve the common vision of the company.

In establishing the priorities for the future, incoming Home Depot Chairman, President and CEO Bob Nardelli lists one of his top priorities as "Investing in our People." In this, he highlights learning programs as a way to meet the future goals of the company.

Anyone who has spent time in Home Depot has been impressed with the technical knowledge and level of service of the associates. Their knowledge and service orientation comes from a continual effort to provide the necessary training to people within the company in order for the company to achieve its objectives.

Commonalities Between Market Leaders

While the space here is limited, further research on these companies would show conclusively that they are committed to a specific outcome (future) with measurable short-term and long-term goals. Although the three companies come from three very different industries, as market leaders they conduct business in very much the same way. These companies have learned how to connect training investment to company performance and valuation.

The remainder of this document will focus on how companies, like these, establish results-oriented training programs. The following section will focus on the common elements of training for companies who are market leaders. They are:

1. Market leaders develop specific business measures and tie training to them.
2. Market leaders develop specific curricula to address every business category and measure.
3. Market leaders are committed to allocating resources to support the required training.
4. Market leaders continuously evaluate the effectiveness of the training resources.
5. Market leaders treat training as part of their interdependent business processes.

ESTABLISHING RESULTS-ORIENTED TRAINING

You get what you inspect, <u>not</u> what you expect.

The five steps outlined in the previous section are common-sense steps used by companies who establish training as a way to gain competitive advantage. Like other areas of business, there is nothing extraordinary about these steps. However, also like other areas of business, these steps must be implemented in a thoughtful, carefully planned manner with attention to detail, continuous evaluation of results and ongoing adaptation to a changing environment.

Adherence to continuous improvement in the training process is what differentiates leading companies from those who follow. Leading companies are committed to understanding interdependencies, full implementation and supporting programs that produce the best end result. Companies who are not market leaders never clearly understand the interdependencies, never implement fully their training programs or never fully support these programs.

Developing Specific Business Measures

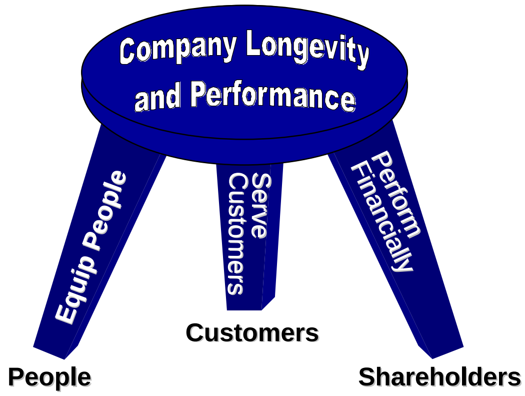
Most businesses have measured goals that define success. The key differences between leading companies and other companies is that leading companies:

1. Utilize a balanced approach to measures that are holistic and complete,
2. Hold every individual in the organization responsible for their contribution to a particular area and
3. Measure only that which is important to the constituent group.

(For a more detailed review of how to set up successful measurement systems, request "Optimizing Customer Care Operations, Measuring for Success," from Destination Excellence.)

Market leadership for any business is based its ability to maintain a balance between the needs of the people within the company, its customers and the shareholders. Overemphasis or lack of emphasis on any area may bring short-term success, but will cause long-term failure.

Performance Balance



Source: Destination Excellence, 2001.

Establishing a balanced measurement system requires companies to:

1. Emphasize measuring the success in terms of people, customers and shareholders, and treat the goals as complementary, not conflicting.
2. View people as the method to achieving goals, both by holding people responsible and by rewarding/recognizing them for their contribution to those goals.
3. Equip people, through training, to achieve its goals.

The remainder of this section will review an example of how to establish measures for your operation and then how to build a training plan to achieve those goals.

<u>Customer Satisfaction Measures</u>

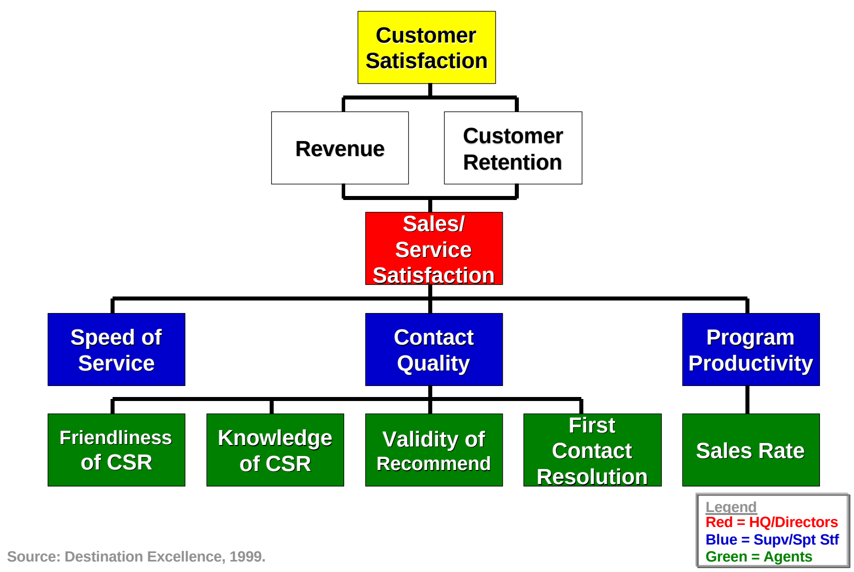
Customer satisfaction is a balance between sales and service. You cannot have great sales without great service. The roadside of industry is littered with companies who provided good service, but could not sell.

Companies, must have both a measured qualitative customer service measure as well as an objective quantitative sales measure when evaluating their customer satisfaction success.

Good service precedes sales. Studies show that customers look for five service components before they complete a sales transaction: speed of service (how quickly you begin to provide service), friendliness of service, knowledge of service personnel, quality and validity of recommendations provided and that all issues were addressed in the first contact with the company. The key is to measure the leading indicators of customer service in an effort to increase sales.

The following chart provides an outline of how one company measured individuals on their contribution to the overall goals of satisfying customers.

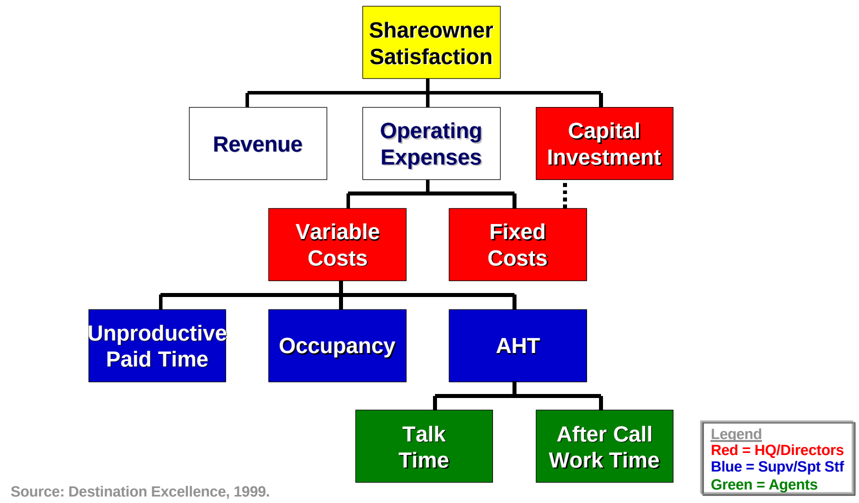
Customer Measures



Shareholder Measures

Customer contact centers are 75% variable costs and 25% fixed costs. The environment is unique in that nearly everyone in a call center has a direct impact on at least one financial measure. The approach chosen here is to assume that the revenue component will be measured in the customer satisfaction area. Clearly, the business unit manager is responsible for profitability as a combination of the customer and shareholder measures. For everyone else in the organization, the shareholder measures may look like the following:

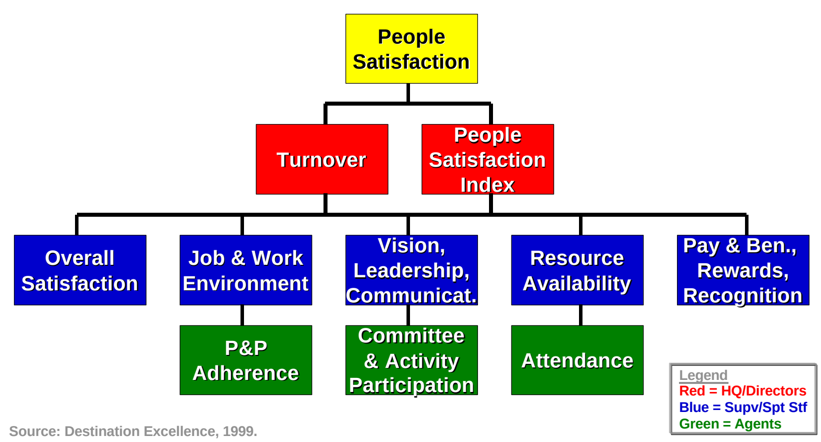
Shareholder Measures



People Measures

More companies now measure their ability to meet the needs of their people. This is critical given that studies show that people satisfaction is the primary driver of business success. An article in the Harvard Business Review highlights this link between people satisfaction, customer satisfaction and profitability.[5] While many different measures can be used for people satisfaction, the following example is provided here.

People Measures



[5] Heskett, Schlessinger, et. al., "Putting the Service-Profit Chain to Work," Harvard Business Review, March-April 1994, p. 164

Developing a Curriculum

Having established the measures for a business, the next step in the process is to identify specific courses to achieve the highest performance on those metrics. Again, realizing the limitation of space, the curricula outline will be brief and incomplete (when compared to what a full curriculum would be). However brief, the curriculum provided will provide a template by which to pattern full curriculum development.

Curriculum development begins by listing the measures by position. The next step is to list the skills required to be successful in each measured area. The following are examples of this exercise for the positions of Director, Supervisor and Representative.

Constituency	**Business Measure**	**Director Measure**	**Skills Training**
Customers	Revenue	Sales Satisfaction	▪ Team Motivation ▪ Incentive Systems
	Retention	Service Satisfaction	▪ Customer Expectations
Business Owners	Operating Expense	Variable Cost	▪ Forecasting and Staffing ▪ Operational Adherence
		Fixed Cost	▪ Budget Management
	Capital Investment	Capital Investment	▪ Technology Applications ▪ Vendor Analysis Techniques
People	People Satisfaction	People Satisfaction	▪ Meeting Facilitation ▪ Oral Communications ▪ Written Communications
	Turnover	Turnover	▪ Motivational Tools ▪ Career Planning

Constituency	**Business Measure**	**Supervisor Measure**	**Skills Training**
Customers	Revenue	Program Productivity	▪ Call Monitoring Techniques
	Retention	Program Quality	
Business Owners	Operating Expense	Occupancy	▪ Forecasting and Staffing ▪ Operational Adherence
		AHT	▪ Call Monitoring Techniques
		Unproductive Time	▪ Time Management ▪ One Minute Manager
	Capital Investment		
People	People Satisfaction	People Satisfaction	▪ Improving Performance Through Encouragement ▪ Feedback Techniques ▪ Performance Evaluations
	Turnover		

Constituency	**Business Measure**	**Represent. Measure**	**Skills Training**
Customers	Revenue	Per Call Measures	▪ Effective communication ▪ Identifying Needs v. Wants ▪ Offer presentation ▪ Upselling ▪ Closing the Sale
	Retention	Quality Monitoring Scores	▪ Listening ▪ Defusing Angry Customers
Business Owners	Operating Expense	Talk Time	▪ Controlling the Conversation ▪ Hard Skills Training
		After Call Work	▪ Work Time Management
	Capital Investment		
People	People Satisfaction	Attendance	▪ Health & Fitness ▪ Personal Time Management
		P&P Adherence	▪ Managing Obligations ▪ P&P Training ▪ Workplace Principles
		Committee Participation	▪ Group Dynamics ▪ Development Opportunities
	Turnover		

When this exercise is completed for all positions, a curriculum is developed. To illustrate the commitment ot training, a course catalog can be developed. This course catalog should include not onl a list of training classes, but also career recommendations, much like a college catalog. The keys in developing a curriculum is that people can see clearly what their future training will entail (giving a feeling of continuity), what career pathing is available (giving a feeling of progression) and what electives are available to them (giving a feeling of personalization). In addition, the curriculum handbook should be used to develop personalized training plans for people during review time.

An ideal curriculum would contain a number of areas of learning. Examples of such areas would include:

- Communications
- Customer Service
- Sales
- Managing Work Time
- Performance Optimization
- Managing Your Personal Time
- Policies and Procedures – Why and How
- Committee Participation
- Leading Groups and Individuals
- Providing Feedback
- Managing Employee Survey Feedback
- Setting Business Goals and Objectives
- Strategic Planning
- Community Service

The following is an example of a course catalog used in a training curriculum.

Communications Curriculum

Course	Title	Hours	Prerequisites	Description
COM101	Effective Listening	2	None	This course teaches students how to listen to what customers want, not just what they say. At the end of this course, you will be able to clearly identify the needs of customers and be able to outline effective ways to meet those needs.
COM102	Effective Speaking	2	None	Vocal presence, pacing conversations, vocal "smiling", word choice and other methods will be taught to influence both sales and service.
COM103	Effective Communication	2	COM101/COM102	This course will teach students how to effectively combine listening and speaking skills together to provide the optimal outcome on a customer contact.
COM201	Controlling the Conversation	3	COM103	Your effectiveness in controlling a conversation with a customer can be the difference in them staying a customer or going to a competitor. This course will teach you when to control a conversation to satisfy the needs of the customer.
COM301	Handling Upset Customers	3	COM201	When customers call in a state

Source: Destination Excellence, 2002.

Training Resource Allocation

The most common question that surrounds training is, "How much training should be provided?" There is no hard and fast answer to this. You must take into account the tenure and experience of the individual and the complexity and pace of change in the business environment. Clearly, the less experienced person requires more training to bring them up to speed on processes and procedures. Also, the greater the complexity and pace of change (the two seem to go hand-in-hand quite often), the more training will be required.

In meeting with a number of companies on training, we have found some consistencies in how market leaders treat training. Here are some common traits of market leaders:

1. Time and cost for training is included in part of the budget process, and a centralized system is used to monitor and track completion of training. Adherence to the budget in this area is treated with the same emphasis as the financial commitments made by managers. Every manager is expected to exhaust the allocations planned.
2. A lean training organization is measured with supervisors and managers using the same, integrated organizational measures. These groups works together to achieve a common goal to evaluate the effectiveness of current training, develop new training courses, targeted mini-courses and individual training.
3. Training is provided using multimedia and is available for independent study. Most groups have video tapes of training courses, audio tapes of training courses, courses on-line or on a CD, resource rooms and utilize multiple methods in the presentation of materials.
4. New hires are provided with two to three times the resources as more tenured people within the group, with particular emphasis to ensure that they are receiving a strong foundation.
5. On average, companies allocate 3-5% of their personnel costs to training tenured personnel. (roughly two or more weeks of training time, plus other expenses). Less tenured people have

standard training classes in which they must participate. As a person attains more tenure, they are allowed to use "elective" training classes to prepare for other positions or for general education.
6. Training, particularly new hiring training, provides input to the retention of personnel, with specific feedback on cultural alignment.
7. Key skills require refresher training and certification.
8. Training emphasizes soft skills and hard skills. Some companies include "life skill" training, to address issues outside of work.

Evaluating the Effectiveness of Training Resources

As stated earlier, training must carry with it specific goals. By linking training organizations to the measures within an organization, companies ensure a mechanism to motivate the training group to participate with line managers in the optimization of business performance. The ultimate evaluation of training is how well it supports people in the organization achieve their goals.

As with every other expenditure in business, an it is fair to evaluate the funds set aside for training relative to the benefit it generates. While this sounds simple, very few companies ever evaluate training this way. Here are some examples of how to evaluate some aspects of training:

Sales Training. If the introduction of sales training a number of years ago raised conversion rates 5%, the benefit of such training could be calculated. First, the evaluation would need to determine if the 5% increase was continuing, or if their was some degradation after the initial training. (Companies need to include the total cost of training – the initial training and whatever maintenance training is required to sustain results.) The cost of the training would equal the cost of development, cost of delivery, cost of support and costs of maintenance. This total cost would then be measured against the gross margin from the increase in sales, taking into account the lifetime value of each sale. Based upon these figures, the value of sales training can be determined.

Contact Management Training. Every contact center utilizes some course to help front-line personnel reduce the amount of time required to complete a transaction. Every second in savings has a value to it. For example, a 500 seat contact center, operating under normal efficiencies would save approximately $65,000 per year for every second saved on a transaction. Based upon the sustainable savings and cost (using the same methods for cost calculation as described in Sales Training), the benefit of training is calculated.

Personal Training. Most companies provide some training for personal enrichment. While this may appear that companies do such training altruistically, the measured reason is normally to reduce turnover. To determine if this training adds value, the company must first determine the cost of backfilling a position. Such costs must include the cost of advertising, testing, training and the costs associated with lost efficiencies. Depending on the company, these costs normally range from $3,000 to $10,000 per replaced headcount. Each company must measure the impact of savings due to reduced turnover and weigh this against the cost of training.

Most companies today do not approach their training in this way. Because training is viewed as a base cost of business, companies do not attempt to understand the impact of training. Unfortunately, during tight budgeting times, training is often the first budget item cut because no one understands the impact of training on the business. If they did, they could objectively evaluate training and effectively communicate the impact of reduced training on the business. This is not to say that training should go untouched. On the contrary, training should receive the same scrutiny and funding consideration as any other part of the business. To become a market leader, companies must understand the specific value of training.

Most companies today do not have historical information to determine what occurred before their current training was implemented. The following are some methods that companies can use to determine if adjustments need to be made to their existing training programs. Using existing processes as a benchmark, companies can determine if changes could be profitable for them.

- Benchmarking. Companies should benchmark competitors within their industry as well as companies in other industries relative to similar measure and processes used. When other groups are achieving better results, it must be determined why and what processes support those results. The company must then compare and contrast its own processes to determine what changes can be made to improve results. While companies generally want to leapfrog others, a safer first step is to replicate others before moving to re-engineering. Some companies can move from benchmarking to re-engineering, but they are few.

- Post-Course Monitoring and Testing. Most companies test at the completion of a course, but this provides only a snapshot of the retention of what was taught. More effective is the monitoring of results over time of course attendees with tests provided four to six weeks after the course to determine retention.

- Surveys. Satisfaction surveys given to people in the company can be highly effective to point out weaknesses in training. This is normally the one time that a company can get direct and honest feedback about training. Managers must learn to put down their defenses, accept the input and work with those who are the "customers" of training to revamp and make training more effective.

- Re-Engineering and Process Improvement. Technology continues to provide great opportunities for redesigning segments of our business. As with any other operational process, the discipline of re-engineering and continuous improvement should be applied to training to keep it fresh and relevant. Coupled with benchmarking, companies can keep themselves on the leading edge of effective results-oriented training.

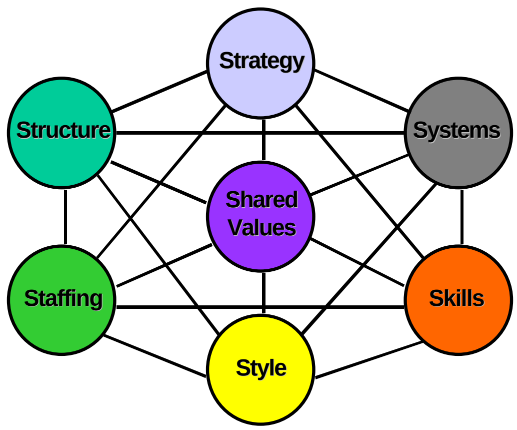
Training as Part of Interdependent Business Processes

The impact of training can be either permanent or temporary. Companies who experience temporary change (e.g., a temporary increase in sales or productivity) have one thing in common: they change only one element within their company, or attempt to change more than one element over an extended period of time. On the other hand, companies that create permanent change take into account all of elements that influence the organization, and make changes in all the necessary elements over a short period of time.

A successful model used by Destination Excellence in helping companies make training most effective is the 7S model. Companies must recognize that training is just one part of an active and living organization, and that changes in training must be consistent with other elements of the organization to be truly effective.

The 7S model highlights seven areas in a company that must keep in balance with one another to optimize the output of their organizations. Like a wheel, if any one of the S's is undervalued (less inflated), then the organization has a certain level of turmoil, or roughness to its ride. When more than one S is undervalued, the ride becomes quite bumpy.

"Seven S" Framework



Source: Destination Excellence, 1998.

The following is a definition of each S in the model:

- Strategy. - The ways in which competitive advantage will be achieved. Strategy includes the company mission statement, the measurable goals of the company, and the objectives of each group. The clarity of goals, goal setting, and measurements are important elements of the strategy.
- Systems. - Formal systems and procedures including management control systems, performance measurements, reward systems, budgeting systems, information systems, planning systems, and capital budgeting systems. The systems feedback process help determine the effectiveness of systems.
- Structure. - The ways which tasks and people are divided, usually described in an organizational chart. The basic grouping of activities and reporting relationships detailing the primary basis for specialization and integration. This includes communication systems.
- Skills. - The basic competencies that reside in the organization. Can be distinctive competencies of people, management practices, and technology. The things that you do better than anyone else.
- Staffing. - Your people and their backgrounds and competencies. At its most basic, it is who wins in the many competitions for leadership positions. Includes approaches to recruitment, selection, and socialization; how managers are developed; how young recruits are trained, socialized, and integrated; and career management. This also includes recruitment, hiring, training, and promotion criteria.
- Style. - The leadership style of both top management and overall operating style of the organization. It reflects the norms people act on and how they work and interact with each other and with customers. Task v. people oriented, interdependent v. independent thinking.
- Shared Values. - The guiding concepts and fundamental ideas around which the company is built. They focus attention and give purpose and meaning to the organization. Usually these values are simple and abstract and even seem trivial from the outside, but they have great meaning and guide behaviors within the company.

Organizations have a natural tendency to focus on some S's and not others. Most companies like to focus on the hard S's. These are the quantifiable and tangible S's where changes can be readily made and seen: Strategy, Structure, and Systems. Yet changes to these areas alone are known to bear little fruit.

Long-term changes in a company do not take place when only the hard S's are changed, but when the entire company culture is changed. Culture is changed through the soft S's: Shared Values, (Management) Style, (Position) Staffing, and Skill (Development). These soft S's change the atmosphere and personality, of a company making changes adhere to the company.

DESTINATION EXCELLENCE - YOUR COMPETITIVE ADVANTAGE

Excellence is more than a word – it's a destination.

During this period of rapid and often chaotic change, internal resources can be stretched beyond capacity. Many companies use industry professionals, to augment resources. Destination Excellence brings practical understanding with a history of success from both the utilities and telecommunications deregulatory environments. Our experienced professionals can assist you in achieving excellence by developing custom programs to maximize sales, improve customer service, decrease costs and ultimately, increase your profitability.

- **HIRING AND TRAINING** – Hiring the right person is a great beginning. The next step is to train them to achieve their best for themselves and the company in order to create an environment of excellence. Destination Excellence will help your company accomplish the following:
  - Identify the best tools to predict the success of people *before* you hire them.
  - Develop a comprehensive hiring program to maximize the potential success of everyone you hire.
  - Implement a new-hire training program to equip people to perform at their maximum potential.
  - Design ongoing training and communications systems to maintain the enthusiasm of your people throughout their career.

- **FORECASTING AND STAFFING** – Destination Excellence utilizes a proprietary set of call volume forecasts, customized to fit your individual needs. Based on specific call volume drivers that are unique to you, our call volume forecasts have been accurate to within 5% on a daily basis.

- **PROFIT MANAGEMENT** - Whether your call center is internal or outsourced, the cost of doing business is interconnected with each area of your company. Destination Excellence has developed strategic business modeling for companies in a number of vertical markets: wireless, utilities, travel, financial and e-commerce to name a few. We will also assist you in minimizing your overall costs while increasing your service levels. The key is to correctly determine the factors that drive your business and optimize those performance factors.

- **TECHNOLOGY** – Destination Excellence has hands-on experience in call center systems. Telecommunications services, ACDs, Manpower Planning Systems, and CRM systems are included in the array of call center technology experience found at Destination Excellence. Destination Excellence provides a three-dimensional analysis of not only the cost of new technologies, but also the return on investment to the call center. Our services also include user specification development, contract negotiation, vendor management and post-installation quality checks.

- **OUTSOURCING** – Destination Excellence understands that not all businesses require, or desire, to maintain their own call centers. Successful businesses focus on their own core competencies. Strategic partnerships with excellent outsourcing centers provide a company with professional customer contact, while freeing up valuable internal resources. Destination Excellence has helped companies place outsourced call center and e-center business, as both a partner and intermediary. Utilizing a proprietary 100-point call center audit, Destination Excellence has successfully placed over $10 million in call center business, and helped to create excellent, metric-driven long-term partnerships.

Contact Destination Excellence toll-free on 877-433-7839, or e-mail us at info@destex.com. You will be glad that you did.