REDUCING ABSENTEEISM & ATTRITION

A guide for improving employee engagement and retention in today's contact centers

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The agent is still the last link in the value chain

Today's contact center is a challenging environment.

With the advent of social, mobile, chat and SMS, customers have more contact channels than ever. But they still want a real human being on the other side of the phone to solve their most difficult problems. While customers can employ a host of channels for real-time service, this 24x7 approach has driven call volumes up instead of down. And with the increase in self-service and IVR, customers arrive more frustrated, with more complicated calls than ever.

ACCORDING TO CONTACTBABEL'S 2016 REPORT, AGENT IDLE TIME HAS REACHED AN 11-YEAR LOW.

Agents have the difficult job of juggling sometimes contradictory KPIs, sticking to scripts, and learning tons of technology and process, all while exiled to the lonely world of a contact center cubicle.

For these haggard agents, the pace never lets up. In some of the largest and busiest centers, agents can handle more than 100 calls a day, while dealing with additional contact channels, escalations, script adherence, post-call surveys and after call work. In fact, according to the 2015/2016 edition of ContactBabel's Contact Centre HR & Operational Benchmarking Report, idle time has dropped to an 11-year low, as agents are busy answering calls, addressing emails and chats, managing service tickets and mastering new skills on their off-phone learning breaks.

Contact center supervisors are also swamped, coaching new agents, shifting call queues to meet SLA requirements, handling their own escalations and managing the business on the floor. They have very little time to address the human side of the agents' needs, which leaves agents alone in managing their day to day stress, building relationships with their peers, or seeing their work in a meaningful context.

What does this mean for call center and customer experience executives? It means they have stressed out, strung out agents who can't handle complicated calls efficiently. It means these employees have very little social connection to their workplace and get much less meaning out of their work, especially the millennials. For their companies, it means a growing business problem: a workforce that burns out faster, shows up less, produces less, and most expensively, quits more.

WORKFORCE OPTIMIZATION: OPTIMIZING EVERYTHING <u>BUT</u> THE WORKFORCE

Technology hasn't helped much. The great irony of so called "workforce optimization" is that the one thing it doesn't do is *optimize the workforce*. It optimizes the work. The flow, the output, the routing, the schedules, the conformity to script, the carrots, the sticks. The focus is the work and the workers have been forgotten.

> THE GREAT IRONY OF "WORKFORCE OPTIMIZATION" IS THAT THE ONE THING IT DOESN'T DO IS OPTIMIZE THE WORKFORCE… IT HAS PROBABLY CONTRIBUTED TO THE EMPLOYEE TURNOVER PROBLEM

Workforce optimization has its benefits, but the drawbacks are poorly understood. It has indeed squeezed more productivity out of agents, but has had little positive impact on agent resiliency and quality of life. In fact, this "squeezing" probably has contributed to the employee turnover problem.

For more than twenty years, attrition has been one of the top concerns of call center executives. And for that same score years, WFO mavens have peddled their solutions as the answer to attrition. Why again were QM solutions or electronic renditions of white-board scorecards going to make agents happier? The strained logic has finally broken under the heavy weight of decades of industry experience. Call center executives have collectively spent billions of dollars per year. Yet attrition rates remain at historically high levels. And the WFO companies continue to recycle same old myths.

ATTRITION: TORPEDOING CUSTOMER EXPERIENCE AND THE BOTTOM LINE

Customer Experience

Aside from the obvious human cost, the effect on business outcomes is tremendous and distressing. All this employee stress and loneliness erodes the customer experience. According to Verint, 92% of consumers say an agent's perceived happiness affects their personal customer experience. In McKinsey's report, "Customer Experience: Creating Value Through Transforming Customer Journeys," the authors argue that customers' expectations for all industries are driven by their experiences at world-beating companies like Amazon or Apple.[1] With the bar set this high, their research shows that "25% of customers will defect after just one bad experience."

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[1] Duncan, E., Fanderl, H., Maechler, N., & Neher, K. (2016). Customer experience: Creating value through transforming customer journeys. In *McKinsey*.

The risk is that miserable agents deliver weaker customer experiences. And miserable agents quit, taking customer intelligence and experience with them. In turn, new agents take their place, and these "newbies" answer fewer calls and make more mistakes. So unhappy agents either deliver a bad experience, or quit and are replaced by rookies, who deliver a bad experience. This reduces customer loyalty, increases churn, undermines upsells, and increases the cost of customer acquisition.

A 1000 SEAT BPO IS ESTIMATED TO BLEED $8.5M IN VOLUNTARY TURNOVER COSTS PER YEAR.

Catastrophic Costs

Depending on the type of calls and communication channels, the size of the center, and its location, personnel costs eat up roughly 80% of the contact center budget. Even in centers located offshore for labor arbitrage, human capital is still the biggest driver of cost. And attrition remains the most expensive human capital problem in the contact center, and often the most expensive problem of any sort.

According to The Call Center School, average agent turnover rates globally are between 30% and 45%.[2] And firms with 500 or more employees suffer from turnover rates above 50% annually, with absence rates that are twice as high, making the combination of attrition and absenteeism a devastating detraction from the top and bottom line. Annual turnover rates in the 80%-150% range are not unusual.

Certain industries feel this burn even more. For example, a 1000-seat BPO is estimated to bleed approximately $8.5M per year in involuntary turnover expenses, an amount that far exceeds its thin margins. Site Selection Group estimates that the US employs 2.2M call center workers in offices with 25 or more people.[3] Including smaller offices, and the exploding home-based agent population, the total is closer to 3M. This means that US based call center companies alone lose over $7B a year in attrition costs. Even the ever-affordable Philippines loses approximately $1.3B on its 800,000 contact center employees annually, according to an analysis based on statistics from CCAP, the Call Center Association of the Philippines.

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[2] Reynolds, P. (2015). Exploring Call Center Turnover Numbers. In *Quality Assurance & Training Connection*.

[3] White, K. (2015, February 17). How big is the U.S. call center industry compared to India and the Philippines? In *Site Selection Group*

THE SOLUTION: AGENT QUALITY OF LIFE

Research strongly suggests that call center executives would do well to turn their focus to improving the quality of the work experience.[4] At Tenacity, we call this "Agent quality of life." This requires investing in three key areas:

1. Resiliency
2. Community
3. Meaning

Resiliency

First, call center leaders must find ways to foster resilience among their workforce. Fortunately, according to the American Psychological Association, resiliency can be taught.[5] Research by the World Health Organization also indicates that resiliency can be particularly beneficial to those in lower income groups, as they are subject to greater stress and, as a result, more mental health issues.[6]

There are multiple ways to combat stress that have been tested by both the medical and psychological communities. Such approaches as mindfulness training or certain cognitive behavioral therapy techniques like positive self-talk, weighing evidence and compartmentalization, can have a tremendous effect on employees' response to stress. Other evidence-based exercises like guided breathing, biofeedback, or even physical activity, yoga, and improved sleep hygiene all contribute to healthier responses by agents in the face of the many irritations they encounter. This suggests taking a larger view on how time is allocated and what activities are encouraged during the workday.

It also suggests an area of improvement for supervisors who, according to research by Michael Housman at Cornerstone on Demand, are a key driver of attrition and retention.[7] Given that a great deal of attrition is driven by negative employee emotion, and that supervisors are often a source of added stress, a picture begins to emerge of a way forward. If the supervisor learns how to coach employees on performance in a way that is less likely to induce stress but equally effective at improving outcomes, employees will be less likely to quit and performance will

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[4] van der Aa, Z., Bloemer, J., & Henseler, J. (2012, March 29). Reducing employee turnover through customer contact center job quality. *The International Journal of Human Resource Management*, *23*(18), 3925-3941.

[5] Alvord, M., Gurwitch, R., Martin, J., & Palomares, R. Resilience Guide for Parents and Teachers. Available at: http://www.apa.org/helpcenter/resilience.aspx

[6] Friedli, L. (2009). Mental health, resilience, and inequalities. Available at: http://www.euro.who.int/__data/assets/pdf_file/0012/100821/E92227.pdf

[7] Housman, M. (2014). The Influence of Supervisors on Employee Performance. *Michael Housman: Decoding the workforce*.

remain robust and possibly improve. Basic behavioral strategies like positive reinforcement can replace the classic firefighting approach that is implicitly encouraged by performance management systems.

Supervisors can also become a novel source of emotional strength for employees if they learn to employ methods like emotion coaching.[8] With this approach, the supervisor acts as a supportive and understanding guide for her agents, helping them process difficult calls and emotions, and propping them up in the face of an inherently difficult job.

The effect of a more resilient workforce on business outcomes will be direct. Resilient agents bounce back better after frustrating encounters and thus are able to deliver a more consistent customer experience. They also resent the stress of the work less. Rather than withering, resilient people often use challenge to grow. This means they are much more likely to show up for work and much less likely to quit.[9]

Community

Second, employers need to help employees build bonds with their coworkers. According to *The New Zealand Journal of Psychology,* and McKinsey, peer relationships make employees happy and that makes employers sticky.[10] Gallup has also found that employees who have a best friend at work are much happier and more likely to stay.[11]

Not that this is easy. The fact is, cultivating a strong sense of community in the fast-paced call center environment can be very difficult. Training classes tend to be large and it is tough to keep new agents together once they reach the production stage, given that empty seats are usually available across teams and employees tend to opt for different schedules. As stated above, idle time is at an 11-year low, so agents are extremely busy, answering calls, doing follow up call work, or working on skills training. Given that the opportunity to mingle requires both downtime and one of the three or four people within talking distance to also have downtime, relationship building faces significant barriers. To top it off, breaks are rarely scheduled with building community in mind. Often employees on the same team have staggered breaks. Many report to us that they wander aimlessly, or just look at their phones to pass their short downtime.

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[8] Cox, E., & Claire, P. (2012, August). Managing Emotions at Work: How Coaching Affects Retail Support Workers' Performance and Motivation. *International Journal of Evidence Based Coaching & Mentoring*, *10*(2), 34.

[9] Bridger, R. S., Day, A. J., & Morton, K. (2013, September 18). Occupational stress and employee turnover. *Ergonomics*, *56*(11), 1629-1639.

[10] Morrison, R. (2004, November). Informal relationships in the workplace: Associations with job satisfaction, organisational commitment and turnover intentions. *New Zealand Journal of Psychology*, *33*(3).

[11] Wagner, R., & Harter, J. (2008, February 14). The Tenth Element of Great Managing. *Gallup Business Journal*.

Call centers tend to have one answer for this problem: food. Through discussions with hundreds of call center executives, Tenacity has found that this is the most common way to try to bring people together and make them feel appreciated. And while sharing a meal is often a good way to build friendships in normal life, lining up for Taco Tuesday does not exactly qualify. Employees regularly complain (just not to their employers!) that the food is obviously there to placate them. And while they do enjoy eating it, it is rare that agents mention free food when reporting what makes life in the call center bearable. Given the size and expense of the problem of attrition and other morale related issues, this approach needs serious rethinking.

Part of the problem is that community building requires time and concerted effort. As mentioned above, time is in short supply in contact centers. But there are opportunities left on the table. Research by Alex Pentland on work done at one of the world's largest banks, shows that when employees on the same team are scheduled for breaks at the same time, productivity increases and attrition decreases, both significantly. [12] While this may not be realistic in some smaller and medium sized call centers, these findings underscore the point that leadership needs to drive a broader set of strategic imperatives for workforce management teams, and this needs to include creating opportunities for employees to mingle. Also, as with stress, supervisors can play a key role. Supervisors should aim to do more than coach individuals; they should help build community on their team. This can be done by pulling the team (or parts of the team) off the phones for teachable moments, publicly highlighting excellent work, or utilizing latent expertise on their team to teach newer agents. If one of the performance goals of the supervisor is to retain agents, he will reorient his approach accordingly, if given the freedom. And this kind of method is likely to drive the spread of best practices more quickly, improving performance as well as boosting retention. Interestingly, building community is also one of the paths toward making the work more meaningful for employees, which is treated in greater detail below. [13]

Meaning

Finally, call center executives need to find ways to make the work experience itself more meaningful. If they don't, their employees, especially millennials, will continue to see and treat their companies as commodities, willing to walk away for pennies per hour.

Millennials are now the largest demographic group in the workforce.[14] They famously have high expectations from their work. This is not to say that they all must save the world to feel

[12] Pentland, A. (2015). *Social physics: how social networks can make us smarter* (p. 95). New York, New York: Penguin Books.

13 Pentland, A. (2015). Social physics: how social networks can make us smarter (pp. 96-104). New York, New York: Penguin Books.

14 Fry, R. (2016, April 24). Millennials overtake Baby Boomers as America's largest generation. In Pew Research Center.

good at the end of the day. Nevertheless, if executives want them to get out of bed each morning and return to the inherently stressful work of an agent, these young employees do need to feel like their work means something positive.

That said, the need for meaning extends far beyond the millennial population. Most people want meaning out of their work. And even those who cynically think work could never be meaningful are much more likely to stay in a workplace if they feel like they are a part of something bigger than themselves.

Many companies start with connecting their values to the work – which is a good start, if a bit abstract. This should be driven at the supervisor level, not through generalized corporate bulletins. But either way, it has to go deeper and become more concrete.

Let's be honest, agents have the job of frequently disappointing customers. That's pretty rough (they say it is one of the hardest parts, actually). Empowering them to do more for customers is the best way to fix this. The best agents take great pleasure in solving problems. Any opportunity that executives can give them to solve problems for customers more effectively is a good starting point.

To truly engage employees on a deeper level, however, requires nothing less than empowering them to reshape the customer experience. This means more than the occasional focus group on how things could improve. Supervisors should be constantly cultivating a reflective dialog to gather input and insights from agents about the customer experience. Agents need to become a key driver of improvements to the customer experience, and for this to feel meaningful, they need to see how their efforts bear fruit in terms of process and policy changes.

Meaningful work also requires giving them a realistic shot at a path up (and out of the center). Human beings appreciate work much more when it has a point. Upward mobility can be the point of the work for a huge percentage of the workforce, bringing meaning to otherwise rote tasks. Executives should start by helping them see pathways up and out before agents even finish training. Companies should also hold quarterly career fairs, and ensure that an effective system for flagging talented employees and identifying key skills is not only in place but also actively used. Training supervisors as career coaches, who regularly meet with employees and discuss their futures, enables powerful positive reinforcement and motivation. These concrete steps will both reduce overall attrition and transform much of it into the best kind—where call centers feed their mother companies a pipeline of homegrown talent.

A Note on Supervisors

The above recommendations will require a significant rethinking of business practice in areas as diverse as how employees spend their time and what their companies compensate them for. But one common thread in all three cases is the role of supervisors. As mentioned above, Michael Housman has shown that supervisors play a key role in whether employees choose to

keep working in their call center.[15] It is unsurprising, then, that supervisors would play a role in each of the three key areas of agent quality of life.

Encouraging retention related behaviors will require reworking how supervisors are hired and evaluated. Excellent agents don't necessarily make excellent supervisors; they are often better at escalations and developing deep subject matter expertise. Senior executives need to find supervisors from within and outside their ranks who can deliver an excellent employee experience.

Retention should become a primary KPI for supervisors, but even with this, many pitfalls remain. First, a team of 10 to 15 people is a very small sample of the population. This means attrition will be lumpy, making it appear that certain supervisors did either an excellent or horrible job, month to month. This presents a challenge: this kind of lumpy variation in small groups is entirely driven by luck, something statisticians call "noise". Also, companies that provide or withhold bonuses based on monthly attrition can unwittingly create perverse incentives or demoralize supervisors. If a supervisor is having a bad attrition month and is unlikely to bonus, he might try to attrit all his least loyal employees so that he can start with a cleaner slate the following month. Evaluating supervisors based on retention, then, requires careful longitudinal engineering, and possible risk adjusted analysis for companies using predictive hiring analytics.

"BEST PRACTICES" ARE THE WORST

Einstein said the definition of insanity is doing the same thing over and over again and expecting a different result. Employee turnover has plagued contact centers for decades. And executives have wracked their brains for just as long on how best to address the problem. During retention discussions, the usual suspects tend to get trotted out: recognition, mentoring, teambuilding, social events, the use of consultants, more supervisors, more food, more awards, more tools, more training.

The problem with these approaches – at least with the way they've been implemented to this point – is that they simply are not that effective (hence, the problem persists). Furthermore, these are neither scalable nor sustainable, nor are they affordable for many centers. And yet, in listicle after listicle, conference after conference, and meeting after meeting, these same old so-called solutions continue to dominate the discussion. Einstein also said, "No problem can be solved from the same level of consciousness that created it." The time has come to admit the failures of worn-out "best practices" and embrace a new era focused on the human experience that drives attrition in contact centers.

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[15] Housman, M. (2014). The Influence of Supervisors on Employee Performance. *Michael Housman: Decoding the workforce*.

Prioritizing agent quality of life presents a novel way of addressing the challenge of attrition. It is worth acknowledging, however, that this approach will likely require two related changes of organizational mindset. First, it will require a significant rethinking of the way business is done, which is always a challenge in entrenched businesses. Second, it will require up-front investment. Executives don't usually get jobs leading contact centers because they invest to save money, they get those jobs because they cut to save money. So the paradigm shift will be significant. Yet the short-term discomfort of these adaptations is well-justified given the staggering costs of "business as usual" attrition levels.

HOW TO PREPARE YOUR ORGANIZATION TO REDUCE ATTRITION

Fortunately, there are some tangible strategic steps executives can take to begin to systematically support a positive transformation of agent quality of life. Doing so effectively requires three steps. These will prepare organizations to invest resources appropriately, and to be ready for adoption of the kinds of serious technology, processes and practices that will aid in transforming the agent experience.

Step 1: Measure the Effect of Every Change You Make Like the Future Depends on It

One of the best things about contact centers is that they are awash in data. There is no problem too small for a spreadsheet.

But when it comes to measuring the effectiveness of an initiative to reduce attrition, contact center leaders rarely know how to properly analyze the right data. When we consult with companies, we find that most impact measurement techniques fall woefully short. For instance, executives often turn to before-and-after measurements, but then cannot figure out what actually caused the changes in, say, average handle time. Or perhaps they turn to benchmarking against other centers, another flawed approach. Different centers with different labor markets and management and cultures are unlikely to work as an adequate comparison group.

When our consultants push executives on this, these executives tend to fall back on the vague excuse that there are a "lot of factors".

Fortunately, this is what the field of statistics was invented for. This is also why companies collect data and hire data scientists. To properly measure a problem or software's effect, create an identically situated control group and compare their outcomes to their intervention group.

This type of analysis (called control group analysis) should be applied to all areas of change. Test everything from piloted customer experience tools to Taco Tuesdays, new training programs to software vendors of every variety with a control and intervention group. If they don't produce the kind of return you are looking for, dump them.

You will encounter resistance, both from vendors and internal management. No one likes having the harsh light of statistical analysis shined on their pet projects. But call center budgets are too tight to continue wasting money on things that may or may not be doing any good. It doesn't help anyone to continue business as usual. It is time for all contact center leaders to stop pretending to measure cause and effect and instead invest in actual measurement.

Having established the regular practice of using control group analysis to properly measure the effect of every initiative, the organization will fall into much better alignment. It will put everything – new software and hardware tools, cloud migrations and IVR systems and new training approaches, Taco Tuesdays, and other programs all into perspective.

Just because something "feels solid" doesn't mean the outcomes it produces are more concrete. Executives just need to measure it properly. Then they will have the critical information needed to make a huge difference in almost every area of management, including software, CX, attrition, and your bottom line.

Step 2: Count the Cost

The second step is related. Leaders must find ways to *quantify* the broad *effects* of agent quality of life, so they can know how much they should be willing to invest to improve it. This requires a comprehensive analysis.

Executives need to quantify the relationship between, say, agent engagement and the customer experience. They need to uncover the costs of absenteeism and how much of this is driven by the agent experience, and they need to do the same for efficiency metrics like AHT and NCP.

But most important, they must use a more rigorous approach to measuring the biggest related line item - the cost of attrition. Tenacity consults with dozens of large, world class companies about how to control attrition. In almost every case, executives at these behemoths report that they know the cost of attrition. And when they open their books to our analysts, it turns out they almost always underestimate it by an enormous amount, often by 300% or more.

It's not hard to understand why. First, there is no widely accepted industry standard for measuring these costs and so executives have to make it up as they go—a kind of wild west.

Second, in the context of the typical mindset toward contact center operations, the incentives are problematic. What is more likely? That an executive who thinks high attrition is inevitable would rather report to her boss that she is losing $3 million a year, or $10M? As you can imagine, she almost always picks the lower number.

Interestingly, the few companies that do this well tend to have the lowest attrition – because they have truly counted the cost and they then invest appropriately.

For a deeper understanding of how to properly measure attrition costs, please see Tenacity's [blog series on the subject](#).

Step 3: Sorry HR. Only Budget / P&L Owners Get to Drive

Once companies measure the value of their spending on every attempted solution (whether program or product), and once they develop a deep understanding of all the costs of attrition and other areas related to agent quality of life, they will be ready to improve it and reap the benefits.

But the right person must take the helm. Who ultimately owns the budget for the call center? Whoever owns the budget, or P&L where relevant, must take the lead on agent quality of life.

These executives eat the cost of attrition, and so they have the proper incentives. When the problem is delegated to HR, you get $10,000 solutions to $1M problems. HR means well, of course – it's just that they are the wrong stakeholder to be put in the driver's seat here. Operational executives drive the day to day life of the center. And they are the only ones that have the organizational clout to adequately command the kind of change that will drive real bottom-line results.

Many CEOs want to think their HR department can lead them to solve this problem. At Tenacity, we regularly consult with some of the world's largest companies and BPOs on this very topic, and have never seen an HR-first approach work. Not once.

Human Resources professionals are wonderful people, but their departments are not data driven. They are not likely to want to automate job functions, nor admit that their past advice about gamification or recognition and rewards programs is inadequate. And their budgets are too paltry when faced with the enormity of the attrition and employee quality of life problem. Most important, this is not their focus. Their expertise is compliance, dealing with employee issues, process design, and hiring and firing. In reality, budget and P&L owners are the only ones adequately equipped and motivated to drive the necessary transformation. They must take the reins.

CONCLUSION

Following these steps will prepare an organization to make the kinds of well-informed investments that are needed to transform agent quality of life and improve employee engagement and retention in a sustainable manner. The senior executives most affected by attrition costs will be in charge of fixing it. They will know how much they should be willing to invest because the cost of the pain will be precisely quantified. And they will know if the attempted solutions work, because they will rigorously test and measure the effects of every program or product they adopt.

Organizations that follow this process and then invest aggressively to tackle the above will see dramatic reductions in attrition and absenteeism, and improvements in performance, which will save the biggest of these companies tens and even hundreds of millions of dollars and add many millions more to topline revenue.

And the executives who implement the above will have set up a win/win/win/win situation. It will make their jobs easier. It will improve the lives of employees and families. It will make shareholders more money. And it will have positioned their companies to deliver a best-of-breed customer experience.

ABOUT TENACITY

At Tenacity, we're passionate about helping our clients address one of their biggest business challenges – improving employee quality of life – in a sustainable, scalable manner using innovative combinations of cutting edge social science, stress management and resiliency best practices, all enabled by cloud technology, and customized by AI for each individual center and agent.

Tenacity's retention-as-a-service solution reduces stress, improves the way people feel, builds meaning into work and connects agents with each other on a human level. It's a powerful way to get agents to stay in their jobs longer, and to perform better while doing it.

Tenacity prequalifies its customers and thus has been able to consistently deliver, clear, rigorously measurable, strong returns on investment for every single one of our clients.

To learn more and find out if we're a good fit for your workforce, schedule a consultation today at gotenacity.com/connect.

Tenacity received TMC's 2016 CUSTOMER Contact Center Technology Award. Read about it here.