

hr SPECTRUM

Center for Advanced Human Resource Studies

Research Highlight

Call Center Performance: How HR Practices Lead To Higher Service Quality and Net Revenues

Some companies view call centers as a necessary cost. However, their strategic role in generating customer loyalty and profitability is highlighted in a recent study by Rosemary Batt and Lisa M. Moynihan of Cornell's ILR school. "Human resource practices that enhance employee skills, discretion, and motivation lead to better service quality and labor efficiency," says Batt. "These operational improvements, in turn, lead to higher net revenue generation

rewards are associated with better quality or productivity, few have demonstrated these effects, net of labor and operating costs. Second, it shows the importance of maintaining quality service when competing in mass consumer markets. "Even in price-conscious markets, competing on the basis of quality customer service pays off," says Batt, "because HR practices allow employees to provide better service, and this in turn, leads to higher net revenues.

Based on an analysis of 64 mass market call centers at a large telecommunications services company, the multi-year research included three phases: site visits to fifteen call centers to gather preliminary information; surveying a random sample of 1,243 customer service representatives and their supervisors, and collecting company archival data on economic performance.

This study goes beyond prior research on strategic human resource management in two ways. First, it uses company archival data to take operational costs into account. While many studies have shown that HR investments in skills, discretion, and

The customer service representatives in this study resemble the U.S. call center workforce in several ways. They are primarily female, have some college education, and are in their late twenties to early forties in age. They hold stressful jobs, spending approximately 85

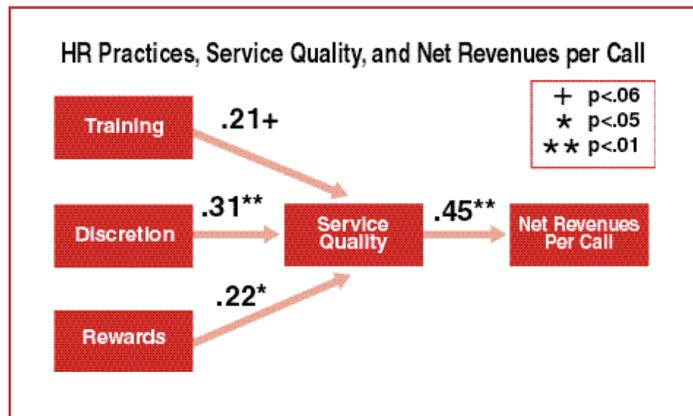
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percent of their time simultaneously handling incoming calls and manipulating databases of customer information while being under on-going surveillance through electronic monitoring systems. Average customer interaction time was eight minutes. However, because they are covered by a union contract, they have longer average tenure (5.9 years) than the typical call center worker and higher average compensation (\$42,514).

To measure organizational performance, the researchers examined call handling time, revenues per call, costs per call, and service quality data during the study's time period. Service quality was measured by an outside vendor who surveyed customers about their satisfaction with employees' understanding of customer needs, ability and willingness to handle requests, efficient call



Cornell University

HR Company Profile

Wachovia

Wachovia Corporation, one of America's fastest growing financial service organizations, provides complete banking services, brokerage services, asset management, wealth management, and other products for individual customers. Wachovia also offers corporate and investment banking services to more than 14 million clients, in person and online.

Formed in 2001 when east coast banking heavyweight First Union bought venerable Wachovia and took the smaller firm's name, the company is the fourth-largest bank in the U.S. behind 3,200 locations in 15 eastern and southern states, and around the world through 33 international offices. Wachovia Securities, the company's full-service retail brokerage firm, serves clients in 49 states and Washington, D.C.

As head of Wachovia's human resources, community relations, corporate communications, corporate marketing and customer analysis, research and targeting, Shannon McFayden leads the way. McFayden leads a highly centralized team of 1,600 HR professionals who serve the company's four lines of business, five central staff units and three centers of expertise: comp and benefits, leadership practices and HR shared services. "HR's structure aligns with Wachovia's structure," says McFayden. "We team with our businesses to improve operating efficiency and attain goals."

HR's priority is to help Wachovia generate revenues and look for ways to reduce future expense growth. "We're supporting Wachovia's strategy to increase revenues through new programs," she says. The company's Retirement Initiative, a collaborative program across various businesses within Wachovia, seeks to market the company's products to soon-to-retire Baby Boomers. "HR is supporting this initiative with extensive training, upskilling and compensation/benefits modifications."

HR also helps Wachovia improve operating efficiency, a critical objective following several mergers and acquisitions over the last few years. For example, HR recently:

- Introduced an online system enabling employees to change personal information and managers to submit requests to fill open jobs, make salary changes, and update department information.
- Centralized an employee relations team that is accessed via a toll free 1-800 number and staffed with experts in grievances, policies and other key

skills. The service is available for both employees and managers.

- Explored outsourcing for non-core HR functions. "HR Online has significantly reduced errors and increased employee satisfaction," says McFayden.

Another key HR objective is managing the company's talent effectively. "We're committed to attracting the best talent as an employer of choice and creating an environment where our employees feel respected," says McFayden. An important component of this strategy is Wachovia's employee engagement survey. "We periodically survey our employees concerning their satisfaction with work environment, compensation, opportunities for advancement and other factors," says McFayden. "Then we act on their input."

In the past, feedback from the surveys has prompted the development of new programs or changes to existing ones:

- *Career development.* "Each employee has a \$5,000 annual budget for external education," says McFayden. "Our only stipulation: the course must be job-related or included in a degree-granting program."
- *Tiered medical benefits.* "We charge employees who earn less than \$50,000 less than the standard benefits deductions; employees who earn more than \$100,000 pay a premium," says McFayden.
- *Community service support.* "We used to provide employees four hours per month to volunteer in schools. In 2003, we broadened the program. Wachovia employees now have six paid days off annually with any type of community service organization."
- *Diversity training.* "To reinforce an inclusive environment at Wachovia, we enhanced our diversity training," says McFayden. "Managers are expected to attend a program that includes three and a half days of awareness training and two days in skill development." In addition, Wachovia carefully monitors diversity representation, turnover, and managers' engagement by various identity groups.

A 23-year company veteran who joined a Wachovia predecessor right out of college, McFayden reports to Wachovia's CEO, G. Kennedy Thompson. "The culture of a company is an important aspect of its success, and my job and my team's job is to know the culture and use that knowledge to influence business decisions and support future growth," says McFayden. 

Wachovia Corporation joined CAHRS in 2004, the 'Company Profile' series feature a Corporate HR view of new CAHRS sponsors.

Alcoa Grant for HR Students

Future Research on Sustainability

The Alcoa Foundation recently put forth a request for proposals to major institutions on the topic of sustainability. “We are a values-based company, and we try to live our values,” says Karis Dorfman, Manager of Staffing at Alcoa. “It follows that we are very serious about being good stewards of resources in the communities in which we operate.” Therefore, when Karis heard about the opportunity to pledge a grant when she visited with Pam Stepp in February, she felt it would be a great idea to get involved in leading edge research in the area of growth and sustainability. Karis thought CAHRS was uniquely positioned in exploring the role of the human resources function in fostering a sustainable growth model.

Alcoa has won many awards on its environmental excellence. “Our company has the vision to be the ‘best company in the world,’” says Karis, and Alcoa has been honored as the ‘most admired metals company’ by Fortune magazine. Alcoa has 130,000 employees in over 40 countries around the globe. The ‘World of Alcoa Products and Services’, includes activity in Aerospace, Alumina, Aluminum Ingot, Automotive, Commercial Transportation, Homes and Commercial Buildings, Industrial Products and Services, and Packaging and Consumer commodities. The company is extremely interested in sustainability.

Company sponsors felt that having CAHRS research fellows would give them more visibility with the MILR students, and expose them to some of the latest thinking in HR. With their need to bring in new talent, this is a priority for Alcoa. Like many companies, Alcoa is expecting a wave of retirements when the “baby-boomers” reach eligibility. Therefore, their Talent Acquisition function is expecting a big increase in the numbers of requisitions they will have to fill. They’ve already seen a 50% increase in job postings in the first quarter of 2005. CEO, Alain Belda, told their HR leaders that Talent Management and Succession Planning are among the top two HR priorities in order for their company to continue to grow and succeed.

Karis relates, “While this does not mean that we are expanding our workforce, it does mean that we will be bringing in a whole new generation of workers.” There are



Amitav Mukherji, Karis Dorfman and Jeannie Kim

all sorts of issues with onboarding, retention, and career growth that will become very important to HR executives. The ‘millennials’ are a totally different generation than the ‘baby-boomers’ in terms of values, culture, expectations, etc., and Alcoa is very interested in learning how other companies are dealing with these types of changes.

This generous grant from Alcoa has allowed CAHRS to support two HR students positions. MILR students Amitav Mukherji and Jeannie Kim have begun working with CAHRS HR professors on Alcoa’s topics, and will be providing assistance for CAHRS research.



Jeannie Kim is in the dual degree program with the Johnson Graduate School of Management and the ILR School. She holds a BA degree from Dartmouth College, where she majored in Economics. Jeannie has worked as an analyst for Mercer Management Consulting, an HR/Finance associate for The Horizons Initiative a nonprofit organization in Boston, and interned at Merck & Co, Inc. in the Organizational Development group. She also spent one year under the Fulbright Scholarship teaching at a high school in South Korea. Here at Cornell, Jeannie served as Vice-President and Treasurer of the Strategic HR Leadership and Organizational Effectiveness Group. She began her research assistantship at CAHRS this spring. This summer, Jeannie will intern with Johnson & Johnson in the Corporate Human Resources department.

Amitav has majored in Economics and holds a masters degree in Personnel Management and Industrial Relations from the Xavier’s Labour Relations Institute in India. Prior to joining the masters program at ILR this spring, Amitav was the Marketing Manager at ITC Limited, contributing to the development and implementation of marketing strategies for a portfolio of brands. Amitav’s professional career spans leadership roles in employee relations, human resources, and sales and distribution. Amitav’s area of concentration is Human Resources and Organizations and he is interested in learning and contributing to issues dealing with organizational agility and innovation. This summer, Amitav is working on research projects at CAHRS and the office of Organization Development Services at Cornell. 

CAHRS Spring

HR Functional Excellence, Ithaca, NY

The CAHRS Spring Sponsor meeting, held May 11th and 12th, was attended by more than 65 HR professionals from thirty sponsor companies. The topic, "HR Functional Excellence," continues to attract attention among sponsor companies, and has been the subject of an ongoing CAHRS study.

The keynote presentation, given by Bill Conaty, Senior Vice President of Human Resources at GE, focused on the foundations of HR excellence across GE's diverse set of successful businesses. Other speakers described new HR tools and competency models, and Brad Bell, Assistant Professor of Human Resources at Cornell, presented preliminary findings from a study on HR rotational training programs. Steve Price, from Dell Computer, provided an overview of HR development, and invited CAHRS sponsor companies to visit Dell to benchmark their progress. "We're always willing to share in the hope that we will also learn something from those who visit," Price said.

Feedback from participants highlighted the importance HR functional excellence has in today's global competitive business environments, and urged CAHRS to push harder to identify the most important elements of the next generation's HR competency models. 



Bill Conaty, General Electric



Karen Sansone, Lucent Technologies and Gerry Kells, Johnson & Johnson



Penny Stoker and Simon King, AstraZeneca



Meeting discussion

Meeting discussion



Sandy Ohlsson and Beth Flynn, General Mills



Nancy Roberts and Warren Ericksen, MassMutual

Sponsor Meetings

Cost and Benefits of Business in Eastern Europe and HR Implications International Meeting, Budapest, Hungary



Gábor Csizmár, Minister of Labour and Employment, Hungary



Chain Bridge, Budapest, Hungary



Patrick Cogy, GECIS Europe



Meeting discussion



Tim Massa, Proctor & Gamble Co.



Mary Sue Rogers, IBM



Meeting discussion

This year, CAHRS ventured to Budapest, Hungary, to host its Spring 2005 International meeting. The discussion followed up the CAHRS November meeting on cost decision making to explore “Costs and Benefits of Business and

Implications for HR,” in a growing region of the world: Central and Eastern Europe. Fifty-one people including government officials, representatives from twenty-one CAHRS companies and faculty from eight different universities interacted at the meeting to learn and search for solutions for a wide variety of challenges.

On the first day, Hungary’s Minister of Labour and Employment welcomed the group and encouraged all to do business there.

Business challenges in the region were presented by GE and IBM. Three panel discussions including executives from GE, Honeywell, Diageo, Gillette, Alcoa, and Lucent addressed “HR Challenges in Central and Eastern Europe: Early Bird Versus Late Arrivals,” “Will Business Continue Moving East to Bulgaria, Ukraine or Russia?” and “Building the Talent Pipeline” on day two. Panel moderators Chris Collins, Quinetta Roberson and Brad Bell, faculty in HR at Cornell, were able to guide the audience in stimulating discussion. When asked what were the most useful ideas and information gathered at the meeting, all presentations were praised. This

was the first time that CAHRS offered two spring meetings, one in Ithaca and one internationally in Budapest. Both meetings were highly attended and well received. 

Kevin F. Hallock

New HR Professor

Kevin F. Hallock has joined the HR Professors here in ILR and is looking forward to his first semester. He will be teaching two different courses at ILR; one on compensation and one on finance. Currently, he is a Research Associate at the National Bureau of Economic Research in Cambridge, Massachusetts. Professor Hallock's previous positions at the University of Illinois at Urbana-Champaign were Associate Professor of Economics and Labor and Industrial Relations, Co-Director for their Center for Human Resource Management, and Associate Professor of Finance. He was also a research consultant to the Federal Reserve Bank in Chicago.

His current research is focused on compensation, labor economics and corporate finance. He has written extensively on executive compensation in the for-profit and nonprofit worlds. Professor Hallock has been published in a variety of outlets including the American Economic Review, the Journal of Corporate Finance, the Journal of Financial and Quantitative Analysis, the Industrial and Labor Relations Review, Industrial Relations, the Journal of Economic Perspectives, and Research in Personnel and Human Resources Management. He has co-edited four volumes on Labor

*Kevin F. Hallock*

Economics and two volumes on Executive Compensation. Funding for his research comes from various sources, including the American Compensation Association, the Intel Corporation, the National Bureau of Economic Research, the U.S. Department of Labor, and the Alfred P. Sloan Foundation.

Kevin's work has been discussed in various national and business publications such as the Wall Street Journal, the New York Times,

Barron's, Business Week, and Newsweek. Recognized as an outstanding teacher he has received awards from the Institute of Labor and Industrial Relations and by the Department of Economics at the University of Illinois. Professor Hallock previously taught one course in Finance for Human Resource Managers and another in Applied Econometrics at the University of Illinois.

He joined the University of Illinois in 1995. He earned a Ph.D. in economics from Princeton University in 1995, and a B.A. in Economics, Summa Cum Laude, from the University of Massachusetts at Amherst, 1991. Kevin is an avid baseball fan. CAHRS welcomes Kevin and his wife Tina and their children Emily (age 10) and Tyler (7) to Ithaca. 🏠



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SAVE THE DATE**ILR Orientation and CAHRS Executive Roundtables****August 23, 2005 Ithaca, NY**

This season gives top CAHRS executives the opportunity to meet with first and second-year graduate students and seniors from Cornell University's School of Industrial and Labor Relations. This is one of the unique and valuable aspects of the CAHRS partnership: opportunity to interact with future HR professionals at Cornell, and to shape their educational and career choices. The past ILR-Graduate Orientations have offered our CAHRS executives and the students an opportunity to exchange questions and ideas about the field, to talk about HR, the most important issues facing individual companies, and the skills needed by future HR professionals.

Due to space limitations and the popularity of this event, there are limited spaces available. If you are interested in getting involved, please contact our office as soon as possible.

A G E N D A

- 12:00-1:00** Lunch in the Rowe Room, Statler Hotel, for CAHRS' sponsor contacts participating in the round tables.
- 1:15-5:00** Roundtable sessions - Statler Hotel Ballroom. Refreshments will be served.
- 5:00-6:00** Reception - Statler Hotel Ballroom Foyer. Refreshments will be served.

Following the roundtable sessions, there is a reception where students and executives are able to converse in a more informal setting. Several of the executives will set out information on their company, and students will leave resumes for the executives to look over.

Please note that this agenda is subject to change.

Visit our webpage frequently for updates where more information and logistics can be found at www.ilr.cornell.edu/cahrs/Roundtables2005.html

HOTEL INFORMATION

A block of rooms have been reserved at the Statler Hotel for the evenings of 8/23 and 8/24. To reserve a room at the Statler Hotel please call 1-800-541-2501 and mention ILR CAHRS Roundtable Sessions '05 for our specific block of rooms. The rooms will be reserved until July 26, 2005 and then any unused portions will be released to the general public.

Executive Briefing Profiling TYCO International**October 24, 2005**

In early 2003, Tyco International had: no company-wide Talent Management processes; no strategy for HR Services Delivery; ineffective Diversity initiatives and needed to completely overhaul and redesign its Incentive Compensation structure virtually overnight. The meeting sessions will address the unique challenges faced in building most aspects of a "start-up" enterprise-wide HR function for Tyco International, a 250,000 person corporation.

In building many key HR process elements nearly "from scratch," the HR function needed to confront the challenges of deciding what aspects to preserve and which to change. The session will focus on how companies can learn from, select and adopt best practices, while remaining equally clear and intentional about what conditions and outcomes the enterprise must not create.

This briefing will be hosted by Laurie Siegel, Senior Vice President, Human Resources and CEO Edward Breen as the keynote speaker.

Information will be posted soon on the CAHRS web site
www.ilr.cornell.edu/cahrs

Please check the site for continued updates.

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In The News



Edward J. Lawler

ILR Dean Lawler Steps Down June 30, 2005 – Edward J. Lawler stepped down from the deanship at the end of June. Staff and faculty of the ILR School held several parties in his honor and gathered memories in a personal ‘journal of remembrance’ to be given to him. On Sunday, May 29, Cornell’s university-wide 137th Commencement ceremony was followed by the ILR’s 59th Diploma ceremony. This event held special meaning because it was Dean Lawler’s last commencement as Dean, a moment noted by applause as he approached the podium. Dean Lawler addressed a crowd of faculty and guests as graduates received their degrees. Members of the class who have contributed to the university and the school were recognized by the Dean, including the highest number of seniors graduating

with honors (16) in recent memory. Following the Dean’s talk, Professor John Bunge presented 50 advanced degree recipients and Professor George Boyer and Laura Lewis presented 230 BS degree recipients. Faculty, graduates and guests were then invited to a reception held immediately after the ceremony.

Lawler had served as Dean of the School of Industrial and Labor Relations from 1997-2005. “Being Dean of the ILR School has been a great experience because of the special nature of the School and because of the opportunity to work with the School’s various stakeholders—students, faculty, staff, alumni, and friends from labor, corporate, and government sectors. I greatly appreciate all the support CAHRS sponsors have provided to the School and to me, personally. This has made a big difference over the last eight years.” Lawler will be on sabbatical during the 05-06 academic year doing research and writing on affect and emotion in groups and organizations, and will return to teaching in the Fall 06. “I plan to teach courses on group processes, and on conflict and power, which I have taught in the past, and a new course on the sociology of emotions or emotions in organizations,” he said. Lawler’s primary teaching and research areas are group processes, exchange, power, negotiation, emotion, and sociological theory. His current research deals with the role of emotion in social exchange relations (negotiations, trading) and group formation (cohesion and solidarity). The work indicates that positive feelings from exchanging tangible or intangible items (goods, advice, approval) can result in relations, groups, or organizations taking on intrinsic value and becoming stronger sources of commitment, cohesion, and solidarity. Lawler is particularly interested in workplace and organizational applications of such ideas. His research builds a stronger emotional/affective component into sociological theories of social interaction and shows ways that the emotional/affective aspects of human interaction are interwoven with the rational/cognitive.

Lawler is the Martin P. Catherwood Professor of Industrial and Labor Relations. Before joining the faculty at Cornell in 1994, he was a member of the sociology faculty at the University of Iowa for 22 years, where he became the Duane C. Spriestersbach Professor of Liberal Arts in 1990. He earned bachelor’s (1966) and master’s degrees (1968) in sociology from California State University, Long Beach and Los Angeles, respectively, and a Ph.D. in sociology from the University of Wisconsin, Madison in 1972.

Lawler has co-authored two books (with Samuel B. Bacharach) and co-edited 18 volumes (most in the series, *Advances in Group Processes*). He has published over 50 articles, many appearing in *American Sociological Review*, *American Journal of Sociology*, and *Social Psychology Quarterly*. He served as Editor of *Social Psychology Quarterly* (1992-97); he was a Fellow at the Center for Advanced Study in the Behavioral Sciences (1996-97); and in 2001 he received the Cooley-Mead Award for career achievement from the Social Psychology Section of the American Sociological Association. In 2002, he received the Chancellors Award for Excellence in Scholarship and Creative Activities; and in 2003, his paper, “An Affect Theory of Social Exchange,” won the 2002 Theory Prize from the Theory Section of the American Sociological Association.



Joan Lawler, Provost Martin and Dean Ed Lawler

HR NEWS FLASH – THE CAHRS TOP 10

IWS NEWS SERVICE

In collaboration with Cornell University's Institute for Workplace Studies (IWS), CAHRS will now provide a customized information service covering key workplace issues exclusively for CAHRS sponsors.

Currently the IWS provides a comprehensive service to an audience consisting of academicians, researchers, journalists, executives and others involved with workplace issues. The IWS sends out daily email updates and a weekly summary on a range of issues covering key economic indicators, workforce trends especially in the area of productivity, compensation, employment law, change management and human resource management practices, critical policy announcements, trade and investment information and technology related news. The email service is intended to keep researchers, companies, workers, and governments aware of the latest information pertaining to workplace related issues as it becomes available for the purposes of research, understanding and debate. Stuart Basefsky, an information specialist and Director of the IWS News Service, operates this service and sources the content from the U.S. Government and international agencies, public and private bodies, consultancies and knowledge services firms, industry associations, unions and select academic institutions.

Stuart assisted CAHRS earlier in creating the award winning course 'HR Online Research and Reporting Methods for Executive Decision-Making' and presently teaches the course. As an operating principle, the IWS focuses primarily on disseminating intellectual content already available in the public domain.

Since the current IWS service has a diverse audience and addresses a broad range of issues, the email service for CAHRS sponsors will be adapted and customized to focus on content relevant to practicing HR executives and will be available at a monthly frequency. Every month the 'Top 10' news items will be carefully selected, covering areas such as emerging workplace trends, compensation, executive training and development, technology enabled HR services, important policy announcements impacting people practices, employment related macro economic data and top line general economic data, significant court decisions relating to employment law and any other issue of potential significance to human resource managers. The monthly email update will provide a summary of the topic with a link to the original source. Based on feedback from the CAHRS sponsors, the content will be continually improved in terms of quality, range of issues and frequency. 

Please see loose page insert for the first CAHRS TOP-10 selections.

1. Win-Win Workplace Practices: Improved Organizational Results and Improved Quality of Life
2. Calling a Change in the Outsourcing Market; The Realities for the World's Largest Organizations
3. Work and Leisure in the U.S. and Europe: Why So Different?
4. Downsizing Looming and Decline in Pharmaceutical Sales Rep Jobs for Class of 2005
5. Missing Variables in Theories of Strategic Human Resource Management: Time, Cause, and Individuals
6. CEO Pay, Company Performance Show Close Alignment for 2004, United States.
7. A Brief Look at Contemporary Issues in Employment and Workplace Policy
8. Annual Review of Working Conditions in the EU: 2004-2005
9. Achieving Gender Balance Strategies for Competitiveness: Four company case examples
10. U.S. Multinationals Dramatically Revising Stock Option Awards For Non-U.S. Executives

CAHRS EVENTS CALENDAR

2005

- CAHRS Spring Sponsor Meeting May 11 - 12, 2005 Ithaca, NY
Building HR Functional Excellence
- CAHRS European Spring Sponsor Meeting: Cost and May 23 - 24, 2005 Budapest, Hungary
Benefits of Business in Eastern Europe and HR Implications
- ILR Orientation and CAHRS Executive Roundtables August 23, 2005 Ithaca, NY
- CAHRS Executive Briefing Profiling TYCO October 24, 2005 Location TBD
- CAHRS Fall Sponsor Meeting November 9 - 10, 2005 Ithaca, NY
Growth and the Implications for HR
- SHRLOE Symposium November 11, 2005 Ithaca, NY

Other ILR Events

- American Express Custom Programs:
 - Strategic Leadership March 2 - 3, 2005 New York, NY
 - HR and Leadership Decision Making March 9 - 10, 2005 New York, NY
 - Managing for Impact: HR Metrics & Firm Performance April 7 - 8, 2005 New York, NY
 - Shell Custom Program Strategic HR Learning May 15 - 20, 2005 London, UK
- American Express Custom Programs:
 - Strategic Leadership June 1 - 2, 2005 New York, NY
 - Costing HR June 8 - 9, 2005 New York, NY
 - HR & Bottom Line TBD New York, NY
 - Global HR September 15 - 16, 2005 New York, NY
- HR Strategy: Creating Competitive Advantage Through People September 25 - 30, 2005 Ithaca, NY
- American Express Custom Program: Leading Globally October 4 - 5, 2005 Fontainebleau, France
- Managing for Impact: HR Metrics and Firm Performance November 3 - 4, 2005 Arlington, VA
- American Express Custom Program: HR Execution November, 2005 New York, NY

For more information, contact Jo Hagin at 607/255-9358 or email: jap7@cornell.edu, or visit our website at: www.ilr.cornell.edu/cahrs/Calendar.html



Call Center Performance

Continued from Page One

handling, courtesy, and overall performance. Financial data, including revenues and cost per call, reflected the same time period.

HR practices reviewed in the study included: the amount of initial and on-going training, the extent of employee discretion in handling customer requests; and use of cash and non-cash incentives to provide recognition for good performance.

The findings in this study are contrary to conventional wisdom. Service quality does matter in price conscious markets. Call centers typically focus on cost reduction,

attempting to reduce such metrics as call handling time and increase the number of customers per employee per day. In this case, however, it was the centers with the longer handling times that generated more revenues. “Our research shows that call centers with longer customer interaction times typically generate more sales than those with short customer phone calls,” says Batt. This makes intuitive sense: sales reps with the time and discretion to interact with customers are more able to customize offerings or bundle services, leading to higher sales. “Although companies must

worry about cost pressures, they can compete most effectively by focusing on revenue generation. A narrow focus on labor efficiency as a driver of performance is not the appropriate business model in current consumer markets that demand quality and customization as well as price.”

Lisa Moynihan received her Ph.D. from the ILR School and is currently on the faculty of the London Business School. For more information regarding this research please contact Dr. Rose Batt via email: rb41@cornell.edu, or Tel: (607)254-4437. This article references research from the CAHRS Working Paper #04-16, which can be found on our web site: www.ilr.cornell.edu/cahrs/paper.html