



Tasha's Decision Memo





Memorandum


To: Dmitri
From: Tasha


 Subject: Crisis in the Call Center



 Our company prides itself on running a lean operation. Managers are trained to regard hiring as the wrong solution to most problems. We've followed that philosophy successfully in the call center.


 As you know, we've implemented quite a few measures that have cut our operational costs by 5 to 10 percent in each of the last few years. Two years ago, our department was given the Golden Scissors Award for the most innovative cost-reduction ideas.


 Currently, we are experiencing multiple problems in the call center that require a decision. The center is losing experienced representatives at an unprecedented rate and human resources costs are exceeding budget targets.

 Our decision options are to try to ride out the storm without hiring; hire part-time people who are bilingual; or hire permanent, full-time, bilingual reps.


 **Why Hiring Is the Right Solution**

 We are in a situation in which hiring is the right solution. I am recommending that we hire two customer reps fluent in English and Spanish. By hiring, you not only protect our high-quality customer service, you also reduce costs. So, the hiring proposal isn't an exception to our management philosophy—it's completely consistent with it. 

 But action needs to be taken quickly or the underlying problems will become far worse.

 There are several compelling reasons why we need to hire new bilingual reps: turnover, costs, and the quality of customer service.

Turnover

First, turnover has surged in the last year: It is 100% higher.  This sudden spike wouldn't be so alarming if it were short term or we were losing only new and inexperienced reps. But the rate of turnover has been abnormally high for a year, and we've lost some of our most experienced and productive reps: Hiroko, Jack, Agata, Rosa, and Ursula. I'm told that more are considering quitting.


According to exit interviews and my observations, the experienced reps are leaving due to overwork and stress. We were at or below the internal benchmarks for good service. We're now in a very different place. Our numbers are at or above our benchmarks. (The Quality of Customer Service section furnishes specific data.)

Customers who request a Spanish-speaking rep account for more than half of the increased volume. The biggest call bottleneck is lack of capacity for Spanish speakers.

Two years ago, the company decided to market more aggressively to Spanish speakers. The campaign has been successful. Sales to other segments have also increased, although at a slower rate. These two factors explain why call volume has risen.

By hiring bilingual reps, we will match our capacity to call volume and the changed mix of customers. That will reduce stress on reps and bring turnover down to a normal level.

Cost

Second, from a cost standpoint, the current level of turnover is unsustainable. Human resources estimates that \$200,000, or about a 17 percent increase in our total budget, is attributable to overtime, temporary help (new reps are less productive than experienced reps), and hiring and training expenses associated with replacements. In other words, each week that goes by, we add another \$4,000 in cost. 

Hiring two new bilingual reps will add to payroll. However, if it stops experienced reps from quitting, the net result will be a decrease in costs.

Quality of Customer Service

Third, the quality of our customer service is declining. Here are a few indicators of quality problems:

- The number of callers put on hold is up 15 percent.
- The number of abandoned calls is up 13 percent.
- The average call length is up 2 minutes.
- Customer complaints about service are up 27 percent.

We have been one of the highest rated call center operations in the industry. Because the center was recognized as a strategic asset, not a cost center, the department has improved on most measures of quality. The reversal isn't compatible with the company strategy.



More reps should get us back to the level of quality we want. It won't happen overnight, so the sooner we act the better. I am especially concerned about halting the exodus of experienced reps.

The Other Options

Not hiring isn't an option because the status quo is not sustainable. Inaction will lead to more turnover, higher costs, and worse customer service.

We could hire part-timers, but that wouldn't solve the long-term issue of serving more Spanish-speaking customers. In addition, our experience with part-time reps has not been good. They take much longer to train than full-time employees and their turnover rate is always high. Taking this option would make our turnover problem even worse.

Conclusion

 Hiring is rarely the right solution, but this is one of those rare situations. Hiring will cut our current costs and restore the level of customer service our customers expect. Thanks for giving me the opportunity to present my recommendation. I would like to meet with  you to discuss the issue and answer any questions you have.