

A measure of delight :
the pursuit of quality
at atandt universal
card service es...

[Business](#), [Customers](#)



What are the strengths and weaknesses of UCS's measurement and compensation system?

Quality Measurement

AT&T's pursuit of quality included measurement methods on a number of levels. Quality measurement allowed the company to use this information in order to perform efficiently the following activities:

Customer feedback through surveys aimed in following through the company's blueprint in order to monitor before, during and after sales service quality. An external firm conducted a customer satisfier survey that obtained information as shown from competitors' and UCS customers regarding product, service and treatment perceptions.

Additionally, UCS's survey team administered 10-15 different surveys, depending on variables such as the reason, and manner that the customer had contacted the company, performed internal monitoring processes. These surveys were essentially being used for associate evaluation.

Clearly, the practices involved in managing service quality in this particular firm provided a competitive advantage by allowing shift and efficient response to market demand. However, the sophisticated design of AT&T's quality measurement system eventually transformed its associates from a state of continuous improvement to obsession for excellence. Efficient and "real time" quality measurement expressed through live monitoring and other IT applications, increased performance expectations at an unbearable stressful point for associates.

Additionally, the company's quality measurement system failed to warn against raising expectations on behalf of managers and associates. This was probably due to improper internal HR and external monitoring of other industry key players. Of course, AT&T chose to lead the way by defining a new era of credit card services, but the measurement system should have foreseen the failure of increased expectations as those were expressed by further raising the quality objective.

Compensation system

Associates directly represented the company to its customers and thus service was to be dependent upon their capabilities and desires. AT&T linked performance to compensation in order to motivate its associates to deliver the best possible service. Cash bonuses on top of high fixed salaries along with various award programs added on AT&T's compensation system. In addition, the company offered a free on-site fitness center available for employees and their spouses and reimbursement for undergraduate or graduate courses.

Certainly, AT&T's compensation system was superior to standard industry practices. Employee incentive driven performance along their reported high job satisfaction were almost inevitable results of the company's rewards. On the other hand, the particular system clearly neglected other aspects of employee concerns. For example, exhausting working hours were not linked to a performance rewarding short-term vacation. Furthermore, exceptional

service delivery could have been compensated with less monitoring as part of a stress reducing strategy.

Q2

What were UCS's goals for the measurement and compensation system? Are these goals still the right ones?

Values which are based on the operating philosophy of AT&T, surely demonstrate issues which are associated with the customers come first, the quality achieved through people and processes, and planning dealing with prevention of mistakes through a continuous quality improvement. The need of the president to offer a service which would combine credit card and calling card supporting its long distance calling revenues seemed necessary. Motivated and empowered employees would set new standards for quality in customers and therefore examine the compensation and measurement system. Moreover, the telephone associates determined what impressions customers took away from UCS so their training and development was a major investment for AT&T, by setting up benchmarking studies comparing to UCS direct competitors.

The design of a measurement system was created so as to locate problem process and address these problems, asses how well customers were served and consequently to reward exceptional performance of employees. Vice president of quality mentioned the importance of measurement and gathering information, creating an information system called U-Win that would help telephone associates to service better and quicker the

customers. Specification standards for each measure in the case of competitive achievement of quality standards reached a 95% of the indicators earned quality, meaning cash bonus. As Paul Khan said “ We wanted quality and we ought to pay for it”.

Albeit, the measurements resulted in an average speed answering performance standard of 20 seconds, and therefore abandon rate performance standard resulted to a 3% of incoming calls. The accuracy performance standard was 96% which moreover led to a professionalism performance standard reaching 100%. These results had associates perform a quality evaluation at least 25 days out of every month in 1991 and in August had achieved a 95% of the indicators. “ Taking it up” were Davis words according to their commitment for continuous improvement.

All this had as a consequence for the company to raise the bar and merge into some changes which were immediate affecting associates who earned 13 days in January and 16 in February and so did managers. This brought a conflict in the company and had associates accusing management of having raised the Bar as a cost-cutting measure to avoid rewards and compensation. The same year the UCS announced the “ triple quality team challenge” which had associates and managers to earn triple bonuses for each quality day they achieved beyond a base of 20 quality days. Such goals certainly weren't the right ones since the negative impact it had on associates who were afraid of daily feedback measuring and monitoring gave them a sense of inadequacy and futility. This had an impact to some managers to say that the quality process daily sampling and feedback were

not without pain. Relationship excellence changed the way of call observations and had telephone associates to participate to meetings that take the form of discussion and learning.

However, change was certainly of great importance at the time no matter the Malcolm Baldrige Quality Award in 1992 for the card services. This created for more of a necessity in order to accomplish continuous improvement.

Q3

Has the compensation system become an entitlement?

It becomes clear throughout the case that the compensation system that UCS used to reward employees for their efforts in order to achieve the quality standards desired had become an entitlement.

The compensation had been gradually transformed from a means for identifying and improving processes as well as a motivating tool to a barrier for the company's evolution and development since employees were considering it as a regular extra payment, an addition to their salary.

From a point on, associates were unwilling to accept the new quality measures that could increase the quality of services UCS was offering because they feared that it would be harder for them to achieve the points needed so as to get their compensation.

The quality of services provided was not any more the desired goal itself, but just the means to receive the bonuses. This fact held the company back by creating resistance to change, a change that was greatly needed in order for UCS to sustain its successful course.

This direct connection between quality of services and the compensation for the employees is not wrong. After all it was proven to be extremely effective for UCS in the past. What this situation demands is senior management to “ redirect” employees to the initial vision of the company that was contained in one single word, “ quality”. In order to do so they must possess exceptional leadership skills so as to convince associates that their compensations were not threatened by the new quality measurement system. .

Q4

How would you evaluate the costs and benefits of UCS’s investment in quality systems?

For a company like AT&T service quality is essential. It is clear throughout the case that the whole organization and especially UCS based its success on the quality of its services rendered.

It is therefore inevitable for such a company to invest on quality systems in order to ensure that the services provided to its customers are of the quality standards they expect.

As every other investment, the one that UCS made in quality systems had both benefits and costs. The benefits of using quality systems like the ones used by UCS are multiple. First of all the company is able to somewhat measure the quality of the services provided to its customers and find whether they are satisfied enough or not. The opportunities provided by such a measurement are very important. The chance for continues improvement for example, which results in improved “ product” quality and reliability is crucial. Moreover, the capability of increased process efficiencies, reduction of failure costs like the ones due to correcting errors, both before and after service delivery and the increased employee satisfaction and lower staff turnover, are all important benefits that quality systems can provide.

As we have mentioned before, every investment has costs also. Apart from the economic costs necessary to support a structure where quality systems are used, the most important costs are coming from bad management when dealing with changes. Changes as we can see in our case are crucial for keeping high quality standards. But changes often involve indirect costs associated with frustrated workforce.

Changes in organizational culture like the ones UCS managers did when they decided to “ raise the bar” are very dangerous if dealt wrongly. People tend not to like changes especially the ones that have to do with their jobs.

We can conclude by saying that it is obviously necessary for service organizations to invest in and use quality systems. But in order for the latest to help on the company’s success there is a great need for people who are

capable of working with them and managers who can control the difficulties arising from their use and who are qualified to manage change.