



# Drive Employee Satisfaction with Service Level Agreements and Improved Internal Communication

*The Value of Internal SLAs include greater employee satisfaction, enhanced productivity, and external customer loyalty.*

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Employee satisfaction is critical, especially in a labor-short environment. In several recent surveys of employees, Customer Care Measurement & Consulting (CCMC) found that poor internal communication and support to employees by internal service providers are top frustrations. These issues damage employee morale and productivity, as well as external customer loyalty. For example, in one brokerage firm, front line employees servicing external clients found that they could not depend on the back office to accurately execute transactions in a timely manner. The front line equivocated on promising when transactions would be completed and were demoralized when clients called back to report that transactions were late or inaccurate.

When employees are not provided with answers or assured follow-through to issues raised, they cannot successfully provide service to external customers. A critical part of the solution is the use of internal SLAs (service level agreements), which, simply, is a contract between two organizations specifying the quality and timeliness for a set of transactions that respond to employee's needs. Internal SLAs are most effective when applied at the unit level for the top two to five transactions that are Key to External Customers (KEC). This article will suggest how KECs can be identified and incorporated into SLAs.

## **1. THE PROBLEM**

Internal service does not just consist of reply to communications but also includes proactive provision/update of information and assured follow-through. For example, customers often complain to Customer Service, "Why wasn't I told of the production or shipping delay?" Both the external customer and Customer Service should be notified as soon as a delay occurs. Internal surprises along with an inability to remedy an issue or respond to the customer is a critical driver of employee morale and willingness to recommend a company as a good place to work.

Late or inaccurate service from the back office or internal service suppliers results in both employees and customers distrusting the company. In one brokerage firm, employees used "weasel words," when accepting account maintenance requests such as the "transaction usually, generally" gets executed in two or three days, when accepting account maintenance requests. This was due to distrust of the back-office fulfillment process. The result was 80,000 additional calls from customers confirming that the change had been made. When the back office created internal SLAs that were rigorously honored, employees became (and sounded) more confident. In addition, confirmation calls dropped from 80,000 per month to about 10,000 per month.

## **2. METHODOLOGY**

CCMC surveyed between 100 and 1,000 employees in each of four companies on internal service and key frustrations in responding to their customers (whether internal or external). Employees were asked to identify issues that were most serious, how often they occurred, and what was the damage when an inadequate response was received.

The primary analysis identified the issues and points of pain (POP) that caused the greatest employee disaffection, negative impact on external customers, delay in responding to the customer, and service employee time wasted on workarounds.

While lack of up-to-date systems was a universal complaint, the issues that caused the greatest angst were response time, quality of response, and lack of assured follow-through.

## **3. THE COST OF POOR INTERNAL SERVICE**

### ***Reduced Employee Success and Morale***

Employees with serious ongoing support problems are at least thirty percent less willing to recommend a company and twenty percent more likely to leave. This means that one out of five employees with significant support issues will probably turn over in the next year.

### ***Lost Sales***

One technology company found that when the service department took more than two days to answer questions on pricing, inventory or production timing, the external customer moved on to another producer, resulting in significant lost sales.

### ***Expensive Unnecessary Contacts Caused by Poor Internal Service Support***

For example, if the internal knowledge base is either inaccurate or missing data, service representatives waste time calling production, product management or design engineers. If responsibility for a product or the production manager that “owns” a particular product changes without notification, more time is wasted tracking down the new owner. In a technology company, CCMC estimated that poor internal service was wasting 171 full time equivalents in unnecessary and repeat IT support contacts alone, not counting lost sales.

#### 4. CREATING INTERNAL SLAs AT FOUR LEVELS

There is no universal SLA that applies to all environments because customer needs vary by communication and service type. In many cases, the standard 24-hour response time most companies use is acceptable. On the other hand, if the service area is answering an external customer's request for special pricing, product management should be required to have a one- or two-hour response time back to the service department. Likewise, a request to facilities management that a bathroom lacks toilet paper should have a more stringent internal SLA than a report of peeling paint or evidence of a possible roof leak.

While every organization is different, the following chart summarizes four types of internal SLAs that should apply to almost all organizations, along with their dimensions and performance cut points:

Four Types of Service Level Agreements				
SLA Type	Type of Service Covered	Dimensions of SLA	Level of Anticipation	Cut Point for Good Performance
Corporate	Phone, email inbound contacts	Timely response from receipt	Reactive only	90% timeliness standard met
Unit Level - General Issues	All contacts and special requests from other units	Timely response from receipt & quality	Reactive only	95% timely and quality
Unit Level - Key to External Customer (KEC) Transactions	Contacts plus KEC transactions such as price quotes, inventory levels, late production, late shipment or unexpected charges	Timely, quality & proactive notification for KECs	Proactive & Reactive	Ideally 100%, but negotiated explicitly with customer to set expectations
Individual Staff Responsibilities	Contacts plus KECs for owned customers	Timeliness and quality	Proactive & Reactive	95% Compliance

These four types of internal SLAs should be promulgated within an organization. In addition, internal SLAs must specify timeliness, quality and level of anticipation dimensions as well as for all or specific types of transaction. The four types of SLAs are described below.

## *Corporate*

There must be a general communication standard for answering internal and external phone calls and emails and for the handling of emails and voice mail when any employee is absent. I call this the Golden Rule of Response, providing the same service you would expect as a customer. Many companies have a more stringent standard for response to external customer calls than internal customers, but some require the same good service across the board. Part of the standard is to require acknowledgement even if an answer is not immediately available or if the call is misdirected. An additional standard is the creation of “must answer” phones in units that handle critical functions where delay is damaging. If an employee is absent, their voicemail and email should have out of office messages - otherwise, the customer expects an immediate reply.

One CCMC study found that misdirected contacts are usually further misdirected several more times, exacerbating customer frustration. A key part of avoiding misdirected contacts is to empower the front line to handle everything and/or provide specific contacts for customers needing help from other corporate business units. Both American Express and Baxter Health Care carefully maintain internal directories of where internal and external customers should be directed to receive timely, competent service.

The general corporate standard for communication handling described above should be prominently published on the corporate “contact us” page of the website. If an external chat function is offered, response/acknowledgement must be within 60 seconds unless a different standard is published whenever the chat is offered. If the customer encounters a phone tree, the phone tree menu should be published wherever the phone number is published, eliminating the customer’s need to listen to options and make an “on the fly” decision which leads to mistakes.

## *General Unit Issues*

Every unit should have general expectations for response and reply to all transactions, usually replying within 24 hours or 8 business hours. In addition, there should be acknowledgement if the full reply will take longer. In Business-to-Business (B2B) environments, CCMC is observing greater expectations and tighter standards such as 2-4-hour response times in account management functions.

### *Unit Performance for Key to External Customer Transactions*

Back office or operating units execute dozens of different transactions. If all transactions are made a high priority, then nothing is a priority. Therefore, internal service should first be focused on a few Key to External Customers (KEC) transactions. In manufacturing, the usual KEC transactions are price quotes, delivery times, production and delivery delays, product discontinuance, and price changes. In service environments, the KEC are product and pricing information, sales and contract implementation/start-up, transaction execution, and investigation follow-through.

As shown in the table above, the SLA should always address timeliness and quality. For KEC transactions, the level of anticipation should also be addressed. In some environments, issues and questions cannot be anticipated and reactive service is adequate. Proactive communication is appropriate when a critical item suffers a production delay, key system functionality is unavailable, or a service is delayed or cancelled. Customers should be proactively notified as soon as the issue is identified so that they can make contingency plans. Bad news does NOT get better with age.

KECs must be identified using a compensation of frequent complaints and a survey of the damage of points of pain (POP) across the entire customer journey. The survey is needed because the most damaging POP, such as misleading or unresponsive sales processes are seldom complained about but often do four times as much damage as operational issues. See Goodman's paper, "The End of the Annual Do-You-Love-Us Survey" for a more detailed description of this approach.

### *Individual Performance*

Individual performance standards on internal service should be broken into two parts. First, there should be general standards where calls and emails must be returned in a timely manner. Second, there should be emphasis on no more than two KEC transactions where the employee or unit are weak.

## **5. CONSTRUCTING THE INTERNAL SLA**

Constructing the internal SLA requires four parts, definition or what is an adequate reply, a time frame for reply, a quality standard, and a percentage cut point. How these are defined depend on the specific circumstance. Examples follow:

### ***Definition of Adequate Reply***

Is reply an acknowledgement only, a complete reply or both?

### ***Time Frame for Reply***

Can be measured from time received until acknowledgement or final answer is transmitted. Also, many organizations only count business hours, though most of the world no longer counts time in that manner.

### ***Quality Standard***

Is the reply complete and accurate?

### ***Percentage Cut Point***

At a minimum, what percentage of the relevant communications will receive timely, accurate responses? This could also include specifying the percentage of KEC issues where the customer should be proactively notified.

## **6. MEASURING INTERNAL SLA PERFORMANCE**

There are two ways of measuring and tracking internal SLA adherence: an automated system, or manually by individual employees. Automated tracking is preferred but more difficult to implement.

### ***Automated Tracking Notes Receipt, Elapsed Time for First Response, Total Elapsed Time to Final Response, and Quality of Response***

- o The timeliness metric is calculated from the phone case record or the email record.
- o A simple metric of quality that an automated system can use is receipt of a repeat request, indicating that the first response was unsatisfactory. An alternative quality metric can be a follow-up email survey to customers.
- o Anticipation is measured via linking in operational records that indicate process failures, such as production or shipping delays, and whether the customer was proactively sent a notification.

### ***Manual Performance Reporting Uses Employee Feedback Gathered in One of Three Manners***

- o Employee exception reporting can be a manual notation when a KEC transaction is seriously damaged via an inordinately long delay or poor quality in a response.

- o Employee systematic feedback can be gathered by employees making an entry on each email or phone record as to the timeliness, quality and whether the response was appropriately anticipatory. This is the most labor-intensive approach and should be used sparingly.
- o Global employee feedback consists of quarterly ratings of the unit on each KEC by each employee.

## **7. OVERCOMING OBJECTIONS TO INTERNAL SLAs AND INCORPORATING THEM INTO PERFORMANCE MANAGEMENT**

There are several challenges to the initial implementation of internal SLAs:

- First, almost all service providers in the company assume they are already providing great service.
- Second, service processes are often poorly defined, leaving customers with fuzzy expectations.
- Third, creating specific processes and mandating their measurement seems (and, to a degree, is) more work.
- Fourth, supervisors in back office areas will object to adding the process of measuring and managing service to their already full plate of activities.

The best approach to implementing internal SLAs is a two-pronged strategy of: 1) highlighting current good internal service and the importance of KEC transactions; and 2) focusing the first SLAs on processes that deliver quick tangible benefits.

### ***Highlight Pockets of Good Service***

Highlight good internal service experiences, but also note that overall internal service could be improved. Identify a few KEC transactions that are frustrating to both customers and employees. Complaints, escalations, expedited orders and an employee frustration survey are good mechanisms for identifying areas that need attention. A technology company published a list of complaints and employee frustrations for major business units where the units were rank ordered by number of problems and intensity of frustration. Natural competition led the business unit executives to focus on the service issue.

### ***Select a Target Transaction for Pilot Test***

A KEC process, which is also an employee frustration is a good initial test since its mitigation obtains three wins at once: for the customer, the employees, and the company (in terms of reduced cost and customer dissatisfaction). A KEC associated with price quotes, inventory availability or account start-up should be

prime targets for an initial test because failure in any of these are associated with immediate lost sales and revenue. For example, an auto finance company found that a dealer's inability to get an immediate rate quote on an auto loan from an underwriter almost always led to the loss of the car sale when the customer had to wait at the dealer finance persons desk.

### *Clarify the Process and Obtain Buy-In from the Service Providers*

Show the service providers how much effort is wasted by the fuzzy process and the complaints - and rework that result. Bring in a few internal customers to tell stories of what can happen. Ask the service providers to define reasonable targets for process effectiveness and to provide their own assessment of both current performance and the impact of ineffective responses. Campbell Soup Company identified that the supply chain processes for notifying the Consumer Affairs function of changes in ingredients and suppliers was not clearly defined. Once the process was defined, senior management implemented SLAs that specified both standards and performance expectations.

### *Obtain Supervisor Buy-In*

Supervisors must be made aware of the cost of internal service shortcomings to their unit as well as the organization. These costs include expediting and involving supervisors, extra staff rework, and re-investigation of issues. Reworking a transaction is always more costly and distracting than doing it right the first time. For example, AARP retrained supervisors of service units to focus on employee empowerment and meeting internal SLAs. These changes resulted in reduced supervisor workload and escalations and higher efficiency and satisfaction, cementing supervisor buy-in.

## **8. ACTIONS TO GET STARTED WITH AN INTERNAL SLA**

### *Cast Internal Service in a Positive Light by Soliciting Nominations for Great Service and Recognize the Service Heroes*

Lay the groundwork for the step 2 frustration survey by focusing on the importance of internal service and asking front line service groups to identify both service employees and units that give generally good and or outstanding service. Celebrate these employees with recognition, including a visit from senior management.

### *Frustration Survey*

Conduct a focus group of six veteran front line service staff and identify their top difficulties in giving good service and receiving support from other departments.

In many cases, the difficulties lie in getting answers and/or action from other internal departments.

Based on these interviews, develop and field a short email survey to all front-line service staff. Ask the employees about their difficulties in obtaining timely, complete responses from other departments, aiding responses with a list of internal service points of pain (POP) developed in the focus group above. The survey should identify which internal departments are the primary source of each POP. From the results of the broader employee survey, opportunities can be identified for corporate communication, and unit general and KEC transactions that should have SLAs. Such surveys executed by CCMC have produced response rates well above 70 percent because the granularity of the questions provide hope to the employees that the issues will be identified and addressed.

### ***Promulgate Corporate Level Golden Rule of Response***

Define response to internal and external communications as a universal responsibility and corporate goal. Couch the response in terms of the Golden Rule of Response – respond to others as you would want a response to your request. Ask each level of management to reinforce the response standard by including the standard, in their unit performance goals. At the same time, ask managers to identify barriers to their ability to fulfill the enhanced response goal. Acknowledge those barriers identified and develop an action plan to address them. Create a communications strategy to celebrate units that enhance their responsiveness.

### ***Pilot Test Unit SLAs for KEC Transactions***

Select no more than two critical KECs and institute internal SLAs for those two transactions within one unit. The pilot test should focus on issues that are critical to customers and at a critical level of disrepair (in terms of complaints from external customers and frustration of internal staff). Devote the necessary staff, resources and executive attention to analyze and fix the existing process and create a simple but credible measurement process (as described in the measurement section above) to track performance over the next 90 days. Celebrate the success of the first SLAs and highlight the better service received, fewer complaints and positive impact on external customers.

### ***Slowly Roll Out Additional Internal SLAs at Unit Levels and Migrate to Individual Job Descriptions Where Appropriate***

Challenge each unit to identify one KEC transaction for creating an internal SLA. Allow the unit to negotiate the SLA with other internal units and offer short term

resources and assistance to help achieve the goal. Celebrate successes and “good efforts” that fail but provide valid lessons.

## **SUMMARY:**

Internal SLAs are an important approach for creating a customer-focused culture within an organization that offer the concomitant benefit of improving employee satisfaction via increased success and reduced rework. While the benefits of internal SLAs are great, they require formal internal contracts for clearly defined processes that run counter to how many organizations that are based on tribal knowledge and relationships do business. Therefore, implementation must be done gently, with careful measurement and a focus on positive recognition and celebration of success.

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