

Measuring Individual Contribution (Icon)

How often have you thought, “I wish there were a single, comprehensive metric I could use to evaluate the performance of my work unit” or been asked by a call center rep, “Do you want me to be fast or to provide good service?”. There is probably not a single measure that is so comprehensive as to replace all others, but a contribution approach can provide great one-stop insight into overall performance and can help quantify the balance between speed and service.

Let’s begin by operationally defining individual contribution as simply the difference between what an employee earns for the company minus what that employee costs.

The following illustrates how the concept of contribution to profit and overhead might be applied in a call center:

- Earnings are realized through
 - sales from orders taken by the rep
 - other revenue (commissions from affinity programs, for example)
- Individual employee costs include
 - wages (net of vacation/holiday pay)
 - phone usage charges
 - cost of rework
 - customer service wages associated with problem resolution
 - cost of returns/exchanges
 - cost of appeasement (coupons, shipping reimbursement, discounts)
 - incentives (bonuses, commissions, etc.)

We can further clarify the notion of individual contribution by applying it to a hypothetical evaluation of three reps at the ABC Company call center, all of whom are paid the same hourly wage.

Mary is a favorite among many of ABC Company’s customers. She is affable and empathetic and takes the time to chat with callers, making them feel appreciated and good about their decision to do business with ABC. She’s reasonably good at complementary selling, but it’s not a primary focus.

John is the epitome of efficiency when he’s on a call. His average talk time is among the lowest in the call center, but he makes a lot of errors and has a higher than average incidence of returns on his orders. His car breaks down often, he oversleeps a lot and he’s frequently late coming back from breaks.

Alice enjoys a favorable rapport with her customers but is “no-nonsense” when it comes to keeping the call productive. Her talk time is fairly high, but she makes very few errors and does a great job with complementary selling and accessorizing.

ABC Company has a cooperative agreement with a jewelry manufacturer to sell its product on a consignment basis. For each sale, ABC gets a 10% brokerage fee, and the rep making the sale gets a \$2 commission.

Here’s how the Icon performance of our three reps breaks down for the most recent month:

	<u>Mary</u> (160 paid hrs)	<u>John</u> (152 paid hrs)	<u>Alice</u> (160 paid hrs)
Sales from orders	\$112,000	\$143,556	\$139,200
Other revenue	<u>480</u>	<u>459</u>	<u>720</u>
Total earnings	\$112,480	\$144,015	\$139,920

Wages	\$1,280	\$1,216	\$1,280
Phone usage	216	186	207
Cost of rework			
CS wages	80	230	58
Refunds	7,783	12,991	8,724
Exchanges	<u>1,909</u>	<u>3,289</u>	<u>2,221</u>
Total rework	\$9,772	\$16,510	\$11,003
Cost of appeasement	100	287	72
Commissions	<u>192</u>	<u>184</u>	<u>288</u>
Total cost	\$11,560	\$18,383	\$12,850
Individual contribution	\$100,920	\$125,632	\$127,071

Once the individual contribution calculation is made, it is an easy task to roll the results up to the team and department levels. It is not my intent to conduct a comparative evaluation of the three reps in the above example, although it would make for a pretty stimulating discussion. Suffice it to say that the approach provides an interesting and different and, I believe, highly effective perspective for doing so.

A couple of caveats - there may be a tendency to try to make the contribution components unnecessarily precise. Don't do it! As long as the input is reasonable, accurate and consistent, it doesn't need to be "taken out to 10 decimal places". For example, instead of trying to identify and evaluate the detail of each contact after the sale, it probably makes more sense to apply a standard cost per minute or per transaction when addressing the expense of problem resolution. Another pitfall to avoid is the inevitable discussion of fault versus no-fault. It is natural to want to try to distinguish between those customer service issues and returns/exchanges that are caused by rep error and those that are not and to avoid "penalizing" for the latter. Again, don't do it! A great deal of time can be spent trying to differentiate between rep-fault, system-fault, customer-fault and so on. In the end, much of that differentiation becomes arbitrary and a cause for general dissatisfaction with the metric. Over time the law of large numbers will cause chance elements (orders with back-ordered items, mis-picks in the warehouse, customers ordering two sizes and returning the one that doesn't fit, etc.) to stabilize and to be evenly distributed across the call center workforce. Contribution differences among individual employees will thus be seen to be attributable to the performance of those employees. The value of individual contribution lies not in the fact that it identifies and assigns blame better than conventional metrics but that it uniformly applies the same criteria on which the business as a whole is evaluated.

As mentioned at the beginning of this article, ICon is not a "silver bullet" to meet all your measurement needs. It's just a common sense application of a time-honored method for evaluating business and product performance. I cannot think of a more meaningful productivity metric than one which directly compares the investment in an individual employee with the financial return on that investment.