



MEDIATION – THE MISSING INGREDIENT IN THE MARRIAGE OF PEOPLE AND TECHNOLOGY

In this article Catharine Allen, President of Toronto ADR Services examines some of the unintended consequences of implementing new information systems technology without simultaneously developing the organization's internal and external dispute resolution mechanisms.

In today's globally competitive world the demands placed on corporations by "empowered" customers has never been greater. To deal with these demands, company managers and executives crowd the Customer Relationship Management (CRM) seminars studying the latest exceptional array of technological solutions available to enable them to make their businesses "customer-centric", their web sites "sticky" and their customer "touch points" seamlessly integrated. As a rule, these CRM implementations follow a successful installation of suitable ERP (Enterprise Resource Program) applications in the back office, which provides a common platform to integrate all the functions within an organization thereby allowing information to be shared across departments and with customers. And yet with all these technological resources, the number of dissatisfied customers increases exponentially. The promoters of this technology are well aware that the lack of a human face on their customer interactions is a great disadvantage. They are fighting back with innovative software like FaceTime, which allows e.business customers an opportunity to deal with a real person in real time via web-based communications such as chat text. A frustrated e-business customer can simply click on an icon to get fast help from a live person familiar with the site. Nevertheless, a reading of business literature on failed technology installations runs the gamut from candy manufacturers running out of product to ship just before Halloween (Hershey Foods), to appliance manufacturer Whirlpool running short of washing machines during a critical promotional period, and suffering a twenty percent drop in share price as a result. One large corporation, FoxMeyer Drug in Texas, even went into bankruptcy following a failed software installation. In Canada, a good example of recent vintage would be Air Canada. This company certainly does not lack the financial resources to acquire the latest web-based solutions for customer service, but their efforts failed so abysmally, that the Canadian government was forced to appoint an Air Travel Complaints Commissioner (A retired ice hockey referee!) in order to stop the consumer rage from spreading to the political arena. Air Canada was also forced to hastily appoint an Ombudsman to fend off the complaints and make a number of price concessions to flyers. Likewise, 407 ETR Corporation (Express Toll Road) installed an amazing array of technical wizardry to service customers. Users of the toll highway had their vehicles tracked electronically and were presented with a monthly bill all without human intervention. Unfortunately the technology was not all it was cracked up to be and drivers who had never used the toll highway were being sent bills with the threat of license

suspension if they refused to pay. The private corporation was pressured into founding a Dispute Resolution Forum, hiring a large staff of real live people, in order to deal with a deluge of complaints that in turn could have spelled bad news for the Ontario government's original decision to privatize the highway.

These two examples are not perhaps representative of business generally, because they represent companies that **thought** they had a monopoly on a particular business segment. However, the resurgence of charter airlines, and the willingness of motorists to swear off ever using the 407 ETR again, points out that no business, perceived monopoly or otherwise can treat their customers as liabilities and leave the management of customers relations to a CRM software package. The lesson for any *competitive* business in these examples is that the resolution of customer disputes must be made a top priority before they escalate into public relations nightmares. While the ability of sophisticated CRM software allows all of the customer "touch points" to be seamlessly integrated, creating a single source of customer and product information, the failure to resolve a customer complaint on the first contact with an organization can only lead to the inevitable decline of the business. Attempting to generate new business by plying an irate customer with other product and service information is clearly a fruitless exercise.

This is where the need for a formal approach to dispute resolution is paramount. Many businesses will already have the vestiges of a dispute resolution forum within their company, perhaps for handling complaints from both internal and external customers. This mechanism can range from the Complaints Window at the large department store (The source of endless humour for cartoonists with characters such as Dagwood and Ziggy) to a web-based menu on the company's home page, for directing customers to the right department or person. In the case of an airline, for example, a web-based process for tracking lost baggage is commonplace. Because these simplistic e-commerce approaches do no more than direct customers to a corporate resource, there has been no great emphasis on incorporating any Alternate Dispute Resolution (ADR) concepts into the process.

Two events are changing this. The first, already outlined, is the increasing sophistication and interactivity of the new customer-centric information systems. The second is the formidable advance in ADR techniques and solutions, driven in part by the failure of conventional dispute resolution mechanisms but more by a better understanding of what customers and clients expect from an organization in terms of products and services.

Over the last decade, ADR has developed into the foremost method of resolving disputes, far outpacing litigation and imposed solutions in popularity. Many levels of government now mandate ADR before they will allow court litigation or tribunals to proceed. Part of the reason of course, is cost. The legal system has never been a model of fiscal efficiency and this shows in the enormous costs associated with even minor proceedings. More importantly, ADR produces **lasting** solutions. That is why it is of such importance to businesses today. A customer or client who has had an issue resolved with ADR will often display more loyalty than a previously untroubled customer. They know that in the

event of a problem, their concerns will be dealt with quickly and fairly. It is not simply a question of “The customer is always right”. Quite often they are wrong, or at least misinformed; but it is how they are told the facts and dealt with as human beings that counts for more than simply being given a voucher for a free flight or replacement product.

The mechanics of establishing a dispute resolution forum within your company will vary depending on its size, complexity, culture and upon the efficacy of existing mechanisms within the organization for resolving disputes. As a rule, the first step is training employees. Not just those having direct customer contact, but internally, so that those persons delegated responsibility for dealing directly with the customers and clients will know that they are operating within a formal dispute resolution framework that has the full backing of the organization. There should be no “I’ll have to get back to you after I have spoken to my manager”, nor any “I’ll see what I can do but our company doesn’t usually compensate customers for this”. Integration within the organization is important because often the staff dealing with customers on the front lines will need to be aware, for example, of the true cost of providing replacements or free vouchers. In turn this requires input from many diverse functional areas within the company.

One of the major objectives of CRM is to empower customers by providing them with information formerly available only to those within the company “know”. An unintended consequence of this empowerment is that it provides the same access to formerly compartmentalized information to all members of the organization. For both groups of users, these consequences can lead to greater disputes within the organization and with customers as the old ways of doing business become obsolete. Production, marketing, sales and distribution can no longer hide in their silo, feigning ignorance. It’s no longer an option to tell a customer that your order was delayed because of a shortage of parts for the machine. Very few customers today believe that “Ignorance is bliss”.

Similarly, the white lies told between various departments within the company to shut down debate, for example “We don’t know how much it will cost to repair the plant, we asked Joe to look at it”, will be seen as evasive when other workers within the organization are sharing the same data.

A true enterprise wide installation invariably disrupts long established practices and procedures for sharing information within the organization and breaks the personal bonds developed over the years between employees, and between the company and its customers. New enterprise wide installations are a prime source of both internal and external conflict.

There is a growing consensus that the current technical training provided by software vendors or third-party trainers does not enable users to deal with the inevitable conflict

arising from new systems implementations. Usually the training consists of keystroke or transaction training on the new system. Often, an informal practice that might have worked well in the paper document era leads to big time disasters. An order entry clerk can key in a wrong part number and without the checks and balances within the informal “culture” to spot the mistake, manufacturing actually makes the product and ships it. When sales, order entry, production, inventory control and invoicing are automatically linked by an ERP/CRM system, one error in data entry can be a disaster. To put it succinctly, reliance on ERP and CRM teaches employees to do their job and nothing else. The **mediation** that used to take place informally between employees, managers, departments and divisions in arriving at an optimum solution for day to day problems, has been replaced in an ERP system with a set of logically connected algorithms. Even if a Hershey or Whirlpool type disaster is averted, failure to replace the mediation that took place automatically in the old system means that a multi-million dollar software installation may fail to deliver the promised benefits. “The screens are up, but customer satisfaction metrics, performance cycle time and overall costs are unchanged”.

In addition to supplementing the technical training of users of a new system by providing them with the basics of dispute resolution, a professional ADR consultant can help re-establish the culture of dispute mediation with the organization that has been depleted by the emphasis on technology. For example, in order to help the diverse departments within an organization to work together again effectively, **productive** inter-departmental meetings need to be organized. Professional mediators can attend these meetings and structure them to be effective tools for integrating personnel with differing outlooks and objectives and focus.

Where it is apparent department heads are in conflict over goals and objectives, a professional mediator can arrange “one on one” meetings in a structured setting to resolve these disputes also.

The end effect of the mediator’s work is an integrated personnel organization that parallels the technological integration of operations. The organization will then have a new culture to supplement its new technology and business processes. The organizations’ HR group may believe that it is their responsibility to effect this change in culture. Experience has shown, however, that HR is usually not the best resource to accomplish this because they are never truly neutral in the wake of the major power shifts accompanying enterprise wide technology changes. As a result, other stakeholders in the organization may be reluctant to work openly with them.

If only one thing is learned from the recent plethora of systems implementation failures, it is that the software alone will not resolve conflict within an organization. All too often managers assume that a problem that has been festering between, say, the production and distribution units will automatically resolve itself when the new software package is installed because it will force change in the process in order to meet the system requirements (The inflexibility of ERP solutions is legendary). Believing that this canard is true has led companies to the brink of bankruptcy as noted. Throughout the software selection process and its implementation, management’s focus must be on quickly

resolving the people disputes as they arise. As the IM technology available to businesses improves by leaps and bounds, businesses are only too willing to pay for the latest version. As this technology becomes ever more complex and invasive, the widely published debacles of Hershey, Whirlpool, FoxMeyer Drug and others will be seen as the tip of the iceberg, unless an equal weighting is given to ensuring that the businesses' culture, with its inherent mediation process, is preserved and enhanced to match this marvelous new technology.

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