

Customer Service
Department of Social Security
Performance Audit
Tabled 20 December 1996

Audit Report No. 25 1996-97

Abbreviations / Glossary

ANAO	Australian National Audit Office
APS	Australian Public Service
Area managers	Senior Executive Service Managers of Area Offices
ASO	Administrative Service Officer
ATO	Australian Taxation Office
CBTA	Competency Based Training and Assessment
CPSU	Community and Public Sector Union
DEETYA	Department of Employment, Education, Training and Youth Affairs
DSS	Department of Social Security
DSSO	Department of Social Security Office
FORUM	Forum Corporation Pty Limited
HAPM	Host Area Partnership Model
HRM	human resource management

IT	information technology
JAPSTC	Joint Australian Public Service Training Council
JSA	Job Search Allowance
local office managers	RO and TSC managers and deputy managers (where applicable)
managers in local offices	ASO5 section managers, local office managers and other members of the management team
NRMA	National Roads and Motorists' Association
OTJ	on-the-job
PgA	Parenting Allowance
PAIR	Performance Accountability Improvement Reporting
QA	quality assurance
RFM	Regional Funding Model
RO	Regional Office
Senior managers National Administration	SES Officers i.e. Assistant Secretary through to the Secretary at National Administration
SU19	continuation of payment process
TARP	Technical Assistance Research Program
TSC	Teleservice Centre

Summary

Introduction

1. The Department of Social Security (DSS) is one of the largest Federal Government departments. It delivers its services through a network of local offices with both counter and telephone service. The network is managed by a series of Area Offices and a National Administration in Canberra. DSS delivers social security entitlements to over five million customers across Australia, outlaying approximately \$37.4 billion in program expenditure and \$1.3 billion on departmental running costs in 1995-96.
2. In parallel with the growing awareness in the private sector over the last ten years of the requirement to provide a high-quality customer service, there has been a recognition of the requirement for improvements in customer service delivered by public sector agencies. In the Australian Public Service, for example, this has resulted in a paper in 1995 from the Department of Finance entitled *Quality for our Clients*, as well as recent work on the development of the principles underlying the development of customer charters, coordinated through the Federal Bureau of Consumer Affairs.
3. DSS has had a growing emphasis on customer service over this period, with a range of initiatives to develop a customer service culture. As many of DSS's customers are dependent on income support delivered by the Department, an efficient and reliable customer service is very important to DSS.
4. This audit is intended to build on the work of two previous audits on the aspects of administration in the DSS network of local offices. *Regional Office Resourcing and Benefit Processing* (Audit Report No.4, 1995-96) and *Teleservice Centres* (Audit Report No.9, 1995-96), indicated that there was scope to improve the quality of service delivered to customers of DSS. This audit assesses how customer-focused DSS is as an organisation, that is, its potential to deliver high-quality customer service.

Objectives and Methodology

5. The purpose of this audit was to assess DSS's approach to customer service against a recognised good practice methodology, and to identify opportunities for DSS to improve the quality of its customer service, its administrative effectiveness and its overall performance. DSS implicitly defines customers as those in the Australian community who test their eligibility for or receive payment from the Department. The ANAO uses this definition in this audit. The Government and taxpayers were recognised as key stakeholders rather than as customers. There are parallels between this definition and those used implicitly within DSS.
6. The ANAO strongly supports the need for the public sector to recognise the rights and obligations of the general public as citizens. However, it also appreciates the value of a strategy to ensure that staff focus on quality service provision using the concept of customer as is accepted in the private sector and adapting or adopting its better practice in service delivery.
7. In order to ensure a rigorous approach to the assessment of DSS in this regard and that the audit drew on principles and good practice of customer service which have been successfully applied elsewhere, the ANAO contracted the services of Forum Corporation, a consulting firm specialising in working with organisations to improve their customer service capability.

Forum Corporation bases its methodological approach on research which it has undertaken that links a range of organisational characteristics to customer service outcomes. So called 'customer-focused' organisations satisfy their customers' needs and expectations on the aspects of service which matter most to the customers. The staff and managers of such organisations rate their organisation at a high level on indicators which measure these characteristics. ANAO's intention was to identify opportunities to improve customer focus, particularly for those aspects of DSS's administration impacting on customer service.

8. The audit criteria closely reflected these organisational characteristics. They include criteria in the following categories:

- customer service environment, measured through the alignment of employees around customer-focused objectives;
- human resource management practices which give staff the competence, capability and empowerment to serve customers well;
- communication with customers to understand their needs and expectations, receive feedback from them, and provide them with information;
- customer-friendly approaches through: ensuring operations make it easy for customers to undertake their business, and quality complaint handling; and
- systematic approaches to continuous improvement which take account of customer needs and expectations.

Overall Conclusion

9. On the quantitative survey which was used to measure customer focus, conducted as part of the audit, DSS's performance is benchmarked as that of a middle-ranking organisation within the Forum Corporation database, a database comprising 160 private and public sector organisations internationally.

10. Among DSS's strengths identified in the audit are organisational qualities and characteristics upon which the Department can continue to build a high level of customer focus. These include:

- a large network of outlets and teleservice operations, with the potential to provide good access to the Department by customers across the country;
- a high level of personal motivation from the customer service staff, who recognise the importance of their work in providing income support to those in need;
- the knowledge which customer service staff have about customers and customer service opportunities; and
- the recognition of the value of, with initial work already undertaken in, areas critical to ensuring a high level of customer focus: customer research and continuous improvement.

11. There are, however, a number of aspects of DSS's administration which need improving in order for the organisation to achieve an appropriate customer focus. These aspects cover all the broad audit criteria, with improvements required ranging from very significant to enhancements of current initiatives.

12. The proposed new service delivery agency announced in the 1996 Federal Budget will incorporate the network functions of DSS as well as some parts of service delivery currently undertaken by the Department of Employment, Education, Training and Youth Affairs (DEETYA). This agency is being created with the aim of providing excellent customer service. The setting-up of this agency provides a key opportunity for the principles and good practice of customer focus to be adopted as an integral part of its operations. As a highly customer-focused organisation it has greater potential to achieve its aim of providing excellent customer service. To assist in this regard, the ANAO has outlined throughout this report the principles and good practice associated with customer focus.

13. DSS delivers its service within a clearly specified legislative framework, as indeed will the proposed new service delivery agency. Although this factor adds to the complexity of becoming a customer-focused organisation, the adoption of such principles and good practice will assist in the provision of higher quality customer service while meeting the requirements on customers to comply with Departmental instructions relating to the application of legislation.

Key Findings

14. In setting up the proposed new service delivery agency a customer-focused strategic direction needs to be developed, delivered and reinforced in such a way that will ensure ownership by all managers and staff.

15. The ANAO found that, based on a number of qualitative and quantitative indicators, there would be significant advantages for DSS as an organisation to develop a unified sense of purpose or strategic direction that is 'owned' by both managers and staff and reinforced throughout the organisation by means of effective communication, performance measurement and clear decision-making.

16. This finding has impacts on the climate of encouragement with which staff can be engendered to improve customer service, and the commitment of the organisation as a whole to provide quality customer service.

17. While the dual purpose of the Department, that of policy development and of service delivery, presents a challenge for the development of such a unified approach, the proposed new service delivery agency provides the opportunity for the development of such a focus. In order to ensure that this is achieved the ANAO notes that:

- such a strategic direction will need to be developed in such a way as to ensure ownership by all managers and staff; and
- there will need to be a clear demonstration of the organisation's commitment to its strategic direction through decision-making and outcomes in line with stated customer service objectives throughout the organisation.

18. The ANAO notes that the separation of the policy development and service delivery functions with the implementation of the proposed new agency, presents challenges as well as opportunities, particularly relating to communications between the agencies. By addressing these challenges using customer focus principles, there is a greater potential to achieve quality customer outcomes.

19. There is scope to improve human resource management practices to ensure that staff have the competence, capability and empowerment to serve customers well.

20. A number of indicators of human resource management practices were examined in this regard. These indicators included:

- recruitment and promotion;
- training of both customer service staff and managers in management and leadership skills;
- internal customer service;
- staff motivation; and
- staff empowerment.

21. The ANAO found that there were quantitative and qualitative indicators to strongly suggest that:

- there is scope to improve the adequacy, availability and effectiveness of the current approach to training of customer service staff, and it would be timely for DSS to review its training approach to address these issues;
- the internal customer service delivered to customer service staff in local offices has significant scope for improvements, particularly through:
 - optimal resource allocation which reflects customer service workloads;
 - IT systems which more fully assist the work of staff in their customer service roles; and
 - improved management of information to the network; and
- that management and leadership competencies have gaps, and there is a need to improve access to management training, particularly by targeting identified development needs.

22. The ANAO also found that the high level of personal motivation amongst staff was negatively impacted upon by a number of factors, some of which could be reduced by improvements in management and leadership competencies.

23. On issues of internal customer service and staff training, the ANAO considers that the principles and recommendations outlined in the *Regional Staffing and Benefit Processing Audit* (No.4, 1995-96) are relevant in the development of the proposed new service delivery agency, and should be reviewed in the light of their impact on customer service.

24. While the recent work planned and already under way by the Department represents significant improvements in the collection of customer data in DSS, there is scope to improve the access to customer data by staff and managers in local offices.

25. The ANAO found that, until recently, most of the customer research undertaken by the Department has been narrowly focused. The Department recently undertook a wide-ranging evaluation of its customer research processes and is in the process of implementing the recommendations from that review. While the ANAO had originally intended to undertake its own customer research as part of this audit, it considered that the customer research planned and already underway in DSS has already demonstrated the potential to provide the

Department with quality results on customer needs and expectations, limiting the added value of an independent study.

26. The ANAO found that there were quantitative and qualitative indicators to suggest that the access to the results from customer research is limited for staff and managers in local offices. There is an opportunity to improve the accessibility of customer data to the network in formats which lead to action by local employees.

27. The value to managers at all levels in DSS of increasing their contact with customers needs to be promoted and its occurrence increased to ensure that managers have a better understanding of the impact of their decision-making through direct involvement with customers and, as a result, ensure meaningful consultation with customers.

28. The ANAO found that the value to all managers of meeting regularly with customers is not fully appreciated across the organisation. Further, customer consultation on the development of key customer service initiatives and local business plans is not a uniform practice.

29. There is scope to improve the information provided to customers to help develop realistic expectations.

30. The ANAO found that customers are provided with information covering a range of topics associated with their payments. There is scope for improving the information to customers particularly regarding compliance, as this is a key way in which the Department can shape the expectations of customers on aspects of its service which they may otherwise regard as onerous.

31. While recent changes to the development of performance indicators are in line with good practice, there is scope to more widely implement these developments across the range of customer-related performance indicators and to communicate performance standards to customers to help develop realistic expectations of service delivery.

32. The ANAO found that, until recently, the development of performance standards and targets had not taken account of customer needs and expectations. There have been some changes in this area, particularly relating to Teleservice delivery, which are reflected in the *DSS 1996-97 Performance Standards*. An opportunity now exists for customer needs and expectations to be taken into account in the full range of customer-related performance measures.

33. In the context of the 1996 Budget, the Federal Government announced that the proposed new service delivery agency will have guaranteed standards of service. Such standards are not uniformly in place in DSS currently. Their development should be in line with recognised good practice.

34. There is scope to improve the customer-friendly focus of DSS operations by taking account of customer needs and expectations in the development and monitoring of initiatives which impact on customer service; by ensuring that customer service is seamless to customers across the various delivery points; and by ensuring that the Departmental instructions relating to the application of legislation with which customers are required to comply are developed and implemented in a customer-focused manner.

35. The ANAO found that DSS has a range of initiatives in place or in the process of

development which have the potential to impact positively on the perceived customer-friendliness of DSS operations. For some of these initiatives, the driver has been improvements in customer service, while for others it is workplace efficiencies including workload management. There is a need, however, to ensure that all initiatives which impact on customer service are developed and monitored to take account of identified customer needs and expectations.

36. The ANAO also found that there is not a seamless service to customers across functional areas of the Department, particularly between Teleservice Centres and the Regional Offices. The development of Regional Office/Teleservice Centre Protocols for Dealing with Phone Enquiries currently under way has the potential to deliver improvements in this area.

37. In addition, the ANAO found that the requirements on customers to comply with Departmental instructions relating to the application of legislation currently impact negatively on customer satisfaction.

38. There is a need to improve the organisational infrastructure to support continuous improvement in DSS.

39. The ANAO found that DSS has a number of initiatives in place which are in line with good practice in continuous improvement.

40. There are, however, a number of issues which need to be further addressed before DSS can implement a fully effective continuous improvement system. These include:

- moving to standardised better practice in office processes and service delivery, based on the needs and expectations of customer segments, to ensure that improvements are identified and implemented uniformly;
- use of customer information as a driver for continuous improvement;
- processes for suggestions/input to National Administration, which is currently viewed as unresponsive by local office staff;
- coordination of continuous improvement activities to minimise duplication of effort;
- resourcing and training of continuous improvement teams;
- review of the outcome of continuous improvement exercises to ensure compliance with administration policies; and
- communicating the results of the improvement outcomes to the network to ensure uniform implementation.

Recommendations

Set out below are the ANAO's recommendations with Report paragraph reference and DSS's abbreviated responses. More detailed responses and any ANAO comments are shown in the body of the report. The ANAO considers that DSS should give priority to Recommendations Nos 1 and 2.

Recommendation The ANAO recommends that the Social Security portfolio, in association

No. 1
Para. 2.25

with other relevant Commonwealth Government portfolios (especially the Employment, Education, Training and Youth Affairs portfolio), develop the capacity of those who will staff the proposed Commonwealth service delivery agency to implement, maintain and assume ownership of a customer-focused strategic direction.

Department response:

DSS agrees with this recommendation.

Recommendation
No. 2
Para. 2.30

The ANAO recommends that, in setting up the proposed new service delivery agency, the principles and good practice associated with customer focus should be adopted as an integral part of its operations.

Department response:

DSS agrees with this recommendation.

In preparation for moving to the proposed new service delivery agency, the ANAO recommends that DSS improve the human resource management practices in the Department by:

reviewing the selection criteria of the positions for the proposed new service delivery agency to ensure that they reflect the agency's commitment to customer service;

reviewing the current approach to training to ensure its adequacy, availability and effectiveness;

adopting the principles and good practice of customer focus in the functional areas that provide internal customer support for customer service staff and managers, with a view to giving priority to

Recommendation
No. 3
Para. 3.71

optimal resource allocations which reflect customer service workloads;

development of IT systems which more fully assist the work of staff in their customer service roles; and

improved management of information to the network;

improving the motivation of staff to provide high-quality customer service, through

providing them with clear directions on their role with respect to customers, including the intended benefits for customers of the Departmental priorities, instructions and policies; and

ensuring uniform availability and consistent implementation of rewards that are highly regarded by staff, when they provide such service; and

improving access to management training, particularly targetting identified development needs.

Department response:

DSS generally agrees with this recommendation. The Department has plans to address the first, second, fourth and fifth dot points. It considers that its planned initiatives will address the third dot point, second dash. The Department consider that its current approach to resource allocation meets the third dot point, first dash.

The ANAO recommends that DSS give priority to the following to enhance customer service in its transition to the proposed new service delivery agency:

ensuring that managers at all levels meet frequently with customers and consult them on program administration;

Recommendation
No. 4
Para. 4.43

improving the provision of information to customers to help develop realistic expectations, particularly in regard to the issue of compliance;

building on the commencement of comprehensive customer research into customer needs and expectations and systematically using such data in all aspects of decision-making; and

continuing the development and use of performance indicators and standards that take account of customer needs and expectations, and communicating these to customers to help develop realistic expectations of service delivery.

Department response:

The Department agrees with this recommendation while noting:

the potential for bias from information gained directly from managers' meetings with customers; and

the work to date to communicate customer obligations positively in the newsletter *Update*, as a result of this audit.

In moving to the proposed new service delivery agency the ANAO recommends that DSS ensure that:

Recommendation
No. 5
Para. 5.22

the development and monitoring of initiatives impacting on customer service take account of identified customer needs and expectations;

customer service be improved to ensure that it is seamless for customers, by emphasising collaboration between functional areas and work units, for example, between Regional Offices and Teleservice Centres; and

Departmental instructions relating to the application of legislation with which customers are required to comply are developed and implemented in a customer-focused manner.

Department response:

The Department agrees with this recommendation.

The ANAO recommends that in moving to the proposed new service delivery agency, DSS build on the continuous improvement culture in local offices by:

Recommendation
No. 6
Para. 6.23

moving to standardised good practice in office processes and service delivery - such practices should be based on the needs and expectations of customer segments; and

developing infrastructure which assists in identifying and supporting systematic continuous improvement, including:

using customer information as a continuous improvement driver;

improving the process for suggestions on continuous improvement;

coordination of continuous improvement activity to minimise duplication;

resourcing and training continuous improvement teams;

reviewing the outcome of continuous improvement exercises to ensure compliance with administrative policies; and

communicating continuous improvement outcomes throughout the organisation to ensure uniform implementation.

Department response:

The Department agrees with this recommendation, reporting on developments which will lead to some standardised practices.

Other DSS comments:

DSS is in agreement with the overall approach and findings of the report and with the general thrust of the recommendations.

DSS endorsed the ANAO comment that the creation of the new service delivery agency will provide an excellent opportunity for the principles and good practice of customer focus to be adopted as an integral part of the agency's operations. However, it is recognised this will need to be supported by an equally customer-focused department. Work is currently in hand to ensure that appropriate arrangements are developed for the department.

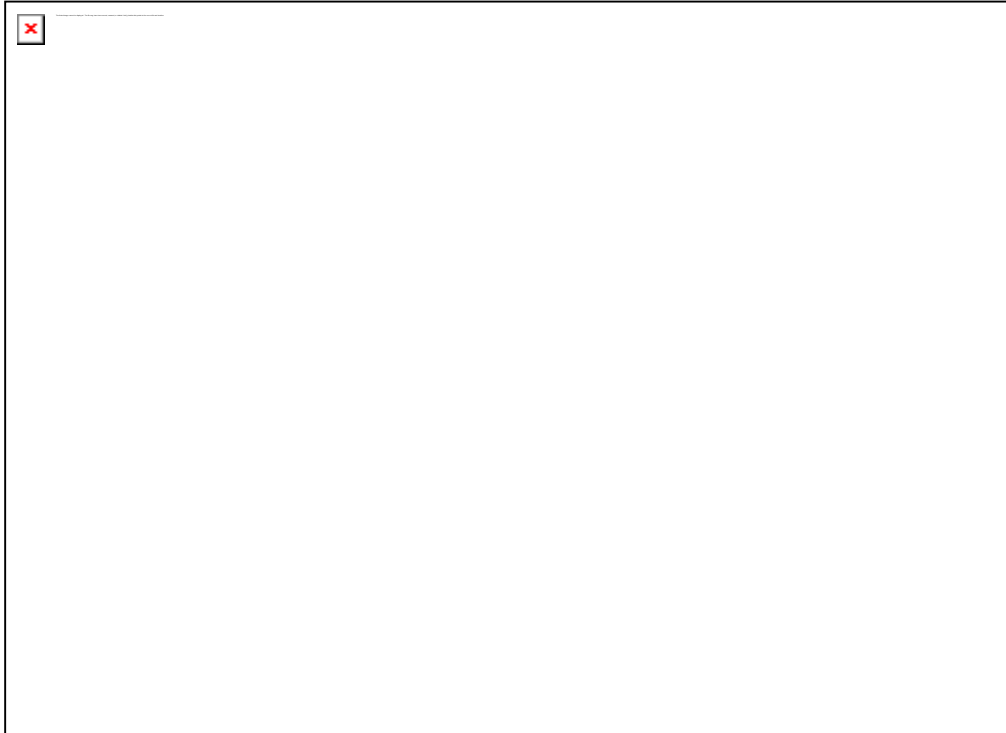
DSS noted that the ANAO recommendations have been framed in a general sense around a continuum of activity relating to customer service, from planning through to maintenance and continuous improvement. This approach is seen as constructive, and while giving helpful direction, allows for a degree of flexibility which will be required as DSS moves to the new arrangements.

1. Audit Approach and Overview of Customer Service in DSS

In this chapter, the ANAO explains the background to and reasons for the audit. The changing environment for DSS in moving to the proposed new service delivery agency is discussed, and the opportunities that these changes create for greater customer focus are identified.

About DSS

1.1 The Department of Social Security is one of the largest Federal Government departments. It delivers its services through a network of local offices - 216 Regional Offices, 68 DSSOs (smaller counter service outlets managed by Regional Offices), and nearly 400 visiting services and 17 Teleservice Centres. The Offices and Centres are managed by 17 Area Offices and a National Administration in Canberra (see Figure 1). DSS delivers social security entitlements and services to over five million customers across Australia.



1.2 To undertake this work, DSS employs just over 20 000 staff, of whom about 16 000 are employed in its service delivery network of local offices.

1.3 The total outlays of the Department in 1995-96 were \$38.7 billion, of which \$37.4 billion was on program expenditure, with \$1.3 billion outlaid on departmental running costs.

Reasons for this audit

1.4 In parallel with the growing awareness in the private sector over the last ten years of the requirement to provide a high quality of customer service, there has been a recognition of the requirement for improvements in the customer service delivered by public sector agencies. In 1995, for example, the Department of Finance published a paper *Quality for our Clients*, based on the finding of a Commonwealth/State officer-level working group chaired by the Department, on the issue of quality customer service.

1.5 In DSS itself there has been a growing emphasis on customer service over this period, with acknowledged efforts by the Department to develop a customer service culture.

1.6 Two previous audits conducted on the DSS network of local offices, *Regional Office Resourcing and Benefit Processing* (Audit Report No.4, 1995-96) and *Teleservice Centres* (Audit Report No.9, 1995-96), indicated that there was scope to improve the quality of service delivered to customers by the Department. As many of DSS's customers depend on the income support delivered by the Department, it is very important for these customers that the

Department provide an efficient and reliable service.

Key concepts

1.7 A *customer* is any individual or organisation that wants or needs a product or service from an agency. Services can be such as those which ensure that legislation is met, and customers can include those with voluntary and obligatory relationships with the agency.

1.8 Other terms which may be commonly used for such customers in public sector agencies, may include: client, beneficiary, veteran, taxpayer, patient, superannuant, pensioner, and members of the public.

1.9 Implicit in the 1995-96 DSS Annual Report is a concept of customers as those in the Australian community who test their eligibility for or receive payment from the Department. The Department uses the term 'customer' to reflect a sense of partnership and mutual respect rather than a dependency relationship and is importantly, designed to ensure that staff understand that they have no choice but to serve the customer, that is that the focus of the business is service.

1.10 DSS also recognises that it has obligations to the broader community which has expectations that the social security payments will be well targeted. To ensure that these expectations are met, DSS undertakes activities to ensure compliance with legislation. Further, DSS also has an important function in advising the Minister for Social Security on the development and application of policy in respect of social security payments.

1.11 In this audit, the ANAO used the definition of customers as is used implicitly in DSS. The Government and taxpayers were recognised as key stakeholders rather than as customers.

1.12 Customer service in this report refers to the interaction between agencies and those in the community who want or need a product or service from the agency. Such contact can take a variety of forms including personal or telephone communication, media messages, forms and publications.

1.13 The ANAO strongly supports the need for the public sector to recognise the rights and obligations of the general public as citizens. However, in the context of the discussion in the preceding paragraph it also appreciates the value of a strategy to ensure that staff focus on quality service provision using the concept of customer or client as is accepted in the private sector and adapting or adopting its better practice in service delivery.

Objectives and methodology

1.14 The purpose of this audit was to assess DSS's approach to customer service against a recognised good practice methodology, and to identify opportunities for DSS to improve the quality of its customer service, its administrative effectiveness and its overall performance.

1.15 In order to assist us in this, the ANAO employed a consultant that specialises in customer service assessment and improvement. Forum Corporation, identified by the ANAO as having a rigorous approach to assessing organisations for its customer service capacity, successfully tendered to provide the consultancy services. Forum Corporation has undertaken research to demonstrate that a range of organisational characteristics are linked to customer

service outcomes. So called 'customer-focused' organisations satisfy their customers' needs and expectations on aspects of service which matter most to the customer. The staff and managers of such organisations rate their organisation at a high level on indicators which measure these characteristics. The ANAO's intention was to identify opportunities to improve customer focus, particularly for those aspects of DSS's administration impacting on customer service.

1.16 The principles and good practice to ensure a customer-focused organisation used to guide the audit are discussed at Appendix 1. The methodology used by the ANAO to assess DSS is explained at Appendix 2. Appendix 2 also lists the audit criteria. These appendices aim to provide the reader with a fuller understanding of the standards and approach used by the ANAO to identify the opportunities to improve customer service in the Department.

1.17 A summary of the principles and good practices of customer-focused organisations are highlighted throughout the report in boxes such as this.

1.18 While the methodology has in this case been applied to DSS, the principles and good practice could be applied more generally to public sector agencies. The issues identified in this report may equally be ones which would be relevant throughout the APS.

Role of DSS in the audit

1.19 DSS expressed a desire to work in partnership with the ANAO on this audit. The ANAO welcomed this initiative, as it considers that joint recognition of opportunities to improve aspects of public administration has the potential to speed their implementation.

1.20 As a result of the partnership, the ANAO changed a number of aspects in its audit, in line with requests from the Department. These included an expansion in the size of its sample survey, as well as providing early feedback to the Department on both qualitative and quantitative results. Moreover, these changes enhanced rather than detracted from the audit.

1.21 The audit was conducted in accordance with ANAO auditing standards and cost \$465 000, including a contribution from DSS towards the cost of the consultant of \$49 960.

The DSS environment

1.22 DSS currently has the following roles:

- to provide policy advice to the Federal Government on social security; and
- to deliver social security benefits to those who are entitled to them.

1.23 This dual role has meant that DSS's functions and focus have been split between these two key roles.

1.24 A change in the way that DSS is structured was announced by the Government in the 1996 Federal Budget. It is planned that the service delivery functions currently performed by the Department, together with some parts of service delivery currently undertaken by the Department of Employment, Education, Training and Youth Affairs, will be provided by a proposed new service delivery agency, to operate from September 1997. The new structure will build on the existing DSS network. The agency is being planned with the aim of

providing excellent customer service. To facilitate the transition arrangements, the Secretaries of DSS and DEETYA are meeting on a regular basis, with a regular schedule of meetings underway for relevant line managers from both agencies to coordinate a series of implementation projects.

1.25 The new service delivery agency, with its single broad function of service delivery, presents an opportunity to become a more customer-focused organisation, as it removes a potential barrier caused by dual functions. As a highly customer-focused organisation it has greater potential to achieve its aim of providing excellent customer service.

1.26 The ANAO notes, however, that the separation of the policy development and service delivery function with the implementation of the proposed new agency, presents challenges as well as opportunities, particularly relating to communication between the agencies. By addressing these challenges using principles associated with customer focus, there is a greater potential to achieve quality customer outcomes. These potential challenges are outlined throughout the report.

Audit outcome

1.27 On the quantitative survey results to measure customer focus, DSS's performance is benchmarked as that of a middle-ranking organisation with the Forum Corporation database. This database is made up of the results from 160 public and private sector organisations internationally. As such, this provides a broad indicator that DSS has both customer service strengths as well as opportunities to improve.

1.28 Among DSS's strengths identified in the audit are organisational qualities and characteristics upon which the Department can continue to build a high level of customer focus. These have been identified throughout the report.

1.29 In the chapters that follow, the ANAO has identified opportunities which will need to be addressed by the Department in the transition to the proposed new service delivery agency to achieve a higher level of customer focus, as outlined below.

- In Chapter 2, the ANAO assesses DSS against the characteristics of a customer service environment, and identifies how this environment can be improved through:
 - the development and implementation of a customer-focused strategic direction that is owned by all managers and staff; and
 - adopting the principles and good practice of customer focus in setting up the proposed new agency, an approach particularly important to enhance customer satisfaction within a compliance context.
- In Chapter 3, the ANAO assesses DSS on the human resource management practices required to ensure staff have the competence, capability and empowerment to serve customers well, and identifies scope for improvement.
- In Chapter 4, the ANAO assesses the current means that DSS uses to understand customer needs and expectations, and identifies opportunities for improvement through:
 - continuing the development of comprehensive research into customer needs and expectations,

and systematically using such data in decision-making;

- continuing the development and use of performance indicators and standards that take account of customer needs and expectations; and
- improving the provision of information to customers to shape their expectations, particularly on the issue of compliance.
- In Chapter 5, the ANAO assesses DSS on the key ways in which organisations become more customer-friendly, and identifies opportunities for improvement including building on moves to 'seamless' service for customers by emphasising collaboration between functional areas and work units, e.g. between Regional Offices and Teleservice Centres.
- In Chapter 6, the ANAO assesses the role and practice of continuous improvement currently in place, and identifies opportunities to improve the efficiency and effectiveness of continuous improvement by:
 - moving to standardised good practice in office processes and service delivery - such practices need to be tailored to take account of varying customer needs and expectations; and
 - developing organisational infrastructure which assists in identifying and supporting systematic continuous improvements.

Client Service Audit in the Australian Taxation Office

1.30 The ANAO has also reported on an audit, *Client Service - Australian Taxation Office*, (ATO) (Audit Report No.22, 1996-97) which explores some specific customer service challenges faced by that agency. The term 'client' rather than 'customer' is used in the ATO audit to describe taxpayers and other recipients of ATO service relating to tax matters. It is considered that this term better reflects the obligations which they meet through their dealings with the ATO and that their interaction is largely on an involuntary basis. That is, they have no choice.

1.31 Important lessons from the DSS and the ATO audits will be drawn together into a better practice guide at a suitable time in the near future.

2. Creating a Customer Service Environment

In this chapter, the ANAO assesses DSS against the characteristics which are required to ensure a customer service environment. A key opportunity to enhance the customer service environment is identified through building ownership in a customer-focused strategic direction in the proposed new service delivery agency.

Characteristics of a customer service environment

2.1 Experts in the customer service field have identified that one of the key functions for senior managers in customer-focused organisations is to create a customer service environment. Research has shown that such an environment has characteristics that include the following:

- *strong alignment* of managers and staff around the organisation's key customer-focused objectives. Alignment is indicated through the level of agreement by managers and staff on the organisation's key objectives;
- a *positive climate* in which staff are encouraged to improve processes for customers; and
- a *strong commitment* by both managers and staff to provide quality customer service.

2.2 In order to create a strong customer service environment, customer-focused organisations generate a high level of alignment around key customer-focused strategic objectives by:

developing a draft strategic direction comprising:

clearly stated vision;

mission, including identifying who the customers are;

limited number of strategic objectives; and

organisational values;

which takes account of customer needs and expectations as identified through customer research;

consulting with all organisational stakeholders, particularly managers and staff, on the draft strategic direction;

taking account of stakeholders' views in finalising the strategic direction; and

reinforcing ownership in the strategic direction through

active and sustained promotion by senior management; and

ensuring that key decisions, initiatives and other actions are in line with the strategic direction and that this alignment can be demonstrated to staff expected to implement such decisions.

(See [Appendix 1](#) for a fuller description of the above.)

Criteria used to assess DSS's environment

2.3 The examination of the customer service environment in DSS was based on a number of organisational characteristics which Forum's research has shown to be linked to good customer service outcomes. In particular, this research has shown that organisations with positive customer service outcomes rate highly on the extent to which staff and managers perceive their organisation exhibits the following characteristics:

- having common, shared strategic objectives;
- knowing who their customers are;
- being committed to the idea of quality;
- striving to be leaders in their field;
- being committed to creating satisfied customers;
- having the goal of exceeding customer expectations;
- attending to customer needs before their own;

- doing things right the first time;
- having managers who demonstrate with actions that customer satisfaction is important; and
- expecting the organisation to improve customer service over the coming year.

Customer service environment characteristics of DSS

Agreement on the key strategic objectives - quantitative results

2.4 As explained in detail in Appendix 2 - Methodology, Forum's research and experience indicate that organisations have difficulty maintaining their focus on more than three strategic objectives at a time. Accordingly, managers and staff are asked to select the three objectives which their organisation is working hardest to attain. The percentages of respondents nominating the three most commonly selected objectives are then totalled and the extent to which the result is close to 300 gives an indication of how strongly the organisation is focused and aligned.

2.5 For DSS, managers and staff were asked to select from a list of objectives which was prepared jointly with the Department to ensure its relevance and which also reflected elements within DSS's Strategic Plan 1995-2005. The detailed results for DSS's staff and different levels of managers are shown in Appendix 3. DSS recorded the following aggregated percentages for the top three selected objectives for each of the following groupings:

- National Administration managers - 160 out of a possible 300 (this result is about the 50th percentile for organisations in Forum's database);
- Area managers - 150 out of a possible 300 (this result is between the 30th and 40th percentile of organisations in Forum's database);
- managers in Regional Offices and Teleservice Centres - 100 out of a possible 300 (this is below the 10th percentile in Forum's database); and
- staff in Regional Offices and Teleservice Centres - 110 out of a possible 300 (this is below the 10th percentile in Forum's database).

Figure 2.1 provides a summary of this data.



2.6 These results indicate that alignment is generally low and decreases rapidly as you move from National Administration to the front-line of the Department. The figures suggest that the content and/or interpretation of messages about what the organisation is trying to attain varies between local offices, even though many offices undertake similar work, indicating scope to improve the way messages are communicated and reinforced throughout the network.

2.7 In addition, the figures for the four groups of people in DSS indicate a divergence on their perceptions of the Department's top objectives:

- National Administration managers chose objectives with an emphasis on change;
- Area managers chose objectives with an emphasis on improvement;
- managers in local offices chose objectives with an emphasis on resource management; and
- staff in local offices chose objectives with an emphasis on service delivery.

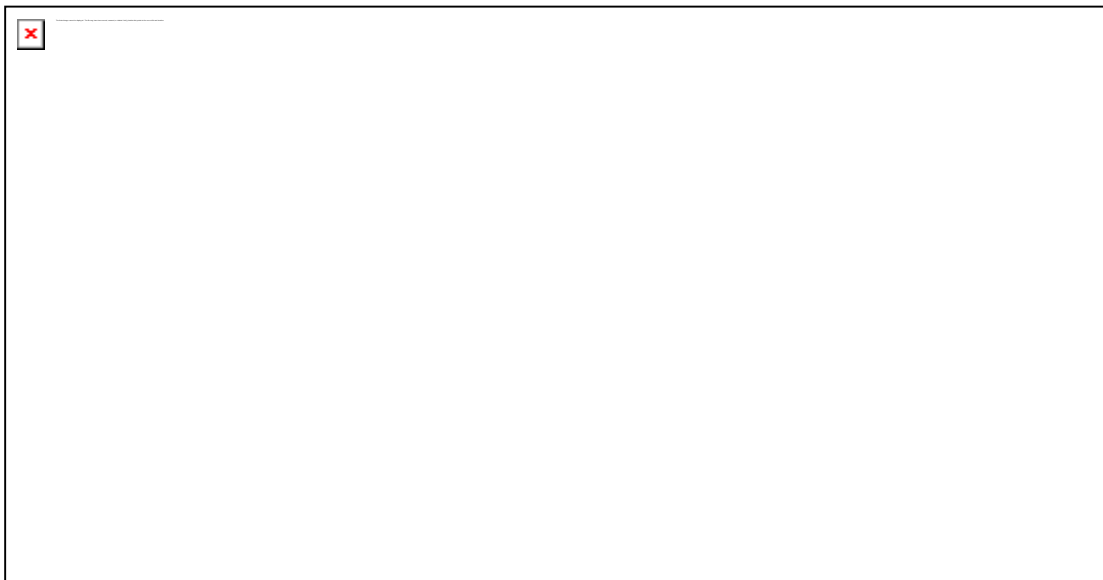
2.8 These choices appear to be more influenced by their local roles than the overall strategic direction of the Department. The principles of better practice adopted in highly customer-focused organisations have employees in different functional areas of the organisation who are aligned around the same focused set of strategic objectives. Such employees have a clear understanding of how local roles assist the organisation in achieving their goals.

2.9 Although there is a low level of alignment overall, two of the objectives were chosen by a significant proportion of respondents in each group (between 21% and 56% of respondents, varying between functional group and the two objectives), indicating that there is a potential base upon which a strategic direction could be built.

The other key indicators of alignment, climate and commitment

2.10 Figure 2.2 show the survey results on the extent to which different groupings of employees in DSS consider the Department exhibits the other characteristics of customer focus listed under the section 'Criteria used to assess DSS's environment' above. The results indicate that in comparison with highly customer-focused organisations:

- DSS's ratings on the indicator 'within the organisation, there is agreement about who our real customer is' are not high, with the results showing that the further from National Administration, the less clear it is for staff and managers as to who the customers are;
- DSS's ratings on indicators of the organisation's commitment to quality and to customers are low; that is, on the indicators:
 - 'our organisation is totally committed to the idea of quality',
 - 'we strive to be the leader in our field internationally',
 - 'our organisation is totally committed to the idea of creating satisfied customers', and
 - 'our goal is to exceed the expectations of our customers in the things that matter most to them'.



- DSS's ratings on indicators which measure the commitment to customers by staff in areas over which they have responsibility are high; that is, on the indicators:
 - 'serving customer needs takes precedence over serving our internal needs',
 - 'rather than having to undo mistakes, we aim to do things right the first time', and
 - 'managers demonstrate with their actions that customer satisfaction is important'.

2.11 These later results suggest that at a personal level DSS managers and staff exhibit higher levels of customer commitment than the Department organisationally.



Qualitative indicators of alignment, climate and commitment

2.12 A number of issues that provide qualitative indicators of the environment in DSS were identified in the course of the audit.

Communication

- There was a strong sense of 'them' and 'us' evidenced by focus groups of staff in local offices when discussing National Administration. There was a strong perception that decision-makers in National Administration did not listen to the views of those in local offices and did not understand the work of local offices. This is an indication that there is a communication issue in the Department.
- There was a perception by some managers at National Administration that senior managers have not undertaken sustained communication of the Strategic Plan, due to a lack of time.
- There was a strong perception amongst local office staff that they had insufficient time to consider the volume of information sent from National Administration, except that which directly impacted on their work. This may be one factor to explain the low level of alignment in the quantitative survey. This issue is further explored at paragraph 3.35, in the section 'Internal Customer Service'.

Unified sense of purpose

- There was a view held by some managers at all levels that there is a lack of clarity in the purpose of the Department. They gave examples such as:
 - the tension between compliance and service delivery: the compliance operations have significant potential to impact on customer satisfaction. (This issue was also frequently raised by staff in local offices);
 - resource allocation for specialist services versus core payments; and

- the perception at the local office level that the decisions that they were expected to implement on behalf of the Department were not always consistent or showed sufficient coordination.

Clarity about who DSS's customers are

- As outlined in Chapter 1, in the section "Key concepts", DSS has an implicit definition of customers as those who seek or receive payments, while recognising important obligations to the broader community and to the Minister for Social Security. There is, however, a lack of clarity about who DSS's customers are amongst its own employees.
- Local managers and staff identified those receiving payments and testing eligibility as customers. Some staff and managers, but not all included the following in their definition of customers:
 - those with the potential to test eligibility; and
 - taxpayers, because of compliance obligations (this group was considered as stakeholders by some staff and managers).
- Local managers included internal customers as part of their definition of the Department's customers, with the following groups identified as either customers or stakeholders:
 - the Minister and the Federal Government;
 - other agencies, for example, DEETYA; and
 - community agencies, accountants, and solicitors.

Commitment to customers

- There was a view held by some senior managers in National Administration that the Department does not take account of the needs and expectations of customer segments when designing and implementing service delivery.
- The place of customers in business planning across the network varies. In the majority of DSS Regional and Area Office Business Plans examined, the role of customers was secondary to other internal issues. While there were some which had improvements in customer service as a key focus, others were solely internally focused.
- The DSS Strategic Plan 1995-2005 states that the Department's success will be measured by its capacity to achieve the following outcomes:
 - public confidence in and acceptance of the social security system;
 - the delivery of quality and timely services cost-effectively while meeting access and equity goals;
 - demonstrated leadership in policy development and service innovation;
 - the provision of balanced and comprehensive policy advice to Government; and
 - programs and services that are effective in delivering Government policies.

Irrespective of the extent to which these outcomes reflect customer satisfaction, there are as yet no performance indicators in place to measure some of these outcomes.

- DSS has a wide range of initiatives being developed which are expected to impact on customers, such as Family Service Centres, Job Redesign Trials, new accommodation designs and graphical user interface upgrades for use by customer service staff. These initiatives are not integrated into an overall plan which focuses on improving customer service.
- There is a perception by staff in many offices that their managers are focused on timeliness of processing, responsiveness to customers' enquiries and achieving compliance targets at the cost of what staff might perceive to be other aspects of quality customer service; for example, spending time with customers to identify the full range of benefits for which they may be eligible.

This perception is in fact mirrored in the narrow range of performance measures used to track the performance of local offices. Most of these Regional Offices relate to timeliness of payments and compliance targets, with some offices also using other measures such as backlogs and decisions overturned by Authorised Review Officers. The performance indicators and standards currently used in local offices, in general, have not been based upon research into customer needs and expectations or on processing standards. At the time of writing this report DSS had just released its performance indicators and standards for 1996-97, some of which were developed to take account of customer needs and expectations.

- Staff and managers in local offices considered that customer service was improving because of initiatives such as the new accommodation design of Regional Offices and the introduction of one-stop shops, such as Family Service Centres.

This perception was compared against the performance indicators and standards currently used to measure customer service, namely overall customer satisfaction on a National basis, waiting times and timeliness of payments. The performance results for 1994-95 and 1995-96 using these measures are shown in Appendix 4.

There has been little movement in the performance reported between the two years, with the exception of overall customer satisfaction with the public contact area, which has decreased significantly. It needs to be noted, however, that the methods of collection on wait times and customer satisfaction varied between the two financial years, making direct comparisons between these particular results difficult.

While in the case of processing of payments, targets for 1995-96 have been reached or exceeded, wait times in both Regional Offices and Teleservice Centres have not met targets. The Department has set a measure and a target on Teleservice Centre wait times in 1996-97 which take account of the results of recent customer research.

Commitment to quality

- While some practices designed to ensure quality decision-making are regarded as valuable by local office managers, others are not. Those which were reported positively were:
 - Performance Accountability Improvement Reporting (PAIR) reviews. These are conducted by Areas on local offices and provide a structured assessment of Regional Office and Teleservice Centre operations, with the development of action plans to improve performance, to redress any identified deficiencies, to implement audit recommendations and to identify performance that could be used as a 'best practice' within an Area; and
 - feedback on decisions made in Regional Offices by Authorised Review Officers.

The current quality assurance (QA) process for the review of claims and processing was reported by many local office managers as having significant deficiencies. These have also been recognised in an internal Departmental report. This process is now in a transition phase in the Department. A risk management approach to QA, which is being introduced as part of point-of-contact decision-making, is planned to be introduced in December 1996.

Staff enthusiasm

- Staff enthusiasm for their work was influenced by a number of different factors. On the positive side, staff are clear about their own work in the local offices and the role that they play in delivering entitlements to customers. They consider their work as essential, as they are able to provide support for those in need in the form of payments. Tempering this view, staff raised a number of negative factors which dampened their enthusiasm, including:
 - the prescriptive and repetitious nature of work in Regional Offices and TSCs;
 - the time pressures that are perceived by staff as not allowing them to do more than provide a cursory assessment of customer needs over and above direct customer enquiries. Some staff considered that this may be a false efficiency on the part of their office management, as it can lead to further follow-up enquiries by customers;
 - the nature of the Department's clientele, particularly those in social and economic difficulties; and
 - perception of local communities that DSS is not a professional organisation deserving respect. The key causes for this, quoted by staff and managers in local offices included:
 - the inability of staff to advise customers of proposed changes as they are, at times, informed of these after the media has reported on them;
 - the problems experienced by customers with incorrect payments and incorrect or confusing letters from the Department; and
 - the use of the Department as an easy target by local media.

There was a higher degree of enthusiasm by staff for the work that they did when their local office manager spent time talking with them about the future shape of the organisation and their work within it. In the Regional Office, for example, which had the highest rating on nearly all questions in the quantitative survey, the Regional Manager regularly set aside time to talk with staff about such issues.

Summary of issues raised by quantitative and qualitative indicators

2.13 The quantitative and qualitative indicators point to an organisation with the following characteristics:

- a relatively high personal commitment to customers by individuals throughout the organisation; but
- a perception by managers and staff that DSS lacks:
 - a unified sense of purpose;

- clarity on who DSS's customers are;
 - a strongly communicated strategic direction; and
 - a high level of commitment by the organisation to its customers and to quality;
- with a resulting impact on staff enthusiasm.

2.14 The quantitative and qualitative characteristics of DSS indicate there would be significant advantages for DSS to develop a unified sense of purpose or strategic direction that is 'owned' by both managers and staff and reinforced throughout the organisation by means of effective communication, performance measurement and clear decision-making.

2.15 The elements which make up a strategic direction, that is, vision, mission, strategy and values, are all contained within DSS's Strategic Plan 1995-2005. In addition, DSS has reported that its Strategic Plan was the result of an extensive consultation process throughout the Department aimed at ensuring ownership.

2.16 Indicators of alignment, commitment and climate discussed above are more likely to raise questions about the Strategic Plan itself and the level of ownership in the strategic direction which should be set by the Plan than about the process of its formulation.

2.17 In order to more fully understand the characteristics of the DSS environment, the Strategic Plan was assessed against the components of a strategic direction which would be expected in a highly customer-focused organisation.

Strategic direction in DSS - an assessment of DSS's Strategic Plan

2.18 DSS's Strategic Plan has the following components:

- a charter (equivalent to a mission): 'to achieve social security policies that meet the needs of the Australian community and to delivery entitlements and services with fairness, courtesy and efficiency';
- a description of environment over the next ten years and a vision for DSS's operations in the year 2005;
- five strategic goals supported by a total of 25 key strategies;
- organisational values underpinning the charter; and
- nine priorities for early action.

2.19 There are two main characteristics of the Strategic Plan which have the potential to impact on the level of alignment:

- The charter, which sets out the purpose of DSS, reflects the Department's dual purpose - that of policy development and service delivery. This dual purpose can and does lead to conflicts within the Department and may lead to a lowering of the level of alignment, irrespective of how close the other features of the Strategic Plan are to good practice.
- A large number of key strategies and priorities are outlined in the Strategic Plan which could be interpreted as being all things to all people. There is a breadth of activities and decisions which can be legitimatised under this range of strategies and priorities. There is the potential,

therefore, for the Strategic Plan to provide little and/or ambiguous guidance for those seeking a focus for their decision-making. The number of key strategies and priorities is significantly higher than the optimal number of key objectives on which organisations are able to focus at any one time, identified through Forum's research and experience.

2.20 Together, these are likely to account for much of the lack of alignment by DSS managers and staff.

How can DSS improve its customer service environment?

2.21 It is acknowledged by the ANAO that the dual purpose of the Department, that of policy development and service delivery, may present a challenge for the development of a high level of alignment by its staff and managers around strategic objectives. However, the ANAO has concluded that this alone would not account for the very low level of alignment found, particularly among staff and managers in local offices. The ANAO notes that a factor in this result may be the tension perceived between service delivery and compliance activities.

2.22 The proposed new service delivery agency, announced in the 1996 Federal Budget and created with the aim of providing excellent customer service, has the potential to be developed with a clearly defined single purpose. With the transition to the proposed agency comes a significant opportunity for the development of a customer-focused strategic direction.

2.23 The ANAO notes that:

- such a strategic direction will need to be developed in a way that ensures ownership by all managers and staff; and
- to ensure alignment by staff and managers, there will need to be a clear demonstration of the organisation's commitment to its strategic direction through decision-making and outcomes throughout the organisation in line with stated customer service objectives.

2.24 The Government obviously has a critical role to play in setting the strategic direction for any public sector agency, and that this role may potentially impact on the ability of agencies to focus on a limited number of strategic objectives. Nonetheless, the commitment of all parties to customer-focused strategic objectives will be an important factor in ensuring that the proposed service delivery agency has a high level of customer focus.

Recommendation No. 1

2.25 The ANAO recommends that the Social Security portfolio, in association with other relevant Commonwealth Government portfolios (especially the Employment, Education, Training and Youth Affairs portfolio), develop the capacity of those who will staff the proposed Commonwealth service delivery agency to implement, maintain and assume ownership of a customer-focused strategic direction.

2.26 The ANAO notes that this capacity should be a core component of a cultural renewal program planned for implementation in conjunction with the transitional arrangements of the proposed agency to statutory authority status.

Department response

2.27 The Department agrees with this recommendation.

2.28 The ANAO recognises that in the changing environment in which the proposed new customer service delivery agency will be created it is difficult to identify all the opportunities which will need to be addressed to ensure that the new agency has an appropriate customer focus. To this end, the principles and good practice associated with customer focus outlined in this report should be adopted in setting up the proposed service delivery agency.

2.29 The ANAO concludes that the application of the principles of customer focus, in particular to the requirements on customers to comply with Departmental instructions relating to the application of legislation, has significant potential to provide an enhanced way to deal with:

- the negative impacts on customer satisfaction from compliance operations; and
- the tension between compliance activities and service delivery currently perceived by staff and managers.

Recommendation No. 2

2.30 The ANAO recommends that, in setting up the proposed new service delivery agency, the principles and good practice associated with customer focus should be adopted as an integral part of its operations.

Department response

2.31 The Department agrees with this recommendation.

3. Staff - The Link Between Customer Service and Human Resource Management

In this chapter the ANAO assesses DSS on the human resource management practices required by customer-focused organisations to give staff the competence, capability and empowerment to serve customers well. Opportunities for improvements are identified to ensure that staff in the proposed new service delivery agency have the capability to provide high-quality customer service.

Introduction

3.1 Experts in the customer service field have identified that in customer-focused organisations, staff are both willing to and capable of serving customers well. The examination of the human resource management aspect of customer service in DSS was based on a number of organisational characteristics which Forum's research has shown to be linked to customer service outcomes. In particular, this research has linked indicators of:

- recruitment/promotion
- training
- internal customer service
- staff motivation, and

- staff empowerment

to customer service outcomes.

HRM System underpinning

Customer Service in DSS

Recruitment/promotions

3.2 In customer-focused organisations, the criteria used to select staff for positions within the organisation, both for new entrants and on promotion, reflect the organisations' commitment to customer service.

New entrants

3.3 An assessment of Regional Office recruitment practices was not undertaken due to the limited new recruitment in recent times.

3.4 There was a perception by both local office managers and staff in Teleservice Centres that in the past staff sought to work in TSCs for promotional reasons rather than because they enjoyed interacting with people on the telephone. The ANAO notes that while this perception is based on a limited sample of TSCs, it indicates that a wider problem with previous TSC recruitment practices could exist.

3.5 Over the past twelve months there has been recognition in DSS of the need to recruit into TSCs staff who enjoy dealing with people on the telephone. As part of its plan to improve the operations of TSCs, the Department intends to open a Spike Centre to take excess call demand from other TSCs in peak periods and to carry out clerical functions at other times. In line with the recognition that the Spike Centre needs to be staffed by people who enjoy telephone work, the Department has let a consultancy to provide a recruitment strategy and to assist in the selection of staff to work as Customer Service Officers in the Spike Centre. Requirements sought from recruits include:

- strong verbal communication, with a commitment to high-quality customer service;
- ability to work as a member of a team; and
- high levels of interpersonal skills and sound judgment.

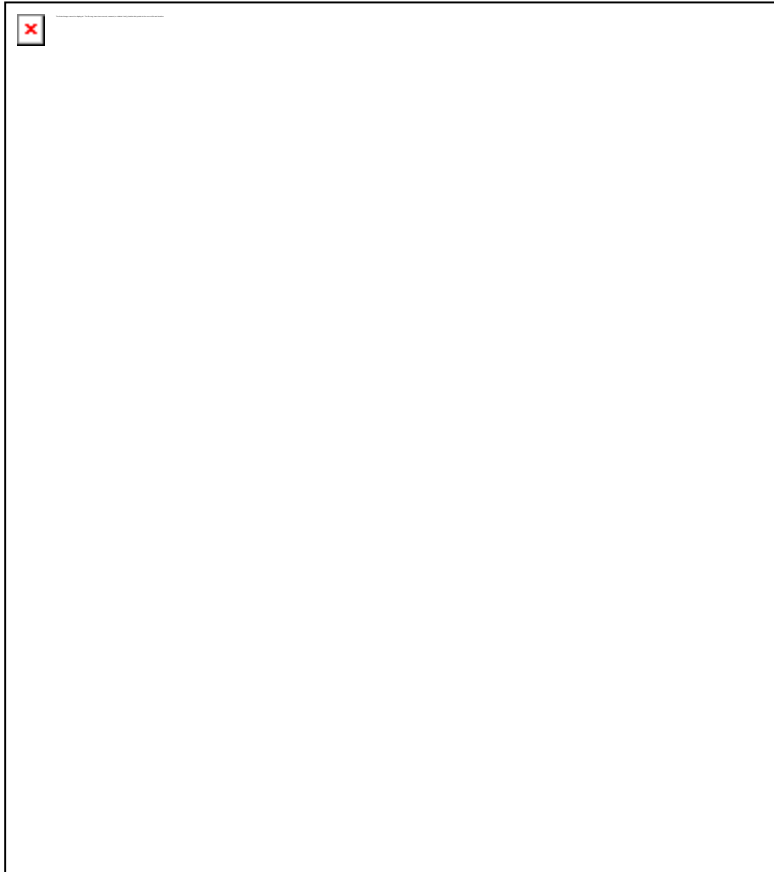
3.6 These are all qualities required to provide a high level of customer service. The candidates for the Customer Service Officer positions who are not currently in the APS, are to be tested initially through telephone role plays and behavioural questioning for listening skills, voice control, interpersonal skills, sensitivity and rapport building, with subsequent checking of a candidate's attitude to the position. The consultant was required to have proven success in recruiting top-quality staff to call-centre environments.

Promotions

3.7 There is not uniform agreement that customer focus is a significant consideration in promotions. As shown in Figure 3.1 on the indicator 'being customer-focused is an important factor in determining who gets ahead in our organisation', while Area and local managers rate highly on this indicator (at the 69th and 71st percentiles respectively in the Forum database),

this view is not supported to such an extent by National Administration managers nor by staff in local offices, with both scoring at the 45th percentile on this indicator.

3.8 While the ability to communicate and negotiate with customers is part of the essential selection criteria for the ASO4s and ASO5s (these levels are above the majority of customer service officers in the Department), customer focus is not a major component of these criteria. The Department has reported plans to revise its selection criteria with the redesign of jobs, which is currently being trialed.



3.9 The following views gained from employee focus groups and interviews provide an added insight into the quantitative results for the groups which do not consider that customer focus is taken into account to a high degree in promotions:

- Staff in many local offices consider that customer service is not part of the role of their own local office managers. In addition there was a view in some offices that promotional opportunities were limited, irrespective of the quality of customer service staff have delivered.
- Senior management in National Administration considers that the specialist skills required for positions, rather than customer focus, determines who receives promotions in National Administration.

3.10 The ANAO acknowledges that there are different roles and responsibilities for DSS staff at different levels in the organisation. However, in order to become customer-focused, all employees, not just those employed in the front-line, need to have a commitment to customer service. A key way that organisations can achieve this is to ensure that the organisation's customer service commitment is reflected through the selection criteria of all positions. A

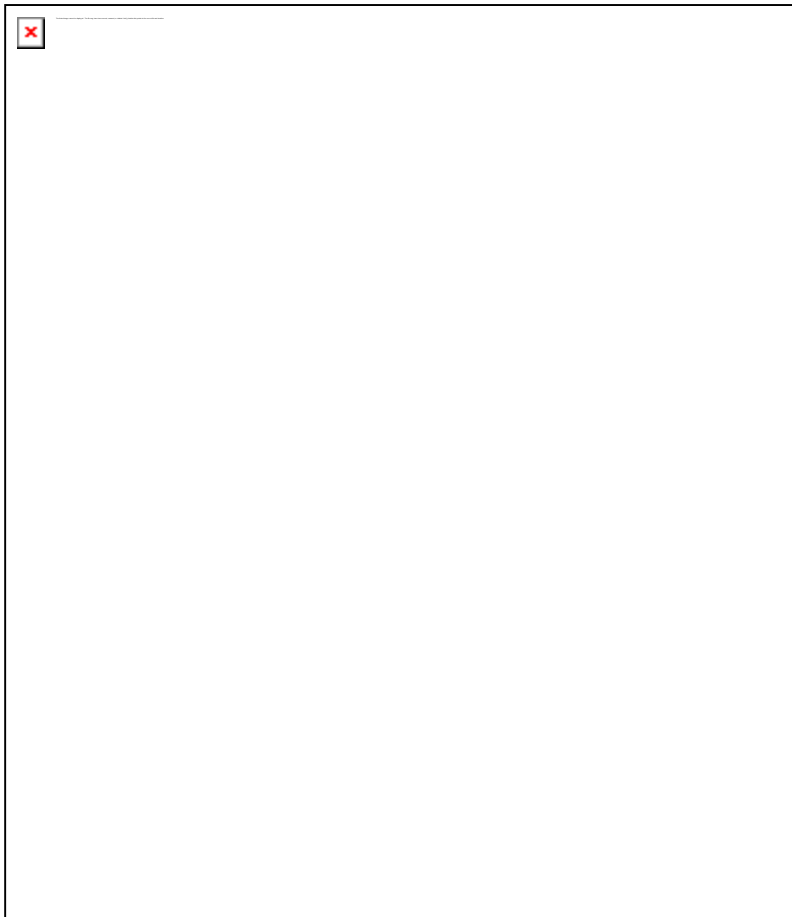
review of the selection criteria of the positions for the proposed new service delivery agency to ensure that they reflect the agency's commitment to customer service should be a priority.

Staff training

3.11 Customer-focused organisations ensure that their staff have training so that they can carry out their contributions to the organisational goals. Such training addresses the knowledge of, skills for, and attitudes to the work they are expected to undertake.

3.12 The key quantitative indicators which reflect staff training are the responses from staff and managers on the extent to which DSS exhibits the following statements:

- 'employees at all levels have a good understanding of our programs and customer service'; and
- 'employees are cross-trained so that they can fill in for each other when necessary'.



3.13 Figure 3.2 shows that DSS managers and staff, particularly those outside National Administration, have rated these indicators at a relatively low level compared with the Forum database.

3.14 In order to understand these quantitative indicators more fully, the issue of 'informing customers of the full range of benefits' was explored with staff and managers in local offices. In general, staff and managers outlined how under duty-of-care obligations staff are required to inform customers about the full range of payments for which they may be entitled, even if customers contact DSS with a narrow enquiry. There were views held by many staff and

managers that, while most staff strive to meet their duty-of-care obligations, they face barriers. The key barriers cited by managers and staff include:

- the increasing complexity of payments, which was reported to result in fewer staff having the knowledge to advise customers of benefits outside their speciality areas; and
- a lack of training to ensure that customer service officers have an adequate, up-to-date knowledge of the payments. Views expressed on a lack of adequate training related not only to product knowledge but also to other skills relating to customer service, such as customer interaction skills, continuous improvement skills, and systems knowledge. In particular, of the eight Regional Offices/Teleservice Centres in which interviews and focus groups were conducted, staff in five offices considered that, with the exception of on-the-job (OTJ) training, other forms of training were not accessible, inadequate, or not timely. Staff in some offices were of the view that OTJ training did not sufficiently equip them to handle complex customer interactions and assessments.

3.15 On the issue of increasing complexity, the ANAO has noted that the Payment Structure Review has been recently established by the Department. It aims to seek ways of enhancing simplicity, equity and flexibility of income support for people of working age. This project has the potential to address some of the problems associated with increasing complexity which staff have identified.

3.16 Over the past twelve months, the Department has been implementing a new system of training. The Department trialed the suitability of the JAPSTC CBTA model in late 1995. Problems were encountered with the application of this model, resulting in the Department adopting the current approach. The structure and content of this revised approach is based on the inherent principles of a competency approach, with delivery of training through a number of different channels, including OTJ training.

3.17 The ANAO notes that the Department is currently undertaking a substantial training project for entrants to the new TSC Spike Centre. Recruits external to the Australian Public Service (APS) are provided with eight weeks of training, including:

- i) general induction to the APS and to DSS, with specialist staff (e.g. Financial Service Officers, Social Workers, Disability Support Officers) discussing their roles and work, and managers providing information about DSS's vision and its customers;
- ii) customer service training, including an advanced telephone techniques course;
- iii) IT training;
- iv) overview of the different benefits; and
- v) technical training on the specific benefit types covered by the section in which the individual recruits will be working.

3.18 Recruits from the APS will be assessed against training requirements and will attend those training modules that they require.

3.19 DSS plans to undertake a limited evaluation on module ii) above, but with modules iii) to v) a revision workshop is undertaken. Training is reinforced on the job through the use of dual headphones.

3.20 The views of managers and staff collected in this audit raise questions about the adequacy, availability and effectiveness of the current approach to training in DSS in light of its potential to impact on customer service. The ANAO considers that it would be timely for the Department to review its current approach to training in this regard. Further, the ANAO considers that the comprehensive approach to the training of Spike Centre recruits should be examined in the context of such a review, in order to identify the potential to make similar training modules more widely available to DSS TSC and counter staff.

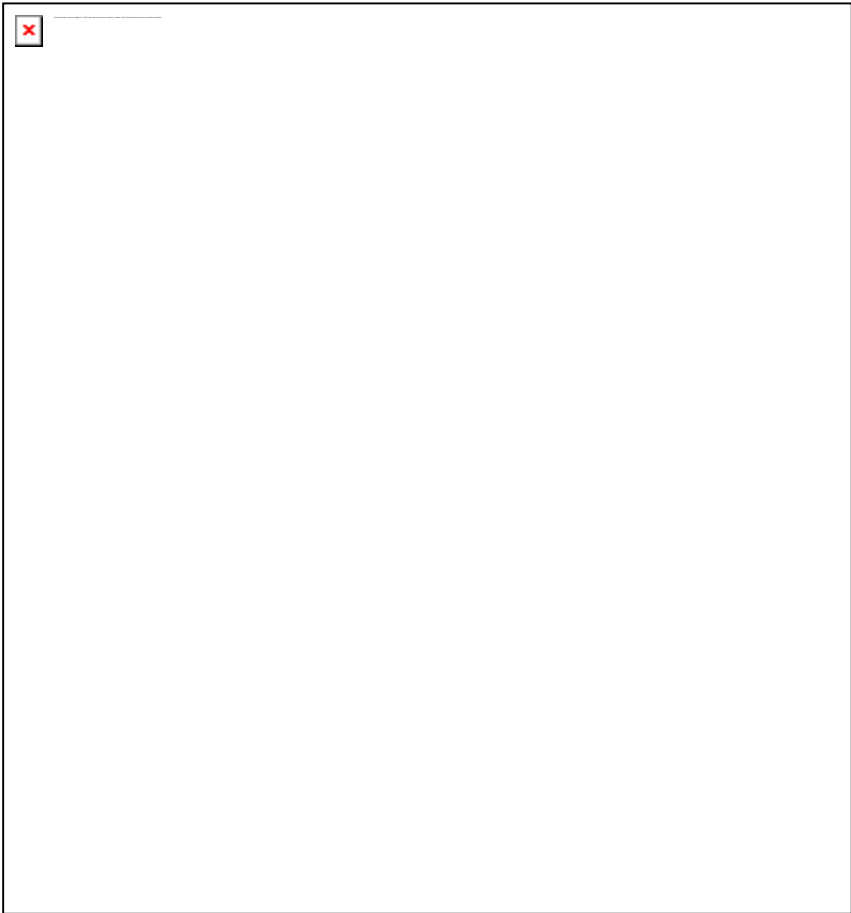
Internal customer service

3.21 Highly customer-focused organisations ensure that their support operations are customer-focused so that frontline customer service staff are given the high quality of internal service that they themselves are expected to provide to the organisation's external customers.

Quantitative Results

3.22 The key quantitative indicators which reflect internal customer service are the responses from staff and managers on the extent to which DSS exhibits the following statements:

- employees are treated with respect by others in the Department; and
- employees who work with customers are supported with resources that are sufficient for doing the job well.



3.23 Figure 3.3 shows that, while the response from National Administration and Area Managers is relatively high in terms of Forum's database, this view is not held to the same extent by managers and staff in local offices, i.e. front-line employees.

Qualitative Results

3.24 In exploring the topics of respect and support for staff in focus groups and interviews with local managers and staff, the issues raised fell into three main issues:

- resources;
- IT systems; and
- information and communication.

Other issues raised included cross-functional support between Regional Offices and Teleservice Centres, and support for staff with respect to community perceptions.

3.25 The issue of resources, IT systems and information and communication have been explored more fully in the two previous audits on the DSS network of local offices, "Regional Office Resourcing and Benefit Processing" (Audit Report No.4, 1995-1996) and "Teleservice Centres" (Audit Report No.9, 1995-96). These issues are raised in this context as they are clearly viewed as sources of dissatisfaction with internal customer service amongst staff and managers in local offices. As such, the ANAO considers that these issues:

- create tensions between the network and National Administration, impacting on the ability of the organisation to reinforce a customer-focused strategic direction throughout the organisation, as discussed in Chapter 2; and
- have impact, subsequently, on the commitment and motivation of customer service staff to work towards organisational goals, as opposed to personal or local office goals.

- Resources

3.26 In seven of the eight local offices in which focus groups and interviews were conducted, staff resources were a key area of concern. Broadly, there was a perception that over the past twelve to eighteen months there had been an increase in workloads, with staff and managers not considering that they had been provided with sufficient extra resources. In addition, staff and managers in many local offices do not consider that National Administration sufficiently acknowledged or recognised the increased work pressures that they have faced in recent times.

3.27 Offices reported a number of tactics implemented at the local level to cope with increased workloads, some of which are in line with good management, for example through cutting down on time spent on activities with no direct benefit to customers, with others having potential to impact negatively on customer service.

3.28 Since the 1995-96 financial year, the Department has been using the Regional Funding Model (RFM) to allocate resources to Area Offices, with the model being largely used to allocate resources to local offices within Areas. In Audit Report No. 4 1995-96, the ANAO concluded that the RFM approach was limited in its ability to link measured workloads and resource allocation.

3.29 The ANAO notes that, as local offices address potential inefficiencies within their control, it becomes increasingly important for quality customer service that resource allocations reflect customer service workloads and workload changes.

- IT Systems

3.30 For those staff who had worked in the Department for a long time, there was a recognition that IT developments such as on-line systems have improved the ability of counter staff to serve customers.

3.31 However, there was a common perception among managers and staff in all the Regional Offices in which focus groups and interviews were conducted that the IT system could provide customer service staff with more support. In particular, the following examples were provided of issues which needed to be addressed in this regard.

- At any one time, there are a significant number of system faults, that impact on the ability of staff to serve customers. Staff reported that there were too many to memorise, resulting in transactions submitted which did not result in the intended outcome. ¹
- Staff reported that customers receive unnecessary, misleading or contradictory system-generated letters from the Department, resulting in customer anxiety, and subsequent enquiries either at the counter or through the Teleservice Centres. ²
- Staff perceive a significant lack of responsiveness by 'systems' to complaints from staff on system problems.

3.32 Staff concluded that customer impacts caused by system problems, resulted in perceived loss of respect by customers for the organisation and for customer service staff as the visible face of the Department.

3.33 The ANAO notes that there have been recent initiatives with the potential to improve the level of user confidence in the system. These include:

- a User Assurance Facility (UAF), staffed by customer service officers from local offices, which assisted in the relatively successful release of the Pensions Common Platform in April 1996;
- implementation since early 1996 of a Host Area Partnership Model (HAPM) which aims to formalise and improve the input of network staff into the lifecycle of major projects from the policy development stage onwards, and into the day-to-day input from the network to Program Areas; and
- visits by systems staff to Regional Offices seeking input on priorities for fixing system errors.

3.34 Nonetheless, the perceptions of staff and managers in local offices of ongoing IT problems indicate scope for improvements in the computer systems themselves as well as improvements in the internal customer focus of the IT support areas. ³

- Information and communication

3.35 In the current audit, information from National Administration was considered by staff and managers in local offices as an area where National Administration could provide better support. In particular, staff and their local managers raised the following issues associated with information from National Administration:

- the high volume of information sent, with the perception that there is little filtering of information for relevance to its target audience;

- the lack of accuracy of instructions; and
- lack of timeliness of information, particularly regarding policy changes.

3.36 With regard to communication the other way, there is a perception by staff and managers that there is no clear way to get their voices heard at National Administration. For example, there was a general perception that:

- 'lip-service' is paid to the views of local staff when those from National Administration conduct consultations. On the positive side, staff in two offices were able to identify the value of visits from National Administration staff; and
- network staff cannot contact National Administration directly to voice opinions, complaints or suggestions. These are channelled through Area Offices, which may filter these views. Some staff however, acknowledged that coordination through Area Offices can lead to a stronger message being provided to National Administration.

3.37 There is further discussion on this in Chapter 6, 'Continuous Improvement'. (paragraphs 6.16-6.19)

3.38 The Department, as part of the development of an internal communications strategy, commissioned the consultant, AMR: Quantum Harris, to conduct research to:

- investigate communication practices within the Department's service delivery environment; and
- make recommendations about effective internal communication practices.

3.39 Following on from this research, the Department has been developing an internal communication strategy, which had been developed to a draft stage in May 1996, but not finalised due the structural changes with the transition to the proposed new service delivery agency. This draft addressed some of the issues raised above. The development of an internal communication strategy for the new agency could potentially cover the communication issues affecting an internal customer focus raised by staff and managers.

3.40 The ANAO notes that the separation of the policy development from the service delivery functions with the creation of the proposed service delivery agency, will enhance the need to address the issue of communication of timely information on policy changes from the Department for distribution throughout the agency.

- Other Issues Relating to Internal Customer Focus

3.41 In addition to the issues of resources, IT support and information and communication, there were other examples raised which highlighted a perceived lack of respect between employees in the Department:

- Teleservice staff perceived that they were not treated with respect by some staff in Regional Offices, who viewed them as being incompetent and could be unappreciative of the role and work of the Teleservice Centre, and the extent to which the TSCs relieved the customer contact workload of Regional Offices. The ANAO notes that this evidence is based on a limited number of TSC sites. Nevertheless, this perception was supported by some comments from Regional Office staff on the lack of knowledge of DSS benefit details displayed by TSC staff. There has been recognition in the Department that this is an issue, with the following

provided as examples of action that the Department is taking in this area:

- some Regional Offices included in the field work were actively working with their local TSCs to improve understanding between the two work units;
 - in December 1995 the Department produced a document on 'RO/TSC Protocols for Dealing with Phone Enquiries', which includes an outline of the respective responsibilities of Regional Offices and Teleservice Centres. These protocols were never fully implemented, as they were the subject of union bans because the Community and Public Sector Union (CPSU) did not consider that it was consulted in their development. At the time of writing this report, the Department was redeveloping the protocols in consultation with the CPSU;
 - provision of comprehensive training and testing of new staff for the Spike Centre, with plans to evaluate the training modules for wider implementation. (see previous section on Staff Training); and
 - plans to issue customers enquiring at TSCs with receipts, which should address, in part, negative perceptions on the quality of advice from this source.
- There were views among some local office staff and managers that the Department has an ambivalent attitude towards poor community perceptions of local offices as representatives of the Department. Examples provided included:
 - a lack of defence by the Department when the media targets DSS without accurately reporting on the Department's operating environment; and
 - a lack of action by the Department as a whole to address the issue of poor customer behaviour towards counter staff in Regional Offices. The ANAO notes, however, that there are local support arrangements in place designed to counteract the negative impact of bad customer behaviour on counter staff. These include the provision of counselling after critical incidents and managers writing to customers who behave badly towards staff, including the option by managers to ban individual customers from the Offices for a period of time.

3.42 The ANAO notes that the lack of perceived action on behalf of the Department may be based on an overall plan for interacting with the community. Nonetheless, the Department needs to ensure that it communicates this to its staff and local office managers. Such communication will assist network employees to recognise that National Administration empathises with them with regard to the pressures that community perceptions place on them in carrying out their work.

3.43 As part of an internal customer focus, front-line staff should feel valued by their organisation, which is clearly not a consistently held view currently.

- Conclusion on internal customer service

3.44 The quantitative and qualitative indicators point to an organisation that requires an improved internal customer focus. The adoption and implementation of the principles and good practice of customer focus outlined throughout this report by those parts of the organisation with responsibility to deliver service to customer service staff would assist in achieving this. In this context, the particular areas which the focus groups and interviews indicated should be priorities include:

- resource allocation to reflect customer service workloads;

- IT systems which more fully support the work of customer service staff; and
- management of information to the network.

Staff Motivation

3.45 In customer-focused organisations, staff are provided with

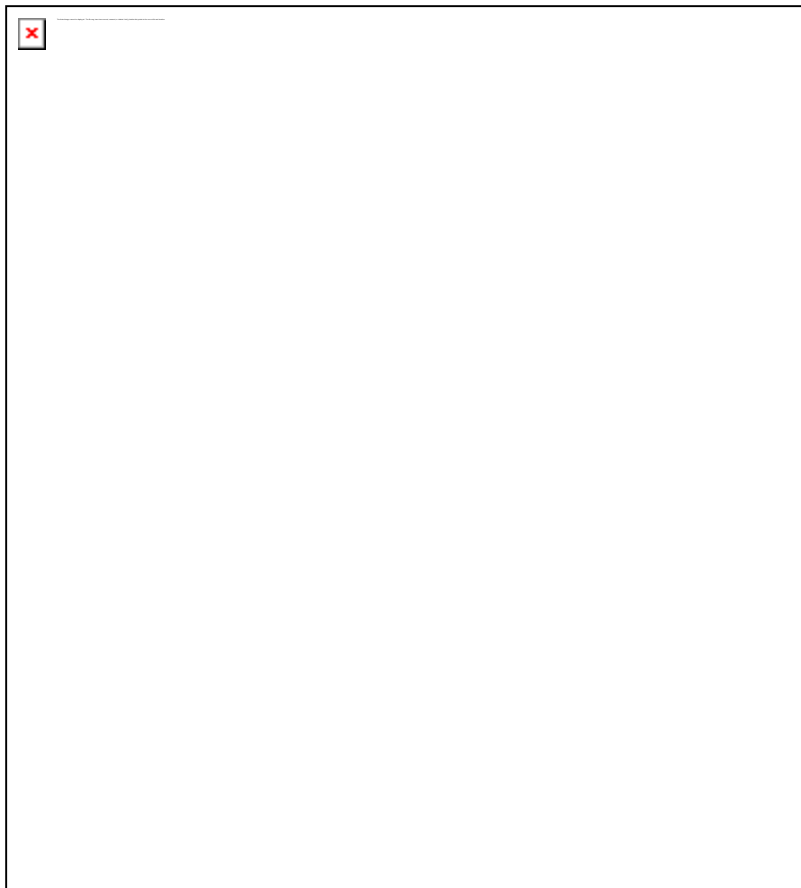
- clear direction; and
- feedback/rewards on performance;

by their managers to achieve a high level of motivation to serve customers well.

Quantitative Results

3.46 The key indicators of the motivation of staff to serve customers well are the extent to which staff and managers rate DSS on the following indicators:

- 'Employees feel they are involved in an exciting enterprise'; and
- 'Employees are encouraged to go "above and beyond" to serve customers well'.



3.47 Figure 3.4 shows that, on the first indicator, managers at all levels and staff in local offices rated DSS low both in absolute terms and relatively in respect to the Forum database. Managers in local offices rated DSS at the second percentile with respect to Forum's database; the perception of staff was lower than that of their managers.

3.48 Figure 3.4 also shows that on the second of the above indicators, while managers and

staff record moderate ratings of DSS's performance, such ratings are low relative to the Forum database, with, for example, both National Administration and local managers recording at the 23rd percentile. Staff in local offices rated DSS slightly below that of their managers, but there was a high degree of variation between offices. The highest-scoring office recorded a rating of 5.2; the lowest recorded rating was 2.5. We found in our field work that in those offices in which the office managers placed a significant emphasis on customer initiatives, for example undertaking the duties of Customer Liaison Officer, staff rated DSS more highly than did those in which this did not occur.

Qualitative results

- Clear direction

3.49 Regional Office staff understood clearly where they fitted into the organisation and what their role was with respect to their customers. As discussed in the section, "Staff Enthusiasm", Chapter 2, and in the previous section, "Internal Customer Service", there are a number of factors impacting on the enjoyment that staff gain from their work.

3.50 In the Teleservice Centre included in the field work, it was reported that TSCs had faced a significant issue in understanding their role vis-a-vis Regional Offices. In this respect they had welcomed the development of the 'RO/TSC Protocols for Dealing with Phone Enquiries' in late 1995 as it provided staff with a clear understanding of the Department's expectations of the scope of service that they were expected to provide to customers enquiring on the telephone.

3.51 The direction provided to staff should be reflected in the expectations of staff with respect to delivering quality customer service. These expectations are not necessarily high in DSS. The view of senior management in DSS National Administration is that there are only the resources for staff to provide a base level of service to customers. This view is reflected in staff perceptions of decision-making by managers throughout the organisation. For example:

- staff do not uniformly think that managers at all levels have a concern for customers but rather, for some, the emphasis is on processing alone. This indicates that the link between performance standards and customer needs and expectations should be developed and communicated to customer service staff. (This is discussed further in Chapter 4 paragraphs 4.29-4.41); and
- staff also consider that many of the instructions about both policy and procedures that they are required to implement have no direct benefit to customers - that is, even if there is an intended benefit, it has not been communicated to staff in a credible way.

- Feedback and recognition

3.52 Staff expressed the view that there are opportunities for the Department to improve the recognition of their work efforts. Particular aspects they noted were:

- improvements to promotional opportunities. The ANAO notes that the proposal by the Department to broadband positions will provide greater flexibility for the Department to link remuneration with performance;
- increased recognition for suggestions that they make 'up the line', that is to National Administration through Area Offices, and in some offices for suggestions made within their own office; and

- increased recognition for the effort that they consider they put in on a daily basis so customers can be paid on time - there is a perception that the harder they work, the higher the performance standards will go. There was a consistent staff view supported by local office managers that National Administration did not recognise or acknowledge the efforts by local offices to this effect. Staff's view of the recognition by their local managers varied between offices.

3.53 There are currently, however, a number of reward/recognition mechanisms in place or under development in the Department. These include:

- incentives reported as being used by local office managers, including awarding promotions and higher duties, issuing letters of commendation, arranging section lunches, publicising good service on noticeboards, as well as thanking staff and showing a genuine interest in their work;
- national awards, including the Secretary's Award for Excellent Customer Service, the Public Service Medal, Order of Australia Medal, 25 Years' Service Award, and Australia Day Achievement Medallions; and
- the quality assessment associated with the introduction of Single Officer Determination, as part of the Job Redesign project, which will allow the recognition of the abilities of staff who raise the accuracy of their decision-making.

3.54 Many of the national awards are currently not well known in the network. There has been no evaluation undertaken to date by the Department on the value that staff place on these mechanisms.

3.55 The ANAO concludes that there is significant scope for improving the motivation for DSS staff to provide high-quality customer service, through

- providing them with clear direction on their role with respect to customers, including the intended benefits for customers of the Departmental priorities, instructions and policies;
- ensuring uniform availability and consistent implementation of rewards highly regarded by staff when they provide such service; and
- widening the scope of performance measurement to reduce the emphasis from processing customers to achieving quality service overall.

3.56 On the first point, the ANAO notes that it will be particularly important for such information to be communicated from the Department for distribution to the proposed new service delivery agency.

3.57 The ANAO also notes that the above measures to improve motivation are in addition to those outlined in the section, "Staff Enthusiasm", Chapter 2, and in the previous section, "Internal Customer Service".

Staff empowerment

3.58 In customer-focused organisations, staff are empowered to make decisions about relevant aspects of their work.

Quantitative results

3.59 The key quantitative indicators which reflect staff empowerment are the extent to which staff and managers perceive that the following statements pertain to their organisation:

- 'Employees at all levels are involved in making decisions about some aspects of their work'; and
- 'Even at lower levels of our organisation, employees are empowered to use their judgment when quick action is needed to make things right for a customer'.



3.60 Figure 3.5 shows that the results of the first of these indicators were high both in absolute terms and relative to the Forum database. This is particularly so for Area and local managers. The rating for staff shows a high degree of variation between offices in the sample. The highest-rating office recorded a rating of 5.2; the lowest recorded rating was 3.3.

3.61 On the second indicator, DSS staff and managers were approximately at the median of the Forum database. Again there is a high degree of variation between offices on staff ratings, with the range between 3.1 and 4.8. When both these indicators for those offices which were included in field work were examined, there is a relationship between those offices in which the local office managers indicated a significant emphasis on consultation and customer service with their staff, and high ratings on these indicators. In addition, those offices which were trialing self-managed teams rated amongst the highest on the indicator on 'involvement in decision-making'.

Qualitative results

3.62 In exploring these indicators of empowerment in focus groups and interviews, a number of issues with potential to influence these results were raised:

- the current need for determination by a second officer. The Department plans to change this with the introduction of risk-based, single-officer determination in December 1996;
- the perception by customer service staff in some offices that there is subjectivity associated with decision-making regarding the issuing of counter cheques;
- the perception by staff in some offices was that 'lip service' was paid to their views, even though industrial democracy was implemented in all offices visited; and
- the perception among local staff that they have a very limited ability to input into continuous improvement at National level.

3.63 At the time of the audit field work the Department was undertaking Workplace Redesign Trials, on single-officer determination and self-managed teams, with a view to implementing them across the network. Two of the offices included in the field-work were trialing self-managed teams. In both these offices, the issue about the new role of ASO4s within self-managed teams had been raised, with focus groups in both offices raising the need for clear guidance on the operation of self-managed teams.

3.64 The ANAO recognises that both initiatives in the trial have the potential to assist in empowering DSS front-line employees, but notes that the issues of respective team roles need to be addressed.

3.65 In Chapter 6 of this report, the need for the development of organisational infrastructure to support systematic continuous improvement is discussed. The ANAO considers that the implementation of such improvements should assist the perception of staff regarding their involvement in decision-making.

Management and leadership skills

In customer-focused organisations, managers have the competencies to create and sustain a customer service environment by:		
<u>Motivating staff through:</u> setting clear direction, providing feedback/ rewards on performance, and coaching.	<u>Collaborating across the organisation through:</u> building trust with others through consistent performance, working with others to build solutions, involving others in the implementation of solutions, and an ability to represent the corporate organisation.	<u>Leading their work units through:</u> interpreting the internal and external environments, providing meaning for the work of the group, mobilising individuals to carry out the work of the group, and inspiring individuals to achieve results.

3.66 The assessment of the levels of management and leadership competencies is drawn from the quantitative and qualitative results in other sections of this report. In particular, an assessment of:

- the competencies relating to motivating staff can be drawn from the results in the section of this chapter, 'Staff motivation';
- the competencies relating to collaborating across the organisation can be drawn from the results in the section of this chapter, 'Internal customer service', as 'collaborating' competencies are required by managers to achieve a high level of internal customer focus; and
- the competencies relating to leadership can be drawn from the results relating to strategic direction discussed in Chapter 2, as leadership is required to achieve a strong strategic direction owned by all in the organisation.

3.67 In each of these three sections of the report the ANAO has concluded that there are significant opportunities for the Department to implement the good practices of highly customer-focused organisations and those identified in a couple of offices visited in the audit. The current gaps between the audit findings and good practice in these areas indicate that there are gaps in management and leadership competencies.

3.68 The Department has in place a Structured Management Program at various levels to provide such skills for staff in supervisory and management positions. Some offices included in the field work reported that there has been limited access to these programs, particularly for section managers and supervisors in recent times.

3.69 Forum Corporation's experience has shown that organisations need a critical mass of trained management throughout the organisation, able to create and sustain customer focus. There is an opportunity for DSS to improve its access to management training programs for its employees with management responsibilities, targeting particularly identified development needs.

Opportunities for improvement

3.70 The assessment of this chapter has indicated that there are significant opportunities to improve human resource management practices in the Department in preparation for moving to the customer service environment of the proposed new service delivery agency.

Recommendation No. 3

3.71 In preparation for moving to the proposed new service delivery agency, the ANAO recommends that DSS improve the human resource management practices in the Department by:

- reviewing the selection criteria of the positions for the proposed new service delivery agency to ensure that they reflect the agency's commitment to customer service;
- reviewing the current approach to training to ensure its adequacy, availability and effectiveness;
- adopting the principles and good practice of customer focus in the functional areas that provide internal customer support for customer service staff and managers, with a view to giving priority to
 - optimal resource allocations which reflect customer service workloads;

- development of IT systems which more fully assist the work of staff in their customer service roles; and
- improved management of information to the network;
- improving the motivation of staff to provide high-quality customer service, through:
 - providing them with clear directions on their role with respect to customers, including the intended benefits for customers of the Departmental priorities, instructions and policies; and
 - ensuring uniform availability and consistent implementation of rewards that are highly regarded by staff, when they provide such service; and
- improving access to management training, particularly targetting identified development needs.

3.72 On the issues of internal customer service and staff training, the ANAO considers that the principles and recommendations outlined in the *Regional Staffing and Benefit Processing Audit* (Audit Report No.4 1995-96) are relevant in the development of the proposed new service delivery agency and should be reviewed in the light of their impact on customer service.

Department response

3.73 The Department generally agrees with this recommendation.

- first dot point: The Department agrees that there is a need to review the selection criteria as suggested by the ANAO. This review needs to ensure that any changes to the selection criteria are practical and capable of assessment.
- second dot point: As outlined above, the Department trialed CBTA in 1995 and encountered problems with the application of the model. The Department is reviewing the current training framework to ensure it meets the requirements of the new service delivery agency. The primary focus of this review will be to ensure that staff possess the skills to be effective in both the technical and customer service aspects of their jobs.
- third dot point, first dash: The Department has introduced a model for distributing resources based on workloads. Expert consultants have confirmed that the Department's approach is most appropriate, is cost effective and one that all can understand. It is intended to form the basis of future funding from the Government. Extra resources have been provided to address local concerns. The Audit Report's comments about general resource adequacy and National Administration awareness are not consistent with feedback from Network staff during the period in question or office spending patterns.
- third dot point, second dash: (ANAO has reported in full DSS's response to IT systems issues at Appendix 6).
- fourth dot point: The establishment of the service delivery agency will include a number of initiatives aimed at enhancing customer focus of staff moving into the agency. One of the main initiatives will be the development of a customer charter which will provide staff with much clearer direction on their customer service role.

The introduction of rewards as suggested by the ANAO will be included in the negotiation of

an enterprise agreement for the service delivery agency. The principles of uniform availability and consistent implementation will be key considerations in these negotiations.

- fifth dot point: The Department is developing a comprehensive management strategy specifically targeting the skill sets required by managers in the move to the new service delivery agency. This strategy has included an examination and review of the sets of management skills and competencies needed for both the current environment and for the service delivery agency. One main outcome of the reviews to date has been the identified need for the development of related leadership skills for both the transition phase and as a feature of the service delivery agency.

ANAO comment

3.74 The ANAO evidence shows that there is either a perceived or real problem with resource allocation in seven of the eight offices in which interviews and focus groups were conducted. In either case, the ANAO considers that DSS needs to address the issue, real or perceived, of resource allocation in these and other offices where it is of key concern.

1

See DSS's response on this issue, paragraph 1, Appendix 6.

2

DSS considers that IT system advances outlined in paragraph 2, Appendix 6 will address the IT technical issues associated with such letters.

3

See DSS's response on this issue, paragraph 3-5, Appendix 6.

4. Communicating with the Customer

In this chapter the ANAO assesses the current means that DSS uses to understand customer needs and expectations and to communicate with its customers. The chapter outlines opportunities to improve these areas in light of the development of the proposed customer service delivery agency.

Introduction

4.1 Experts in the customer service field have identified that customer-focused organisations understand customers' needs and expectations (by customer segment, if applicable), the relative importance of each, and the perception of customers on how well the organisation is meeting these needs and expectations. Such organisations use the information to ensure that customers are consistently satisfied by meeting or exceeding their expectations or alternatively shape their expectations in line with what the organisation can deliver.

4.2 The examination of this aspect of customer service in DSS was based on a number of organisational characteristics which Forum's research has shown to be linked to customer service outcomes. In particular, this research has shown that organisations with positive customer service outcomes rate highly on indicators which measure:

- understanding customer needs, expectations and perceptions;

- meeting with and receiving feedback from customers; and
- providing customers with information.

DSS'S communication with its customers

Understanding customer needs, expectations and perceptions

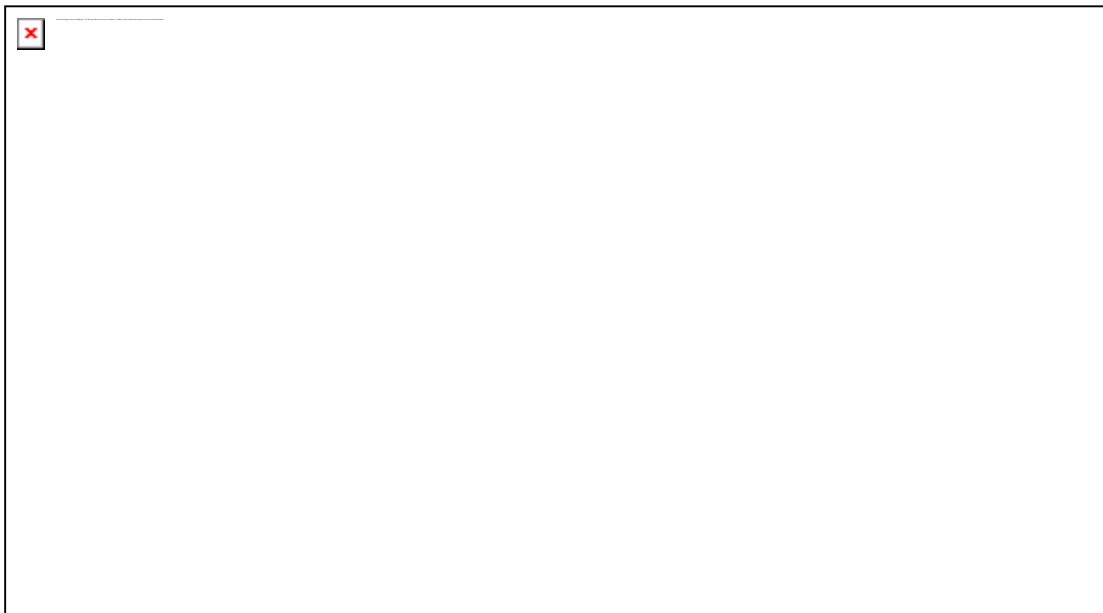
4.3 Customer-focused organisations conduct regular qualitative and quantitative customer research to ensure that customer needs, expectations and perceptions of the organisation's performance are understood, using this data systematically in all aspects of decision-making.

Quantitative results

4.4 The key quantitative indicators which reflect customer research and employee understanding of the outcome of that research are the staff and managers' ratings against the statements:

- i) 'our key managers have a clear understanding of customer requirements';
- ii) 'we have a clear understanding of what our customer expect of our organisation';
- iii) 'we know how our customer define quality';
- iv) 'we regularly ask customers to give us feedback about our performance'; and
- v) 'we know which attributes of our programs or customer service our customers value most'.

The results are shown in Figure 4.1.



- The ratings on the first indicator on the perceived understanding by managers of customer requirements and expectations is high relative to the Forum database, but ratings decrease with the organisational distance from National Administration.
- The second indicator measures groups of employees' perception of their own understanding of

customer expectations. The rating of both front-line staff and National Administration staff was significantly higher on this indicator than that of Area and local managers.

- Based on indicators iii) to v) above, both local managers and staff do not consider they have a significant understanding of the relative importance to customers of customers' different expectations, nor do they consider to a high degree that there is a feedback process in place to measure how well customers perceive that their needs and expectations are met by the Department.

Qualitative results

4.5 In order to gain a greater understanding of the quantitative results, the audit team examined customer research studies undertaken by DSS over the last couple of years, as well as exploring the role of customer research in the work of staff and managers and how they developed a knowledge of customer needs and expectations through interviews and employee focus groups. The issues arising from this work are outlined below.

- Nationally-based customer research

- While DSS has undertaken regular research of its customers over a number of years, this research, in general, has been aimed at gathering feedback from customers on specific issues, both for policy development purposes and on aspects of service delivery. National Administration is normally responsible for the coordination or contracting-out of this research. These studies have generally given limited opportunities for feedback from customers on their needs and expectations with respect to customer service outside the parameters of the particular study.
- Recently, DSS has, through an external consultant, undertaken some more broadly based qualitative customer research with the aim of identifying customer expectations on a wide range of customer service issues, resulting in the Portfolio Evaluation Plan paper, *Customer Service Delivery - Evaluation of the Customer Survey Process*. The Department plans to use the results from this research to conduct qualitative and quantitative customer surveys. The first of these surveys on Teleservice customers has been conducted, with the Department planning, or already implementing, changes to performance indicators, training and processes in line with the survey results. In addition, late during this audit the Department released a request to tender for customer surveys and focus groups. The successful tenderer had begun work at the time of writing this report. The ANAO considers that this is a significant step in the right direction and has provided the Department with feedback to enhance the outcome from this project.

4.6 While the ANAO had originally intended to undertake its own customer research as part of this audit, it considered that the customer research planned and already underway in DSS had the potential to provide the Department with quality results on customer needs and expectations, limiting the added value of an independent study.

- Value of customer research data to the work of National Administration managers

- Through interviews conducted by the audit team with National Administration managers, most, but not all, considered that access to customer research data was important for their role. Some considered that they did not have adequate customer research data for their work.

- Customer research at local office level

- At the local level, the main customer research that managers were aware of was the Client Satisfaction and Waiting Time Surveys. These surveys until recently were conducted by local staff, a practice now discontinued in favour of externally conducted research, because the previous method was recognised by the Department as introducing bias into the results. As neither of these discontinued surveys collected actionable data, local managers did not consider that information coming from customer research could assist them in making it easier for the customer to do business with them. As one local manager put it, when referring to the client satisfaction survey, 'The survey does not let people (customers) say how they would like things improved; rather they tend to ask how long did you wait, and why were you here, which we already know'.
- Some local offices were conducting their own focus groups, and two offices visited were seeking direct feedback from customers after their initial interview with the Regional Office. Local offices had mixed results from these exercises. While some had gathered very useful information and exposed staff to a range of customer opinions not always available from other means, others had experienced problems in encouraging customers to participate in such exercises. Recent DSS research has identified that customers are reluctant to participate in customer research, as they perceive that it may impact on their DSS payments. ANAO considers that there is an opportunity for the Department to communicate to prospective participants the use to which their views will be put in improving local service delivery. This practice is already in place for focus groups conducted through National Administration.
- There is currently no coordination or guidelines for the conduct of local customer research from National Administration or the sharing of information between offices. However, one of the recommendations from the report, *Evaluation of the Customer Survey Process*, is that regular customer focus groups are to be run by each regional office. To this end, DSS has recently drafted, but not finalised, guidelines for the conduct of local focus groups. The full implementation of this recommendation has the potential to ensure significant improvement in the conduct of local customer research.

- Source of staff knowledge of customer needs and expectations

4.7 Staff in local offices consider that they know what their customers need and expect from DSS. Staff based this on their direct customer contact, rather than from customer research. From this customer contact, staff perceive there to be four aspects to a quality service for customers. These include:

- timeliness - in particular, being able to access the Department on the phone and at the counter quickly, and then having the correct payment received on time;
- receipt of accurate and consistent information from different sources of DSS, including accurate and relevant letters;
- the ability to finalise enquiries at the first point of contact; and
- the elimination of repeat visits by informing customers of all the information they need to bring to an appointment if one is necessary.

4.8 The ANAO notes that while front-line staffs' understanding of customer needs and expectations of the Department's service delivery has the potential to be biased, these are in

line with the Department's recent qualitative research. However, staff may not know the relative importance to customers of these perceived needs and expectations, as well as how customers assess DSS's performance on these, as this information is usually accessible only through customer research. Such information is important for local staff and managers to take into account in determining service delivery priorities.

4.9 The access by network staff to customer research data conducted by DSS will be an issue which will need to be addressed, particularly following the proposed separation of the service delivery functions.

- Conclusion on customer research issues

4.10 The ANAO considers that the recent work planned and undertaken by the Department on customer research represents significant improvement in the collection of customer data in DSS. There remain significant opportunities for improving the access to customer research in actionable formats by local managers and their staff, opportunities which will be significantly enhanced through the improvements in information collection.

Meeting with and receiving feedback from customers

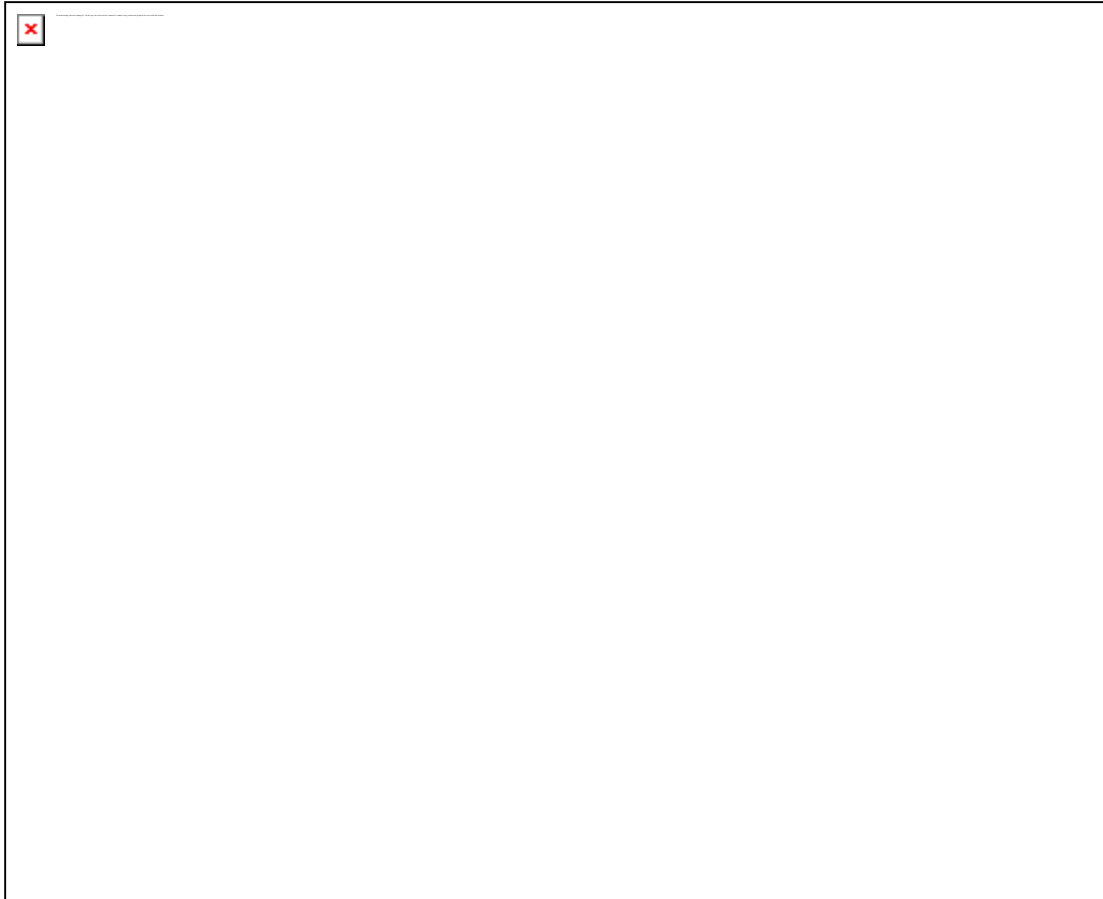
4.11 In customer-focused organisations, both staff and all managers have and take up opportunities to meet with customers to ensure:
a greater understanding of customer needs;
that customer data can be put in context; and
they understand the impact of decisions on customers.

Quantitative results

4.12 The key quantitative indicators which reflect the opportunities of employees to meet with customers are the staff and managers 'ratings against the statements:

- i) 'Employees at a variety of levels and functions are provided opportunities to meet with customers';
- ii) 'Our managers have frequent contact with customers'; and
- iii) 'When it comes to administering programs, we play a consultative role with our customers'.

The results are shown in Figure 4.2.



- On the first indicator, respondents rated DSS approximately in the middle range of possible scores, with results at approximately the median of the Forum database.
- The rating on the second indicator shows that there is significant scope for improving opportunities for all managers to meet with customers. For example, the quantitative results show that only about 30 per cent of organisations benchmarked have a lower rating on the indicator 'our managers have frequent contact with customers' compared with National Administration managers.
- The rating on the third indicator shows that there is a perception by all managers that there is considerable scope for DSS to consult more with its customers on administering programs - for example, only 4 per cent of the benchmarked organisations rate more poorly on this indicator compared with all DSS managers. In customer-focused organisations, this is regarded as an essential activity.

Qualitative results

- Local managers meeting with customers

4.13 There was a perception expressed by staff during the focus groups that local managers do not meet with customers often enough to understand customer expectations or the full impact of their decisions on customers. There were examples cited, however, of local managers being proactive in talking with customers, with the local management team in one office undertaking the duties of a customer liaison officer on a rotation basis. As these examples were not common, staff considered that managers generally dealt with customers only when there was a problem at the front counter or if a customer phoned with a complaint.

- Meeting with customers by Area Managers

4.14 During the focus group for Area managers, some stated that they rarely met with customers. There was no consensus on the importance of customer contact for Area managers. While some considered that customer contact may bias their views on customer needs and expectations, others considered that it was important in order to keep in contact with network operations and to demonstrate appropriate behaviour to staff.

- Meeting with customers by National Administration managers

4.15 National Administration managers expressed the opinion in interviews that they had limited need to meet with customers directly, as access to customer research findings should be sufficient for them to gain an understanding of customers. Direct customer contact is very limited and when it does take place it is on an ad hoc basis in the form of discussions with community groups, representing customer segments, attending customer focus groups and chance meetings with customers on visits to DSS Regional Offices or Teleservice Centres. These managers noted that there were barriers and disadvantages to meeting with customers, such as:

- lack of time;
- the need to avoid bias by being exposed to a limited number of customers; and
- lack of access because of their location in Canberra.

- Customer consultation

4.16 The ANAO has identified some instances of customer consultation in the development and evaluation of policies impacting on customer service, such as the development of Family Service Centres and the Job Redesign Trials. However, this is not a uniform practice, with such key customer service delivery developments as the design of office space going ahead in most cases with little or no customer consultation. While the Outreach program could provide opportunities for consultation at the local level, in most cases Outreach activities are directed at providing information to customers or potential customers, rather than a genuine dialogue. The recent report, *Evaluation of the Customer Survey Process*, includes a recommendation to refocus the Outreach function to include responsibilities for obtaining and monitoring customer feedback.

4.17 The document, *Planning in the Department of Social Security*, does advise that customers should be provided with the opportunity to input into the development of strategic, program and business plans. While this is the case in a few local offices visited, it is not a standard practice.

- Conclusion on meeting with and receiving feedback from customers

4.18 The ANAO considers that the value to managers at all levels in DSS of increasing their contact with customers needs to be promoted and its occurrence increased, to ensure that managers have a better understanding of the impact of their decision-making through direct involvement with customers, and ensure meaningful consultation. Such contact is important for managers with responsibility for both customer service and policy development functions. Examples of how this could be achieved efficiently which should be given consideration by the Department, include:

- wider implementation of the good practice identified in one Regional Office of members of the local management team undertaking duties of a Customer Liaison Officer on a rotation basis;
- providing opportunities for feedback from customers through focus group and interview activities;
- Area and National Administration managers setting aside time:
 - in visiting Regional Offices to meet informally with customers;
 - to sit in on focus groups of customers convened to explore national or local issues, on a regular basis; and
 - to participate in structured customer forums.

Providing customers with information to shape expectations

4.19 Customer-focused organisations minimise customer dissatisfaction by ensuring that their customers are provided with information that helps shape realistic expectations in line with what the organisation can or chooses to deliver.

Quantitative results

4.20 The key quantitative indicators which reflect the organisation's commitment to shaping expectations are the staff and managers' ratings against the statements:

- i) 'In our advertising and promotional materials, we avoid promising more than we deliver'; and
- ii) 'We regularly give information to customers that helps shape realistic expectations'.

4.21 The results are shown in Figure 4.3.

- On the first indicator, National Administration and Area Managers rated the organisation highly. While managers and staff in local offices rated on this indicator above the mid-point in the range of possible ratings (from 1.0 to 7.0), the rating is relatively low with respect to the Forum database.
- On the second indicator, DSS managers and staff rated the organisation relatively highly with respect to the Forum database.



Qualitative results - promising more than delivering

4.22 In order to develop an understanding of the opportunities to allow the Department to move closer to highly customer-focused organisations, the issue of the Department promising customers more than it can deliver was explored with staff and managers at the local level. In this respect, respondents provided three key examples which they perceived as impacting on this area.

- As identified in Audit Report No.9 1995-96, *Teleservice Centres - Department of Social Security*, since Teleservice Centres have commenced operations the Department has not been able to meet its own targets, meet what is regarded by the public as a reasonable performance, or live up to DSS advertising implying that customers will save time by phoning the Teleservice Centre. From the perspective of staff, this has meant that the Teleservice Centre has not lived up to DSS advertising which implied that the Teleservice Centres have delivered improvements in customer service. Staff perceived that customers have become frustrated with the service from Teleservice Centres, and reported many cases of customers coming to Regional Offices to have their questions answered, often complaining about Teleservice Centre performance prior to their enquiry. The ANAO notes that the improvements being implemented at the time of writing this report, such as the Spike Centre and associated recruitment and training, have the potential to impact positively on Teleservice operations (see paragraphs 3.5, 3.17-3.19).
- In a number of Regional Offices included in the field sites, staff reported that, since the introduction of PgA in July 1995, there has been a range of problems associated with the

benefit. These include lengthy delays in some customers' receiving Parenting Allowance payments and in some instances being paid incorrect amounts. Staff identified that the cause of this in many cases had been system problems, either directly or through a lack of knowledge about system workarounds. The ANAO notes that the performance standard is 'payment within 28 days of claim lodgement', with a target in 1995-96 of meeting this standard in 80 per cent of cases. The Department achieved a rate of 81 per cent in 1995-96, which means that almost one in five claimants had to wait over a month for their payment to be received. The ANAO also notes that in 1995-96 \$29.6 million has been identified as being overpaid in PgA, with 12.7 per cent of reviews resulting in variations in payments.

- Both staff and managers reported that some customers receive from the Department incorrect or irrelevant system-generated letters or, alternatively, ones which are difficult for customers to understand. Such letters can lead to confusion and apprehension among customers, generating TSC and Regional Office enquiries. While the ANAO has not undertaken a quantitative assessment of the percentage of letters that have these characteristics, the frequency with which this issue was raised by employees at the local level and the reported impact on customer perceptions of the Department suggest that there are a significant number of such letters. The ANAO notes that there are technical issues associated with the automatic generation of letters on the computer which impact on the clarity of letters. The ANAO also notes that the Department has in place an improvement program for this problem through the Bulk Advice Review Group.

4.23 The Department has reported that a significant source of technical problems related to system-generated letters is the separate IT system platforms for various major payment types. Developments in this regard are reported at paragraph 2, Appendix 6.

Conclusion - promising more than delivering

4.24 Notwithstanding the potential for improvements from developments to the IT systems, the ANAO considers that the specific opportunities for the Department to pursue in this area would be addressed through improvements in the resolution of customer complaints and input by local staff into continuous improvement, as identified in Chapters 5 and 6.

Qualitative results - shaping customer expectations

4.25 In order to explore this indicator more fully the audit team examined three areas which it considered should be the key tools for DSS to help customers to have realistic expectations of the Department's products and services. These were:

- advice on rights and obligations with respect to payment types;
- provision of explanations to customers on the role of compliance in protecting their benefits and implications for non-compliance; and
- provision of information regarding performance standards on service delivery.

- Advice on rights and obligations with respect to payment types

4.26 There is evidence that DSS as a whole puts considerable effort into providing advice to customers on rights and obligations with respect to payment types. For instance, the new series of information magazines published by the Department for particular customer groups (e.g. *You and Your Family*, *Help for Sole Parents*, and *Your Next Step - A Guide to JSA*)

provide details to customers on payment and services and the context in which the payment/service is made, as well as their responsibilities with the provision of information to the Department to allow the Department to assess their initial and ongoing eligibility. Information is also provided on the avenues for complaints and appeals against decisions.

- Explanation to customers on how compliance protects their benefits and implications for non-compliance

4.27 Providing an explanation to customers on how compliance protects their benefits (by explaining how fraud has the potential to diminish their share of a limited resource), as well as the implications for them if they do not comply, is a key way in which the Department can help develop expectations of customers on aspects of its service which they may otherwise regard as onerous.

4.28 While DSS has gone some way in its literature to customers, to explain the benefits to the community of compliance, there are no examples to date of explaining the benefits to customers themselves.

- Information to customers on performance standards

4.29 The provision of information to customers on performance standards helps develop realistic customer expectations of the level of service that they can expect from the Department. For example, if customers are informed that the performance standard is 'payment within 28 days of claims lodgment', they are more likely to be satisfied when payment is made in 21 days after lodgment than if they are not informed about when to expect payment; with no information about the performance standard, they may have expected payment within seven days, resulting in dissatisfaction in the 21-day turnaround.

4.30 DSS has a number of performance standards associated with customer service detailed at Appendix 4. These relate to:

- timeliness of claims processing;
- timeliness in dealing with customer enquiries/appointments;
- timeliness on reviews and appeals;
- customer satisfaction with telephone service and with service provided by DSS; and
- accuracy of claims processing and decision-making.

4.31 These standards were last published in the 1996-97 Performance Standards Brochure, as well as being reported again in the DSS Annual Report. In the Performance Standards brochure, DSS states that 'these standards allow attention to be focused on aspects of performance which will improve the efficiency and quality of the customer service provided by the Department'. The 1996-97 brochure was published during the time of writing this report and its distribution could not be assessed. However, the 1995-96 brochure, although distributed to peak National and State welfare organisations, was not generally given to customers unless they specifically asked for one. There is a perception that customers would not ask for one as they are not likely to know of its existence. Some local Regional Offices have a poster with the standards printed on them but this has not been updated since 1993. Performance standards are advertised in one TSC office visited but this is clearly for staff

information.

- *An initiative to assist in developing realistic expectations*
- *customer charter*

4.32 The Department is participating in a Government Task Force which is developing principles for Government Service Charters. These principles should be considered by Cabinet in mid-February 1997 and, following Cabinet consideration, DSS intends to undertake a major project to develop a customer charter for the proposed new service delivery agency using these principles. In the development both of the principles and of the charter itself, the Department intends to involve community representatives and staff in consultation. Properly formulated and communicated to customers, such a charter has the potential to develop realistic customer service expectations.

Developing performance indicators and setting performance standards

4.33 Customer-focused organisations have performance standards that:
take account of customer needs and expectations;
reflect guaranteed standards of service; and
are communicated to customers to help shape realistic expectations.

Current DSS performance standards

4.34 The performance indicators used to assess customer service in the Department are outlined above under 'Information to customers on performance standards'. Not all DSS performance standards necessarily reflect normal operating conditions, but rather ones which reflect an ideal world, for example:

- customers satisfied with staff friendliness; and
- customers seen within five minutes of entering office.

4.35 Good practice performance standards are, however, those set at a level which organisations can expect to meet, with performance targets then set as an aim for the organisation for a given period.

4.36 Good practice performance standards might be, for example:

- '90 per cent of customers satisfied with the courteous behaviour of staff', with a target of 95 per cent of customers satisfied with this; and
- 'customers seen within ten minutes of entering the office', with a target of five minutes.

4.37 An example of such a good performance standard currently used by DSS is 'Newstart Allowance Continuations - payment within two working days of continuation form', as, based on 1995-96 results, DSS meets for 97 per cent of cases.

Input of customer research into performance standards

4.38 Until recently the development of performance indicators and standards, has generally not been based on the needs and expectations of customers identified through research. It was reported that usually annual standards/targets have been set by examining the previous year's

performance against the standards, with the new standards/targets approved by the Program Coordination Committee. The process for setting standards/targets is not uniformly understood, even at the level of Program Managers at National Administration. In one year, some customer input was sought for the development of standards, with the Department seeking input from peak welfare organisations. Only two organisations responded, one of which provided useful input.

Recent developments impacting on performance standards

4.39 A limited number of the performance standards set for 1996-97 have been based on recent customer research, in line with a recommendation from the report 'Customer Service Delivery'. In addition, in the latest annual report, standards and results have been published which reflect the needs and perceptions of Teleservice customers.

4.40 In the context of the 1996 Budget announcement on the proposed new service delivery agency, the Federal Government announced that the agency will have guaranteed standards of service.

4.41 The ANAO considers that the full implementation of the two developments outlined above will ensure that the proposed new agency adopts the practice of highly customer-focused organisations, provided there is adequate communication of the standards to customers.

Conclusion

4.42 The ANAO has identified a number of opportunities in this chapter for DSS to pursue to enhance communication with customers.

Recommendation No. 4

4.43 The ANAO recommends that DSS give priority to the following to enhance customer service in its transition to the proposed new service delivery agency:

- ensuring that managers at all levels meet frequently with customers and consult them on program administration;
- improving the provision of information to customers to help develop realistic expectations, particularly in regard to the issue of compliance;
- building on the commencement of comprehensive customer research into customer needs and expectations, and systematically using such data in all aspects of decision-making; and
- continuing the development and use of performance indicators and standards that take account of customer needs and expectations, and communicating these to customers to help develop realistic expectations of service delivery.

DSS response

4.44 The Department agrees with this recommendation.

- first dot point: Managers can also demonstrate their customer focus by use of, and reference to customer service research. Indeed, this could be argued as a more important source of

customer information in our case. This is because of the power balance which exists between DSS and its customers. A recent consultancy by Chant Link referred to this imbalance and the ANAO have acknowledged that this imbalance exists. The impact of the imbalance is that customers are not likely to give their full and frank views about DSS because of the fear that they may be adversely affected.

- second dot point: The regular newsletter *Update* for the unemployed and allowance customers has a key role in advising customers of their rights and obligations. The *Update* newsletter regularly contains information about customer obligations and rights and has picked up on some of the issues raised in this report about putting obligations in a positive light. For example, the November issue contains a detailed explanation of the benefits to the customer of meeting the Department's requirements. *Update* is usually market tested and customer comments result in changes to the publication. The Department also provides information about activity test obligations through the job seeker diary and activity test information sheet given to new claimants. Both products were tested with customers and staff prior to distribution.

ANAO comment

4.45 With the adoption of the principles and good practice associated with customer focus as an integral part of the operations of the proposed service delivery agency, there is potential for a greater trust to develop between customers and the agency. With this, managers in the proposed agency should take advantage of the considerable benefits of meeting with customers as found by recognised good practice organisations.

4.46 The ANAO is pleased to note that DSS has begun already to take up the issue of communicating obligations to customers in a positive way.

5. Becoming a Customer-Friendly Organisation

In this chapter the ANAO assesses DSS on the two key ways in which organisations can become more customer-friendly - by making it easy for customers to conduct their business with DSS and through good complaint handling, as well as identifying opportunities for improvement in the context of the proposed new service delivery agency.

Introduction

5.1 The examination of how customer-friendly DSS is was based on a number of organisational characteristics which Forum's research has shown to be linked to customer service outcomes. In particular, this research has shown that organisations with positive customer service outcomes rate highly on indicators which measure:

- customer-friendly operations; and
- quality of complaint handling.

DSS'S customer-friendly operations and complaints handling

Customer-friendly operations

5.2 Customer-focused organisations make their operations customer-friendly by:

analysing and changing their operations to ensure that customer interactions are as smooth as possible;

examining their policies in order to eliminate those which are unnecessary and unfriendly to customers; and

ensuring that operational areas complement rather than compete with one another in aiming to serve customers.

Quantitative results

5.3 The key quantitative indicators which reflect the ease with which customers are able to do business with the organisation, are the staff and managers ratings against the statements:

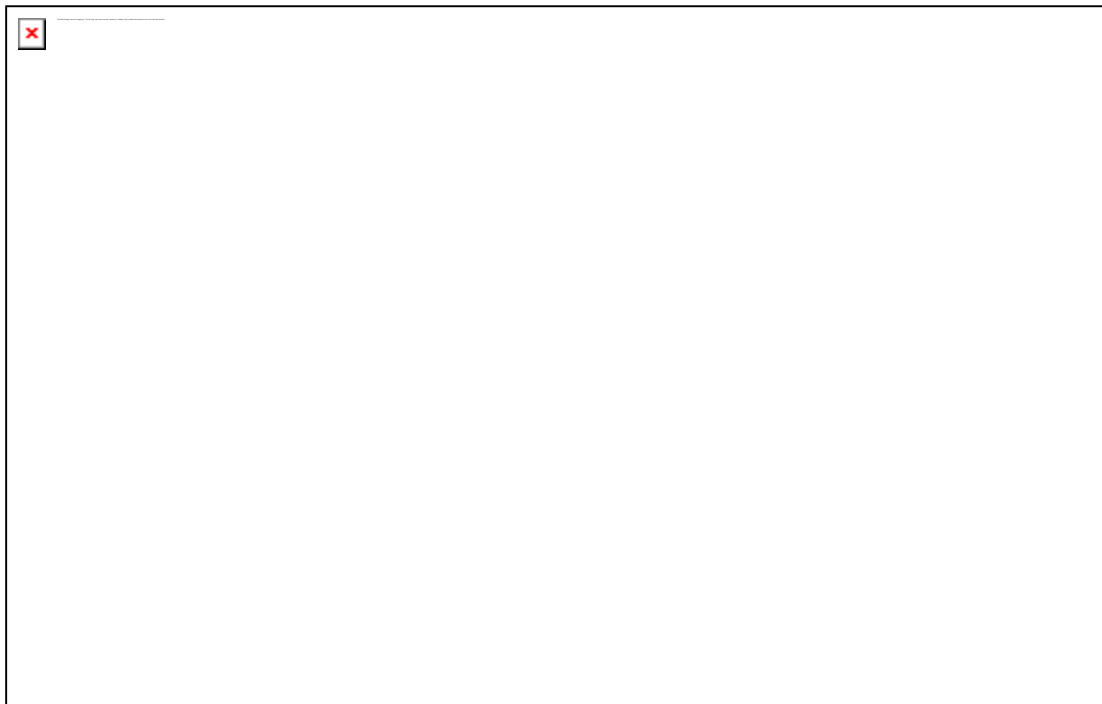
i) 'We look for ways to eliminate internal procedures and systems that do not create value for our customers';

ii) 'We make it easy for our customers to do business with us';

iii) 'In the process of serving customers, we cooperate with others in our organisation rather than compete with them'; and

iv) 'Information from customers is used in designing our programs and customer service'.

The quantitative results are shown in Figure 5.1



- The ratings on indicators i) to iii) above indicate that there is a perception that the organisation makes it easy for customers to do business with it.
- The ratings on indicator iv) above indicate that at the local and Area levels there is a low perception that customer information has been used to develop either the products or customer service.

Qualitative results

5.4 In order to gain a greater understanding of the quantitative results, the audit team identified a range of initiatives which DSS has developed that have had or may have future positive impacts on the perceived customer friendliness of DSS operations. These include:

- the development of the one-stop-shop concept, such as Family Service Centres and Retirement Service Centres; and through the recent Budget announcement of the proposed new service delivery agency;
- the development of Teleservice Centres; and more recently the announcement to improve the capacity of Teleservice Centres to address response time problems;
- best practice exercises and business process reengineering exercises for claims and review processes, such as Disability Payment Access and Quality Project, the SU19/JSA New Claim Process, and the recent calls for quotes to undertake a business process reengineering exercise to integrate delivery of employment and income support services in the proposed new agency;
- access by customers to a range of DSS specialist staff such as social workers and interpreters;
- the Job Redesign Trials, which aim to improve customer service through better jobs;
- the move to service by appointment;
- local continuous improvement exercises; and
- new office accommodation designs.

5.5 The ANAO notes that, for some of these initiatives, the main driver behind their implementation has been workplace efficiencies, including better workload management. While this is not a problem in itself, it points to a need for operations and initiatives impacting on customer service to be developed and monitored to take account of identified customer needs and expectations.

5.6 There remain significant challenges for the Department in moving its operations to the proposed service agency to make these more customer-friendly. There were some key issues reported to the audit team by staff in local offices, as outlined below.

- There is not a seamless operation for customers between Teleservice Centres and Regional Offices. For example:
 - call backs on issues referred to Regional Offices from TSCs are not consistently undertaken in the time specified by the TSC to the customer; and
 - customers often need to repeat information to Regional Office staff that they consider they have already told DSS through the Teleservice Centre.

5.7 The ANAO notes that the Regional Office/Teleservice Centre Protocols for Dealing with Phone Enquiries, when fully implemented, have the potential to address many of the problems impacting on a seamless operation (see also paragraph 3.41).

- Requirements on customers to comply with Departmental instructions relating to the application of legislation were regarded by staff and managers in local offices as impacting

negatively on customer satisfaction.

- The issues impacting on front-line staff identified under 'Internal Customer Service' in Chapter 3, such as resources, IT systems and information, also have an impact on how customer-friendly local offices can make their operations.
- Although National Administration managers have undertaken a range of market research seeking customer input on specific initiatives, there is little knowledge of this at the local level. The need for staff and local managers to have access to customer research is explored in the section 'Understanding customer needs, expectations and perceptions', Chapter 4.
- The level of complexity of payment types and the adequacy of technical training for the people working directly with customers were perceived by staff to impact on how friendly the Department's operations are to customers. (This issue has been discussed in Chapter 3 under 'Staff Training'.)
- Inaccurate or unnecessary mail from the Department was identified as another issue impacting on how customer-friendly its operations are, particularly as front-line staff perceive these as causing annoyance or undue worry to customers. (This issue has been discussed in Chapter 4.)

5.8 The ANAO concludes that there is scope to improve the w customer-friendly focus of DSS operations by:

- taking account of customer needs and expectations in the development and monitoring of initiatives which impact on customer service;
- ensuring that customer service is seamless to customers across the various delivery points; and
- ensuring that Departmental instructions relating to the application of legislation with which customers are required to comply are developed and implemented in a customer-focused manner.

Complaints handling

5.9 Customer-focused organisations:

make it easy for customers to complain;

act on complaints quickly to address the issue for the complainant; and

ensure that the underlying causes of problems are addressed to eliminate repetitions of the occurrence.

Quantitative results

5.10 The key quantitative indicators which reflect the organisation's collection, resolution, monitoring and analysis of customer complaints, are the staff and managers ratings against the statements:

- i) 'We make it easy for customers to complain to us about our programs or customer service';
- ii) 'We make it easy for customers to appeal against our decisions';

- iii) 'We try to resolve all customer complaints';
- iv) 'We monitor customer complaints'; and
- v) 'Customer complaints are regularly analysed in order to identify quality problems'.

The quantitative results are shown in Figure 5.2



- The ratings on the first two indicators above show that, while all managers and staff recognise that it is easy for customers to appeal against decisions, they do not consider that it is as easy for customers to complain about programs or customer service.
- The ratings on indicator iii) indicate that, at the local level, the perception of the resolution of complaints is approximately at the median level compared with all organisations in the benchmark database. However, the National Administration managers have not rated the organisation's commitment to resolving complaints highly relative to the Forum database, scoring on the 17th percentile on this indicator.
- Based on indicators iv) and v), all managers and staff have recognised that the monitoring and use of complaints data could be improved, particularly when compared with other organisations in the Forum database. On the issue of monitoring complaints, while managers and staff rated above mid-range of the possible ratings (rating 4.3 to 4.7), these ratings only ranked around the median of the Forum database. The rating for local managers on the indicator of 'regular analysis of customer complaints to identify quality problems' is at 3.9, which is at the 33rd percentile, with no significant difference recorded for the other groups of managers.

Qualitative results

5.11 The audit team recognises that customers have access to a number of channels in DSS for complaints, depending on the nature of the problem.

5.12 *Reviews of eligibility decisions:* For a customer wishing to have a decision about eligibility reconsidered, there is a well-established and well-publicised procedure. The process can involve a number of steps until the customer is satisfied with the outcome or the matter is finalised. The steps are:

- review by original decision-maker;
- review by an authorised review officer;
- appeal to the Social Security Appeals Tribunal; and
- appeal to the Administrative Appeals Tribunal as the final arbiter.

5.13 *Complaints about programs and services:* Local managers reported that generally customers who complained about programs and services were advised to direct their complaints either to their local member or to the Minister, as issues regarding the characteristics of the products were decided by the Government rather than by the Department.

5.14 *Complaints about customer service:* Customers wishing to complain about the conduct of DSS are advised through the newly-designed magazines or on the back of customer advices that they can contact the Commonwealth Ombudsman. There has been a recent shift in the literature advising customers that they should seek to speak with their local Regional Office manager to try to resolve the complaint through this means initially, prior to using the avenue of the Commonwealth Ombudsman. The popularity of using the Commonwealth Ombudsman is reflected in the percentage of complaints in 1995-96 handled by the Ombudsman which were about DSS - 7023 complaints or 37 per cent of the total (Commonwealth Ombudsman Annual Report 1995-96).

5.15 In local offices, it was reported that most complaints are made verbally through customer service officers. These staff usually try to resolve problems with customer payments, make excuses on issues which they consider to be outside their control (e.g. on waiting times or system problems) or advise of an appropriate avenue outlined above. If customers request to see 'the manager', or if the complainant is visibly upset, abusive or violent, either supervisors or local managers (including section managers) assist the staff member. In most offices, the office managers get involved only in significant incidents.

5.16 At the local level, while customers have opportunities to complain about service and product issues, generally there is no mechanism to capture this information locally or for input nationally in order to identify and address the underlying problems. Feedback on quality in decision-making, however, is provided to staff in local offices by authorised review officers.

- Improvements under way to improve complaints handling

5.17 DSS has currently in place trials of mechanisms for handling customer complaints, including customer feedback cards and customer hotlines.

5.18 The Portfolio Evaluation Plan report on 'Evaluation of the Customer Survey Process' makes a number of recommendations with the potential to enhance these trials, namely that:

- customer feedback cards be available in the public contact areas of all DSS outlets and included in selected mailouts for Teleservice customers;
- Customer Service Division monitor the progress of the customer service hotline trial and report and recommend on the viability of national implementation; and
- Customer Service Division coordinate the development and implementation of formal

procedures for handling customer complaints on service.

5.19 Ministerial correspondence provides a significant source of customer feedback, coming either directly from customers or else directed to the Minister via local members. Four hundred letters are received each week, of which 70 per cent are program-related and 20 per cent are on service delivery. A new ministerial correspondence software system, DISPATCH, is claimed by DSS to provide more detailed analysis of Ministerial correspondence than has been previously possible. Initial research by the Department has indicated that this system may be able to be used as a tool to facilitate an expanded customer feedback mechanism such as feedback cards.

5.20 There is a significant opportunity to ensure that feedback from customer complaints is fed into the quality improvement process. This has been discussed in more detail in Chapter 6, 'Continuous Improvement'.

Conclusion

5.21 The ANAO has identified in this chapter a number of opportunities for DSS to pursue to improve the customer-friendly focus of DSS operations.

Recommendation No. 5

5.22 In moving to the proposed new service delivery agency the ANAO recommends that DSS ensure that:

- the development and monitoring of initiatives impacting on customer service take account of identified customer needs and expectations;
- customer service be improved to ensure that it is seamless for customers, by emphasising collaboration between functional areas and work units, for example, between Regional Offices and Teleservice Centres; and
- Departmental instructions relating to the application of legislation with which customers are required to comply are developed and implemented in a customer-focused manner.

Department response

5.23 The Department agrees with this recommendation.

6. Continuous Improvement

In this chapter the ANAO assesses the role of continuous improvement in DSS, the continuous improvement practices currently in place, and identifies opportunities to improve these, in moving to the proposed new service delivery agency.

Introduction

6.1 Experts on customer-focused organisations have identified the following good practice:

6.2 Customer-focused organisations have in place a robust process for implementing continuous improvement. This includes:

identifying improvement opportunities based on customer information, collected from, for example, customer research, customer service staff, and analysis of customer complaints;
implementing continuous improvement plans which address issues such as:
prioritising the processes centrally which need to be improved;
providing infrastructure to support the work of continuous improvement teams, including mechanisms to ensure that the identified improvements are consistent with organisational policies;
communication and implementation of the outcome of teamwork; and
measurement of performance measures to ensure that the improvements have achieved the performance target required; and
regularly taking part in external and internal quality assessments.

Criteria used to assess DSS's environment

6.3 The examination of the continuous improvement aspect of customer service in DSS was based on a number of organisational characteristics which Forum's research has shown to be linked to customer service outcomes. In particular, this research has shown that organisations with positive customer service outcomes rate highly on indicators which measure organisational responsiveness and commitment to continuous improvement.

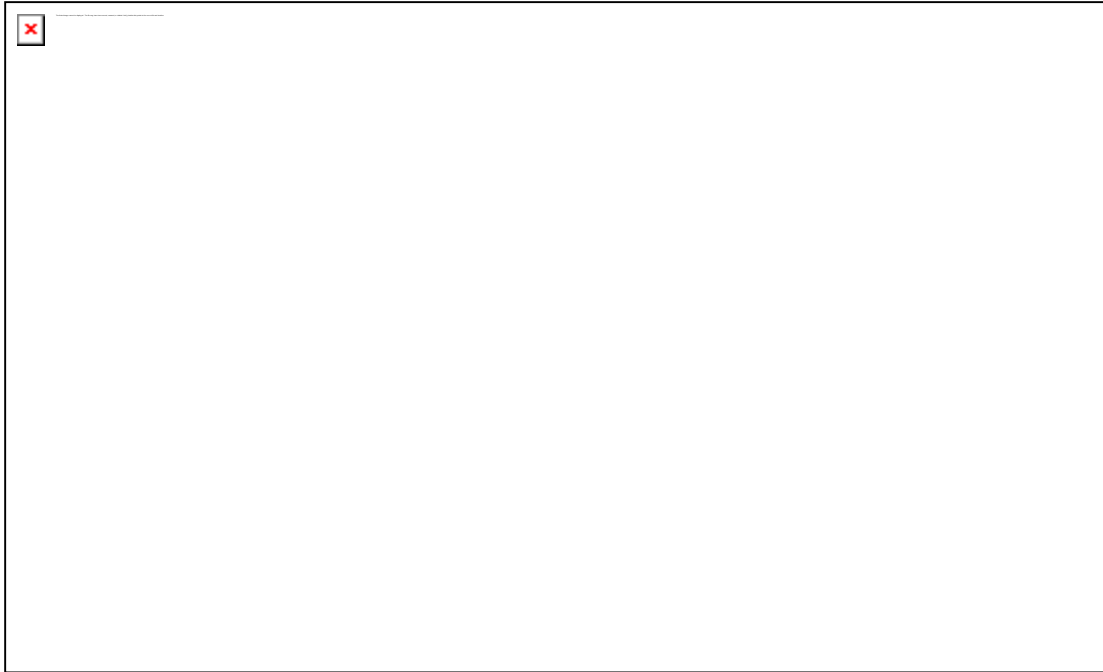
DSS'S continuous improvement processes

Quantitative results

6.4 The key quantitative indicators which reflect continuous improvement in a customer service environment in DSS are the staff and managers' rates against the statements:

- i) 'When problems with quality are identified, we take quick action to solve them';
- ii) 'We work to continuously improve our programs and customer service';
- iii) 'We invest in the development of innovative ideas'; and
- iv) 'We study the best practices of other organisations to get ideas about how we might do things better'.

The quantitative results are shown in Figure 6.1



- On the first indicator, that of organisational responsiveness to quality issues, National Administration and local managers rate DSS at the median level with respect to the Forum database, while Area managers and staff in local offices rate DSS at the 35th percentile. The ANAO notes, however, that the absolute difference in the rates of the groupings is not significant.
- The other indicators of continuous improvement give results on:
 - implementation of continuous improvement processes (indicator ii);
 - investment in improvements (indicator iii); and
 - external benchmarking (indicator iv).

6.5 On these indicators, both National Administration and Area managers rate DSS very highly with respect to the Forum database. However, local managers ranked DSS significantly lower (between the 51st and 62nd percentiles for all the indicators), with staff rating DSS below the rates of their managers.

6.6 In summary, these indicators point to a perception across the organisation that the responsiveness to continuous improvement could be improved and that, while the organisational commitment to continuous improvement is high at the National Administration and Area manager level, this perception is not shared to the same extent at the local level.

Qualitative results

6.7 In order to more fully understand continuous improvement in the Department, the audit team examined initiatives undertaken in DSS to improve the efficiency and effectiveness of customer service. Continuous improvement was also raised as an issue within interviews and employee focus groups.

Practices and developments consistent with good practice

6.8 DSS has a number of practices and developments, in place or under way, which are

consistent with the good practice guidelines outlined above. These include:

- the development of a Continuous Improvement Framework, which was endorsed by Corporate Management Committee in September 1995;
- investment in the development of numerous innovations, such as the work on job redesign and associated initiatives, including a new quality assurance system, and the development of the one-stop shop concept through, for example, the Family Service Centres;
- recent work on reengineering business processes on, for example, the entry point to Social Security for all persons unable to work due to incapacity, and the call to tender for such work on the entry by the unemployed into the proposed new service delivery agency;
- Continuous Improvement project on the continuation of payment process (SU19) and Job Search Allowance New Claim Processing that aims to eliminate inefficiencies in operations, improve processing arrangements and increase standardisation of efficient work practices across the network;
- development of a best practice guide for the Location and Transfer of Customer Files and on Activity Management;
- regular involvement by staff from the network in the design and development of programs and procedures by National Administration. This has usually taken the form of secondments of network staff to National Administration, but more recently the development of a User Assurance Testing Facility has provided network input prior to the Pensions Common Platform systems release and will be considered for similar situations in the future. A further recent development is the Host Area Partnership Model, which formalises input between individual programs and the network by allocating particular Areas to link with program areas in National Administration;
- the existence of an Innovative Ideas Scheme, and formerly the Administrative Staff Suggestion Scheme, as a mechanism by which all staff can contribute ideas for improvement at a National level. There is an Innovative Ideas Register on the system which tracks the currency of suggestions and provides an action officer; and
- the undertaking of benchmarking associated with a number of developments. These have included participation in a Price Waterhouse Urwick International Customer Service Benchmarking Study, visits to Citibank and the New Zealand Income Support Service on office layout, a number of large banks and Australia Post on area consolidation, and the NRMA, Ansett and Prospect Electricity (now Integral Energy) on teleservice.

Continuous improvement in local offices

6.9 Both staff and managers in local offices perceive continuous improvement to be an accepted part of network office operations. Numerous mechanisms for making improvements were outlined, including work-based teams, section meetings, visits to other offices to look at specific issues like new accommodation, sharing of ideas via electronic mail or at meetings at an Area level. A couple of offices included in the field work outlined good practices coordinated through their Area Offices which addressed issues such as the identification of areas with potential improvement, identification of best practice within the Area and communication of good practices across the Area.

Assessment of Continuous Improvement Framework

6.10 While the Continuous Improvement Framework represents a significant step forward, there is scope for improvement in the framework in a number of key areas, including:

- The selection of major processes to be investigated by project groups is not sufficiently focused, nor does it use customer information as a driver to prioritise projects. The use of recent external customer research to improve TSCs is an exception.
- Local offices are largely provided with little direction as to what aspects of their operations should be improved, with potential to duplicate efforts across the network.
- There is still potential under the Framework for the development of local practices which do not comply with administrative policies.
- While there is some recognition of the need for training for continuous improvement teams, the overall infrastructure required for such teams, as outlined in Appendix 1, has not been addressed.

6.11 While the framework does recognise that some 'best practice' exercises would identify procedures which must be adopted universally, there are others which could be varied by the local office.

Lack of adoption of better practice operations in local offices

6.12 In contrast with customer-focused organisations which have operations that vary only within a limited range of options and then only to meet the needs of different customer segments prevalent in different outlets, currently there is no obligation for offices to implement a standard set of operations. This issue has been discussed in detail in a previous audit, *DSS: Regional Staffing and Benefit Processing*. It was still an issue in the offices visited in this audit, although some Areas were seeking to introduce a level of uniformity in their offices, based on the best practices of their offices.

6.13 The lack of standardised good practice operations has implications for the ability of DSS to implement a robust continuous improvement system, as offices are identifying potential for improvements from varying bases.

Impacts of the current continuous improvement approach in DSS

6.14 Because of these shortfalls there are impacts on the efficiency and effectiveness of the continuous improvement efforts in the network and in National Administration, as the following examples indicate:

- With the current arrangements, there is potential for overlap or reinventing the wheel in the network and for local practices to develop which are not consistent with, or work against, standardised better practices. A key example of this is the development of appointments. Until recently, the introduction of appointments has been largely left up to local offices, with support from Area Offices. Although there have been visits to offices that have implemented appointments by those seeking to introduce this practice, there has been little overall guidance. Consequently, the way appointments are booked and used varies between Regional Offices, resulting in reported difficulties for Teleservice Centres which are required to make bookings for a number of Regional Offices.

6.15 Examples were provided of effective mechanisms to share local initiatives within Areas, but there are no consistently used mechanisms to share information on improvements across Areas. The internal DSS newsletter 'Onwards and Upwards' provides one mechanism, but publication has been infrequent.

- The way processes are improved or identified as worthy of benchmarking studies is on an ad hoc basis with little in the way of consistency or overall direction.
- The current lack of a clear direction to local offices on what aspects of their operations need to be improved has the potential to result in a greater diversity in operations, including the development of practices which do not comply with administrative policies. The ANAO recognises that completely standardised operations across the network are neither practical nor desirable, as customer needs and expectations will vary according to, for example, demographic and geographic factors and current front-counter layouts. However, practices need to be standardised within a limited range of options.

Processes for suggestions sent to National Administration can be improved

6.16 While the continuous improvement culture has developed in local offices and National Administration, there is a perception by many of the staff interviewed that the means by which suggestions for improvement are provided to National Administration through, for example, the Innovative Ideas Scheme, has significant opportunities for improvement. In particular, staff perceived that suggestions 'made up the line' do not result in staff receiving prompt feedback on the progress of their suggestion. In the past staff have not always obtained acknowledgment that their suggestions have been received, nor any recognition of the origin of implemented suggestions. Such practices are critical to maintaining staff enthusiasm for making suggestions. While there is an Innovative Ideas Register on the system which tracks the currency of suggestions, ANAO field work identified that only one manager out of the eight visited was regularly accessing this information source.

6.17 In addition, the ANAO considers that there is potential for the Department to lose a valuable source of information for policy development, that from customer service staff, once the proposed service delivery agency is established.

Implementation issues - communication

6.18 There was a perception by some staff and managers in the local offices visited that the quantity of communication received from National Administration has resulted in staff in those offices ignoring much of the communication from National Administration, except what they consider to be essential for their jobs. This has implications for the receptiveness of local staff to implement new processes. (The issue of information flows is discussed in paragraphs 3.35-3.39)

Implementation issues - staff perceive that changes directed by National Administration take little account of local office operations

6.19 There is a perception among some staff that local offices are isolated units receiving directives from National Administration and Area Office, which may in part work against the sharing of improvements and willingness to put suggestions up the line. This perceived gulf is particularly marked when staff discuss National Administration. While Program Managers at National Administration almost uniformly reported significant network input into the

development of initiatives that are expected to be implemented at the Regional Office level, there is little perception from local office staff that there has been such network input.

- Staff in many offices included in the field work had the impression that there was a lack of practical network experience on the part of the developers of initiatives, indicating an issue with the way that initiatives are communicated to the network.
- An alternative view put forward by one focus group was that instructions/initiatives from National Administration reflected 'the lowest common denominator', that is they were an improvement for those offices which had not already improved their operations, but were sometimes impractical or a backwards step for those offices which had. This suggests a more robust approach is required to identify better practice, and also highlights the problems caused by variability in the operations of local offices.

Conclusion

6.20 The qualitative assessment indicates that DSS has in place or has undertaken many initiatives in line with good practice in customer service. The ANAO, however, has identified a number of issues which still need to be addressed These include:

- moving to standardised better practice in office processing and service delivery, based on the needs and expectations of customer segments, to ensure that improvements are identified and implemented uniformly;
- the use of customer information as a driver for continuous improvement;
- the process for suggestions/input to National Administration, which is currently viewed by local office staff as unresponsive;
- coordination of continuous improvement activities to minimise duplication of effort;
- resourcing and training of continuous improvement teams;
- review of the outcome of continuous improvement exercises to ensure compliance with administration policies; and
- communication the results of improvement outcomes to the network, to ensure uniform implementation.

6.21 The ANAO notes that the process of developing ownership in the customer-focused strategic direction, supported by ongoing action by all managers, as outlined in Chapter 2 of this report, should assist in unifying the organisation and thus in implementing an appropriate level of standardisation in operations.

6.22 The ANAO notes that the continuous improvement infrastructure already in place in some of the Areas could form a key building block for the Department in implementing systematic continuous improvement.

Recommendation No. 6

6.23 The ANAO recommends that in moving to the proposed new service delivery agency, DSS build on the continuous improvement culture in local offices by:

- moving to standardised good practice in office processes and service delivery - such practices should be based on the needs and expectations of customer segments; and
- developing infrastructure which assists in identifying and supporting systematic continuous improvement, including:
 - using customer information as a continuous improvement driver;
 - improving the process for suggestions on continuous improvement;
 - coordination of continuous improvement activity to minimise duplication;
 - resourcing and training continuous improvement teams;
 - reviewing the outcome of continuous improvement exercises to ensure compliance with administrative policies; and
 - communicating continuous improvement outcomes throughout the organisation to ensure uniform implementation.

6.24 The ANAO notes that customer segmentation may need to take account of a range of factors including geographic, socio-demographic and benefit type. These factors can only be identified through customer research.

Department response

6.25 The Department agrees with this recommendation. Work within the Disability and Labour Market Branches on re-engineering processes should result in a move to standardised good practice in these areas.



Canberra ACT
19 December 1996

P. J. Barrett
Auditor-General

Appendix 1 - Principles and Good Practice to Ensure a Customer-Focused Organisation

Introduction

1. This appendix outlines the guiding principles and good practices identified in the benchmarking visits to quality organisations. These, along with Forum Corporation's standard assessment instruments, were used in the assessment of DSS with respect to its customer focus.

2. For the purposes of creating a customer-focused environment, customers are individuals or organisations that want or need a product or service from the organisation. They are external

to the organisation.

Creating a Customer Service Environment

3. One of the key functions for senior managers in customer-focused organisations is to create a customer service environment. Research has shown that such an environment has characteristics that include the following:

- *strong alignment* of managers and staff around the organisation's key customer-focused objectives. Alignment is indicated through the level of agreement by managers and staff on the organisation's key objectives;
- a *positive climate* in which staff are encouraged to improve processes for customers; and
- a *strong commitment* by both managers and staff to provide quality customer service.

4. A key tool for creating the climate in which staff can act and the commitment so that they will provide quality customer service is a customer-focused strategic direction. In creating such a strategic direction, there needs to be a process undertaken to ensure that there is ownership by all stakeholders of the organisation, especially managers and staff throughout the organisation. Once created, an important function of all managers throughout the organisation is to reinforce the strategic direction through communication, and to ensure that all decisions and other actions are in line with the strategic direction.

The importance of a strategic direction owned by all in the organisation

5. A customer-focused strategic direction owned by everyone in the organisation provides:

- inspiration to employees to do their best. A truly integrated and permeating strategic direction energises people, mitigating against staff members becoming overwhelmed by the routine and pressures of their work. It can provide true challenge and purpose to the work of the organisation; and
- guidance on decision-making, aligning all the organisation's parts so that they can work together to achieve the vision, which assists managers and staff to develop loyalty to the organisation as a whole rather than just to their own work units. It allows managers and staff to stay on course during routine decision-making, ensuring that effort is focused on things which can truly add to achieving the ultimate goal.

Components of a strategic direction

6. In developing a strategic direction there are number of components which need to be included:

- *Vision* - a customer-focused vision is a clear and simple picture of an ambitious, but achievable, desirable future state that is connected to the customer and better in some important way than the current state. In order to shape such a vision, senior managers need to address the following issues:
 - the kind of organisation that is wanted;
 - what the organisation will be like for customers and staff once the vision has been achieved;

and

- the place of the organisation's values in the vision of the future.

7. *Mission* is a clear and unambiguous statement about the central purpose of the organisation. Mission statements can identify the organisation's potential and actual customers, take account of customer needs and expectations, and provide direction for what an organisation does and does not do.

- *Strategy* is how the organisation intends to achieve its purpose and vision over an extended time scale.
- *Values* of the organisation are a statement of beliefs and principles that guide behaviour of all in the achievement of the organisational purpose.

Ensuring that the strategic direction is customer-focused

8. In developing an initial strategic direction, seniors managers need to be immersed in information about three key aspects of their organisation:

- customer needs and expectations;
- opinions of staff and managers; and
- the key processes of the organisation.

Steps to ensure ownership by key stakeholders

9. There are a number of steps which should be undertaken by senior managers to ensure that the strategic direction is owned by managers and staff in the organisation, as well as by other key stakeholders. These include:

- the development of an initial draft strategic direction by senior managers;
- the distribution of the initial draft to key stakeholders, to allow them an opportunity to input into the development of the strategic direction. One mechanism to ensure that this is undertaken is to set up a series of planning workshops for key stakeholders, particularly staff and managers, to provide them with information about the draft strategic direction, as well as facilitate opportunities for them to provide feedback on the draft;
- upon conclusion of the consultation, senior managers need to redraft the strategic direction to take account of the views of the key stakeholders;
- the revised strategic direction needs to be communicated to all the organisation's key stakeholders, particularly managers and staff, in such a way as to clearly state how their views have been taken into account. A strong sense of ownership by managers and staff is invaluable in securing their commitment to implement the organisation's strategic direction;
- the strategic direction needs to be communicated constantly to staff and managers in the organisation; and
- all managers in the organisation need to demonstrate by their actions and decisions their commitment to the strategic direction; that is, management actions and decisions use the strategic direction as a guide.

Link between organisational objectives and strategic directions

10. At any time, organisations need to set a limited number of objectives that need to be achieved by the organisation. To ensure that all in the organisation can work to the same objectives, they need to be customer-focused, aligned with the strategic direction, and communicated to all in the organisation. Research has shown that most organisations have difficulty in focusing on more than three strategic objectives at any one time.

Staff - the Link between Customer Service and Human Resource Management

11. The Human Resource Management Strategy is an important tool that needs to be employed to achieve customer-focused strategic objectives. There are a number of different elements of people management which need to be addressed in and implemented through an integrated HRM Strategy, in order to deliver natural, consistent and recognisably good service. These include:

- recruitment - hiring people who like working with other people;
- training staff from the time they are hired, to ensure they are well prepared and able to provide high-quality service to customers in line with the organisation's goals;
- ensuring that support areas of the organisation treat all staff as internal customers of the organisation by providing them with the same high quality of service as they themselves are expected to provide the organisation's customers;
- providing staff with clear direction on their role within the organisation, feedback on their work efforts, and rewarding behaviour that is in line with expectations;
- empowering staff, for example, by allowing them to make decisions about some aspects of their work; and
- ensuring all managers have the management and leadership skills to create and sustain a customer service environment.

Recruitment

12. The Malcolm Baldrige National Quality Award (the US equivalent of the Australian Quality Awards) refers to 'hiring people who like people'. Research and practical evidence confirm that some people are better at providing customer service than others, no matter how much training and positive reinforcement is lavished on them. The quality of selection is a critical success factor.

13. Some of the organisations visited in the benchmarking exercise had specific policies to recruit staff who enjoyed customer contact. They considered that it was easier to train staff in their business than to change basic attitudes.

14. Recruitment criteria need to be linked to job competencies.

Staff training

15. Customer-focused organisations recognise that staff displaying a lack of skill or knowledge about the organisation's products and services is immediately off-putting to

customers. If customers do not have confidence in the member of staff who is dealing with them, it reflects on the confidence that they have in the organisation as a whole. Therefore, in addition to knowing about the expectations of customers, staff need the following skills and knowledge:

- technical knowledge and skills;
- knowledge of the organisation's products and services;
- knowledge about the business of the organisation;
- customer interaction skills, including problem-solving, teamwork and complaints handling.

16. To ensure that staff have the skills and knowledge essential to serve customers well, good practice organisations have upgraded and changed the way in which they design and implement training programs to ensure that they play an integral role in delivering the organisation's desired outcomes. In particular:

- staff are assessed against the competencies required for their work;
- gaps are identified;
- training is undertaken; and
- results are assessed.

17. In order to provide a comprehensive customer service, staff require skills and access to knowledge of the full range of products and services provided by an organisation. Customer handoffs are to be avoided: customers who have to be referred to another staff member because they have an inquiry about another service or product are not receiving good customer service, particularly if it involves another queue and having to repeat information they have already provided in that visit.

Internal customer service

18. Customer-focused organisations recognise that a key to providing quality customer service is happy customer service staff. Happy staff are ones who are not only motivated and trained to serve customers but who are provided with the tools and support to do their jobs well. In particular, customer service staff are treated with respect by others in their organisation, in the same way as they themselves are expected to treat the external customers. In addition, they are supported by such resources as:

- reliable systems, including IT systems;
- supportive managers; and
- staffing resources which reflect their workloads.

Staff motivation

19. In customer-focused organisations, staff are provided with clear direction and feedback/rewards on performance by their managers to achieve a high level of motivation to serve customers well.

Clear direction

20. Managers in customer-focused organisations communicate to staff the organisation's strategic direction and how the work of the staff fits into the vision. As a result, staff know:

- what to anticipate in their daily work;
- that they are expected to contribute to improving the way they undertake work;
- how their performance will be measured;
- how they will be recognised and rewarded for good work; and
- the importance of the customer in every decision the organisation makes.

Feedback/rewards on performance

21. Managers in customer-focused organisations reinforce their expectations of staff through the provision of incentives such as tangible and intangible rewards. There are many ways by which behaviour can be recognised and rewarded. These can include:

- financial rewards;
- recognition by management and peers by, for example, awards;
- promotions or advancements within grades;
- extending responsibility; and
- training and development opportunities.

22. Rewards can be given on an individual or team performance basis. Appraisal can be systematic through a performance management system using a range of standards, and peer and/or customer evaluation.

23. All of the organisations visited in the benchmarking exercise had established reward systems or were in the process of establishing such systems. The organisations commented that, in terms of motivation, the monetary value of any rewards was secondary in their view to the creation of a customer service ethic in the work environment, and the satisfaction employees receive from doing a good job for customers.

24. Customer-focused organisations recognise that promotion based on attitudes and behaviours that support customer service reinforces those attitudes and behaviours in their organisations.

Staff empowerment

25. With all the key support mechanisms in place, customer service staff will want to serve customers well. To fully utilise this motivation, managers in customer-focused organisations:

- empower their staff to make decisions quickly to help customers. They encourage and allow their staff to make decisions. Mistakes are seen as opportunities for staff to learn rather than to receive blame; and

- involve staff in decision-making, particularly in aspects of improving the quality of customer service. This is explored more fully in the section below, 'Continuous improvement'.

Management and leadership skills

26. In customer-focused organisations, managers have the competencies to create and sustain a customer service environment by:

- motivating staff through:
 - setting out a clear direction for the organisation and staff's role in it;
 - providing feedback and rewards for good performance; and
 - coaching staff;
- collaborating across the organisation through:
 - building trust with others through consistent performance;
 - working with others to build solutions;
 - involving others in the implementation of solutions; and
 - representing the corporate organisation externally.
- leading their work units through:
 - interpreting the internal and external environments that affect both themselves and their staff;
 - providing meaning for the work of the group;
 - mobilising and involving individuals with different skills, ideas and values to carry out the work of the group; and
 - inspiring individuals to achieve results and sign up staff for the long term.

27. In order to create and sustain a customer-focused environment it is very important that managers throughout the organisation have these competencies and access to structured management and leadership training to develop skills where there are assessed performance gaps.

28. Managers' performance should be linked to and measured against achieving customer-focused objectives.

Communicating with the Customer

29. In the section 'Creating a Customer Service Environment' above, we have stated the importance for customer-focused organisations to develop an unambiguous strategic direction for the organisation based on customer information and the role that customer information has in its initial development. It is also critical that customer information drives continuous improvement in a customer-focused organisation.

30. In seeking information from customers, there are four key questions constantly

challenging customer-focused organisations:

i. Who are our customers?

ii. What are the customers' needs and expectations (by customer segment, if applicable), and which of these needs and expectations matter most to the customers?

iii. What is the perception of customers on how well the organisation is meeting those needs and expectations?

iv. How can the organisation use the information to ensure that customers are consistently satisfied by meeting or exceeding their expectations or alternatively to shape customer expectations in line with what the organisation can deliver?

31. There are a number of key ways which organisations manage these issues; for example, through:

- customer research;
- providing opportunities and encouragement for all staff and managers to meet with and receive feedback from customers;
- communicating with customers to help shape their expectations; and
- the development and setting of performance indicators that take account of customer needs and expectations.

Customer research

32. There are a number of mechanisms, both qualitative and quantitative, for gathering information on customer needs and expectations and their perceptions of performance. These include:

- customer focus groups;
- quantitative customer surveys;
- customer forums or councils, which can include participation by senior management;
- analysis of complaints and compliments collected through, for example, feedback cards;
- mystery shopping - an anonymous person poses as a customer and assesses customer service against set criteria;
- call-backs to customers after a customer service interaction; and
- using trained staff to provide feedback either through interviews or focus groups.

33. This information needs to be disseminated throughout the organisation in such a way as to command attention, result in action, and be reflected in decision-making.

Meeting with customers

34. To ensure that customer data collected can be put in context, both managers and staff

throughout the organisation need to have and take up opportunities to meet with customers. While there is value in managers meeting with customers to model desired behaviour to staff, more importantly direct contact with customers by key decision-makers in organisations is a learning experience that can ensure the impact of their decisions is understood on a first-hand basis, indicate what is missing in other sources of customer data received, and result in new insights to serve customers better.

Shaping customers' expectations

35. Customer-focused organisations minimise customer dissatisfaction by ensuring that their customers are provided with information that helps shape realistic expectations in line with what the organisation can or chooses to deliver. There are four steps that can ensure this is achieved:

- realistic outcomes for products and services are set by the organisation based, where possible, on customer needs and expectations;
- the limitations of products or services are acknowledged forthrightly;
- the uses of products or services are clearly communicated to customers; and
- information is given to customers to explain the organisation's options and how it has elected to choose between them.

Development and use of customer-focused performance indicators and standards

36. To ensure that an organisation:

- focuses work efforts on meeting those things which matter most to customers;
- knows whether its customers are consistently satisfied;
- knows whether it is exceeding customer expectations; and
- understands the impacts on customers of improvements it is making for its customers,

a customer-focused organisation will develop performance indicators and set performance standards that take into account customer needs and expectations. Performance standards need to be set to reflect the consistent performance that an organisation can deliver. If the standard does not meet customer needs and expectations in an area that is important to customers, the associated process needs to be given priority for improvement. Standards should be communicated to customers. The link between performance indicators and standards and the continuous improvement cycle is discussed in the 'Continuous Improvement' section below.

37. Organisations can also have internal performance targets, which are those targets for which the organisation aims within a set period as opposed to the standard performance which occurs when the current processes are operated in their designed manner. These targets are not necessarily communicated to customers, as they can set up unrealistic expectations.

38. Performance indicators can be linked to internal processes, for example the time taken to fill an order, or else be measured through customer feedback, for example the perception of an organisation's performance in delivering a particular service.

Becoming a Customer-Friendly Organisation

39. There are two key ways by which customer-focused organisations ensure that their operations are customer-friendly. Firstly, they ensure that it is easy for customers to do business with the organisation. Secondly, they make it easy for customers to complain if customers perceive difficulties with products or services; they act on complaints quickly to address the issue for the complainant, as well as ensure that the underlying causes of the problems are systematically addressed to eliminate repetitions of the occurrence.

Making it easy to do business

40. Customer-focused organisations ensure that their operations are customer-friendly by:

- analysing and changing their operations, including the interface with customers' to ensure that customer interactions are as smooth as possible and do not contain steps which do not add value to the internal and external customers;
- examining their policies in order to eliminate those which are unnecessary and unfriendly to customers. It is acknowledged that in most organisations there are policies which are necessary and unfriendly to customers-because of regulations, legislation, or simply to ensure profitability-but customer-focused organisations examine each of their policies to minimise the number and impact of ones which are customer-unfriendly; and
- ensuring that operational areas are focused on the key aim of serving customers rather than on internally competing with one another. The performance indicators by which the success of the operational areas are measured need to be aligned with customer satisfaction.

Customer complaints

41. For many years organisations have viewed complaints as a problem. Complaints registers have been used as indicators of dissatisfaction. However, research has shown that complaints provide invaluable information. Giving customers the opportunity to complain or offer suggestions and comments can lead to significant improvements in customer service.

Opportunities provided by complaints

42. Complaints provide a number of opportunities:

- to put things right for individual customers;
- to identify areas where service can be improved to eliminate the cause of complaints;
- to avoid the harm to the organisation caused by dissatisfied customers complaining to family, friends or colleagues;
- to supplement on a continuing basis the market information gained from other forms of customer research; and
- to monitor the results of process improvements.

Getting customers to complain

43. Research shows that few customers complain. A study by the Technical Assistance

Research Program (TARP) organisation found only 4 per cent of dissatisfied customers write letters of complaint. Customers don't complain for many reasons' including:

- they think complaining won't do any good;
- complaining is difficult;
- they feel they are being pushy and feel uncomfortable in this role; and
- they feel they may be disadvantaged by complaining.

44. There are a number of things that organisations can do to make it easy for customers to complain and then to use the opportunities that complaints offer. Methods which organisations can use to facilitate customer complaints or to obtain customer feedback include:

- advertising in the organisation's offices and publications that feedback is welcomed and will be acted upon;
- using telephone customer relations or hotlines for customers to ring in;
- telephoning customers to solicit complaints and comments;
- providing ready access to forms or cards on which customers can write feedback;
- conducting focus groups with customers;
- listening to and acting upon complaints quickly; and
- capturing hearsay from staff of what customers say to them.

Resolving complaints

45. Complaint resolution processes need to be simple, fast and efficient from the customer's point of view. Good practice in complaint handling indicates that complaints should, where possible, be dealt with on the spot, as the longer it takes to satisfy customers after they have complained the more likely it is that customers will not respond to a recovery strategy. Staff receiving complaints require the skills (including customer interaction skills) and the authority to address the majority of complaints, because customers will be frustrated by complaining to someone that they perceive cannot solve their problem. There is a recognition, however, that not all complaints can be resolved immediately. Good practice would suggest that initial complaint handling has proper back up and mediation.

Using complaints data

46. In order to ensure that problems for customers do not recur, leading organisations record and track the causes of problems and comments to identify service deficiencies. This provides a key source of information driving the organisation's continuous improvement process.

47. Complaints are a very valuable source of customer information, and their proper handling is a key by which organisations can enhance customer satisfaction.

Continuous Improvement

48. Customer-focused organisations have in place a robust process for implementing continuous improvements.

Setting the scene

49. Before such organisations can identify what needs to be improved they need to set the strategic direction for the organisation: that is, they need to be clear about who their customers are, what they are trying to achieve and broadly how they are going to achieve these outcomes; otherwise improvement efforts may not be consistent with helping the organisation achieve its objectives.

Identifying improvement opportunities

50. Such organisations understand the impact of their processes on customers and what customers need and expect from the output of those processes. This information is sought from customers themselves to gain an understanding of the problems of doing business with the organisation and the gaps between customer expectations and perceptions of service. Information is also sought from the staff who serve customers directly, as these people have valuable perspectives about sources of frustration and rework in the organisation, and gaps between what the organisation is trying to achieve and customer satisfaction.

Systematic approach to continuous improvement

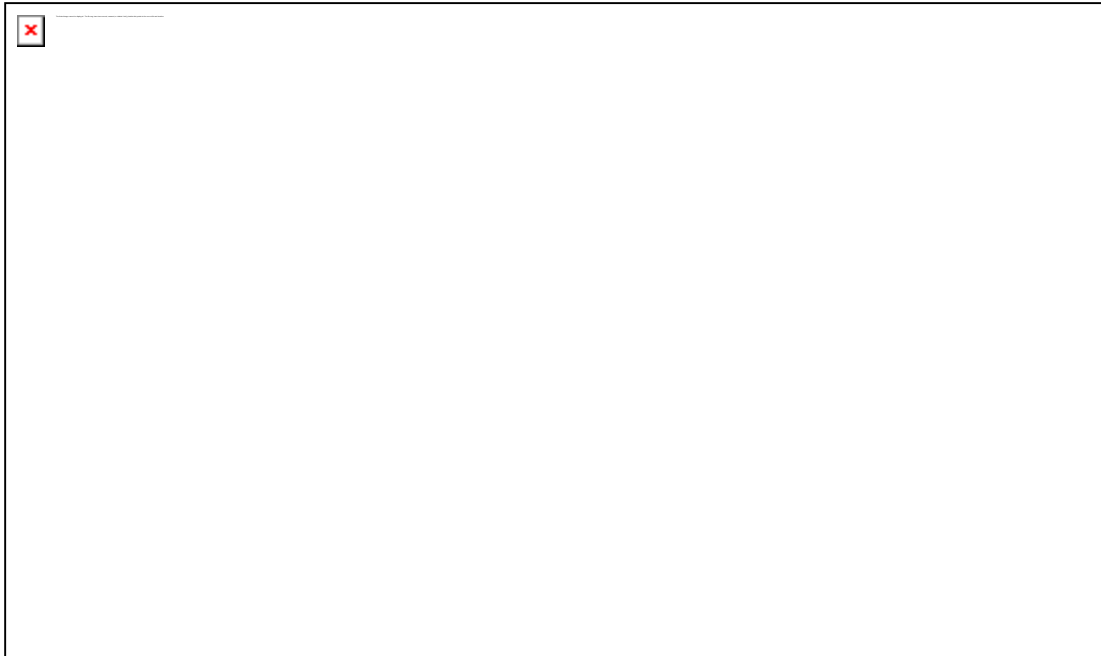
51. Recognised customer-focused organisations also have continuous improvement implementation plans in place to ensure that improvements are achieved systematically. Such plans address issues such as:

- identifying and prioritising the processes which need to be improved in a way which can address quality issues quickly;
- infrastructure to support the work of teams, including:
 - the formation and resourcing of continuous improvement teams;
 - the accountability/reporting mechanism to the organisation executive to ensure, for example, that improvements are consistent with organisational policies;
 - training for the teams; and
 - systems for transferring the learnings of teams throughout the organisation and thereby ensuring the standardised adoption of best practice throughout the organisation;
- communication and implementation of the outcome of the teamwork; and
- the measurement of performance measures to ensure that the improvements have achieved the performance target required.

52. In forming the continuous improvement teams, where the suggestion for an improvement has come from a member/s of staff, consideration is given to the inclusion of that person or a representative of the group, to be a member of the team. This helps ensure that there is commitment to the process improvement. Timely recognition or rewards need to be given to staff suggestions to assist in encouraging this process.

53. Continuous improvement teams use reliable tools and processes in their work. These include business process mapping and external benchmarking to learn from other recognised good practice organisations.

54. The following figure shows a simplified version of the continuous improvement cycle.



Quality assessments

55. Recognised good practice organisations regularly take part in external or internal quality assessments. During the benchmarking exercise associated with this audit, use of the following tools was identified:

- participation or planned participation in external quality awards such as the Australian Quality Awards, Customer Service Awards, and the Banksia Awards;
- participation in industry/process benchmarking studies organised externally by, for example, the Australian Quality Council; and
- internal benchmarking using the Australian Quality Award criteria, Forum Corporation customer-focus criteria and internally developed quality criteria.

56. In some of the organisations benchmarked, there was a link between the outcome of such assessments and remuneration of managers and sometimes of staff. The assessments were also used to pinpoint quality problems which needed to be addressed through the organisation's continuous improvement process.

References

57. In addition to the expert advice provided by Forum Corporation, the following publications were drawn upon in the development of the principles of customer focus. These references are suggested to those readers seeking further information on this topic.

Blanchard, K. and Bowles, M. (1993) *Raving Fans*, William Morrow and Company, New York.

Burke, W. and Litwin, H. (1992) 'A Causal Model of Organisational Performance' in *Journal of Southern Management*, 18 (3), pp. 523-545.

Conger, J. (1992) *Learning to Lead: The Art of Transforming Managers into Leaders*, Jossey-Bass Management Series, San Francisco.

The Forum Corporation (1992) *Achieving Results With Customer - Focused Quality Teams: An Implementation Guide*.

Walker, D. (1994) *Customer First: A Strategy for Quality Service*, Gower Publishing, England.

Whiteley, R. (The Forum Corporation) (1991) *The Customer Driven Company: Moving from Talk to Action*, Century Business, London.

58. Managers and staff from the following organisations graciously provided their time to the ANAO and DSS to be included in the benchmarking visits on the audit. Guidance on good practice from the organisations is incorporated above.

- Australia Post
- Avis Australia
- Integral Energy
- Manuka City Council
- National Roads and Motorists' Association
- New Zealand Income Support Service
- St George Bank
- Wollongong City Council

59. Discussions were also held early in the audit with representatives from the Australian Quality Council and the Customer Service Association. It should be noted that there is a high degree of overlap of the criteria for the Australian Quality Awards and Customer Service Awards with The Forum Corporation criteria for customer-focused organisations.

Appendix 2 - Methodology

Broad approach

1. In undertaking this audit, the ANAO adopted the methodological approach developed and used by Forum Corporation to assess organisations for their customer service capacity. Forum Corporation has undertaken research which demonstrates that a range of measurable organisational characteristics are linked to customer service outcomes. So called 'customer-focused' organisations satisfy their customers' needs and expectations on aspects of service which matter most to the customer. The staff and managers of such organisations rate their organisation on indicators which measure these characteristics using a survey instrument.

2. In undertaking this audit, the ANAO undertook:

- a survey of staff and managers in 30 Regional Offices, DSSOs and Teleservice Centres, all Area Managers and all National Administration senior executives;
- focus groups and interviews in seven Regional Offices and one Teleservice Centre, and with Area and National Administration managers to gain a fuller understanding of the quantitative survey results;
- a qualitative assessment of DSS operation and initiatives against the audit criteria (which reflect the organisational characteristics resulting from Forum's research); and
- a benchmarking study with recognised good practice organisations on identified significant issues for the DSS.

Partnership with DSS

3. At an early stage in the audit, DSS expressed an interest in working closely with the ANAO, an interest which was welcomed by the ANAO.

4. To facilitate this, the ANAO and DSS formed a partnership arrangement to allow the Department input into the conduct of the audit and early access to audit results, while ensuring the ANAO's independent assessment of customer service in DSS. This has involved:

- extensive discussion with the Department at both the senior management and officer levels on aspects of the survey;
- a joint broadcast, involving DSS, ANAO, and the expert consultant, Forum Corporation, to the network on the conduct of the survey;
- early access by DSS to the audit results, particularly the survey results;
- discussion on the interpretation of the results;
- joint ANAO/DSS visits to recognised good practice organisations for benchmarking; and
- comments from the Department on early drafts of the report.

5. At the request of the Department, the ANAO expanded the survey to include, for example, offices in each Area across the network, resulting in a sample which was considered by the ANAO to be larger than required for audit purposes alone. As the survey was organised by Forum Corporation on behalf of the ANAO, the ANAO incurred extra consultancy expenses in this regard. To compensate the ANAO for these extra expenses, DSS has contributed towards the cost of the consultant.

Audit criteria

6. The audit criteria used closely reflect the organisational characteristics which Forum Corporation has identified as being highly correlated with customer service outcomes. These are shown in Table A2.

Table A2 - Audit Criteria

Customer Service Environment
With DSS there is alignment around the key strategic objectives on which the organisation is

working hardest

Within DSS there is agreement about who their 'real' customer is

DSS is totally committed to the idea of quality

DSS strives to be the leader in its field internationally

DSS is totally committed to the idea of creating satisfied customers

DSS's goal is to exceed the expectations of customers in the things that matter most to them

Serving customer needs takes precedence over serving internal needs

Rather than having to undo mistakes, DSS aims to 'do things right' the first time

Managers demonstrate with their actions that customer satisfaction is important

When it comes to serving customers, there is an expectation that DSS will be doing better a year from today than now

Customer-focused Human Resource Management

Being customer-focused is an important factor in determining who gets ahead in DSS

Employees at all levels have a good understanding of programs and customer service

Employees are cross-trained so that they can fill in for each other when necessary

Employees are treated with respect by others in the Department

Employees who work with customers are supported with resources that are sufficient for doing the job well

Employees are encouraged to go 'above and beyond' to serve customers well

Employees feel they are involved in an exciting enterprise

Employees at all levels are involved in making decisions about some aspects of their work

Even at lower levels of DSS, employees are empowered to use their judgment when quick action is needed to make things right for a customer

Customer Communication

Key managers have a clear understanding of customer requirements

All employees have a clear understanding of what customers expect of DSS

DSS knows how customers define 'quality'

DSS regularly asks customers to give feedback about performance

DSS knows which attributes of programs or customer service customers value most

Employees at a variety of levels and functions are provided with opportunities to meet with customers

Managers have frequent contact with customers

When it comes to administering programs, DSS plays a consultative role with customers

In advertising and promotional materials, DSS avoids promising more than it delivers

DSS regularly gives information to customers that helps shape realistic expectations

Customer-friendly Organisation

DSS looks for ways to eliminate internal procedures and systems that do not create value for customers

DSS makes it easy for customers to do business with it

In the process of serving customers, each part of DSS cooperates with the others rather than competes with them

Information from customers is used in designing programs and customer service

DSS makes it easy for customers to complain to it about programs or customer service

DSS makes it easy for customers to appeal against decisions

DSS tries to resolve all customer complaints

DSS monitors customer complaints

Customer complaints are regularly analysed in order to identify quality problems

Continuous Improvement

When problems with quality are identified, DSS takes quick action to solve them

DSS works to continuously improve programs and customer service

DSS invests in development of innovative ideas

DSS studies the best practices of other organisations to get ideas about how things might be done better

Pilot survey

7. Familiarisation visits were conducted by the audit team to an Area Office, Regional Office and Teleservice Centre in the lead-up to the pilot. Groups of staff and managers were interviewed during these visits.

8. Prior to the conduct of the survey of managers and staff, the ANAO conducted a pilot survey, focus groups and interviews in two DSS Regional Offices. The purpose of the pilot was to:

- identify issues associated with the wording of the survey instrument and the proposed conduct of the survey; and
- provide an indication of the issues which would be of value to explore in the benchmarking study.

9. The pilot achieved its intended outcomes in close consultation with DSS National Administration.

Survey of staff and managers

Survey scope and coverage, and sample selection

10. The survey was aimed at:

- staff (e.g. ASO1s to ASO4s, specialist positions) in local offices (Regional Offices, DSSOs, and Teleservice Centres);
- managers in local offices (e.g. office manager, deputy office manager, and section managers);
- Area Managers; and
- National Administration senior executives.

11. Twenty-six Regional Offices, two DSSOs, and two Teleservice Centres were selected for inclusion in the sample in close consultation with DSS. The selected sample was carefully checked by the ANAO for distribution across a range of indicators, with necessary adjustments made to ensure that the selection reflected a spread across:

- Areas;
- performance rankings;
- office size;
- geographic locations (metropolitan, urban satellite, country, country-coast, and remote);
- accommodation type; and
- special features (for example, high levels of particular customer segments, participation in trials of national customer service initiatives).

12. Within the selected offices, all managers were asked to fill out the survey, as also was a sample of other staff the percentage of which depended on the size of the office, with a minimum of 50 per cent of staff surveyed in any one office. The minimum number of staff and managers selected in any one office was 30 unless the office size was below this, in which case the whole office was included in the survey.

13. A joint ANAO, Forum Corporation, and DSS satellite broadcast was conducted to introduce the survey to the network. This was followed up by detailed instructions to the selected offices.

14. All Area managers and National Administration senior executives were asked to respond.

15. A total of 1100 survey forms were distributed, with 1031 completed survey forms returned, giving a response rate of almost 95per cent.

Survey instrument

16. Based on the organisational characteristics identified by Forum Corporation, the survey instrument was modified to take account of the pilot survey results. Care was taken to ensure that the modifications would not impact on the ability to benchmark the information against the Forum database.

17. The survey instrument had three separate parts:

- The first part was used to measure strategic alignment. Respondents were required to

nominate the three objectives which 'the Department is working hardest to attain'. The standard list of objectives was extensively modified so that 14 out of the list of 18 closely reflected some of DSS's goals, strategies and priorities outlined in its Strategic Plan 1995-2005. The changes to the content of the list do not impact significantly on the analysis of the results.

- In the second part of the survey instrument, employees were asked to indicate the extent to which they agreed with statements which reflected customer focus action areas, closely reflecting the audit criteria listed in Table A2 (excepting the first audit criteria on alignment with strategic objectives) and the customer-focused organisational characteristics identified through Forum Corporation's research. Respondents were able to nominate their level of agreement based on a score of 1 to 7, with 7 being agreement 'to a very great extent'.
- The third section of the survey instrument asked respondents about demographic information, e.g. length of employment, job level, organisation area, and employment status.

Analysis of survey Strategic alignment

18. Forum's research and experience have shown that organisations have difficulty maintaining their focus on more than three strategic objectives at a time, with managers and staff in customer-focused organisations strongly focused and aligned around their key strategic objectives. In such organisations, managers and staff will nominate the same three objectives when choosing from a list of possible objectives; that is, when the percentages of staff/managers who nominate particular objectives are summed for the three most nominated objectives, the result is at or close to 300 per cent, with the same top three objectives nominated for each grouping of employees across the organisation.

19. The level of alignment is measured by the extent to which the sum of the percentages of respondents nominating the three most commonly selected objectives is close to 300 per cent, and the extent to which groupings of employees nominate the same three objectives most frequently. The analysis was conducted for the four separate groups of employees (National Administration managers, Area Managers, managers in local offices and staff in local offices). Appendix 3 provides the detailed results.

20. The sum of percentages of the three most nominated objectives was then compared against Forum Corporation's database.

Customer-focused action areas

21. For each of the customer-focused action areas, the mean and variance were calculated for each particular group of employees (National Administration managers, Area Managers, managers in local offices and staff in local offices). Separate results were also calculated for each particular local office as well as aggregated over all local offices.

22. The calculated mean of these results was compared with the score of the top-ranking organisation in the Forum Corporation's database, and the DSS calculated percentile compared with the database overall, to identify how DSS had scored. The results are shown throughout this report.

Employee focus groups and interviews

Employee Focus Group/Interview topics

23. The topics for employee focus group and interview questions were developed in conjunction with DSS to explore the survey results, particularly concentrating on areas for which there was no obvious or mutually agreed understanding of the results. Separate questions were developed for staff in local offices and for managers. A list of topics reflecting aspects of the audit criteria was also prepared separately for discussion with and information collection from local office managers.

Conduct of employee focus groups and interviews

24. Seven Regional Offices and one Teleservice Centre included in the survey were selected for participation in the employee focus groups and interviews. The Teleservice Centre was randomly selected from the two in the survey. The Regional Offices were selected on the basis of:

- survey results, to include a range of low-middle-and high-scoring offices;
- geographic location; and
- participation in National Administration initiatives, e.g. Family Service Centres, Job Redesign Trials, and new accommodation designs.

25. At each site, an interview was conducted with the local office manager and the deputy, if applicable. Three employee focus groups were conducted at each office, comprising:

- Section Managers and other members of the office management team as appropriate;
- ASO4s; and
- ASO3s.

26. Both the ASO3 and ASO4 focus groups had approximately five to eight participants each. (In one Regional Office, the ASO4 group was split to allow the office to better manage workloads, resulting in two focus groups.)

27. A focus group of Area Managers was also conducted. One-on-one interviews were conducted with a number of National Administration managers.

28. Separate interviews were conducted with National Administration managers with responsibility for customer service initiatives and areas with potential for significant impact on customer service. Relevant documentation was also sought from these managers.

Benchmarking visits

29. Benchmarking visits were conducted to eight different private and public sector organisations, six within Australia and two in New Zealand. Each of the organisations selected had been recognised for its good practice relating to customer service. Many of the organisations included in the study had recognition either through the Australian Quality Awards or the Australian Customer Service Awards. Organisations delivering service through a large network of offices were also included in the visits, as were organisations which had to deliver quality customer service in a regulated environment. The topics explored with the organisations visited included:

- customer research;
- customer complaints;
- continuous improvement mechanisms; and
- management practices, including development of strategic alignment and leadership practices.

Appendix 3 - Strategic Alignment

Percentage of Respondents (Group Data)				
Objectives	National Administration Managers	Area Managers	Regional Managers	Staff
Ensure effective programs and services that are delivered with fairness, courtesy and efficiency	49	56	36	43
Meet performance standards e.g. timeliness	21	44	36	36
Improve systems reliability, Teleservice operations, quality of advices, and continuously improve the way work is done by applying best practice and innovation	62	50	24	-
Be responsive to Government policy through, for example, timely implementation of Budget initiatives	49	28	-	-
Ensure only those eligible receive payment	26	-	25	22
Improve the way DSS manages its resources (by, for example, living within salary and administrative allocations)	-	-	28	19
Ensure staff have a shared vision and commitment to deliver policies and services in a complex and changing environment	18	39	-	-
Ensure DSS is an effective user of technology to support the development and delivery of social security and related policies and services	-	17	-	-
Improve productivity	-	-	27	23
Respond to customer complaints, representations, and enquiries promptly, accurately and sensitively	-	-	-	31
Top 3% aggregated	160	150	100	110

Appendix 4 - DSS Performance Standards Results and Targets, 1993-94 to 1996-97

Customer Satisfaction

With DSS	Standard	Categories	1994-95 Result	1995-96 Result	1995-96 Target	1996-97 Target
Public Contact	Customers satisfied with service at public contact areas.	N/A	93%	72% (a)	85%	N/A
Overall Satisfaction	Customers satisfied with the services provided by DSS. (b)	Satisfied Neutral Dissatisfied	N/A	80% (c) 12% (c) 8% (c)	N/A	85%

With Telephone Service	Standard	Categories	1994-95 Result	1995-96 Result	1995-96 Target	1996-97 Target
Operators	Customers satisfied with staff helpfulness.	Satisfied Dissatisfied	N/A	94% (c) 6% (c)	N/A	85%
	Customers satisfied with staff friendliness.	Satisfied Dissatisfied	N/A	93% (c) 7% (c)	N/A	85%
Service Quality	Customers satisfied that the information provided was correct.	Satisfied Dissatisfied	N/A	83% (c) 17% (c)	N/A	85%
	Customers satisfied that the information given was recorded correctly.	Satisfied Didn't Know Dissatisfied	N/A	82% (c) 5% 13% (c)	N/A	85%
	Customers satisfied the operator spent enough time with them.	Satisfied Dissatisfied	N/A	91% (c) 9% (c)	N/A	85%

Timeliness - Customer Inquiries

Teleservice Centres	Standard	1994-95 Result	1995-96 Result	1995-96 Target	1996-97 Target
Wait Time	Average YTD Wait Time	N/A	3:58 min(i)	N/A	3:30 min
Referral to Action Officer	Within one minute of initial response.	38%	36%	85%	N/A

Office Waiting Time	Standard	1994-95 Result	1995-96 Result	1995-96 Target	1996-97 Target
Reception	Customer seen within five minutes of entering	90%	87%	95%	N/A

	the office.				
Appointments for Interview	Customer interview within ten minutes of appointed time.	92%	95%	95%	N/A
Referral to Action Officer	Customer seen by appropriate officer within twenty minutes of being seen at reception.	85%	76%	95%	N/A

Office Waiting Time	Standard	Categories	1995-96 Result	1996-97 Target
Appointments	Customers satisfied with the length of time between the appointment time and the time the appointment was held.	Satisfied Dissatisfied	N/A N/A	85%
	Customers satisfied with the length of time between making the appointment and the appointment date.	Satisfied Dissatisfied	N/A N/A	85%

Timeliness - Claim Processing

Payment Type	Standard	1994-95 Result	1995-96 Result	1995-96 Target	1996-97 Target
Age Pension	Payment within 28 days of claim	76%	79%	80%	80%
Disability Support Pension	Payment within 49 days of claim	73%	73%	70%	70%
Sickness Allowance	Payment within 21 days of claim	92%	90%	90%	90%
Child Disability Allowance	Payment within 56 days of claim	77%	78%	80%	80%
Carer Pension	Payment within 49 days of claim	N/A	84%	70%	70%
Job Search Allowance	Payment within 2 working days of first income statement.	81%	81%	80%	N/A
Job Search Allowance Continuations	Payment within 2 working days of continuation form.	95%	95%	95%	N/A
Newstart Allowance	Payment within 2 working days of first income statement.	89%	89%	85%	80% (h)
Newstart Allowance Continuations	Payment within 2 working days of continuation form.	97%	97%	95%	95% (h)
Family Payment	Payment within 28 days of claim.	N/A	88%	85%	85%
Sole Parent Pension	Payment within 21 days of claim.	91%	91%	90%	90%
Maternity Allowance (d)	Payment within 28 days of claim lodgement.	N/A	94%	85%	85%
Parenting Allowance (d)	Payment within 28 days of claim lodgement.	N/A	81%	80%	80%
Special Benefit	Payment within 14 days of claim.	96% (f)	89%	90%	90%
Bereavement Allowance	Payment within 21 days of claim.	78%	79%	75%	75%

Widow Allowance (d)	Payment within 21 days of new claim.	78% (g)	97%	75%	75%
Widow Allowance Continuations (d)	Payment within 2 working days of income statement.	N/A	96%	95%	95%
Childcare Assistance	7 days to decide after claim lodged with Regional Office.	71%	71% (e)	80%	80%

N/A Was not applicable during the relevant financial year.

(a) This result was obtained using a new method of measuring customer satisfaction. An independent market research phone poll of Teleservice Centre customers was conducted. The result achieved against each of the new satisfaction categories was 72% Satisfied, 11% Neutral, and 17% Dissatisfied.

(b) Overall customer satisfaction includes a measure of individual aspects of departmental performance (such as waiting times and telephone service). In 1996-97 detailed measures of customer satisfaction with public contact and mail services will be included in the measuring of overall customer satisfaction.

(c) This result was obtained through an independent market research phone poll. Results shown for 1995-96 are indicators of performance against the proposed new measures.

(d) During 1995-96 these performance standards were internal, not published.

(e) Estimate.

(f) The National standard for Special Benefit in 1994-95 was payment within 21 days of claim.

(g) The National standard for Widow Pension in 1994-95 was payment within 21 days of claim.

(h) This target for Newstart 1996-97 reflects the changes to the payment which has seen Job Search Allowance combined with Newstart.

(i) This result was calculated by averaging wait times recorded for each month during the 1995-96 financial year.

Appendix 5 - How to Interpret Bar Graph Data



Appendix 6 - DSS Response to IT Issues in the Report

<aname="-Appendix6-DSSResponsetoITIssuesintheReport-SystemFaults"System Faults

1. For each major release there are internal TV broadcasts and release bulletins to assist staff in understanding any problems that have occurred. The impact of systems faults on staff has been recognised by the Department's Innovative Ideas Scheme which has allocated funds towards resolving the high priority problems. The resolution of these problems is a major 1996-97 business direction 'Maintain and enhance business applications for better business outcomes'. But it must be understood that many lower priority 'faults' are in fact requests for enhancements. Also, any large scale computing system, particularly one subject to continued change and complexity, will always have an outstanding list of lower priority 'bugs' awaiting attention.

Redevelopment of DSS's Income Security IT Systems

2. The Department is at an advanced stage in the phased redevelopment of its income security IT systems. This will eliminate the remaining technical problems relating to system generated letters in still separate parts of the IT system. The new unified system provides standardised facilities and process across all groups of customers and greatly enhances existing facilities. A large number of cross-Program elements (eg person data) and specific income security programs (Parenting Allowance, Pensions and Mature Age Allowance) have already been implemented - also, the Family Payments Program had previously been build as a prototype. There is work to be done on the remainder of the Unemployment Program and to bring the prototype Family Program fully to the new standard. Both of the latter are tentatively scheduled for 1997-98.

Issues regarding the internal customer focus of IT support areas

3. The Department acknowledges that there will always be scope for improvements in the computer systems. While some improvements are a matter of removing 'bugs' or past weakness, the issue of the business and fiscal priority to be given to particular changes must be assessed alongside user needs.

4. DSS is paying close attention to assessing the best applications of available resources to improving IT support for staff. A considerable range of automated aids are already available to help cope with payment complexity. Some are build into systems design and others take the form of ready access to guides etc. Extension of more expert systems is under examination and the potential exists to link this to the graphical user interface (GUI). A new computing model is being developed which will allow:

- much greater and varied IT&T solutions for customer service;
- extension of expert systems; and
- use of enabling technologies such as intranet and internet.

Further rollout of GUI and similar tools will enhance staff work outcomes during 1997.

5. The movement of the Business Analysts from the IT area to the program areas will also increase internal focus on customer issues.

Appendix 7 - Performance Audits in the Social Security Portfolio

Set out below are the titles of the reports of the main performance audits by the ANAO in the Social Security Portfolio tabled in the Parliament in the past three years

Audit Report No.7 1993-94

Data-Matching

Department of Social Security

Audit Report No.4 1995-96

Department of Social Security

Regional Office Resourcing and Benefit Processing

Audit Report No.9 1995-96

Teleservice Centres

Department of Social Security

Audit Report No.6 1996-97

Commonwealth Guarantees, Indemnities

and Letters of Comfort

Audit Report No.12 1996-97

Follow-up Audit

Data-Matching

Department of Social Security

Audit Report No.16 1996-97

Payment of Accounts