

next. Conclusions and some future research directions are discussed next.

2. THEORETICAL UNDERPINNINGS

Theories of high reliability organizations (HROs) have been proposed in the recent past (e.g., Bigley et al. 2001; Roberts 1990; Waller et al. 2003). HROs are essentially organizations that operate high-hazard technologies such as a nuclear power plant, air traffic control, etc. These organizations are characterized by complex tasks, intensive interactions among organizational actors, and highly unpredictable situations which results in high degrees of risks that are systemic in nature and are pervasive in various organizational work processes (Weick et al. 1999). Nonetheless, barring exceptions, these organizations are able to produce organizational outcomes and results of the required minimum quality with a high degree of reliability, i.e., in a repeated and regular manner, and are, therefore, called high reliability organizations. Recently, some researchers (e.g., Grabowski et al. 1999; Ramanujam et al. 2003; Vogus et al. 2003; Waller et al. 2003) have suggested that the principles of HROs can be applied in main-stream organizations as well.

Recent studies show that many companies are increasingly becoming reliability-seeking and are continuously and effectively staying ahead of their competition and technological obsolescence through vigilance and intense innovation in an extremely unpredictable and fluctuating environment (Vogus et al. 2003). Weick et al. (1999) call HROs harbingers of adaptive organizational forms that can be used in increasingly complex environments that most business organizations face today. These authors have proposed a critical HRO cognitive mechanism termed *collective mindfulness* that, if carefully managed, can both increase the comprehension of complexity by organizational actors and loosen tight coupling among several interdependent activities, thereby promoting the effective management of the systemic risks that pervade various processes in HROs. There are five processes of collective mindfulness and they are discussed next.

2.1. Preoccupation with Failure

Actors in HROs are continuously wary of failures and potential surprises. For example, Bierly and Spender (1995) studied the crew members of a nuclear submarine who were constantly worried about an encounter with a Russian submarine or a reactor accident. Weick et al. (1999) suggest that worries about failure can bring more attentiveness to all risk factors with people treating near misses seriously and becoming more likely to report errors.

2.2. Reluctance to Simplify Interpretations

Simplifications are potentially dangerous in high-hazard organizations because they limit both the precautions people take and the number of undesired consequences they envision. Actors in HROs actively seek out multiple and divergent viewpoints and perspectives to understand current situation rather than depend on one single dominant perspective (Schulman 1993; Weick et al. 1999). Actors in HROs also constantly negotiate and renew informal agreements among them (Carlo et al. 2004; Schulman 1993).

2.3. Sensitivity to Operations

Sensitivity to operations is a cognitive process that allows actors to understand the meaning of the current situation in an overall context (Vogus et al. 2003; Weick et al. 1999). Actors in HROs try to comprehend and understand the meaning of the current moment within an integrated framework of the overall situation. Executives in HROs achieve this kind of “situational awareness” through a combination of shared mental representations, situational assessments with continual updates, knowledge of physical interconnections and parameters of plant systems, and active diagnosis of the limitations of preplanned procedures (Weick et al. 1999).

2.4. Commitment to Resilience

Commitment to resilience is the ability of the organization to cope with dangers that have occurred and to bounce back from errors and mistakes through constrained improvisation (Weick et al. 1999). Variation rather than invariance in reliability-enhancing activities is necessary to cope with the unexpected (Bigley et al. 2001; Weick et al. 1999). HROs pay enormous attention to anticipating possible failure modes and also develop a capacity for resilience to deal with failures when they occur.

4.1. The First Party Collections Process

The first party collections process is essentially the outsourcing of part of the Accounts Receivables (A/R) process by the client firm to GCRM. GCRM's Customer Service Reps (CSRs) then act transparently on behalf of the client firm to: follow up with the client's customers about payments, answer billing inquiries, research billing discrepancies, and engage in billing dispute resolution. CSRs call customers based on "customer treatment plans" that are developed by GCRM in conjunction with clients, both before an A/R becomes overdue and after it becomes due as well. GCRM signs an SLA with the client and charges them on a fee-for-service basis.

4.2. The Third-Party Collections Process

The third-party collections process is also an outsourcing of part of the A/R business process by a client firm to GCRM. However, in this case, GCRM identifies itself as the agency making the call to collect its client's receivables. The quality of the "paper" (receivables account for a particular purchase order) is much poorer in this case; the client has already classified this debt "under collections" and may write it off against reserves held for bad debts if it remains uncollected after a certain period of time. GCRM works on a "contingency fee" basis in third party collections; i.e., it receives a portion of the collected amount as its fee if it is able to collect the collectible amount. GCRM works in conjunction with client's wishes even for third-party collections and tries to maintain amicable relationship with the client's debtors because the client may still wish to conduct business with those customers in the future.

GCRM collectors are client-aligned, i.e., the clients know who their collector(s) is (are). Further, the collectors "own" a client claim after it is placed and handle it from "cradle to grave." A GCRM collector makes all decisions and recommendations about a claim in its entire life cycle guided by client policies and instructions, if they exist, and in consultation with the client as well as all the other stakeholders in GCRM including the sales rep, the relationship manager, the quality manager, and senior management. GCRM collectors are quite well-versed in commercial law. Although third party collections business may seem like a typical "Call Center" business operation, it is not a simple call center operation because collectors who make debt collection calls make important financial decisions themselves that have a direct impact on the revenue and bottom line of the company.

The third-party collections process is depicted in figure 2 below.

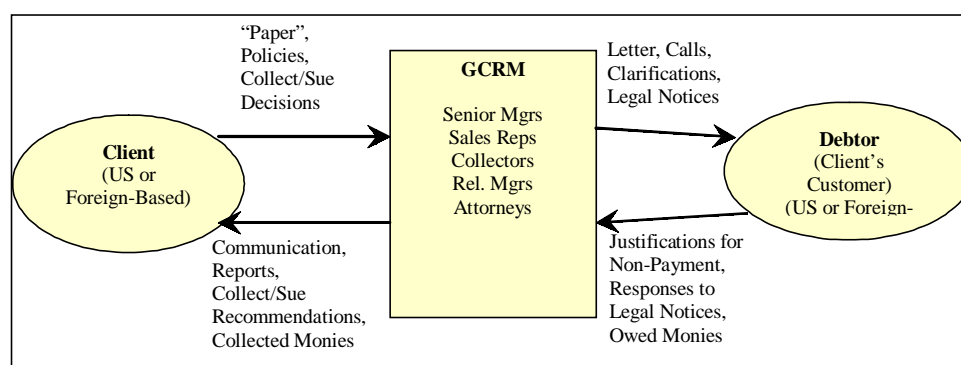


Figure 2: Third-Party Collections Process

4.3. Risks in Global Third-Party Collections

Debt collection is a high-risk business in general. The debtor may not pay the debt at all – they are already in default. The Commercial Law League of America (CLLA) estimates that the commercial collections industry is able to collect only 47% of the commercial debt owed to client firms. Further, the cost of collection, including litigation, may exceed the amount of debt itself posing additional risks. Collectors make a number of risky decisions about how much amount to collect based on their estimation of how much amount the debtor may be able and willing to pay, whether to provide them with installment plans, whether to waive the collection fees, how much time to give the debtor before following up again, etc. Further, all these decisions are made in an environment of adversarial relationships between clients and their debtors escalating the risks further. Relationship management with clients is equally risky. Collector

which are reviewed on a daily, weekly, and monthly basis by appropriate managers and as soon as any metric is out of expected range, appropriate action is taken by the manager. GCRM managers also conduct five file reviews for debtor calls, five file reviews for attorney calls, five of collectors' dictated letters, and listen to five phone calls per month to understand error patterns and trends and give feedback and correct. GCRM Assistant Vice Presidents monitor collections calls remotely and unobtrusively from their computers and a collector is immediately given feedback after the call if a call did not go well to recover from this error and to ensure that the error does not occur in the future. Collectors are also allowed to put their client's file in another collector's queue if their interaction with the debtor wasn't positive and they feel another collector may be more successful in collecting.

4.4.5. Under-Specification of Structures

GCRM processes and routines, although highly institutionalized and metric-driven, are highly flexible. GCRM adapts their systems and processes to meet customers' needs. They describe to their clients various possible ways to work. Although there is a pre-defined structure for claims assignment to collectors in terms a "claims distribution policy," the managers have override capability for claims distribution on a case-by-case basis. Further collectors set their own workloads for the day from the "queue" of claims that they have. This ensures that they are able to spend the amount of time that may be needed to resolve a particular claim with a debtor.

2. CONCLUSIONS AND FUTURE WORK

We have found some preliminary but compelling evidence that GCRM employs some high-reliability risk management principles in their organization and that this provides them with the capability to have a better than industry average debt collections performance at an aggregate level. We are planning to collect data about the use of five processes of collective mindfulness at the individual collector level to assess if individual-level collections failures are in any way predicted by individual differences in the utilization of processes of mindfulness. We are also planning to gather actual data about claims collection and to conduct a survey of collectors to develop a theoretical understanding of high-reliability risk management at the individual level. We hope to present detailed results at the conference.

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