

LEADING THOUGHTS



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Achieving Outsourcing Success

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Effective outsourcing begins with in-depth internal analysis. Five tactics for creating a true partnership.

Economic change often drives a company to consider outsourcing, or to increase the amount of work that they already outsource. From a corporate perspective, the call center is a prime outsourcing candidate. Most companies don't consider the call center a core function; many see it as a necessary evil. That the call center is challenging to manage only adds to a company's desire to outsource call center functions.

Starting about 10 years ago, many companies began searching for cheaper offshore alternatives to customer service processes. As with domestic outsourcing, some offshore initiatives succeeded, while others failed. In our consulting work, we've found that, in most cases, outsourcing failure isn't due to geographic location; rather, it's the result of companies not fully understanding and appreciating their customer service processes, and not understanding the direct link between those processes and revenue generation and customer satisfaction.

The outsourcing industry has evolved, and many call center-focused providers are now known for delivering excellent service — sometimes even better service than that provided by the client company's in-house call centers. Call center outsourcers that excel recognize that they have to be "the experts" in contact center operations. They work diligently to ensure that all of their leaders are prepared to perform exceptionally in this challenging environment. Top outsourcers also understand the call center's real value. They know that it goes far beyond merely processing transactions; they

must be focused on delighting customers and getting a real ROI out of every interaction.

We're also seeing a change in the relationship that companies have with their outsourcing partners. Today's outsourcing contracts are less about "punishment" for poor performance and more about "reward" for high performance. Also, clients are taking the time to truly understand the dynamic nature of their call center operations and processes prior to handing any business off to a third party. In working with companies on both sides of the outsourcing equation, we've seen that taking the time to establish a proper outsourcing relationship results not only in a harmonious partnership but also in immediate savings to the client organization.

Whether you are looking to outsource for the first time, increase the amount of outsourcing you are doing, or simply want to enhance your current outsourcing initiative, the following are some best practices and tactics for achieving outsourcing success.

Understand Your Real Cost of Turnover

Just about every call center struggles with turnover. Many call centers point to agent attrition as one of the greatest challenges in improving service. Most companies see the value in reducing turnover, but few understand the real cost of turnover. It's seldom tracked as part of the P&L, and very few companies

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have a model to track all of the specific areas that turnover affects. Turnover is often viewed as another department's responsibility, and any costs are caught up in the typical "budget silo" that prevents companies from getting their arms around a lot of their end-to-end processes.

When considering whether to outsource call center functions, understanding the total cost of turnover and factoring that into the decision process is vital.

What's often missing in turnover conversations is consideration of the lost productivity when a new agent comes up to speed as a member of the call center team. While most managers can appreciate that new agents take longer to handle customer transactions, few managers have the ability to convert this understanding into actual lost productivity and a real dollar impact. The good news is that the data required to get to this number is tracked by your ACD on a daily basis — begin looking at the difference in handle time between new agents and experienced agents. The difference in handle time requires additional staffing to meet the center's service level objectives. In many cases, the lost productivity alone can add \$2 or more per hour to the overall cost to serve.

Many studies have been conducted on the total cost of turnover. The standard estimate is that turnover in call centers can amount to one to two times the annual salary of an agent. Using the benchmark of 1x, a \$25K a year cost, and a turnover rate of 30%, turnover in a call center with 100 agents will cost the organization about \$750,000. Another way to look at it is that the per agent hour cost for a 100-person call center is increased about \$4 — just from managing turnover. Knowing this number is vital when comparing in-house and external support to ensure that you're comparing apples to apples.

Focus On Your Organization's "Critical Path"

In every business, there is a critical path to profit and success — the most efficient way for an organization to achieve each of its goals. For example, the most profitable path for an online retailer would be the customer placing the order online, paying online, receiving the exact product when promised and being happy with it. Any deviation from this self-service path (e.g., phone calls to the call center) costs the company more money in support. However, if every one of those phone calls is viewed as a way to help improve

the path for future customers, it's not wasted money. Being able to connect the value of every interaction and its impact on the organization's critical path is key to getting additional support

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and investments.

When considering outsourcing, you need to ensure that you're not paying for tasks and activities that shouldn't be a regular part of the process — those things that fall outside of the critical path. While there will always be exceptions, having a good understanding of the drivers to the exceptions and their role in the critical path is vital. A first step is to create visual "call roadmaps" for each transaction type and identify the customer support touchpoints that are outside of the normal activity flow. Trying to optimize the entire process prior to outsourcing isn't the goal; you want to identify the activities to keep in-house in order to develop an ongoing process improvement program to move the transactions back on the critical path.

By keeping the more complex portions of the interactions in-house, you'll be able to react much faster to improving the processes that drive unnecessary cost and customer frustration. And, you'll be more satisfied with the activities and objectives of your outsourcing partner.

Be Realistic About Your Own Training and Quality Challenges

Training is a key ingredient to call center success. Just like the work performed in the call center, it is often updated and changed. Before any consideration can be given to creating an outsourcing agreement, an honest "external" assessment of your current training approach and program must be completed. A good starting point is to outline how much of the job knowledge is transferred during the classroom training time compared to what is picked up via on-the-job observations and experience. This step alone will help to identify new ways to approach each training segment, and will move job candidates through programs in the most effective manner. A common result is a realization that training effectiveness has a much longer cycle than the training class as it's understood by the organization. This understand-

ing will allow you to re-evaluate the real "cost" of training and help to identify potential gaps when transferring this function to a third party.

Like training, call center quality programs are

often caught in a continuous cycle of enhancement, revisions and updates. Internal quality departments often find themselves at odds with those responsible for executing on the opportunities outlined via observations and scores. Many times, quality challenges are self-inflicted because everyone becomes focused on one thing: the resulting score on the monitoring form. When this happens, quality becomes a number that is an output of an internally designed monitoring form and internally designed point program. The key to success is to get everyone to understand the real value of quality — to improve the agent's behavior, enhance the customer's experience and identify opportunities to improve the entire process. When quality programs are outlined with those results in mind, everyone in the organization is able to align their accountabilities with the outputs from the program.

Outline Your Organization's "Line of Sight"

Success in a call center is often the result of multiple systems and processes that are driven by various departments. A "line of sight" exercise is a good way to help identify all of the functions that have to be inventoried and considered before outsourcing any activities. Once an activity is being processed by another company, the roles and responsibilities in the supporting areas will shift. The initial step is to outline what the activity takes today, and then move to how it's going to be different in the future.

The "line of sight" exercise is a great way to connect the supporting systems to the customer, and it starts with asking the employees who report outside of the call center how they connect their daily activities with activity execution on the front line. When companies go through this exercise, they often uncover several tasks that, if not done, would impact the center's ability to effectively execute. Once complete, these tasks

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have to be connected with the functions that will be outsourced to help create ROI scenarios. You can often get the outsourcing partner to take the lead on some of the activities, but without this step, companies are often left with communication and accountability challenges.

The following are just a few of the activities to fully outline, measure and include in your “line of sight” exercise:

- Recruiting, interviewing and hiring
- Training and development
- Quality management, auditing, assessment and improvement
- Knowledge management updates
- Cost and budget analysis
- Forecasting and workforce management
- “Command center” and real-time adherence management

Upon completion of this exercise, everyone in the organization should have a clear understanding of the internal and external process changes that will be required for a successful outsourcing initiative. Don't be surprised to find that your level of effort in some of these areas will actually increase with outsourcing — everything from communication to execution is different when you don't own the end-to-end process.

Appreciate Your Organization's Appetite for Alternative Delivery Methods

Much has been documented regarding an at-home service strategy, and just about every call center organization has had a conversation on

the topic. Moving from the traditional brick-and-mortar model is a challenge for most companies as it requires a new level of change and a different way of management. In years past, companies could avoid this decision by pointing to a technology roadblock — high cost, not reliable, lack of security, etc. All of these challenges have been solved, but the biggest obstacle still remains in most service organizations: how to manage agents you can't see. Most of what we've learned and experienced around call center management is focused on the in-person development, training, coaching and disciplining of frontline agents. Anything different is typically approached with some hesitation by seasoned leaders.

Moving work to lower-cost alternatives in different cities or countries is another option that has been considered by most call centers. Just like work at home, this is a change that can make most managers a little uncomfortable, as the obvious end result is the need for fewer leaders in the current location. Many companies have found that moving simple transactions to a lower-cost alternative actually frees up more capital for growth and new initiatives that provide growth opportunities for the existing leadership team. Even with the success stories, any changes to the amount of work that will be processed are often met with skepticism, which prevents companies from focusing on the real value and opportunities that can result.

With work at home and finding lower-cost alternatives, overcoming the negative leadership mindset is often the biggest challenge. Engaging an outsourcing partner can help your organization to get prepared for these changes. Most outsour-

ers now have proven work-at-home models, and experience processing transactions in low-cost areas (both off- and near-shore). Partnering with an outsourcer to test the waters in both areas is an easy way to get the leadership team engaged in the change, and to experience firsthand the lessons learned from companies that have had successes in moving to new delivery methods.

Use Your Findings to Create Partnerships

Without going through the activities outlined above, outsourcing evaluations become very vendor-focused and can result in a development of punishments for non-delivery. By spending time focusing on, and taking ownership of, the internal accountabilities, companies will have a better chance of creating a true partnership. Simply put, a vendor works to sell their services based on what you tell them to do, but a true partner strives to find and execute solutions that go above and beyond what is outlined in the agreement. Vendors simply do what you tell them; they follow a set of processes, handle transactions based on specific guidelines, and execute scripted steps with limited parameters.

In contrast, a partner works with you to develop guidelines and quality standards, providing recommendations, improvements and service enhancements that increase performance while decreasing costs and raising customer satisfaction. Also, a true partner can't make good on their service commitments unless the company they're working with has taken the time to reflect on their own internal costs, needs, challenges and shortfalls. 🎯

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