



Technology Capital Budgeting: Breaking the Code on Project Approval

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Getting capital budget for technology projects is a challenging exercise. The budget cycle may be too early to have much information from appropriate vendors. Even with credible cost information, it's hard to anticipate the benefits, especially if the technology is new and unfamiliar. And today, spending cutbacks in a difficult economy can thwart the best laid plans for your contact. If you want to make it over the budgetary hurdles, you'll need the right approach. Our four-step plan includes:

- Identifying technology projects that focus on achieving corporate goals
- Linking requests to the overall IT strategy
- Specifying the total cost of ownership (TCO) in your budget request
- Providing key value statements to justify the expense

While contact centers are a strategic tool, we sometimes forget to consider strategy in our technology plans. To support capital budget requests, you need to go beyond generic efficiency measures and identify enablers to achieving corporate goals. For instance, to meet an aggressive revenue goal, a center may need to implement a dialer to make outbound sales calls during low inbound volume periods. Or, to react to a lack of operations budget growth in a high growth corporation, the company may need to step up its web or IVR self-service to offload agent assisted calls.

A second step in the process is ensuring that IT can attest to the proposed technology's fit with the overall corporate technology plan. This endorsement lends credibility to your request while involving IT early in the project (and they may, in fact, own the technology budget). IT can ensure that your sourcing strategy (premise, hosted, etc.) is consistent with their planned resources. They can also support you in understanding required integration with legacy systems.

Perhaps the most difficult step in preparing your capital budget request is to include *all* of the costs – the TCO. Problems with capital budgeting credibility can diminish the likelihood of funding for future requests. The following table outlines the major cost elements:

TCO	Initial	Ongoing
External	<ul style="list-style-type: none"> ▪ Hardware ▪ Software ▪ Installation ▪ Implementation professional services (vendor, consultant, contractor) 	<ul style="list-style-type: none"> ▪ Maintenance ▪ Additional phases ▪ Expansion, upgrades, new features/functions ▪ Additional professional services
Internal	<ul style="list-style-type: none"> ▪ Process design ▪ Training ▪ Change management ▪ Project management ▪ Development/integration 	<ul style="list-style-type: none"> ▪ Operations ▪ Administration ▪ New roles for administration and management



Vendor bids are a useful resource for estimating some of your external costs. However, make sure you push past the purchase quote and get at an understanding of what drives costs initially and ongoing – e.g., number of hubs, sites, supervisors, agents, and the all important maintenance fees. Vendors base their bids on their understanding of the cost drivers *at one point in time*. You also need to be concerned with the environment you'll have in the future (assuming you have a dynamic environment). In addition, you'll want to check in with a third party expert or experienced peer to get a handle on your needs for professional services and internal implementation and support specialists.

Don't forget to include key value statements to support the budget request, thereby improving the likelihood of approval. While you may not have a full-blown business case with detailed benefits quantification, you should include a high-level assessment of expected benefits based on first level assumptions of process efficiency and revenue growth opportunities. Given that technology represents a small fraction of the cost of a contact, you'll need to understand where and how the investment will optimize productivity by the expensive part of your cost structure - your people. [See: "Cost Structure and Distribution In Today's Contact Centers," a white paper by Strategic Contact – available at www.strategiccontact.com/pdf/CC_Cost_WP.pdf). By including this perspective in your budget request, you can show how a relatively small capital investment can drive substantial operations budget savings or revenue generation.