USING PROCESS-DRIVEN ANALYSIS IN CONTACT CENTERS
MAKING PROFITABLE DECISIONS TO SUPPORT BUSINESS GOALS

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INTRODUCTION

One of the primary ways for contact center managers to ensure that their contact center is a strategic resource for achieving corporate goals is to provide solid analysis for budgets, resource projections, recommendations and business cases - analysis that decision makers and executive management find credible.

Contact center managers have the data they need through ACD, WFM, CTI, and CRM systems. Yet too often, technology implementations don't yield promised results, projected ROIs are not achieved, and contact centers can't perform as expected with the allocated headcount. Why? We believe a lack of process-driven analysis is a key factor.

Process-driven analysis provides the staffing, budget, technology and facility projections and business cases that will gain the respect of executives. Project leaders establish credibility and trust with decision makers who fund projects, and these projects improve productivity and ultimately reduce costs and increase revenue in the contact center. Everyone wins!

THE EVOLUTION OF PROCESS-DRIVEN ANALYSIS

Process-driven analysis is often thought of as activity-based analysis. However, while process-driven analysis certainly produces activity-based costs, it is much more than an activity-based costing process.

Using traditional cost accounting, it is difficult for managers to allocate costs to products and product support, customers and customer support, or to specific functions. Activity-based costing is conceptually on the mark but falls short in a couple of ways. First, the function still resides in accounting. It is a finance, rather than an operations, tool. And secondly, the activity-based costing software is expensive to buy and implement and still does not provide operations managers the information they need.

Process-driven analysis simplifies the activity-based costing process and makes the results more credible and usable for operations managers. It reduces the time spent in financial analysis and simplifies the process. The analysis allows contact center managers to speak the strategic language that "corporate" expects. Traditional cost center functions become strategic functions.

Process-driven planning and analysis is inexorably linked to business strategy. Figure 1 below shows the organizational relationships that are crucial to an effective process-driven approach to planning and analysis. Projected resource requirements in the contact center are based on the functions and work processes required to put the contact center's operational plan into action. That operational plan is based on the contact center's contribution to business strategy.

ABOUT THE AUTHOR

Brian Hinton is a Senior Consultant with Strategic Contact, an independent consulting firm that helps companies optimize the strategic value of their customer contact technology and operations. Strategic Contact helps companies develop and execute plans tied to business goals.

Brian Hinton has extensive experience as an executive manager in businesses ranging from start-ups to multi-million dollar companies. He has been involved in the design, development, application, and support of an activity-based planning and analysis tool for contact centers, providing customer training and support to centers using the planning and analysis tool, as well as completing consulting projects within contact centers focusing on process-driven analysis. Brian retired from the U.S. Navy as a Commander. He has consulted in the call-center industry for eight years, analyzing the business value of technology implementations and process changes. Brian has authored several key financial planning models used by Fortune 50 companies in the design of next generation 800 networks, in corporate business plans, and as sales tools.

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Figure 1: Relationships Crucial to Process-driven Analysis

Based on the work processes that are defined, process-driven analysis:

- Projects required resources (staff, budget, technology and facilities),
- Projects activity-based costs,
- Reveals what drives your current budget,
- Enables a more thorough understanding of your current operations, and
- Focuses improvement initiatives.

Using process-driven analysis for building business cases and producing ROI:

- Allows any assumption to be altered and results updated,
- Produces scenario comparisons on personnel strategy, technology upgrades or implementations, and process improvement,
- Establishes project costs, benefits and impact on resource requirements, and
- Facilitates tracking results to assure that benefits are achieved.

PROCESS-DRIVEN PLANNING AND ANALYSIS DEFINED

CONTACT CENTER LINK TO BUSINESS STRATEGY

Every company sells something to produce revenue. Strategic planning determines what is being sold, how much is being sold, the price, and how the sale is accomplished. In financial institutions, a key strategic focus is on customers with accounts. In travel/auto clubs, the focus is on memberships and members requesting services. In product companies, the strategic planning zeros in on customers buying products. In service organizations, the planning could be based on clients contracting for those services. In all of the examples, the contact center supports revenue generation in some way. It's that link to supporting the overall corporate revenue that makes the contact center strategic.

Contact centers can directly support revenue goals through telemarketing or direct inbound/outbound selling. The contact center might be in an indirect revenue support role providing account servicing, membership requests, service requests, or product support. Today's centers are more likely taking on a hybrid sales and service role, optimizing customer relationships with every contact. Whatever its role, contact centers support the ability of a company to generate and protect revenue and are therefore a strategic tool for the corporation.

FUNCTIONS

Selling 'something' produces revenue for the company and it causes work to flow into the contact center to support that revenue base. Defining that work that flows into the contact center is the next step in the process-driven approach to planning and continues the strategic link in our planning process. For auto clubs, the functions to support the revenue created by membership fees could be taking incoming requests for new membership or membership renewals. The contact center would also take incoming calls for travel information, travel insurance, and even incoming calls requesting roadside assistance. The contact center then carries out the function of dispatching assistance. All of this work is extremely valuable as it ensures the revenue stream from membership fees continue.

For a financial institution, the contact center responds to requests for account balances, to transfer funds, to apply for a loan, or to open an additional account. Whether a simple balance request or processing a mortgage application, the financial institution requires this work to continue producing revenue from current customer accounts, adding new accounts and adding new customers.

Most companies cannot generate revenue if they don't have a contact center that takes orders or at the very least supports customers using the product. This step in process-driven planning requires that the contact center identifies the work they do in support of the corporate business strategy.

PROCESS VOLUME

Relating the volume of work to strategic plans is an important step. Total customers, prospects, members, accounts, licenses, installed base of products or some other factor(s) create your work volume. Be aware, you should not project work volume by taking historical volumes and adding an annual growth percentage. To be strategic, you must determine future work volume by first looking at historical relationships and then determining how those relationships might change going forward.

For instance, in a product company, analyzing historical relationships between the installed base of products and the volume of work in the

IMPLEMENTING PROCESS-DRIVEN ANALYSIS

Process driven-analysis doesn't just happen. There needs to be a concerted effort to implement this approach. But how? There are three ways to get started with process-driven analysis:

1. **Build it yourself**. Following the steps described in this paper, an analyst could build a framework within which to work. This could be an Excel workbook that sets up many of the relationships and process steps specific to your business. Analysis can be accomplished more quickly since the structure is in place and can be used each time analysis is required to budget, project new work or build a business case. A larger application could also be built that links to sources of data and becomes the planning fabric of the organization.

2. **Buy a tool**. The problem with building it yourself is that it can take years to develop process-driven planning applications that ensure that logic, linkages and components respond to contact center planning needs. Buying may be much cheaper than building. Primary Matters, Inc. offers an Excel-based tool (The Guide™) used in process-driven planning and analysis. A tool such as this can be powerful when used for specific analysis and building business cases.

3. **Contract for services**. Alternatively, there are consulting companies, such as Strategic Contact, Inc., who are familiar with the process and the tools used. Many companies have found it is extremely cost-effective to contract with Strategic Contact to assist in contact center analysis and building business cases using a proven process-driven approach. www.strategiccontact.com

contact center, we determine that in the first month of ownership, each installed product results in one call for every 10 new customers. Also, each installed product results in three additional calls per year - one requesting information on product upgrades and two requesting basic product support. Of the basic product support calls, 25% are escalated to Level 2 support.

By coordinating with Sales and Marketing, we determine the new product sales and total installed product projections (including accounting for customer attrition) for the next two to three years. We can then apply these same relationships (ratios) between installed base and resulting work to project our work volume forward based on business projections. This creates a strategic link between work volume and business planning.

However, we can't stop here. The future is not going to be the same as the past. Are new product releases and product upgrades going to follow the same schedule as the past? Is Marketing planning a new approach to campaigns that varies from the past either in timing, frequency, media or message? Many things that are part of strategic planning can impact the relationship between new product sales, installed base of product and work volume. (Please note this same questioning applies whether your business is product or service focused.)

PROCESS STEPS

For effective process-driven planning, we now have to go deeper than the functions. We need to take each identified function or process and break it down into process steps. For instance, in a financial institution, we have to go further than stating that we process mortgage applications. We need to understand the specific steps required in the contact center to process a mortgage application. Those steps might be:

- Inbound call arrives at IVR and caller responds to prompts
- Call queues for agent
- Agent handles call, gathering mortgage application information
- Agent wraps up call (after call work)
- Agent forwards for mortgage application review
    - Mortgage department resource reviews mortgage and approves/disapproves; returns to contact center for closure
- Agent notifies applicant of approval/disapproval and explains next steps
- Agent closes contact

This is certainly not the end of the mortgage process for the bank, but our goal is to describe the process steps where the contact center "touches" the mortgage application process.

After determining the steps for each process in the contact center, the steps must now have a volume and duration. And, although we already know how many mortgage applications the bank processes in a month, we don't have the volume of each process step. Abandon rates cause more calls to arrive to the IVR and ACD than the agent actually handles. Every call doesn't end with the caller submitting an application for approval. Because some outbound calls notify of approval and some of disapproval, the handle times vary and result in different closing steps. This requires us to identify the percentage of approvals and disapprovals. You see that the volume of each process step is a function of the overall process volume but is not equal to it.

The duration of calls comes from ACD reports as queue time, handle time, and after-call work time. Some duration information may come from workflow, CRM, CTI or other applications. The goal is to determine, on average, how long a specific process step takes each time it is performed.

This is an important but difficult stage in the entire process-driven planning approach for many companies. Whether this step requires altering ACD work states so the agent can provide further detail in call coding, time and motion studies, or educated averaging and estimating, it will yield valuable results.

RESOURCES

The final stage in process-driven analysis is to assign a resource to each process step. A resource is the person that performs the task, and is linked to the technology and facilities that are required for that person to complete their work. For instance, a Level 1 Customer Service Representative may handle incoming product support calls. To be able to handle incoming product support calls, the Level 1 CSR needs a cubicle, a PC with a 19" screen, an IP-enabled phone with connectivity to the data network, and licenses to use the CTI, CRM, QM and WFM systems from the desktop. So as work load creates more demand for Level 1 CSRs, demand for the associated technology and facilities grows as well.

The personnel categories are each defined with an appropriate productivity and annual cost. For technology and facilities, there are capacity and total cost of ownership considerations that determine the total requirement and total cost.

The volume and duration discussed earlier, combined with the resource from this step, produce the total demand for each personnel category, installed technology and facility to complete the defined process steps. The result is a complete understanding of your resource requirements - headcount, systems and budget - to support the tactical processes and process steps identified.

SCENARIO ANALYSIS FOR BUSINESS CASE/ROI DEVELOPMENT

Process-driven analysis doesn't stop there. You are able to change the way you have defined the work steps, the people that perform the work and the technology those people use in performing the work. This updates the total results and allows you to compare to the original results (or baseline) to see the impact of any initiative you are considering.

One of the very real values of process-driven analysis is adding credibility to business cases by enabling project leaders to monitor outcomes after completion to ensure projected ROIs are achieved. By defining the sources of costs and benefits for any initiative (by altering specific variables) and seeing the impact of the initiative, you are also able to use the benefit assumptions (or variables altered to project the benefit) as a post-implementation project success metric.

Process driven analysis provides resource, ROI, total cost of ownership, and cash flow analysis that is critical to business planning. Effective process-driven analysis is used in contact centers to create credible budgets, resource projections and business cases for daily planning and decision making. Figure 2 describes the process-driven planning approach in simple terms. The steps are part of a sequential flow...each step is crucial and dependent upon the previous step to produce the valuable results.

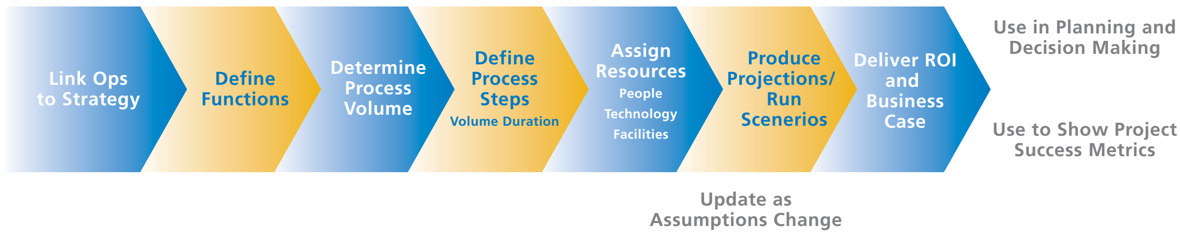

Figure 2: Process-driven Planning and Analysis

PROCESS-DRIVEN PLANNING AND ANALYSIS IN PRACTICE

RESOURCE PROJECTIONS

As stated previously, one of the primary purposes of process-driven analysis is to credibly project resources. This has two immediate applications in contact centers:

- Annual budgeting, and
- Projecting the resources required for new or altered work.

Often, annual budgets submitted by the contact center for approval and consolidation are based on last year's budget with an annual percentage uplift. This uplift might be provided by the CFO, by Sales based on projected sales increases, or even created by the contact center based on volume growth over the last several years. The danger of this approach is that over time there ceases to be any relationship between the resources required by "the work" and the resources planned in the budget. Contact center management has little ability to respond credibly to challenges as management can't really express what will have to be given up if funds aren't available.

A process-driven annual budget is a "zero-based" budget; you start from zero and build resource requirements based on the work required to support the business strategy. The need for resources is understood down to the process step level. This enables a very credible explanation to any budget challenge. You can describe in detail how any budget reduction will impact your ability to support the strategy.

Proof point: A technology company was hit with a 14% budget cut for the following year due to declining margins. The contact center that provides the technical support for the installed base of product had submitted a process-driven budget. Contact center management challenged the budget cut showing how their need for resources was directly linked to the business strategy. Without the contact center resources, the company could not meet ongoing revenue goals. As a result of this reasoning, the contact center suffered no budget cuts.

During each budget cycle, contact centers are often hit with new work requirements which they are expected to absorb within their current budget. If contact center management challenges the expectation that this additional work has no consequent increase in resources, they will often hear "You are overstaffed anyway." It is difficult to challenge these perceptions without the data required to create a new "reality" in the executives' frame of mind.

New work can also be the result of an acquisition, as the company consolidates identical functions across two entities. Corporate wants economies of scale to make the acquisition financially worthwhile. Without process-driven analysis, it is difficult to determine the resources that will be required to process the new volume.

Contact center outsourcers are constantly planning for new work. Each new client is new work. Process-driven analysis enhances the RFP process and ensures the new client is not only profitable from the outsourcer's perspective, but that the client is also satisfied with a well-defined and articulated bid that ensures they are getting the most from their outsourcing dollars.

Proof point: A distribution company was closing a division and assigning work functions from that division to several different divisions. The managers could not agree on which resources would be sent to each of the other divisions as they gained workload. After implementing a process-driven approach, each division understood how resource allocations were being made and all stakeholders agreed to the assignments.

BUSINESS CASE/ROI

There are two sides to the financial analysis supporting a business case: the cost and the benefit. Addressing these two elements effectively will determine the credibility of your business case.

Business cases built for contact center initiatives often understate the full cost of an initiative. This can be because all costs are not considered or because the cost is reduced to a static, "fixed" cost rather than an ongoing, evolving (even variable) cost based on changes experienced by the contact center. Process-driven analysis ensures that all costs (hardware, software, internal and external integration and implementation, training, maintenance, and required administrative personnel) are included. Also, costs are not considered static but are treated as ongoing costs driven by the demand created in a dynamic organization.

It is very typical to base the benefits in contact center business cases on headcount reduction. But what is the headcount reduction based on? What is going to change that reduces the need for people? Using process-driven analysis the staffing needs are based on the required work and the productivity of the people performing the work. For each initiative being considered, specific variables that impact personnel productivity or work demand must be changed to produce the reduced headcount requirement.

Proof point: The distribution company mentioned previously implemented a call handling system. The software was actually a full-blown CRM system (with all the associated costs and complexity) that they were using as a call tracking system. The investment was justified using a specific headcount reduction in the budgeted staffing plan. Two years after the implementation, no benefit had been experienced. The center was under-staffed and not meeting service levels. Process-driven analysis was then implemented to re-build the business case. A reduced contact handling time had been used to calculate the benefit; however, the incoming contacts were varied and complex. No one could state explicitly which contacts were impacted and how. To update the business case, the incoming contacts were broken out into a specific "type" of contact and the process steps required for each contact type. Further analysis was completed to determine how the call handling system should impact each contact type and at what point in the process. By phasing in the projected change to the duration and volume of each process step, a new ROI was created. The projection was still positive but not as aggressive as the original analysis. Staffing plans were adjusted and the center was allowed to hire the headcount needed to get service levels back under control.

ACTIVITY-BASED COSTS

Process-driven analysis projects activity-based costs. It provides a detailed understanding of exactly what process steps drive the material part of your budget, giving you a deeper understanding of your operations. You will be able to focus your management time on the processes where productivity improvements will have the greatest impact on your budget.

Process-driven analysis doesn't just produce a cost per call or cost per contact. It produces a cost to support a product line or a customer segment.

Proof point: An auto club encouraged member clubs to use their contact center for late night and weekend customer interactions. This enabled smaller clubs to avoid low occupancy staffing during slow hours. However, this service was not used to its potential as there was constant antagonism over the costs the national office charged back to member clubs for this service. Using process-driven analysis, the national office altered, justified and advertised their per-call contact fee, improving trust and increasing the national contact center usage. Costs were reduced throughout the network of clubs.

SUCCESS METRICS

Decision makers and upper management are jaded by false promises and ROIs that are not achieved. In process-driven analysis, the variables that are altered to produce the benefit of an initiative are monitored after project completion to ensure the ROI is realized.

In the distribution example from above, the specific volumes and handle times at each process step were monitored. If sufficient progress was not observed, teams evaluated the process flow to determine what was inhibiting the improvement and suggested changes to the software or implemented new training to ensure the application was used to its potential.

EXPENSE REDUCTIONS/REVENUE INCREASES

Process-driven analysis is not just for expense analysis. Revenue can be driven by process steps just as cost can. Revenue-producing contact centers can focus on the profitability of their process steps using process-driven analysis.

Proof point: A dating service offered identical services via phone and the web. Membership fees were identical for both media. Process-driven analysis revealed how much cheaper it was to service a web account which was primarily self-served. Further, the analysis revealed that the phone accounts were not profitable based on current membership fees. The highly profitable web accounts were covering the loss on the phone accounts. With this new understanding, the company increased the membership fees for phone accounts which ensured profitability and encouraged current and new members to open web accounts which required fewer resources to service.

CONTACT CENTER FUNCTIONS

Process-driven analysis is appropriate for all types of contact centers: help desks providing internal support or external customer technical support, outsourcers providing contact center functions to clients, customer support organizations supporting external customers, and internal contact centers considering outsourcing or needing to better understand their outsourced processes. All can use process-driven analysis for more efficient operations and better decisions.

Proof point: A software company outsources 100% of its customer support. Therefore, the outsourcers receive the major part of the support budget. Internal management felt they had lost control of the contracts and were paying more than they should due, in part to fixed agreements that bore no resemblance to required work. As outsourcing agreements were re-bid, process-driven analysis in the RFP, contracting and outsourcer monthly management process reduced the overall support budget by 30%.

CONCLUSION

By using process-driven planning and analysis you are able to base your planning and analysis on the work required to support your company's strategy. When you are speaking the same language as your corporate counterparts, you eliminate the traditional planning silos in your organization. You are able to project the resources - people, technology, and facilities - required to support an increase in sales projections. You are able to project the resources required to support the response from a marketing campaign. You are able to project the impact of process improvements, technology investments, or other changes to your environment. You are able to build business cases that will gain respect and, more importantly, the approval of decision makers.

The bottom line is this. You will have answers to questions that up until now, have been considered unanswerable or where the time to produce an answer was so long that the answer was no longer relevant by the time you received it. Now, you can replace your "gut-feel" decision making with decisions supported by detailed, credible analysis.

APPENDIX - ACRONYM LIST

ACD	Automatic Call Distribution
CFO	Chief Financial Officer
CRM	Customer Relationship Management
CSR	Customer Service Representative
CTI	Computer Telephony Integration
IP	Internet Protocol
IT	Information Technology
IVR	Interactive Voice Response
PC	Personal Computer
QM	Quality Management
RFP	Request for Proposal
ROI	Return on Investment
WFM	Workforce Management

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