

Tech Line



Sell Leadership on Smart Technology Investments

By Brian Hinton, Strategic Contact

Budget season is coming up—it's time to start building a solid case to get your technology projects approved and funded.

As we move toward fall 2010, it's time to think about your annual capital budget requests. Don't let another cycle go by where your "wishes" don't come true. You need to build the case for technology that responds to business needs, creates value by improving processes and workflow, and engenders support from your entire organization. For an end game that results in approval and funding, start by choosing the right projects, including the right people on your project team, and considering enhancements to existing technology, as well as new technology as possible solutions.

Choose the Right Projects

The right projects are those that gain approval from decision makers and drive organizational support. To identify which projects are "right," you have to get clear on your corporation's strategy and the role the contact center plays within that strategy. Then focus on projects that link to the strategy—projects that really matter to the contact center and the corporation.

When your CxOs, board members and other stakeholders make decisions about project funding, they demand a strategic link. Most of them

have "scar tissue" from bad technology choices that proved costly to the organization. Because money is tight, they'll be especially careful to find the synergy between the overall corporate strategy and your proposal for new technology. Without a strategic link, they risk making isolated tactical decisions that don't fill the highest priority strategic gaps.

As you define a project strategically, ask yourself: What's our goal? What pain are we trying to alleviate? What roadblocks to achieving business goals are we trying to tear down? Use the strategic triumvirate to guide project definition:

- **Business Strategy.** Define the business drivers that create the need for technology. Identify the corporate goals that the contact center will not achieve without project funding.
- **Operations Strategy.** Relate the technology requirement to the contact center functions and operational initiatives that support the business strategy. Identify the changes that the technology facilitates and relate the changes to achieving corporate goals.
- **Technology Strategy.** Show how the required technology fits within the overall IT Strategy

→ [page 2](#)

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← page 1

and technology roadmap, and how that strategy aligns with and supports the operational and business goals.

The goal of the strategic synergy is to move beyond generic contact center staff efficiency. Instead, take a penetrating look at the operational barriers that impede your center's ability to contribute to the business strategy. For example, your business goals may include aggressive revenue increases that require the contact center to step up the direct or indirect impact on sales, thus requiring cross-sell and upsell tools. Or you may find yourself in a situation where aggressive corporate growth goals did not prompt a commensurate budget increase for the contact center. Your project definition should identify these barriers and the means through which the project breaks them down.

It is important for credibility to move a step past the strategic level by defining the project at a tactical level. State the project in terms of how your operations will change to allow the contact center to contribute more fully to corporate goals. For instance, to increase the contact center impact on revenue, your project might be to implement a dialer to make outbound sales calls during low inbound periods. Or, to do more with less, you might propose web or IVR self-service to offload agent-assisted contacts.

This discussion might leave you with the impression that if you define your roadblocks and gain approval for projects that break the roadblocks down, you can rest easy knowing that you've fulfilled your end of the strategic equation. Unfortunately, that is not the contact center reality. As shown in Figure 1 on page 3, continuous change drives new requirements.

These changes come through internal and external business drivers, ever-changing operational plans and possibilities created by new technology.

Include the Right People

Figure 1 reveals that drivers for change can come from varied sources and impact parts of the organization outside the contact center. For the credibility of your project requests, you should acknowledge the crossfunctional impact of technology projects. Engage other organizational stakeholders during the project definition phase to sow the seeds of your future project team.

The IT department is a key collaborator on any technology project. As shown in Figure 2, they work with operations to see whether or not existing technology can meet near-term needs. If new technologies are explored, IT establishes parameters that are aligned with the corporate infrastructure. IT needs to be engaged to review budget proposals to ensure that all costs are reflected and to assist with building the business case.

IT isn't the only stakeholder that might need to be involved. Last month's Tech Line article, "Technology Bridges Organizational Silos," detailed some technology categories that require crossfunctional planning and project teams.

- VoIP: an enterprise implementation and virtualized staff including other departments as backup
- Unified communication: cross-departmental collaboration to reach subject matter experts

- Business process optimization: process flows throughout the organization
- Social media: marketing crafts the messages and drives the strategy
- Analytics: enterprise learnings for optimization opportunities
- Customer relationship management and knowledge management: intrinsically enterprise applications

Review Current Technology for Optimization Opportunities

Most contact center technology is highly underutilized so you might find your solution already exists without capital investment. Considering all options prior to requesting capital dollars for a technology investment lends credibility and may accelerate your timetable.

Technology investments alone don't deliver business value. Technology enables operational improvements that drive the value. Companies often implement new applications that are functionally identical to what they are replacing and never get around to the operational improvements that would drive value creation. You may want to look at past investments that fell short and invest in achieving the originally projected potential.

You can facilitate driving additional value from current technology by creating new support roles to apply the technology in current processes or by adding responsibilities to existing roles. You may need to take on the difficult task of redesigning processes that may have been more readily changed when the technology was first implemented. To get full value from current technology, you may need upgrades, added modules or integration. With the reduced investment of the past couple of years, you may need to invest in current revisions to mitigate the risk of unstable or unsupported products. These suggestions emphasize that getting more value from current technology is not free, so make sure you build the people, internal process effort and upgrades into your project planning.

Build the Case for New Technology

Building a business case for new technology can be a challenge, but by following a formal process you can get your projects approved. Figure 3 on page 4 shows the four steps in

→ page 3

Table 1: Cost categories of a TCO calculation

Cost Categories	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

← page 2

building credible business cases that result in project funding: Build a baseline, quantify the costs, quantify the benefit, and create success metrics.

Build a Baseline

You can't build a credible business case unless you start with a baseline model that shows how current processes drive the need for

resources—staff, technology, facilities and budget dollars. As you consider technology investments and their impact on business processes, you'll adjust the baseline model to reflect future processes and the requirements for resources they drive. The required investment, the change in your expenses, plus the projected impact on revenue (if applicable) will impact the baseline and contribute to your ROI calculation. This

exercise may seem like a lot of work, but your detailed understanding of contact center economics speaks a language that senior management understands and lends credence to your capital requests.

Quantify the Costs

Quantifying the costs of a technology project is not easy (see the sidebar). For a credible business case it is important to include a complete accounting of costs, not just vendor quotes. You must approach the costs from a Total Cost of Ownership (TCO) perspective. Consider internal and external costs driven by the project and include initial investment costs and costs you will incur over time as a result of the project. Table 1 on page 2 details the cost categories to consider in a TCO calculation.

Quantify the Benefits

By definition, the benefits associated with a technology project are assumptions—you can't predict the future. Benefit calculations are therefore much less exact and open to challenges. The key to success is to define and clearly state your assumptions. Decision makers may choose to challenge your assumptions, but you'll have the benefit of a reasoned defense for your position. And as long as you can show how the assumptions drove the projected benefit calculations, you can keep the debate focused on assumptions. If you've built a robust model, you'll be able to tell quickly whether or not a change in assumptions makes a material difference on the benefits calculation and ROI. That will focus the discussion around judgment calls that really matter.

To quantify the benefit, we need to alter the baseline understanding of our current resource requirements and drivers that we developed earlier. The following is a partial list of assumptions or variables that you can change as a result of a technology project.

- Decrease process volume
- Shift process volume to an alternate (ideally lower cost) resource
- Eliminate or automate processes
- Eliminate, automate or combine process steps
- Reduce process step duration

Figure 1: Forces of change impacting strategy and contact center operations

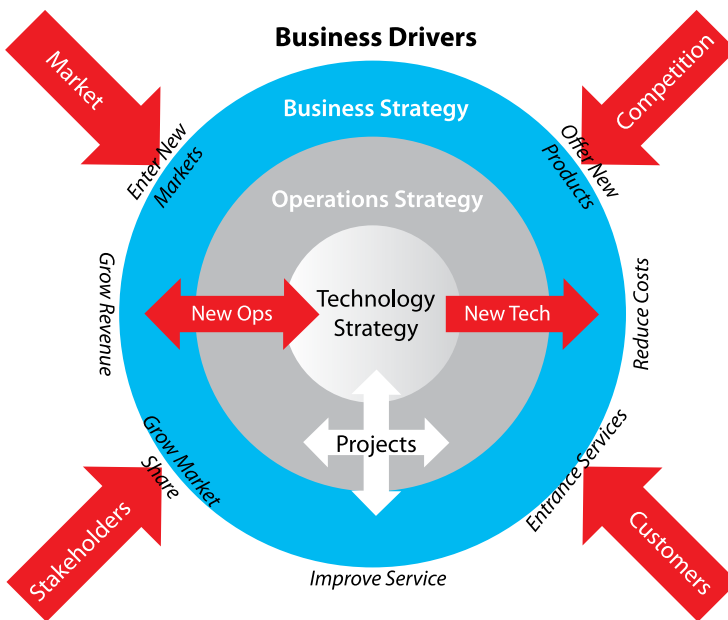
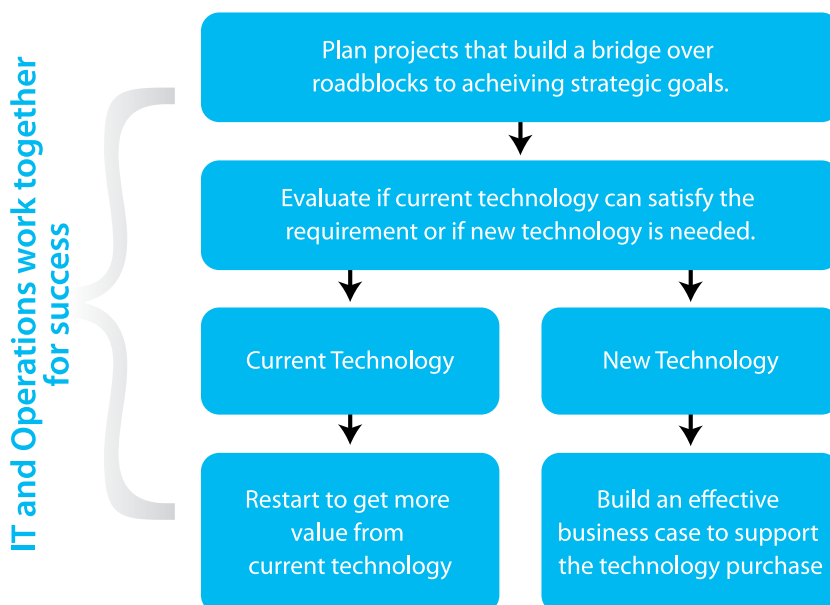


Figure 2: Technology project approval path to success



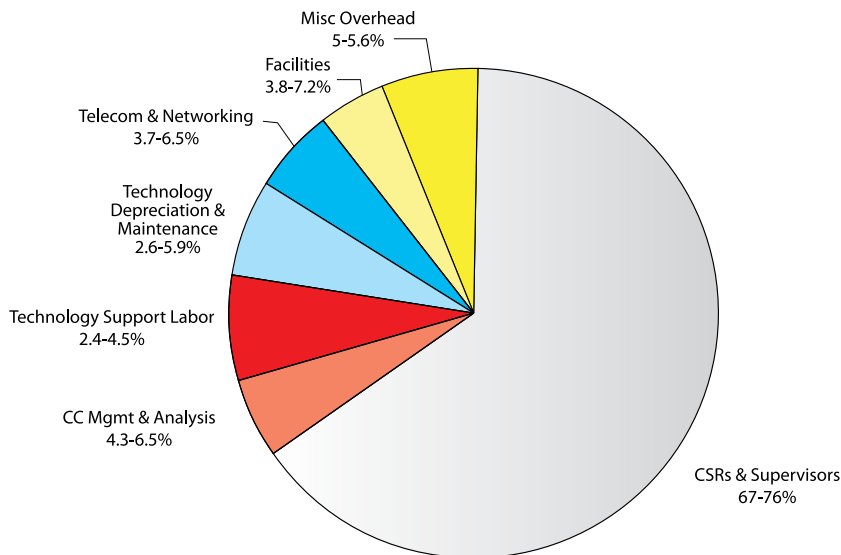
→ page 5

Figure 3: Four steps to building a credible business case



Figure 4: Contact center cost distribution

Detailed Contact Center Cost Distribution



Challenges in Gaining Project Approval with Credible Business Cases

Chances are, you can relate to these typical challenges in gaining project approval.

- Tighter budgets
- Decision authority at higher levels in the organization
- Credibility problems with decision makers due to unrealized benefits from past projects, an inventory of "shelf ware," and past purchases based on vendor generated excitement rather than actual business need
- Difficulty in measuring project benefits

Clearly, you'll need to produce highly credible business cases, but credibility is easier said than achieved. There are two components of any business case—cost and benefits—each having specific challenges.

Typically, on the cost side, a contact center business case is built around a vendor bid. The bid is usually fixed price based on assumptions about variable costs. Those assumptions may not be correct. Also, the bid does not include all internal costs, external costs, current investments and ongoing expenses that need to be addressed. Sharpen your pencil—and your thinking—to make sure that your cost estimates are reasonable and comprehensive. If you habitually "go back to the well" for unplanned expenses, you'll have trouble gaining project approval down the line.

The typical approach in determining the benefits starts with reducing headcount. Since labor is the largest part of most contact center budgets, most, if not all, contact center projects impact the labor budget. However, the problem is the approach that planners often use to quantify this labor reduction. The proper way to estimate staff reduction is to work through the potential operational impact of the new technology and then determine the impact on labor. Unfortunately, most folks decide on the labor savings up front and then force-fit the implementation into that framework. They ignore the key variables that drive the benefit. That approach is neither reasonable nor effective, and risks a reduction in headcount that surpasses the benefits truly gained.

← page 3

Once you have identified the variables to alter, remember to project the assumptions or the value of the variable through the entire planning period. If you base your business case on five-year cash flow analysis, then you should project the changes in the variables through that entire period. You may need to phase in the benefit over time until it reaches the value that you project as the maximum improvement. This lends a great deal of credibility to your calculation. By determining how processes will change with your new technology, you can specifically define the source of the benefit and add credibility to the result.

Labor savings is obviously going to be a “big hitter” in driving a positive ROI as that is the largest part of a contact center budget. However, don’t forget to consider possible ways that revenue will increase based on the technology project. Revenue increases can drive extremely appealing ROI calculations.


Create Success Metrics

Any variable or assumption that you changed to quantify the benefit of the project now becomes a metric to monitor once the project is completed. Success metrics created in a business case do not assure success, but they do ensure very credible reports stating success or progress toward success and enable action to mitigate a lack of progress. This approach

to post-project success analysis removes any skepticism caused by past failures to achieve projected ROI. Make sure the metrics that you choose align with strategic goals—bringing us full circle to the strategic alignment discussed at the beginning of this article.

Proving project success using strategic metrics isn’t the end of the process. Credibility builds on itself. Once you have proven that decision makers can trust your business cases, gaining funding approval for each project becomes less challenging.

Put the Technology Investment in the Right Context

Technology and its operation are a relatively small part of the cost of contact center operations. Your business case should carry the key message that a reasonable investment can have a huge impact on your primary budget category—labor. Figure 4 (below), taken from the white paper, “Cost Structure and Distribution in Today’s Contact Centers” (Strategic Contact, March 2008, www.strategiccontact.com), shows that technology costs, while they may seem large when faced with an investment decision, are a relatively small slice of the pie (2.6–5.9%). Investing in technology to make the workforce more efficient can have a profound and lasting impact. 

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