

AGILITY FACTOR



Building a Better Budget

By Jay Minnucci, Service Agility

**Transparency
is the key
to a less
painful
annual budget
process.**

**How to present a clear,
effective case
for staffing
to your CFO.**

Everyone who has financial responsibility for an operation seems to dread that annual exercise known as “the budget.” For many, it is a black cloud that dogs us for months, requiring dozens of iterations before it is finally completed. The process can take so long that, by the time one year’s budget is approved, you have already started planning for the following year.

For all the discomfort of the exercise, though, few would question the importance of it. The common ingredient in all our aspirations for next year — from putting in a new CTI system to extending hours to adding a new forecaster position — is money. I worked on a survey a few years back that identified obstacles to organizational success: The lack of appropriate funding was one of the top three problems cited by call center leaders. No doubt, there are many causes for this, and today’s economic climate is not working in anyone’s favor. The fact that it is a challenge, though, just makes it that much more important to get it right — and getting it right means not just getting the numbers right, but also dazzling them with your presentation.

Presenting Your Case

After speaking with countless CFOs and finance directors, I am convinced that the single most important thing that a contact center leader can do to build a better budget is to *increase transparency*. Attempting to state your case by producing volumes of interval level data or by relying on canned reports from a little-understood piece of industry software simply will not work. One CFO at a client’s company summed up the problem best when he said, “These staffing forecast

reports come out of some mysterious black box, and I’m supposed to accept them at face value?” That black box he referenced was a workforce management system, and the reports happened to be accurate. Yet without the ability to follow the logic on paper and see how the staffing argument was built, the accurate numbers were pointless.

How do you make a budget more transparent? Simplicity and clarity are your best tools for this task. The sidebar shows one of the variations that I like to use as a top page when introducing my budget argument. I find this one works well with an audience who has limited knowledge of contact center management principles, who wants to understand the basic staffing process, and who likes to pick and choose where to investigate the detail. A different audience would require some variation on this, and certainly all would benefit from a nice, colored graph to accompany the data. The key, though, is to make sure that your first presentation of data offers a clean, short path that takes the reader from the amount of work we plan to complete to the number of staff we need to do it.

Eventually, you will need to dig behind this data and be able to justify it. While the focus may be on the numbers, the key selling point here is really competence. Those responsible for signing off need to feel confident that you (or at least key members of your team) are experts in contact center staffing, and have done everything you can to present a budget that allows you to meet objectives at the lowest possible cost. Each category on the summary page should have

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supporting documentation, and that support should include the following:

- An explanation of each data point
- Projections by month for the budgeted year
- Rationale for the projection — historical data used, assumptions for the future, etc.

The table provides an example of how this detail might look for the third category on our summary page: the non-production task rate. (Note: You can also download a pdf file

of the tables presented in this article at www.contactcenterpipeline.com.)

Overcoming Obstacles

If you really want to make the approval process more efficient, you must understand the perspective of those doing the approving. Your departmental planning is just one piece of the overall puzzle, and there are a number of issues that conspire to make your task a difficult one.

One item that works against us is the labor-intensive nature of a contact center. Labor is expensive regardless of where it is housed and, in many of our centers, it represents 75% or

more of total costs. The high cost of running our centers makes them an obvious target for cutbacks in difficult (and maybe even good) times. After all, shaving 5% from a \$20 million budget is far more satisfying (and will get a CFO much closer to an enterprisewide reduction target) than a 5% savings generated from a department with a \$1 million budget.

Knowing this, you need to guard against the kinds of sweeping cuts that are borne from frustration and a lack of education and foresight. Proclamations made from above to simply “cut staff by 10%” rarely achieve desired

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A Sample Budget Top Page

I call this a top page to identify it as the first page of meaningful data to explain your staffing request. You may have an item or two that comes before it to meet company protocol and/or provide a picture that graphically displays the output, but the information below should represent the main course:

Annual Contact Center Budget: Staffing Requirements Summary Page

| Category | Item | 1st Qtr. Monthly Avg. | 2nd Qtr. Monthly Avg. | 3rd Qtr. Monthly Avg. | 4th Qtr. Monthly Avg. |
|----------|---|-----------------------|-----------------------|-----------------------|-----------------------|
| 1 | # of contacts | 135,000 | 114,000 | 117,500 | 122,000 |
| | Avg. processing time (minutes) | 6.33 | 6.39 | 6.42 | 6.45 |
| | Total hours of workload (# contacts times avg. processing time) | 14,243 | 12,141 | 12,573 | 13,115 |
| 2 | Absence rate (holidays, disability, vacation, etc.) | 18% | 17% | 19% | 19% |
| 3 | Non-production task rate (meetings, training, coaching, etc.) | 17% | 21% | 20% | 19% |
| 4 | Random rate (time spent waiting for calls) | 11% | 13% | 13% | 12% |
| 5 | Total staffing hours required | 26,375 | 24,778 | 26,193 | 26,230 |
| | Total FTEs required | 152 | 143 | 151 | 151 |

What are the benefits of this type of approach? Within a half-page of data, you are able to bring home a number of different points:

- Your staffing budget is based on workload (the number of contacts to process multiplied by the average processing time). If workload increases or decreases, so will your staffing requirements.
- Many of the factors affecting your staffing requirements (disability, vacations, meetings, training, etc.) are similar to what affects staffing in other areas — and your rates can be compared to other departments for validation (and further pages should include breakdowns of these factors).
- You can show how the one block of time that you have the most discretion over (Step 3, non-production tasks) rises when workload is lowest and falls when workload is highest — exactly what should happen in order to maximize your people investment.
- The one factor that separates the demand-chasing contact center dealing with random call arrival from other processing departments is pulled out and listed separately in Category 4. That allows it to be part of a separate discussion.

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results for the enterprise or the customer. You should always be ready to point out some basic facts about cost-cutting in contact centers similar to those in outlined in the sidebar on page 20. Just as importantly, you should be able to offer ideas on how effective cost-cutting in your contact center can be achieved. Those ideas will vary by organization, and will be driven by your continual improvement process.

Compounding the issue of high overall cost is the natural tendency of volume and handle time is to increase over time. That drives staffing requirements higher every year... and drives CFOs crazy. From the CFO's perspective, staffing should only increase if the number of customers (or the amount of annual revenue) is increasing. When customer numbers are level and expenses are going higher, CFOs do what they are supposed to do... question it and try

to bring expenses back in line.

In a contact center, though, staffing levels are ultimately dependent on workload (the number of transactions multiplied by the average handle time), and this metric will not necessarily move in unison with higher-level measures like company revenue. As organizations work harder to build relationships with customers, and are subjected to increased regulation regarding client data security and communication, the inevitable result is more contacts per customer and more time per contact in the center. All other things (technology, workflow processes, etc.) being equal, increases in workload equate to increases in staffing budgets. Making sure that the financial leaders in your organization understand this link is one of your key responsibilities, so your annual planning package should

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Non-Production Task Rate: Detail Page


| Category | Item | January | | February | | March | | Notes |
|----------|--|-----------------|----------------|-----------------|----------------|-----------------|----------------|---|
| | | Hours per agent | % of paid time | Hours per agent | % of paid time | Hours per agent | % of paid time | |
| 1 | Breaks (hours per agent per month spent in scheduled break time) | 0.5 | 5.13% | 0.5 | 5.13% | 0.5 | 5.13% | Constant – two 15-minute breaks per day. |
| 2 | Meetings (hours per agent per month spent in team and divisional meetings) | 2.0 | 1.15% | 3.0 | 1.73% | 4.0 | 2.31% | Cutting back from normal one hour per week in January and February due to high volume. |
| 3 | Training (hours per agent per month spent in systems, customer service, HR, licensing and other classes) | 3.5 | 2.02% | 3.5 | 2.02% | 4.0 | 2.31% | January and February are mandatory new system training; March is mandatory HR training. |
| 4 | Coaching (hours per agent per month spent in annual and monthly formal reviews and in any ad hoc coaching and monitoring sessions) | 3.0 | 1.73% | 3.0 | 1.73% | 3.0 | 1.73% | Reflects call coaching and performance management sessions. No reduction in these activities as they are even more important when volume is high. |
| 5 | Project work (hours per agent per month spent working on projects assigned to the call center; e.g., outbound survey project) | 2.0 | 1.15% | 2.5 | 1.44% | 3.0 | 1.73% | Cutting to minimum (outbound call program only) in January. Adding research programs in February and March. |
| 6 | Unaccounted for time (hours per day in which agents were scheduled for phone work, but were not logged in) | 0.6 | 6.15% | 0.6 | 6.15% | 0.6 | 6.15% | Equates to adherence rate of 92%, which is same as the rate achieved last year and an increase of 1% from the year prior. |
| 7 | Total | 17.33% | | 18.20% | | 19.35% | | Total percent of paid time spent in non-production tasks. |

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not only speak to the relationship, but should also graph it out in no uncertain terms.

Build an Ongoing, Collaborative Relationship

The clients I've worked with who have had the most success during annual budgeting have had the best business relationships with

the finance team. For them, budgeting is not a project, but a process that goes on year-round. Regular meetings, progress reviews and educational events all represent venues where contact center and finance team members can share perspectives. A common understanding can go a long way in lifting that dark cloud that tends to form this time of year. 

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The Cost of Cutting Costs

There is no such thing as a free lunch, so it should come as no shock to anyone that cuts in staffing may have some unintended consequences. The following are a few items that all the decision makers should know prior to cutting staffing levels in the contact center:

| Area Affected | Impact |
|---------------------------------|--|
| Telecom Costs | Reducing staffing levels for a given workload will increase answer times. Customers will have to wait longer for an agent, and if you provide a toll-free number, you are paying for that wait time. You should know your average long-distance cost per minute (including all fees and taxes) and be able to clearly describe how increased telecom charges will eat into staff savings. As an example, if the wait time will increase by two minutes, and you handle 5,000,000 calls annually and pay 2.5 cents per minute, your annual telecom bill will go up by \$250,000 per year. |
| Handle Time | After a certain amount of wait time, customers will open a call by complaining about the excessive wait. That makes the call longer, and as pointed out above, will increase your telecom costs. In this case, though, you also increase staffing costs, since the agent must listen to and respond to the complaint. You should know how much each second of average handle time costs you and be prepared to quote the amount. |
| Occupancy Rates/Turnover | Fewer staff means less time for agents between calls. That time is measured by the occupancy rate, which is essentially time spent in talk or after-call work divided by logged in time. If that number starts creeping above 90% to 92% (lower in some organizations), you can be sure that you will start seeing symptoms of burnout – higher absences, lower productivity, higher turnover, etc. You need to know how much this can cost you, and at what staffing level your occupancy rate will start to move above the burnout mark. Even slight increases in absences and turnover will quickly erase any savings associated with a staffing cut. |

ABOUT US

Contact Center Pipeline is a monthly instructional journal focused on driving business success through effective contact center direction and decisions. Each issue contains informative articles, case studies, best practices, research and coverage of trends that impact the customer experience. Our writers and contributors are well-known industry experts with a unique understanding of how to optimize resources and maximize the value the organization provides to its customers.

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