Building a Business Case:
OUTSOURCING YOUR TECH SERVICE DESK

Driving cost reductions and process efficiencies through standardization, consolidation, and scalability

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EXECUTIVE SUMMARY

As many of today's companies continue to expand—be it regionally, nationally or globally–C-level executives are looking to outsourcing as a path to support growth. The result, in terms of IT operations, is that resources such as tech services or help desk and other functions that are not part of a business's core competencies are increasingly being contracted to external service partners in an attempt to make overall operations, more cost-effective, efficient and scalable.

If you are considering outsourcing, but are uncertain if it makes sense for your organization, building a thorough financial and technological business case can demonstrate whether an outsourced technical support help desk would:

- Offer value and positive benefits to affected operations
- Enhance customer and/or employee engagement
- Improve the quality of services
- Offer redundancy to mitigate risks for business continuity
- Reduce costs

Companies that may benefit from outsourcing customer care or technical support include those that:

- Have call centers in multiple geographies with no centralization or standardization
- Experience seasonal spikes in call volume or consistent call overflow
- Are experiencing growth and difficulty scaling
- Require multi-language support
- Need to provide 24x7x365 support coverage
- Feel the effects of the BYOD movement and emerging technologies

Specific challenges that drive these companies to consider outsourcing their technical support help desk services include: The inability to scale due to growth; multiple site network/ infrastructure; low first call resolution rates; diminished customer/ end user satisfaction; and the need to reduce overall cost without compromising quality of delivery.

The key to determining whether outsourcing your help desk is right for you and ensuring that any resulting arrangement is successful lies in the formation of a business case, that takes into account:

- *What* needs to change and *why* it needs to change
- How changes should be decided
- Benefits: Financial and Non-financial
- What stakeholders need to be included
- A final course of action

Once these factors are taken into consideration, the business case will address the subsequent transition, implementation and governance phases of the arrangement. The first step in this process, though, is a thorough self-assessment of your company as it stands today.

SELF- ASSESSMENT

Carrying out the due diligence necessary to assess your current situation is critical to building an effective business case. So, as you document what's working and what's not with your current help desk/ tech support, it's worthwhile to provide a comprehensive accounting of total costs, customer/user satisfaction, time to resolve problems, among other items, so you're very clear about:

- How the system's broken (include examples)
- Costs: time, expense, risk, service levels, organizational agility
- Whether you actually need to do anything

Then, from that detailed look under your help desk's hood, ask yourself and your team:

- What services do you want from your help desk?
- What services do you need from your help desk?
- Does our help desk currently provide these services?

Furthermore, as you're determining your service desk needs, don't restrict yourself by budgets or other constraints. You'll get to that later in the process. Right now, focus on what will fix your problems.

Cost Calculations: As you define what your processes look like today, you'll need to gather data and hard numbers about everything you're spending money on. The more accurate your business case is, the more convincing your recommendation will be. That means making a detailed account of technical personnel salaries, real estate costs, hiring and training costs, and total infrastructure expenses.

Sample Case: Internal Help Desk (10 agents)

As an example of how to assess your total help desk costs, consider these sample expenses for a typical internal help desk with a staff of 10 agents (including a headcount of 5.25 in management and support).

Remember that any calculation of costs per agent must also include turnover costs, which run, on average, $6,440 per person turnover per year, according to Winter 2015 hiring, training, and turnover data from the Quality Assurance & Training Connection.

STAFFING COSTS:
Sample Monthly Costs for Internal Help Desk (10 Agents)

FUNCTION	HEADCOUNT ALLOCATION	COST
Agents	10	$83,200
Shift Supervisor/Lead Agent	2	$14,444
Manager	1	$12,333
Analytics Specialist	.5	$4,333
Process Improvement Specialist	.25	$2,167
Equipment Network Specialist	.5	$3,467
Knowledge Manager	.5	$3,467
Quality Manager	.5	$4,333

Next, calculate the functionality costs (Facilities and Technology) for the 10-agent help desk, including the physical space, software expenses, telephony, electric, etc. Here real estate can be a leading cost. In this case, the expense was set at $28 per square foot, which is slightly above the national average. At this rate, the facilities and technology costs are outlined below.

FUNCTIONALITY COSTS:
Sample Recurring Costs for Internal Help Desk (10 Agents)

ITEM	QUANTITY	UNIT COST	COST PER MONTH
Real Estate	640 ft.^{2}	$28 per ft.^{2}	$17,984.
Software License fees	20 programs	$1,200 per license/year	$12,000.
Incoming phone calls	10,000	$.50 min.	$ 5,000.
Outgoing	1,000	$3.00 min.	$ 3,000.
Electric	$1,200	-----	$ 1,200 .
Office supplies	-----	-----	$ 200.

Along with recurring expenses associated with salaries, facilities and technology, other less-tangible costs, which will also need to be added to your total tech support help desk costs, include:

- Ramp-up time
- “Overstaffing” to ensure peak coverage
- Ability to access the best and latest technology
- Training in new business processes
- Training in help desk best practices

Some of the preceding soft costs have been shown to boost help desk employee effectiveness and improve customer satisfaction by teaching employees such skills as:

- Empathy and listening
- Ability to soothe callers
- Capacity to project professionalism
- Knowledge of the service or product

As you build your business case for (or against) outsourcing your tech. support help desk function, these calculations can help you justify potential savings/expenses that you're presenting to stakeholders.

Performance metrics. In addition to fixed costs, you'll also need to include Key Performance Indicators (KPIs) in your business case analysis to ensure you present an accurate picture of the current state of your help desk. These metrics include such data points as:

- First Contact Resolution
- Average Speed to Answer
- Abandonment Rates
- Average Handle Time
- % of Level 2 Escalations
- Customer Satisfaction

Carefully monitoring these metrics will help you assess effectiveness, efficiency and productivity of your help desk employees. You can then use that information to gauge overall customer satisfaction with the service. These data will allow you to gauge agent utilization information, which, if too high, can be a good predictor of employee turnover.

Note: In some cases, internal help desk positions may not be considered a highly desirable career goal. An outsourcer with an eye on limiting employee turnover and controlling costs may provide employees with extensive training opportunities and establish career paths within its management structure.

Systems & Tools: Although the staff side of the help desk equation is of primary importance, the existence of an effective system for resolving customer issues and the tools to make it work are important too. Check with the call center team and leaders to make sure that the system provides everything agents need to quickly resolve customer questions.

The availability of the latest tools and technologies to assist customers is a common feature among many outsourcing partners (including CGS). This ensures that your help desk agents always have access to the latest, fastest technology solutions to assist with customer issues.

Outsourcing partners may also be better equipped to handle business continuity issues through geographical network redundancy, plans for alternate cold warm or hot-site start-up, call re-routing for message taking, or on-site power generators with 24x7 fuel contracts to ensure zero interruptions.

If your company is like a lot of growing businesses with operations in multiple different geographies, you need to take stock of whether your in-house help desk facilities offer the same consistent service. Your operations should also be using the same help desk systems and tools across all your locations.

What's more, if you have facilities where multiple languages are spoken, you need to assess whether your end users have the same standard of service available in each of the different geographic and culture centers you serve.

System performance. Assessing the performance of existing systems is the next key element in building your business case for outsourcing. By examining your current resource use and documenting services you provide, you can compare your operations against the performance levels promised by an outsourcing partner.

By using key statistical information, you can determine call arrival patterns based on a range of call volumes and peak periods. Important information to consider includes:

- Service levels
- Call volumes
- Average duration per call
- Peak-period support requirements
- Call overflow
- Range of applications and products supported
- Skill /training requirements

In terms of data to assess current performance:

- Average wait in queue
- Calls resolved on first contact
- Average response times by category of calls
- Call abandon rate
- Backlog of unresolved issues
- Customer satisfaction ratings

After determining your organization's current tech. support performance level, next consider whether there are issues your help desk has difficulty addressing or is unable to resolve. This step will help you identify current help desk challenges and whether it makes more sense to handle them with your existing model or to outsource.

IDENTIFYING SOLUTIONS

Now, as you continue to build your case for outsourcing, the self-assessment phase will help document the problems you already know about and will provide insights into possible solutions to these and other challenges your help desk faces, whether these solutions are through an outsourcing partner or not.

In the case of Xylem, a global water technology company with over 12,500 employees operating in over 150 countries, the organization's business case evolved into more of a hybrid solution for its help desk challenges with the result being a fully integrated blend of self-service and full-service options. This combination helped Xylem streamline its help desk operations and better address its specific needs.

"Xylem was looking for integration, consolidation and synergies across its global IT infrastructure...,"

...."And in doing so, the outsourced call center not only became a cost-cutting initiative, it drove efficiency across the services provided to the company's customers."

- Michael Mills, SVP,
Contact Center Solutions, N. America, CGS

Of course, determining which problems are best solved internally and which would be better handled externally requires that companies establish an open dialogue with their potential outsourcing partners.

> "It's important for clients to outsource to a true consultative partner that will provide flexibility in its offerings. That means sharing existing intellectual capital and best practices learned through extensive experience.
>
> Michael Mills, SVP, Contact Center Solutions, N. America, CGS

A new customer shouldn't be coming in telling the partner how he should be doing it. The partner feels that they need to be advising the client: This is how we're going to do it and why," Mills continues. "That's the main reason CGS gets involved early on–even before there is commitment that we're going to get the business–to provide a CFO with consultative advice and recommendations on what he or she needs to include in the company's business case."

The goal of outsourcing for both client and vendor is to reduce errors, provide faster, more consistent service, lower costs and improve quality, all of which, in the words of Mills, "drive customer satisfaction, whether that's internal end users or external customers."

EVALUATION / SELECTION

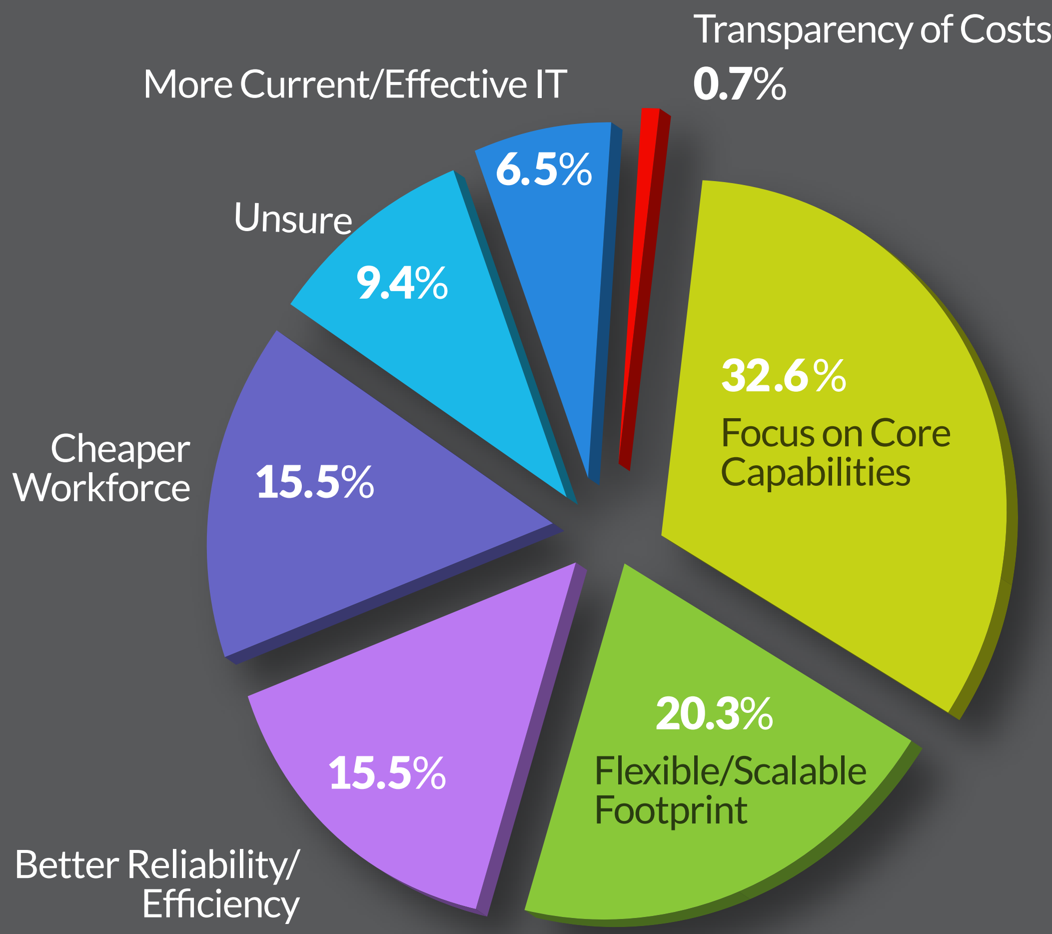
Now that you have established your needs and what you are trying to achieve, the next step is to evaluate potential partners that can meet those needs, deliver on your objectives and are a good fit for your company. Some vendor qualifications you'll want to consider include:

- Experience, longevity (check references!)
- Quality of work/customer satisfaction
- Skill with existing/emerging technologies
- Range (and depth) of service offerings
- Documentation/reporting functions
- Global reach (if needed)
- Technology infrastructure
- Commitment to its own employees
- Contract/pricing flexibility

That last consideration, ***flexibility***, is a key part of an emerging trend in how companies perceive the benefits of outsourcing. Just a few years ago, executives who considered outsourcing did so primarily for the purpose of reducing costs.

While that may still be a factor in the decision, **according to a recent poll of C-level executives, the dominant motivation behind outsourcing today (selected by 32.6% of participants) is to allow companies to focus on their core capabilities.** The next highest perceived benefit was a flexible/scalable footprint, which was chosen by 20.3% of those polled. It's important to note that both benefits are about enabling growth.

Where is the greatest benefit typically realized when a company implements Business Process Outsourcing?



Source: "Building a Technology and Business Case for Outsourcing," Webcast, CFO Publishing, Sponsored by CGS, December 2015

Now, a key part of the outsourcer evaluation process is the need to involve key stakeholders. If any management level stakeholders are going to be affected by help desk operations, they need to be involved upfront in the decision-making process. **The earlier this happens, the more likely they are to become invested in the business plan** development process and the more supportive they'll be of the ultimate decision. In other words, outsourcing decisions can't be made in a vacuum.

These key stakeholders also need to be included because they typically have information the CFO is going to need to build both the technical and financial aspects of the business case–information about necessary infrastructure, telephony, toll-free number systems, ITSM tool set, etc. This essential early involvement also allows project leaders to get the necessary buy in from leadership, and allows them to anticipate and address potential objections.

MANAGING THE TRANSITION

The last part of building a business case for outsourcing your help desk services–as well as launching and sustaining the ongoing partnership–involves designing the transition, implementation and relationship management phases. This is the culmination of the due diligence performed in the initial phases of building your business case.

There are three easy-to-remember rules to a successful transition - Mills refers to them as 'The Three Cs':

1. Communication
2. Cooperation
3. Continuity

Communication. An outsourcing project is always evolving, so it's important that you have a clear, concise timeline for the transition and clear channels for communicating everything that's going on. "**You can never have too much communication," Mills says, "before, during and even after transition."** In addition, because clear, proactive planning is built into the transition model, stakeholders have explicit expectations about what's going to be accomplished and when. Then, whatever happens–good or bad–the news is always communicated early and upfront, so the transition can stay on track. And if things ever do go off track, they can quickly be steered back on course.

Cooperation. The next key tool for managing the transition goes back to the fact that the relationship between the customer and the vendor must be a true partnership, with the vendor becoming an extension of the client's environment and organization.

Continuity. During the last stages of the transition, the stability of the relationship between the outsourcing partner and the customer becomes especially important. Because there is so much new activity taking place during this phase, the same team members who've helped the customer all the way through the project, from building the case and the solutions to implementation, need to maintain their steadying presence through transition so end users aren't negatively impacted at any time during the changeover.

This applies not just to the sales team and the delivery team, but all the way down to the agents who are to be assigned to this project. It also means that the existing help desk team and any associates affected by the transition have to be made well aware of all the changes–the how, the what and the why–so that as help desk support transitions from an existing partner to a new one, customers and end users don't experience any service disruptions, only improvements.

To maintain that level of comfort during the transition, the business plan needs to outline a series of realistic, achievable goals and timelines. That way the project can make steady incremental progress, instead of attempting what Mills calls a "big bang" outsourcing implementation, where the expectation is that everything gets done at once. This phased approach allows the many levels of changes to be kept in sync so the transformation can be completely successful.

Planning for the Unexpected

Now, no matter how well you plan your transition and implementation, **there will be surprises: Missed costs, unexpected events, etc. "Because," as Xylem Global Director, IT Infrastructure Richard Lampe explains, "there always are."** And when issues arise, there's no time to form a committee to address them. They need to be resolved quickly so the transition can continue to move forward as smoothly as possible.

This is why it's so important to set up an escalation path, or governance model, by which one person from each side (customer and partner) is chosen to be accountable to make the solution work. "It's not personal," Lampe says, "This is business; this is strategy." It gets back to one of the main purposes of the outsourcing business case: Try to take into account as many different possible outcomes as you can. Then, because you can't think of everything, you'll need to have a process in place by which you can deal with those unexpected events quickly and efficiently.

Example Governance Model

The governance model not only ensures that the transition runs smoothly it helps with the implementation phase and the ongoing outsourcing management phase as well. To accomplish this, the governance model prescribes ongoing weekly, monthly and quarterly meetings throughout the life of the project to address issues ranging from operations to process improvement to strategy.

> "Working together, we can forecast where we're trying to go. Then our outsourcing partner can start to mobilize the resources they need. The whole model is to deliver a much-improved service, and you've got to work together to ensure that it is win-win on both sides."
>
> Richard Lampe, Global Director, IT Infrastructure, XYLEM

CONCLUSION

Like any relationship, an outsourcing partnership takes work to help ensure everything runs smoothly. A solid business case makes that work more systematic by helping you set up the structures and processes that keep the relationship strong. **The governance model is the key.** It helps you stay ahead of the curve by constantly reminding you that a business case is based on a set of assumptions and that, over time, the situation on which those assumptions were based can change. That's to be expected. That's also why, throughout the life of the outsourcing contract, the governance model establishes key performance indicators that help you keep track of, and make adjustments to, the original business case objectives.

Xylem: Three Case Studies

Xylem, a global water technology company with operations in over 150 countries

SELF - ASSESSMENT

CHALLENGE: Multiple Service Desks
Some regions with no service desk at all, no weekend coverage, different levels of service across the disparate facilities, inconsistent trouble shooting methods.

SOLUTION: Regular 24/7/365 service for all locations (central and remote), multiple ways to access support (phone, email, chat) and resolve issues.

*"**What we really needed** was a way to improve our costs by trying to understand and forecast what our current run rates were and be able to budget for the future. We absolutely needed to improve quality so we could develop some kind of standard processes with best practices in the industry."*

*- **Richard Lampe**, Global Director, IT Infrastructure, XYLEM*

MULTIPLE GEOGRAPHIES

Challenge: Multiple Geographies. Historically operating in a very decentralized model in different countries where different facilities were highly independent, provided varying levels of service, and created a barrier to growth.

Solution: IT project to show global focus and agility of new IT infrastructure, allowed company to build a solution that could grow without barriers regardless of region. When new businesses are acquired, they can be integrated quickly and easily.

UNCOVERING THE UNEXPECTED

Uncovering New Challenges: Several of Xylem's issues were already well known¬–the existence of multiple help desks, inconsistent services that inhibited growth across geographies, etc. These issues were what initially drove the company to look into outsourcing. However, through the due diligence process of building its outsourcing business case, Xylem discovered additional problems with its current help desk model, including lack of common reporting/documentation/metrics and differing issue resolution strategies from one help desk to the next.

Solution: As Xylem developed strategies to address the challenges it already knew about, the company incorporated additional solutions into its emerging business case through more uniform, integrated help desk services and the adoption of a self-service model to address issues that didn't need high-touch assistance. This new model helped empower employees to solve their own problems, and freed up the technical support team to work on more complex issues and provide more high-value service to the company.

ENGAGE STAKEHOLDERS EARLY

Challenge: Engaging Stakeholders Early . "When Xylem built its business case for outsourcing," Lampe explains, "a lot of stakeholders were involved, and there was a lot of back and forth. I don't know how many different versions of spreadsheets we went through," Lampe explains. "This was a major project that cost a lot of money. So, obviously, the CEO had to be one of the key decision makers. And, of course, in my job as the infrastructure director, I had to make sure that my teams were all on board, and, of course, the CFO. But it all had to be summarized down to a one-page document."

Solution: "Getting the proper alignment," Lampe concludes, "came down to effective communication at all the levels. It was a solid case financially; it was a solid case operationally; and it was definitely a solid case strategically."

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CGS Business Process provides customer and technical support to the world's most admired companies and their customers.

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+90% of customers return to CGS for additional call center services for nine years or more	45 million+ interactions with customers per year	70% of employees have a college degree and/or an advanced certificate in their field of support

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