

Revenue optimisation and sustainability for call centre management operations



Abstract

Managers in today's environment are forced to look at all avenues to maintain profit margins. Call centre operations are becoming the major point of contact for serving customers and presents potential for generating new revenues in a variety of industries in a cost effective manner. The banking industry is no exception to this notion.

This thought paper discusses the configuration decisions for the supply network of a bank in relation to its call centre function, which is currently located in the UK. In addition the human factors that strengthen or weaken these arguments, such as risk management, change management, leadership and employee morale have been researched and evaluated.

In this paper we critically evaluate and make recommendations on the feasibility and implications to the business if it chooses to outsource the call centre function. Within the scope of this discussion we will also consider off shoring and the practical impacts of this consideration on performance and risk.

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“If excellent customer service is a key business objective then we must first ask what value adding improvements are required and if outsourcing can provide this.”

“When senior management undertake outsourcing there is a fear that the business is making a trade-off”

At the outset there must be a clear understanding and desire to implement superior customer service amongst other secondary factors, such as economising on cost of skills acquisition. This will ensure that the Bank will secure its source of differentiation amongst competitors.

One compelling conclusion is that if outsourcing is decided it must provide a means for value add to a degree that exceeds that compared to UK counterparts, without additional operational risks.

outsourcing hinges on the “make or buy” philosophy. This usually involves a trade off between the operational objectives of Cost, Speed, Quality, Flexibility and Dependability.

The focus on core competences has been recognised in many literatures as a strategic critical success factor in the long-term survival of a firm.

The decision to outsource has previously been dominated by the need to tactically reduce costs and to ‘buffer’ fluctuating demands. However in the fast paced banking industry it has been viewed increasingly as a strategic opportunity to innovate for long-term competitive advantage.

The strategic options under consideration for a Bank’s call centre are illustrated in Figure 1.

This study recommends an integrated decision-making process that should be adopted in order to focus on measured outcomes and it also advocates business partnerships with close information share as a catalyst to harness knowledge equity and be successful when an outsourcing decision is taken.

The decision management teams weigh up when considering

Ownership of operations	Don't own the assets	OUTSOURCING Domestic supplier delivers products and/ or services	OFFSHORE OUTSOURCING Overseas supplier delivers products and/or services
	Own the assets	IN-HOUSE OPERATIONS Focal operations performs activities themselves	CAPTIVE OFFSHORE Focal operation's overseas operations delivers products and/ or services
		Domestic	International

Location of operations

Figure 1: Strategic options



The motivations behind the choice to consider outsourcing

It is crucial to carry out a thorough due diligence process before any decision is made to outsource, so as not to give away key strategic resources. In this way the firm will fully understand what it seeks to achieve from the outsourcing arrangement and define the measurements for success.

We must differentiate what the company needs from its supply chain to compete and to determine the focus areas with the best return on investment. The bank could use value stream mapping and benchmarking techniques to make a clear identification of activities to consider for outsourcing.

Interesting observations have been made which suggests in most cases the decision to outsource activities had been made prior to any real study and subsequently the business case was then used to endorse the decision that had already been made.

The development of gatekeepers on ensuring that the motives behind outsourcing are correct, so that we do not externalise a problem without fully understanding the underlying issues, occur by involving the in-house call centre team in the process. This may lead to the in-house function improving significantly and nullifying the need to outsource. By creating this visibility it can also mitigate any politically motivated decisions.

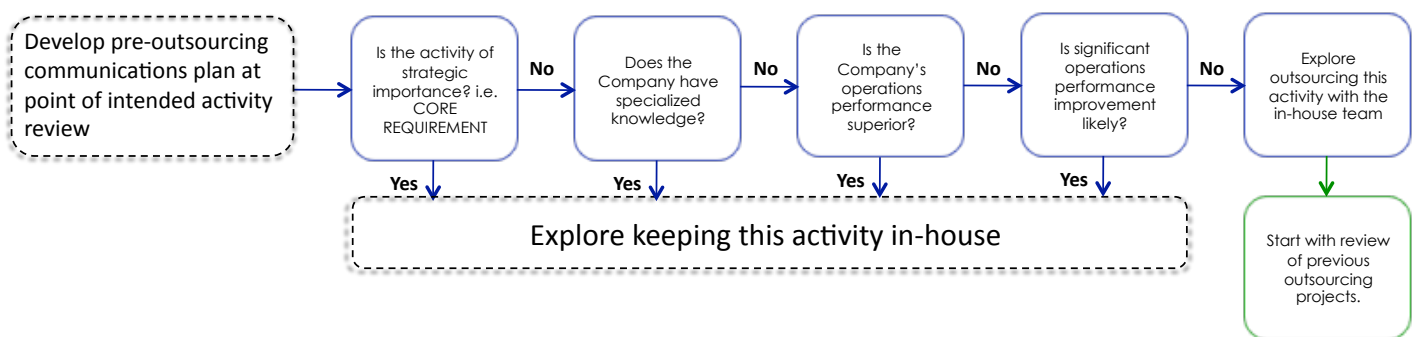


Figure 2: Decision-making process to outsource

“It’s important to have effective decision-making processes to mitigate future risks.”



Clearly defined processes can be used to guide the strategic thinking and the complex interrelated decision-making whilst reducing risks and improving control.

From our research we have defined important process elements for making the decision to outsource:

1. Identify the motive (Figure 2)
2. Satisficing model for option selection (Figure 3)
3. Appropriate Supplier selection and
4. Managing the relationship (Figure 4)

When considering outsourcing it is also vital to implement contingencies for “step-in” rights to take over the management of the outsourced call-centre in the event of a serious breach, and these should be detailed in advance. Furthermore the return of outsourced services should be periodically tested for compliance.

Specific risks need to be considered for the off shoring option, whether it is captive off shoring or outsourced off shoring. Therefore a process needs to be in place to manage these decision orientated risks.

Deciding where to locate is determined by adopting analytical techniques, such as the weighted score method. This can be used during the satisficing and supplier selection processes.

The level of interaction of the outsourcing agreement becomes more strategic and risky with increased contractor knowledge sharing. The freedoms and constraints on information share should be made transparent during the contractual development and planning processes.

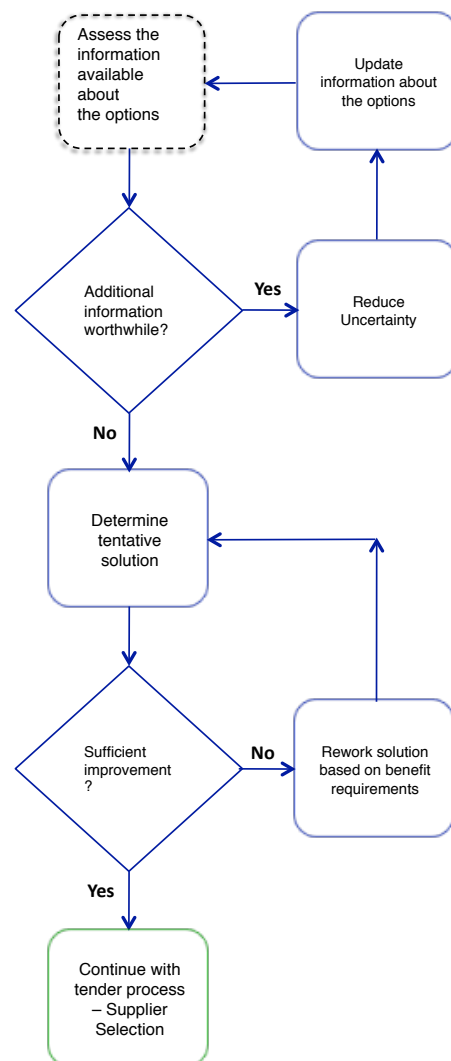


Figure 3: Satisficing model

Systems of management for outsourcing: Supply chain coordination and control

In the banking industry evidence was found that pointed to firms choosing captive off shoring over offshore outsourcing and this depended on the activities' relatedness to core activities. In particular the firm's sensitivity to tacit knowledge and intellectual property increased the importance of internal interaction.

New technologies of surveillance in the form of information and communication technologies deliver more complete control over standardised operational processes and management.

By taking a more in-depth view of call centre outsourcing, with specific focus on staffing levels and service quality. Our research demonstrated that traditional contracting such as 'Piecemeal' could help to coordinate staffing levels but resulted in service quality below optimum.

However when a 'Pay per call resolved' system is used with call centre operatives the outcome is very different. Virgin trains outsourced its sales and call-centre function to Capgemini with its contract compensated on the number of ticket sales. The result was a 400% increase in revenue.

Further integration through a 'Pay-per-call-resolved with cost sharing' and 'Partnership arrangement' is a lead to

optimal coordination of efforts, and yield increased call resolution (satisfaction) and profitability when the service quality effort is not observable. This involves more collaborative information share to succeed and presents a challenging trade-off.

Further consideration needs to be given as to how the relationship operates and is managed. Quantitative and qualitative performance standards and remuneration and reward schemes must be reviewed systematically. Contractor's quality of service must still be monitored because of the contractor's own incentive to save costs.

Staff motivation and performance can impact greatly upon the success of an outsourcing contract, it is therefore in everyone's shared interest that the change is well managed, causing as little disruption as possible, and enables those who are 'transferred on' to work effectively.

The human and cultural challenge to outsource can be qualified through a view as "the more an information/ research service is embedded in the knowledge/ information exchange fabric of the workplace, then the harder it is to outsource it to an external provider."

Change management: the human and cultural factors

For outsourcing projects emphasis needs to be placed on the organisational justice throughout the change process. Severe cuts in staff can damage the morale of existing workers.

Continual communication of the rationale to outsource and career path consultations (of those in the call centre operations) will improve the acceptability to outsource. The communication channels must remain open to deal with the psychological acceptance rates that occur on different timescales for different people.

Ineffective leadership and lack of management focus in pre-outsourcing and post-outsourcing operations will almost certainly lead to failure.

Most outsourced employees are vulnerable to job security which itself is difficult to maintain due to the nature of fixed term commercial contracts which are potentially subject to out right termination, thus limiting promotional opportunities and creating short-termism.

This is a critical issue to address since many call centres represent the front line service work, which seeks to build customer loyalty. Customers' perceptions of superior service quality are shaped by the organization's commitment of its employees.



“All stakeholders in the value chain must share equally in profit generation”

When labour is contracted out it can also give rise to different exchange relationships from those associated with internalized arrangements, exemplified by different targets and priorities. This inequality presents a challenge to maintain service quality and to build customer loyalty.

Furthermore offshore-outsourced teams may not have the detailed knowledge of consumer or regional markets that they serve which may cause quality issues. Protecting information may slow down off shore outsourced operations. Captive off shoring mitigates the network share problem, resulting in reduced load on the system and the associated re-work costs.

Empowered Customer Service Representatives (CSRs) provide intelligence-gathering opportunities that can lead to knowledge development and future innovations. In how this knowledge is disseminated forms a source of competitive advantage. When these benefits are not realised the banks are likely to withdrawal from the venture.

From our analysis we can conclude that it is crucially important to have a continuous process in place that reviews the strategic path and performance of the bank. By using the techniques described earlier the executive team will be able to identify emergent opportunities to improve their competitive position, be it from in-house changes or outsourcing/ off shoring.

The evidence demonstrates a need for consistency and close collaboration to continually monitor service quality of the call-centre activities and achieve a system that is focused on customer requirements. As integration increases the arrangement becomes leaner and more tightly connected.

A “High Performance Work System” should be implemented in call centres to reduce attrition and costs in outsourced operations. The needs of the systems must be adapted to include employee voice, so that they are consulted in ongoing developments, although this is a very challenging undertaking it will reduce risks.

Knowledge workflows, built on trust, are required to fully benefit outsourcing – if not established this will inhibit innovations that could provide competitive advantage. There must exist the appropriate management capabilities to service outsourcing arrangements as we have seen that this requires a different skills set to be able to cope with the complexities and interdependencies of corporate structural changes.

The CSRs must have ‘Outcome Based Targets and incentives’ in their job design aligned to appropriate key performance indicators, such as reductions in customer defection rates. There is an opportunity for end-user feedback to be incorporated into the monitoring process for improved quality control (to capture and improve the quality gaps).

Our Recommendations for successful outsourcing and off shoring

It is crucial to integrate the process flows to form a unified decision-making protocol (managed by a steering team), Figure 4. Each stage is gated and requiring steering team approval before progressing to the next stage. Risk management and communication must be structured and continuous throughout.

All outsourcing arrangements must be on a partnership basis. When the call centre's profit margin does not match that of the integrated outsourced supply chain then the call centre will exert less effort, resulting in service quality inferior to that of the integrated system. With a coordinated contract both parties can make larger absolute profits and deliver optimal customer satisfaction.

To mitigate the effects of attrition in CSRs there must be parity and equality from managing in-house and outsourced activities. Outsourcing/ Off shoring should be treated like any other investment, monitoring and reviewing it regularly, so that quality of the service does not need to be compromised.

If off shore outsourcing is determined via the process it should be pursued carefully and migrated from captive-off shoring. The recommendation is to find a local partner in the country of interest to assist in the migration.

Offshore operations could lead to technological innovations since international suppliers have economies of scale to mobilise advances in Information Technology.

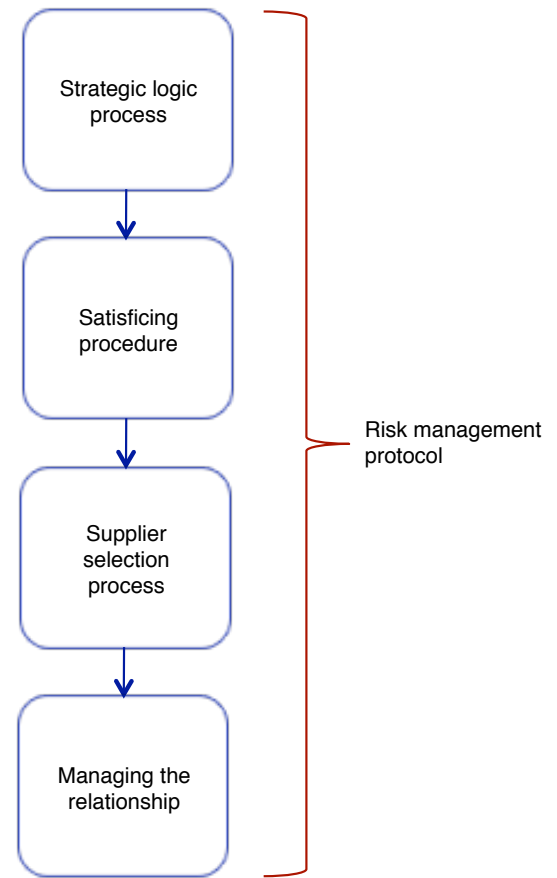


Figure 4: Managing the relationships

If you would like to learn more about how Reciprocal Management Partners can help you achieve your strategic goals through effective call centre operations then please get in touch with the Author to discuss your specific needs.

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