

Why Staff Shrinkage Perplexes Your CFO – and Shrinks Your Budget

(First article in a series on calculating FTEs)

If you're like most other call center managers on the planet, there's been a day or two when you've drifted across the floor, watching service level plummet, and wondered aloud, "Where is everybody?" It's not a comfortable feeling.

It's even less comfortable to be inadequately prepared to answer when your Chief Financial Officer (CFO) asks YOU some variation of the above question. Where are they, anyway? Just how are you call center folks spending your time?

Getting "the right number of properly skilled people and supporting resources in place at the right times to handle an accurately forecasted workload at service level and with quality" is at the heart of effective call center management. Accomplishing this objective requires accurate analysis and management at many levels, from long-term planning to intraday staffing adjustments.

But the foundation upon which your call center capacity is built is the budget. The budget process will put you squarely in front of your CFO. And he or she has a few questions...

Call Load vs. Paid Hours

If this issue hasn't come up yet, it will. Why is the annual call load so low vis-a-vis the call center's total annual paid hours? (These kinds of tough questions help explain why CFOs get the big bucks.) Some quick pencil work proves the point:

- 1) 790,000 annual calls x 3.5 minutes average handle time = 2,765,000 minutes
- 2) 2,765,000 / 60 = 46,083 hours, annual call load

3) 55 Full Time Equivalents (FTEs) = 114,400 annual paid hours (55 x 2,080 hours)*

4) 46,083 / 114,400 = 40 percent

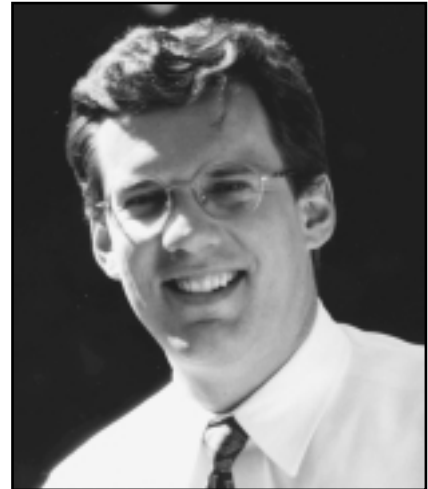
* Assumptions: one year = 260 work days or 2,080 hours, based on eight-hour days. The call load and FTE figures are examples only.

Hmm... Why are you call center people spending so little time - 40

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Of course, the first thing to



ensure is that all of the responsibilities that fall under the call center's umbrella are included in the calculation. Are the loads associated with handling e-mail transactions, postal mail, outbound calls and other types of work sufficiently accounted for? Fair enough. Even so, the number is still likely to appear low, usually well under 50 percent Why? This discussion often leads to a more specific look at how individuals spend their time.

Overall Shrinkage

If you break down an individual's paid hours across a year, it might look something like the example in the table below.

Now that looks much better. If the time agents spend away from the workload amounts to around 28 percent, then they ought to be available

Vacation/sickness	20 days	7.69%
Breaks	two 15 minute breaks	6.25%
Training	15 days	5.77%
Meetings	30 minutes per week	1.25%
Holidays	7 days/year	2.69%
Miscellaneous	20 minutes/day	4.17%
Total		27.82%

to handle transactions 72 percent of the time. But why the dichotomy between this perspective and the 40 percent derived from the previous example? It is, in short, an “apples to oranges” comparison.

For one thing, those with supporting roles, who generally spend little of their time handling transactions, are omitted from the calculation. It takes a proverbial small army of trainers, technicians, analysts and supervisors to keep a call center humming along.

Another critical factor being ignored is the impact of occupancy. Occupancy is the percent of time that agents who are handling transactions are either in talk time or after-call work (wrap-up). The inverse of occupancy is the time agents spend waiting for calls, plugged in and available. Occupancy is inversely related to service level; when service level improves, agents will spend more of their time waiting for calls to arrive. This is an immutable law stemming from the phenomenon of random call arrival. Want to provide a good service level? Your “efficiency” will inherently be lower. The size of agent groups also affects occupancy; small groups are inherently less efficient than larger groups. (For a review of occupancy, see *Service Level Notes* in our May 1997 issue).

There may also be questions around schedule adherence and whether the factors included realistically reflect the activities that keep agents from the phones. The time spent on training, off-line research and miscellaneous projects has a tendency to expand over time. However, don't draw quick conclusions without a closer look; some or most of this time may necessarily reflect the growing responsibilities of today's call centers. There is also a danger in utilizing aggregate shrinkage in budget calculations, given that the things that keep agents off the phone vary by time of day, day of week and season of the year. The analysis will have to be more specific.

But perhaps the toughest issue to come to grips with revolves

around scheduling accuracy and flexibility. Inbound call centers inherently operate in a “demand-chasing” mode. Much of the time, there are either more calls to be answered than resources available, or more resources than calls. Because supply and demand are rarely equal, demand must be “chased” with the supply of answering capabilities. The tough question is, what level of “insurance” do you want to build into your staffing calculations for those times when your forecasts and plans are off the mark or when schedules are

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not flexible enough to sufficiently respond to peaks and valleys in the workload?

When considering this issue, remember two caveats: 1) Budget projections usually assume ideal schedules with just the right number of base staff to handle the anticipated workload, plus expected shrinkage; although it's tough to admit that your projections may not always be on the mark, you will need to build some worst-case scenarios to draw adequate attention to this question. 2) Unlike most other work environments, inbound call centers can't stockpile finished calls (work ahead) or handle unfinished calls in batch at a later time (catch up); the resources have to be in place when the work arrives, or we risk the consequences of angry callers, stressed agents and the high costs associated with long queues.

Educate at the Executive Level

The bottom line... er, crux of the matter is that we need to be able to dialog intelligently and thoroughly on these issues. The CFO has a right to ask tough questions and to assess how wisely we're using the budget they are entrusting to our stewardship. But they are going to need at least a basic understanding of call center dynamics in order to understand the numbers. We have the responsibility of educating them on this unique environment and providing analysis that accurately reflects call center activities. If we don't, we're likely to end up with an inadequate budget.

The budget process also invariably leads to questions of strategy. For example, what is the call center's mission? How committed are we to providing good service even when the forecasts may be uncertain? What are our priorities, and how can we improve efficiency? What role will new technologies or processes serve and how will they impact the budget? Be ready for these discussions; they are opportunities for you to present thoughtful insight. This process is a healthy part of ongoing call center development.

We'll pick up with the issue of projecting required FTEs next month. In the meantime, take a few minutes to run through the call load versus paid hours and overall shrinkage exercises. How do your numbers come out? Any surprises?

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