Payoff

Cost, performance, and service demands are just some of the issues driving organizations to outsource all or part of their help desk functions. Selecting an appropriate vendor and preparing a detailed contract are key to forming a cost-effective and productive relationship that gives both the organization and the vendor a competitive advantage. A six-step approach helps IS managers delineate the goals, requirements, and terms on which such a relationship is based.

Problems Addressed

Despite the debate over the productivity paradox, corporate managers appear confident that their IT investments yield a significant return. They continue to acquire and use computers and their attendant peripherals and networks at an accelerating pace. Not surprisingly, investments in help desk-related goods and services are estimated to be increasing from 25% to 50% nationwide.

For a variety of business and technical reasons, a major component of the IT outsourcing industry centers in the help desk arena. Because of the several operating options available for outsourcing all or part of this function, the process of selecting an outsourcing vendor may seem daunting. With forethought, proper information gathering, and careful planning, however, this process becomes straightforward and can result in an outsourcing relationship that brings competitive advantage to all parties involved.

Outsourcing Drivers

The following several considerations are driving the outsourcing of the help desk function:

- Business size.
- Performance.
- Cost accounting.
- Service demands.
- Business needs.
- Staff development.

Each of these drivers is discussed in the sections that follow.

Business Size

Some businesses are too small to provide adequate staff support. Although such businesses deploy as wide a variety of systems, software packages, and networks as their larger counterparts and encounter an equal number of related problems, they have fewer resources with which to resolve problems. Outsourcing offers these businesses a range of service options delivered in a professional manner. For example, an outsourcer specializing
in help desk operations can acquire and implement expensive support tools that facilitate end-user support but are not cost-effective when implemented by small companies.

**Performance**
There is little doubt that outsourcing is sometimes viewed as an alternative to what are perceived as ineffective, unresponsive IS departments. Help desks are challenged by a host of difficulties including high turnover, poorly trained staff, improperly motivated staff, staff recruitment problems, and unsatisfactory problem tracking. Understaffed help desks often service end users reactively and fail to offer proactive solutions through training and end-user documentation.

**Cost Accounting**
In-house help desk operations are frequently budgeted as general expense overhead. This form of budgeting does not encourage judicious use of help desk resources. An outsourcing arrangement developed around a chargeback system focuses attention on the cost of unnecessary services. Services must be priced realistically so that the so-called underground network does not shift the work load away from the help desk to unskilled and inefficient coworkers whose time does not appear on an expense sheet.

**Service Demands**
Some companies use outsourcing vendors to provide specific services for the in-house help desk, such as coverage for peak periods, nonbusiness hours, special constituencies, or specific problem areas.

**Business Needs**
Some companies need to downsize while focusing on their core specialties. Outsourcing the help desk function offers a means of transferring the funds committed to positions that are not highly valued to the acquisition of a higher quality service. The strategy of converting fixed costs into variable costs holds promise of reduced overall expenditures.

In addition, IS managers in companies experiencing a rapid growth curve may not have the time to properly staff, train, and equip a help desk. In spite of the help desk's importance in enabling end users to fully utilize mission-critical applications, the help desk is not a mission-critical function. Many companies that outsource the help desk function do so simply to avoid the necessity of staffing and managing such a unit while expanding their services. Considerable savings of management time are realized when scheduling, training, hiring, and coordination are off-loaded to an outsourcing vendor.

**Staff Development**
Help desk positions are not considered a highly desirable career goal. An outsourcer can provide employees with more extensive training opportunities and establish career paths within its management structure. Outsourcers may also have more opportunities to move promising staff into positions unrelated to help desk operations.

**Outsourcing Models**
Selection of the most appropriate outsourcing model depends, of course, on individual company circumstances. Managers reviewing their help desk needs and the best way to address them should consider the following four options:
- **Insourced help desk** An organization with adequate resources or a high inventory of in-house developed systems may find it most effective to staff the help desk entirely with its own employees.

- **Outsourced help desk** In this model, a firm specializing in help desk operations provides all help desk services.

- **Hybrid help desk operations** In the hybrid model, the organization provides some of the help desk employees and the outsourcing firm provides others. This model offers several flexible service options. Companies can outsource support for shrink-wrap applications only and use the internal help desk for legacy and proprietary systems. Or, they can contract the first level of support and retain support for more substantial problems. The reverse strategy is also possible.

- **Provision of supplementary support tools** In this model, outsourcing vendors provide prebuilt expert systems, case-based reasoning tools, and automated text-retrieval systems (e.g., hypertext and indexing systems) to enhance the help desk staff’s access to up-to-date information.

Substantial numbers of help desk outsourcing arrangements have been implemented. Following are some of the more illustrative examples.

**Taco Bell**
The Store Operations Support Project (SOS Taco) is a partnership between Taco Bell and Coopers & Lybrand. SOS provides assistance on inventory, staff scheduling, point-of-sale data gathering, and other back-office operations for more than 4,100 sites in the US and abroad. Coopers & Lybrand provides nearly 20 part-time and full-time supplementary staff for the help desk during high demand periods and night shifts. This group augments a much smaller Taco Bell support group, creating an in-house core of people who work with other Taco Bell employees on development activities. Coopers & Lybrand provides each employee with four weeks of training. The help desk handles in excess of 20,000 calls each month.

**Novell, Inc**
This well-known vendor of networking and other software outsourced support services to Dallas-based CompuCom Systems, Inc. The agreement merged three help desk operations into one and serves some 6,000 employees at four main sites.

**Microsoft Corp**
When Microsoft needed help in supporting new users of Windows 95, it contracted with Boston-based Keane, Inc., to set up a help desk with 350 support personnel. The Keane help desk group augmented Microsoft’s existing telephone hot-line staff.

**Selecting a Help Desk Outsourcer**
The exercise of gathering requirements and current customer support information is both informative and the key to ensuring that an outsourcer provides the correct type and level of service. These requirements are specified in a request for proposal (RFP) and become the basis for evaluating outsourcing vendors and negotiating the service-level agreement.
It is important to be honest with potential vendors about support requirements and company-specific idiosyncrasies. Working as a team with the vendor results in a win-win outsourcing arrangement. The following six steps provide guidance on how to achieve this arrangement. They are based on “The Help Desk Opportunity,” a white paper published by the Keane Corp. in 1995.

**Step One: Developing Help Desk Requirements**

The critical first step of any help desk outsourcing venture is gathering the information needed to develop accurate requirements for the new or improved help desk facility. Clear objectives and accurate requirements greatly enhance the ability of the outsourcer to develop an offer that matches company expectations. Conversely, a lack of accurate information results either in an overpriced bid designed to ensure that the vendor's risks are covered or in an underpriced bid that inhibits the vendor from meeting service expectations. Experienced help desk consultants, who can quickly assess the current environment and facilitate goal development, can provide valuable assistance during this first step.

The process of developing help desk requirements involves determining outsourcing objectives, project scope, and in the case of an existing help desk, current performance.

**Determining Goals and Objectives.**

An organization must determine the goals of its help desk and why outsourcing is under consideration. Is the goal to implement a new help desk, increase the efficiency of an existing operation, or follow the company's strategic plan to outsource non-mission-critical functions? After general goals are established, the following more specific objectives are set:

- Level of coverage or hours of operation.
- Level of responsiveness.
- Customer-satisfaction criteria.

**Determining Project Scope.**

If the goal is to outsource an existing help desk operation, information on the scope and size of the outsourcing project is gathered by examining current resource use. The existing operation, particularly the procedures and tools used, should be thoroughly documented and statistical information to determine call volumes and peak periods should be captured. If the goal is to implement a new help desk, outside assistance is particularly helpful during this phase. Specific scoping tasks include:

- Describing current processes, software tools, and equipment.
- Calculating service capacity.
- Determining call volumes.
- Determining average length per call.
- Identifying peak-period support requirements.
- Describing the range of applications and products to be supported.
- Calculating current costs.
- Calculating support staff costs.
- Calculating facilities and equipment costs.
- Documenting skill requirements.

**Determining Current Performance.**

An accurate picture of the current level of performance is important for determining the service-level agreement, especially if service-level improvement is a goal of the outsourcing effort. Performance statistics should be captured as part of standard help desk operations. Key questions to ask include:

- What is the average wait in queue?
- How many calls are resolved on first contact?
- What are the average response times by category of calls?
- What is the call abandon rate?
- Is there a backlog of open problems?

**Step Two: Determining the Appropriate Outsourcing Model**

Once the goals, scope, and performance objectives are determined, the appropriate outsourcing model is selected. One fundamental question is whether to outsource the function or the solution. When an outsourcing vendor assumes the support function, the systems and processes currently in place are replicated. This approach has the advantage of appearing seamless to help desk customers. Outsourcing the complete solution allows the outsourcer to reengineer the operation as required to provide the optimum level of service. Other issues that must be decided include whether to outsource the entire help desk or only portions of the operation, to use onsite or offsite support, or to purchase support as part of a shared help desk function.

**Step Three: Formulating a Request for Proposal**

Once the groundwork has been completed, the next task is to create a request for proposal. This document is the prime communication vehicle used to solicit bids from outsourcing vendors. Although each situation is unique, experience has shown that an RFP should contain several basic sections:

- **Overview** The overview section describes the objectives for the outsourcing project and lists the reasons for creating the RFP.
• **Background** This section describes the company's business, mission, locations, and organizational structure.

• **General requirements** The general requirements section, often the largest section of the RFP, describes guidelines for proposals, a time schedule for the evaluation, contract terms, and the logistical requirements for the project.

• **Required service levels and volume forecast** This section is used to describe the expected quality results and projected volumes. It delineates current service levels and minimum acceptable service levels.

• **Selection method** This section describes the criteria and method for choosing the outsourcing vendor. A partial list of possible selection criteria includes company stability, management organization, flexibility, facilities, service capabilities, training, price, implementation plan, and references. The selection criteria should be ranked by priority.

### Step Four: Evaluating Vendors

The evaluation process begins as vendors respond to the RFP with their own proposals. If numerous vendors respond to the RFP, a cursory evaluation of the responses may be sufficient to eliminate marginal vendors. A more thorough evaluation of the remaining proposals is needed to determine the vendor's comprehension of company requirements and the quality of the proposed solution. This evaluation includes several steps.

#### Reviewing Proposals.

Proposals should be evaluated with an evaluation matrix containing the evaluation attributes, their weighting, and a column for each vendor. Each vendor's solution is ranked for each attribute on a scale of from 1 to 10. These scores are then adjusted by the appropriate weighting factor and added to produce an overall company score. Exhibit 1 depicts a sample evaluation matrix with recommended evaluation attributes. Key questions to ask include:

- Does the proposed solution meet the objectives described in the RFP?
- Does the vendor have the experience and resources to implement the solution?
- Does the vendor have a formal methodology for help desk support?
- What is the vendor's reputation for meeting service commitments?
- Does the vendor have a reasonable implementation or transition plan for phasing in the outsourcing service?
- Is the vendor's pricing in line with the level of services provided?
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<th>Vendor 2</th>
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**Visiting the Vendor and Checking References.**

It is prudent to evaluate the veracity of vendor claims by checking references and visiting one of the vendor's help desk facilities. Although references are helpful, a visit to an operational help desk is the most effective way of gaining insight into the vendor's practices. IS managers should be sure to examine the support procedures in action and talk to help desk clients about their support satisfaction. Examining customer survey results provides another good source of this information.

**Step Five: Selecting a Vendor**

Carefully following the selection process just described simplifies final vendor selection, because it is likely that one vendor more clearly meets requirements than others. IS managers should take care, however, not to let price alone determine the outcome of the selection process. Although price is an important consideration, by itself a lower price may not provide the highest value. Managers must carefully weigh price with other considerations, such as service levels, to identify the vendor that provides the highest value per support dollar.

Although precise criteria for evaluating outsourcing vendors depends on the nature of the individual contract, some general areas of evaluation common to all help desk
outsourcing vendors are not covered by the contract. Weightings for each of these criteria should also be developed according to individual organizational needs. A list of such criteria follows:

- How much experience has the vendor had with help desk operations? How many other contracts has the vendor implemented? Does the vendor have positive references? How well has the vendor adhered to the letter and the spirit of previous ventures? Does the vendor use effective project management skills? When contractual problems have arisen, have they been handled smoothly and to each party's mutual benefit?

- Is the vendor's staff capable of providing the required support? Can the vendor's staff handle all of the application programs, programming environments, and networking systems present and implement sophisticated knowledge bases of previous problems solved, interactive voice response systems, call center operations, automated support tools, voice and E-mail, and statistical programs? Will the vendor be able to recruit, train, retrain, and retain qualified staff who have the depth of specialization to meet difficult, company-specific problems?

- Do you know who the outsourcer's project manager will be? Do you have resumes of key players and do you know what the degree of their involvement is?

- Is the vendor stable financially and managerially? Does it have the funding and the managerial competence to survive? Does the vendor have some knowledge of your business and can its people adapt to the types of employees in your company? Does the vendor have the resources to remain competitive in the outsourcing arena?

- Will your relationship with the vendor be synergistic? In other words, will the vendor realize anything other than financial gain from the partnership? Will the vendor make the commitment to form a productive relationship that gives both you and the vendor a competitive advantage?

- Can you trust the outsourcer's personnel to exercise confidentiality regarding sensitive issues such as business objectives, technology plans, and business data? Is the vendor open to changing modes of operation to fit your corporate culture? Can the vendor's staff be seamlessly transitioned into your operations?

**Step Six: Defining the Contract and Negotiating Terms**

The final step in the outsourcing selection process is the definition and negotiation of the terms by which both parties in the outsourcing agreement function. It is crucial to ensure that all terms used to describe the help desk operation are clearly defined, because assumptions about the meanings of terms such as calls, problems, and incidents can lead to contractual nightmares.

A clearly defined contract helps control the costs of outsourcing by providing an accurate description of which cost items are included in the arrangement as well as the items that need to be assessed for demand measures. A distinctly outlined contract also provides vendors with a sharper definition of what services they have to provide and less opportunity for hedging cost estimates.
Despite the need for a clear contract, it is important that both parties be ready to modify their means and ends as the outsourcing relationship emerges and develops. Not all aspects of the contract are foreseeable. Following are some of the issues the contract should define.

**Coverage Areas.**

The contract should specify which hardware and software is to be supported and whether support pertains to industrywide products and services or to company-specific legacy systems that require greater support.

**Service-Level Agreements.**

The evaluation criteria specified in the service-level agreement include the types of response times and successful completion rates to be used to rate service as being above, at, or below average. Hours of operation should also be delineated, as should the expected volume of calls and any actions to be taken if the number exceeds or fails to meet expectations.

Other issues that need to be determined include which types of calls are considered top priority and which can be delayed, acceptable response times, and whether the calls/requests for assistance can be categorized by length of time needed for a response and by complexity. Finally, the predictability of the call distribution throughout the day must be considered.

**Reporting.**

It is essential that explicit quality control measures be in place, such as periodic, planned review sessions. The group or individual overseeing the contract must address several questions, such as:

- What statistical and other types of reports are needed and what types of data will gathered for use in these reports?
- What logs and tracking systems must be in place? Should they track abandoned calls and the length of time spent waiting for pickup and response?
- Will calls be monitored on a selective basis?
- Who is able to conduct call monitoring?

**Determination of Service Adequacy.**

It is important to delineate which measures will be used to determine whether the help desk is succeeding. Available methods include end-user satisfaction surveys and help desk statistics.

**Staffing and Scheduling.**

The contract should address the issues of how many and what types of support personnel are expected to be available and the hours during which they will be available.
Procedures for escalating problems to more experienced personnel when initial contacts are unable to provide resolution should also be specified.

The contract must obviously deal with issues relating to hybrid work situations, such as how personnel problems will be managed and whether the necessity for coworkers to function under two different salary schedules and personnel policies will prove problematic. Finally, the contract should stipulate whether and for how long the outsourcing vendor is expected to employ organizational staff.

**Implementation.**

Service implementation should specify how the service will be initiated and how a transition to full operation should be accomplished. One vendor conducted a preliminary test of the outsourced help desk system by preparing several hundred calls that tested whether adequate escalation procedures, automated systems, consulting skills, and other processes were in place. Access to the help desk by corporate users was initiated only after adequate test results were achieved.

**Location.**

The contract must specify whether calls can be received and assistance provided from a distance or onsite. If onsite support is provided, the number of sites needing such support must be specified. Finally, the availability and use of alternative means of communication such as fax or electronic bulletin boards should be included.

**Equipment.**

The area of equipment involves numerous and broad issues relating to both hardware and software. For example, the contract must specify whether software for logging and tracking problem resolution is needed, on whose machine the software will reside, and who holds the license and owns the data. The availability of other software, such as E-mail, corporate groupware, proprietary software, and change management software, should be addressed.

Other issues include stipulation of needed telephone systems, use of artificial intelligence packages and whether their contents (e.g., rules, cases, and problems) will be provided immediately or built up over time according to the company's own experience, and use of interactive voice response systems. The contract should also address whether help desk staff will operate end-user equipment such as printers, training laboratories, or general-purpose workstation facilities.

**Termination and Renegotiation.**

In addition to stating an expiration date, the contract should cover mediation or arbitration procedures. It is should also delineate the exit procedure following termination. Other items for consideration include where automated software used for accumulating knowledge will reside after the contract period.

**Payment and Costs.**

The contract must delineate total costs as well as the payment method. If a chargeback system will be used, its costing structure should specify whether the
chargeback is by call, size of the user base, problem category, or a blanket fee. Bonuses or penalties for the vendor's success or failure to meet objectives such as increased first-call problem resolution or degree of customer satisfaction must also be specified.

**Change Service Orders.**

Workloads are rarely fixed or entirely predictable. The contract must therefore state how additional costs for a changing workload or the addition of new functions will be levied.

**Outsourcing Problems and Pitfalls**

Several potential problems can derail a help desk outsourcing effort. The following sections discuss some of them.

**Losing Track of Long-Term Goals**

Outsourcing should be a long-term relationship. Short-term goals such as immediate cost savings or correcting a staff turnover problem may have a high initial profile but are misleading in the long run.

**Selecting an Unqualified Outsourcer**

As is the case with many technology-oriented firms, specialization exists in the help desk arena. Not all companies are equally equipped to effectively handle outsourcing. Some firms have extensive experience in selecting support tools, specialists who can address complex issues, and regularly trained staff. They also have a track record of building mutually beneficial partnerships with their clients based on financial stability, technical skills inventory, and management competence.

**Failing to Consider all Contractual Consequences**

An organization outsourcing its help desk cannot simply accept a proposed standard contract. Managers must fully understand the implications of the outsourcing decision and why specific services are being outsourced, as well as the effects of altered conditions such as corporate growth or stagnation, addition of functions, and other organizational changes on the help desk.

**Assuming that a Contract Will Administer Itself**

Signing an outsourcing contract does not end management responsibilities. A qualified contract manager or group is essential for overseeing the implementation of the contract and ensuring that the vendor handles personnel issues appropriately, corrects problem areas, and provides appropriate reports.

**Omitting Items from the Contract**

When it comes to contracts, the sins of omission are at least as serious as the sins of commission. What is left out of a contract can be expensive to add on later.

**Losing Staff Control**

The offset of having the outsourcer do the hiring and firing is that the contractee has to work through the outsourcer to correct problems. Because the outsourcer may choose or be forced to reassign people in its organization, the contractee may suffer from a higher turnover of trained staff.
Encountering Resistance from IS Departments
Not only does the outsourcer replace IT staff, new staff members become part of the IT operation. As external observers become aware of internal problems, response rates, user attitudes, and backlogs, a great potential for conflict is created. When a hybrid arrangement is in effect, differences in pay scales, leave policies, and other personnel policies may become points of contention.

Setting Unrealistic Goals
Contract goals, however measured, should be realistic. Overly ambitious expectations of improvement may prove illusory and negate chances for improvement. For example, one vendor reported that an emphasis on first-call resolution hampered upper-level executives and their aides from receiving the help they needed. These people did not want to wait on the telephone while an answer to a help desk query was being developed. When the answer was ready, or when assistance could be provided onsite, the executives wanted to be contacted again.

Recommended Course of Action
As the number of end users has increased, so has the demand for help desk services. Although keeping end users productive is essential, organizations are finding it difficult to provide the breadth of support needed. Outsourcing all or part of the help desk function offers one alternative for providing services economically and effectively. Selecting an appropriate vendor and preparing a detailed contract are critical to the eventual success of such a partnership. Following the steps presented in this article will help IS managers accomplish both of these processes and ensure that the outsourcing relationship meets intended business and technical goals.

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