

# Portal Systems

Experience It Yourself:  
An Introduction to Problem-Based Learning

Mark A. Serva  
George Watson



Institute for Transforming  
Undergraduate Education



University of Delaware

## STAGE 1

*"Customer service is not an expense: it is a responsibility. It is a promise that we make each time a customer makes a purchase from Portal Systems."*

*--Emilio Chavez, founder and CEO of Portal Systems*

Dan Stevens, the Vice President of Customer Relations for Portal Systems, looked at the framed picture on his wall and read the statement carefully. Emilio had handed it to him personally when he graduated from his new employee orientation class, almost fifteen years ago.

All Portal employees could recite the company's story from memory. Emilio Chavez emigrated from Mexico to the United States in 1985. He worked his way through college by selling computers out of his college dormitory room in Arizona. Initially, Portal focused on computer enthusiasts by advertising in technology magazines. Portal had continued to avoid physical stores, but it now sold products directly to consumers through its website. The company had grown into one of the top personal computer manufacturers in the United States: it had significant market share in the small business, home office, and corporate markets. Customers were typically attracted by Portal's low prices, but Dan knew the company's high quality products and excellent customer service were responsible for its high percentage of repeat customers.

Emilio had worked to create a family atmosphere in the company. Portal's manufacturing facilities and customer call centers were located in the greater Phoenix area. The company felt its geographic cohesiveness was an advantage. Company sports leagues, picnics, and even pep rallies were a source of camaraderie for the employees. The company had grown to be one of the largest employers in the southwestern United States and was consistently regarded as one of the best places to work in the state of Arizona.

More recently, however, Portal was experiencing growing pains. Sales were down across the personal computer industry, and increased overseas competition had tightened profit margins. Portal was losing ground against its competitors: the company had lost 3% market share over the past year. Although Phoenix had historically been a low cost area for businesses, increases in real estate costs, taxes, and wages had ballooned in recent years.

Perhaps even more troubling, the company's reputation for excellent customer service had eroded in recent months. Average hold time on the company's customer service lines had grown to thirty minutes, and fifteen percent of customers waited over 45 minutes before a technician answered. Because of high wage and health insurance expenses, Portal's cost per employee was

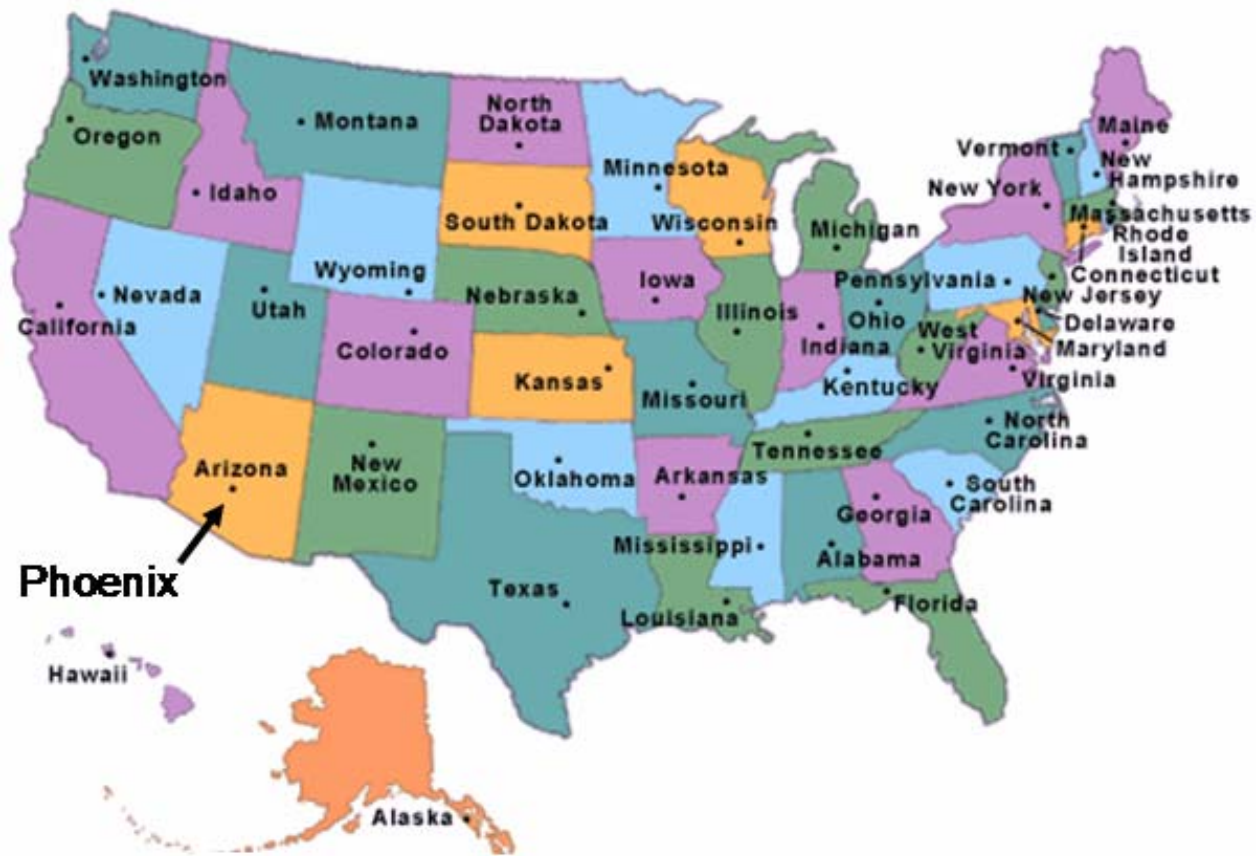


among the highest in the industry and was increasing fifteen percent annually. Even though the company was financially sound, Dan knew that the company needed to cut costs to remain competitive.

Amy Smith, the Executive Vice-President for Products and Services, has asked Dan to assemble a list of recommendations to improve the recent decline in Portal's reputation.

## FOCUS QUESTIONS

1. (Individual). Consider Dan's options for resolving Portal Systems' problems. Write down your ideas individually.
2. (Team). Share your ideas with your teammates. Discuss the cultural and managerial implications and potential risks for each suggestion.
3. (Team). List the major learning issues: What do you know? What do you need to know? Where and how will you find the information you need?



## STAGE 2

Dan's investigation uncovered a number of potential causes for the company's customer service problems:

- The productivity and performance of call center employees was a concern. Even though the average number of calls handled per hour had remained consistent over the past year, the increase in overall call volume had increased the average hold time well beyond the company standard of fifteen minutes.
- Portal commonly hired older workers who had retired to the Phoenix area. Increased competition for workers—as well as spiraling healthcare costs—had raised costs considerably.
- The company's twelve call centers were at maximum capacity. Although adding more centers was an option, the high cost of operations made further expansion in the Phoenix area unlikely.
- The pressure to add more call center employees had forced the company to lower its hiring standards. As a result, performance metrics—e.g., whether or not the representative provided the correct information, number of transfers to other departments—were eroding.

Portal Systems' main advantage had been its website, which allowed customers to configure and order their systems. Recently, however, the company's two main competitors had made improvements in their online ordering capabilities to the point where they were almost as advanced as Portal.

Dan also realized that these competitors had a significant cost advantage over Portal. Both had closed their call centers in the United States and had hired call center providers in India. Their customer service cost structure was much lower than Portal's, making it difficult for Portal to match their profit margins.

To gain insight into offshoring, Dan met with Suresh Pratim from Extend, a call center provider headquartered in Bangalore, India. Extend had been founded only two years ago, but the company had rapidly grown to three call centers that housed a total of 10,000 employees. Dan's inquiries convinced him that Extend had an excellent reputation and was well-managed. Pratim was confident that Extend would dramatically improve Portal's service levels. There would be a considerable initial expense to cover the hiring, conversion, and shutdown of Portal's domestic centers. After that, however, the annual cost would be about one-fifth of Portal's current expense.

Given its potential advantages, Dan knew he must consider offshoring in his recommendations to the Executive Vice President.



## **FOCUS QUESTIONS**

1. Dan recommendations will potentially affect a number of stakeholder groups. What stakeholder groups can you identify?
2. Each member of your home group will be assigned a different stakeholder position to consider. Before the next stage, think about how Portal's different options will affect your stakeholder group.



### STAGE 3

In your new role as an advocate for a stakeholder group, create a concept map that describes Portal's problem and how the problem affects your stakeholder group. Be sure to consider the following focus questions:

1. Is Portal's decision to offshore its call centers important to your stakeholder group? How?
2. How does Portal's customer service performance directly or indirectly affect your stakeholder group?
3. What information do you need to find in order to be an effective advocate for your stakeholder group? Where do you think you can find the information?

Use PowerPoint or any other drawing tool to create your concept map. When your team is finished, post your model to the SharePoint Shared Documents area. Name the file with the stakeholder function to which you were assigned (e.g., Extend Concept Map.ppt).



## STAGE 4

Return to your home group. Your group will assist Dan by formulating the final recommendations for the Executive V.P. Your recommendations should be in the form of a ten-minute PowerPoint Presentation and should answer the following focus questions:

1. Should Portal offshore its customer service function?
2. If so, how much? How can it complete the transition as painlessly as possible? What are the future implications of offshoring its call centers?
3. If not, what are Portal alternatives to offshoring? What are the advantages and disadvantages?
4. How can Portal balance the concerns of its stakeholders?



## TEACHING NOTES:

1. What are Dan's options for decreasing Portal's high customer service costs?

**Monitoring software.** The case does not mention whether or not managers monitor their customer service representatives. Customer service representatives' productivity may improve with the introduction of monitoring software. Managers can verify that employees are not wasting time while working (e.g., surfing the Internet or sending email).

**Telecommuting.** Initiate telecommuting among its local employees. Technology and infrastructure is in place to make telecommuting a reality. Software and hardware now exists to switch calls and to balance loads across different locations.

**Alternative Communication Methods.** Companies can now offer different options for contacting customer service, including community forums, chat, email, and web-based resources.

**Nearshoring.** This option has more recently become a popular option, given the risks of outsourcings to overseas locations. Nearshoring involves outsourcing to a provider in a geographically close, low-cost location. Germany, for example, commonly offshores its work to Eastern Europe, but outsources less to India. This option is attractive, since it can be less risky than hiring a more distant provider. The costs—depending on the location—can be comparable to offshoring to a more remote location.

**Offshoring.** Moving their customer service options to an overseas provider is an increasingly common option. This option will be explored to a greater extent in Stages 2-4.

2. What are the cultural and managerial implications for each of these options?  
What are the risks?

**Monitoring software.** Financially, the cost of introducing monitoring software will be considerable, but shouldn't be a financial burden for a company as large as Portal. The initial costs may be offset by the resulting gains in productivity. In addition to reducing loafing (unauthorized email and Internet use), management can also determine if employees are using the company's systems as effectively as possible. If not, tracking their keystrokes may allow them to assign targeted training to improve their productivity.

The cultural implications of instituting monitoring may be more troubling. Upper management must decide what information is tracked. Access to the information



may be sensitive, so only certain managers should have access. The family atmosphere at Portal may suffer, since monitoring may intimidate employees. Older workers tend to be less accepting of monitoring, so Portal may see workers quit.

**Telecommuting.** Financially, this may reduce overhead costs. Call centers are extremely expensive, and telecommuting could reduce the infrastructure costs while increasing the company's flexibility by allowing it to add service personnel as needed (e.g., around holidays, sales events). Telecommuting employees may be willing to work for less money because of the added convenience. The company will have to supply each worker with hardware, software, and Internet access, which may be a significant initial expense. Culturally, managers will need to learn a different way of managing. Managing remote workers is very different than managing onsite workers. New teams may be needed to monitor and service telecommuters. Hardware problems will require a team of troubleshooters. Monitoring software may still be needed, since the productivity of remote workers is more difficult to track. Remote employees will have trouble adapting to Portal's culture, since they will not interact with other employees on a regular basis.

**Alternative Communication Methods.** Financially, the cost of these additional services should be reasonable. The technology has matured greatly in the past few years, and a competent web designer should be able to integrate the capabilities into Portal's web site. To provide an online library of documentation, online resources will have to be digitized and integrated into the website. There should be little effect on the company's culture. In fact, many of these options are more personal than phone contact. Chat, for example, tends to be more interactive and informal. Service reps often have a library of resources that can be provided easily through the chat interface. Community forums encourage customers to help each other. Portal could even offer discounts for customers who help customers.

**Nearshoring.** Mexico is the country most often associated with nearshoring for U.S. companies. Because of Emilio Chavez's Mexican heritage, this option may be especially attractive for Portal. Several factors may weigh against Mexico, however. Their workforce tends to be less educated than some other offshoring options (e.g., India, China, and Canada). The country's infrastructure, although improving, may also be a source of concern. At the same time, because of the common heritage and proximity, Mexico does offer some significant advantages.

**Offshoring.** Financially, the cost of starting up an offshore location will depend on the provider. Signing a contract with an established provider would be desirable, but even the largest provider will have considerable start-up costs to handle an operation as large as Portal. Ideally, the process would be gradual, allowing economies of scale to emerge. Portal needs to ensure that the offshore company can live up to its high expectations. Culturally, the decision to offshore



its entire customer service operation could be devastating to the company. Laying off thousands of employees would hurt the company's culture and local economy. Given the company's strong family focus, the company may alternatively use its offshore providers to add capacity to its existing call center operation. The company can then ramp up overseas operations as attrition reduces its domestic workforce. Because the company tends to hire older workers, this option may allow the company to balance cost reduction and cultural considerations.

