# http://www.umsl.edu/divisions/business/files/images/logo_rtcallblock.jpeg BPO: Group Choice

Your group may select the outsourcing of any back office business process EXCEPT HRO or FAO (another group is covering that). Your group might select *procurement outsourcing, legal outsourcing*, *research & development/innovation, facilities management/real estate outsourcing; logistics*; or *industry specific processes* like claims administration outsourcing or policy administration outsourcing in the insurance and health care industries.

**Procurement Outsourcing** (PO) might be one of the easiest back office to investigate because this market is broadly researched. Most PO seeks to transform *indirect* procurement. (Procurement of direct materials and services is commonly considered strategic and kept in-house by many firms). Indirect procurement outsourcing is a very different outsourcing model than ITO and HRO because procurement is not a labor intensive activity, but the dollars transacted are enormous. A handful of purchasing agents may transact $100 million worth of indirect goods and services. Typically, a purchasing agent may be responsible for dozens of categories of indirect spend, and thus cannot gain deep expertise in each category. Thus, savings from indirect procurement outsourcing come from the provider’s deep category expertise, as well as rigorous sourcing methods, tools, consolidated buying power, and the ability to attract and retain good providers ([Xchanging](http://www.xchanging.com/home.html) is one such provider). Studies have shown that customers have experienced significant cost savings from outsourcing indirect procurement. Aberdeen Group, for example, found that eighty-three percent of 720 senior executives reported achieving significant price reductions after outsourcing procurement.

**Legal Outsourcing** is the practice of outsourcing some legal processes such as document review, legal research and writing, drafting of pleadings and briefs, and patent services outsourcing to an external service provider. What is very interesting in this space is the offshoring of legal services to providers based in India, the Philippines, or South Africa. This is one of my favorite areas of research so I am happy to help your group get started. See: Lacity, M., Willcocks, P., and Burgess, A. (2014), *The Rise of* [*Legal Services Outsourcing*](http://www.amazon.com/The-Rise-Legal-Services-Outsourcing/dp/1472906403/), Bloomsbury Publishing, London; Also see December 18 2010 issue of the [Economist](http://www.economist.com/node/17733545) for an overview.

**Research and Development/Innovation**. There are MANY academic studies on this topic. Academics study how outsourcing R&D affects a client’s ability to innovate in terms of new products or patents. If you have access to an R&D department within a client firm like Emerson Electric or a Pharmaceutical Company, this could make a GREAT topic.

**Industry Specific Processes** like claims administration outsourcing or policy administration outsourcing in the insurance and health care industries might be interesting to study.

Of course, your group may wish to investigate a particular back office that is not mentioned here.

***The task for your group is to help general managers understand the promises, pitfalls, and best practices associated with your selected BPO market.***

Your presentation may begin by answering these questions:

* Which BPO market did you choose to study? Why?
* How big is this BPO market today and how big is projected to be?
* Which types of processes are most frequently outsourced?
* What are the real risks to a client company as opposed to perceived risks in outsourcing this business process?
* Who are the top outsourcing providers in this space?
* Who are some of the major customers in this space? (Client firms who signed significant deals).

Your presentation should proceed with one to three case studies of organizations' with your selected BPO. One of these case studies may be about a company that examined outsourcing this process but decided against outsourcing.

Case studies should include the Company Background:

* Size of company in terms of sales and profits & number of employees
* Major products the company sells

The main part of the case should be a retelling of the BPO story at each company. (See questions to ask interviewees below).

The group should end the presentation by comparing the cases and providing some best practices or important lessons for general managers. Your group should also cover the trends in this BPO market.

If you have other creative ideas, please feel free to discuss them with me.

Potential questions for interviewees:

Please tell us a little bit about your current job and the role you play or played in outsourcing:

* Job title
* Length of time in current position
* Role in BPO decision, implementation, and/or management

Please tell us your BPO story—when and why did your organization decide to look at outsourcing?

Who were the senior leaders in charge of the decision?

What was the scope of work initially?

 Functionality

 Number of workers

 Contract value

 Contract duration

**TRANSITION PHASE:**

How was work initially moved to BPO provider(s)?

Were any in-house employees transferred to BPO provider(s)?

What were the two to three things you did well to successfully transition work to the BPO provider(s)?

What were the two to three things you could have done better in transitioning work?

What were the two to three things the BPO provider(s) did well initially?

What were the two to three things the BPO provider(s) could have done better initially?

**DELIVERY PHASE:**

Since the initial transition period, what has changed in terms of:

Scope of work

Quality of deliverables

Processes used to assign, review, and accept work from internal clients to BPO provider(s)

People assigned as liaisons or contacts

How does your organization resolve conflicts or misunderstandings between internal clients and BPO provider(s)?

Please describe your governance process including performance metrics, service level agreements, chargeback mechanisms, etc.

**OUTCOMES OVERALL:**

Overall, to what extent is your organization getting the cost savings from BPO it expected to get?

Overall, to what extent is your organization getting the quality of work from BPO it expected to get?

What other benefits are you getting from outsourcing?

**LESSONS LEARNED:**

What advice would you give to another company interested in outsourcing this business process?

What are the three critical success factors in outsourcing this business process?