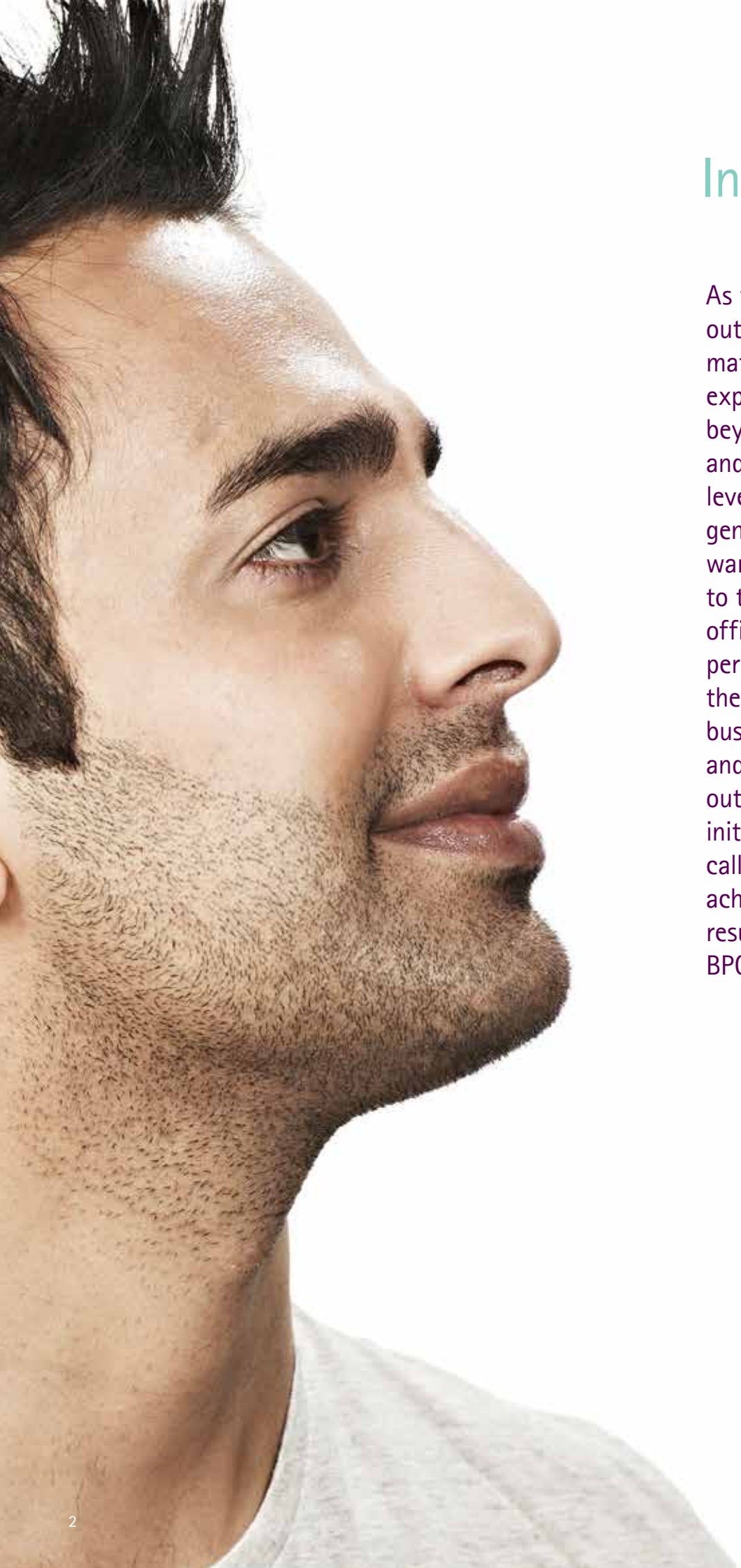
accenture

consulting | technology | outsourcing

Mastering high-performance BPO

Keys to the Kingdom

Professor Mary Lacity, University of Missouri-St. Louis
Professor Leslie Willcocks, The Outsourcing Unit at The London School of Economics



Introduction

As the business process outsourcing (BPO) market matures, clients are expecting BPO outcomes beyond cost savings and meeting service level agreements. Next-generation BPO clients want their service partners to transform their back offices, improve business performance, support the client's shifting business directions, and deliver business outcomes that were not initially expected. We call relationships that are achieving these exceptional results high-performing BPO relationships.

What practices distinguish high-performing BPO relationships from "typical" BPO relationships? Our latest research from the London School of Economics and Accenture uncovers the "keys to the kingdom" practices that contribute to high performance. These practices emerge from analysis of six research streams: a comprehensive survey of 263 senior client BPO executives by Everest Group[i], in-depth interviews with client-provider executive pairs in 20 organizations[ii], our survey of 202 clients, providers, and advisors on innovation[iii], our prior BPO case study research[iv], our prior cloud computing research[v], and a review of 1,356 BPO and ITO findings from 254 academic research studies identified as robust[vi]. Across all these research streams, technology enablement was of the most important practices associated with high-performance BPO outcomes.

The Everest Group survey found that 40 percent of clients from high-performance BPO relationships consider technology provided by the service provider to be an important component, compared to only 27 percent of typical performers. Even greater numbers of clients from high-performance BPO relationships—56 percent—believe it is important to gain access to technology in a BPO relationship, while only 34 percent of typical performers agree. In the innovation survey, clients, providers, and advisors identified new tools or technologies as the most frequent type of innovation delivered in an outsourcing relationship.

In the academic review, the provider's technical/methodological capability was the second most important capability after the provider's human resource management capability. Technical/methodological capability is an operational capability important to both client and provider firms. Academic research finds strongly that clients experienced better outsourcing outcomes when both clients and providers were technically mature.

From our case study research, we identified many clients commending their BPO provider's deployment of technology to enable lower costs, better service, and tighter controls. In this report, we focus on seven common technologies and what they enable:

- Reduced headcount and accelerated service delivery through self-service portals
- Reduced costs and standardization through automation
- Optimized services by capturing and reporting on errors and waste using business analytical tools
- Improved product delivery rates using forecasting tools
- Enhanced controls and compliance using workflow tools
- Increased business value and collaboration between the client and provider organizations using governance tools
- Reduced infrastructure costs and speedier enhancements through cloud-computing

Technologies are never silver bullets; the data that feeds these technologies must be standard, accurate, and timely. Technologies that are broadly disseminated—like self-service portals—require large numbers of users to be trained and not all users welcome the change. "The portal is great, but we've also had people who just can't get the hang of using the technology," said one client at a major aerospace defense company. Moreover, effectively deploying technology for analytics, forecasting, workflow, and governance requires clients and providers to commit to a high-level of transparency and collaboration.


1. Self-service portals
2. Automation
3. Business analytics tools
4. Predictive analytics tools
5. Workflow tools

6. Governance tools

7. Cloud delivery

1. Self-service portals

Since the advent of personal computers, ever more tasks are performed by knowledge workers instead of by support staff. First, we had fewer secretaries as more knowledge workers began to type their own memos, emails, and reports.

Now, user-friendly, web-enabled, self-service portals allow end-users to perform tasks that require more business process expertise—like travel and expense reimbursement, or supply orders. Self-service portals reduce direct costs by reducing staff support, and speed service access and delivery. In our case studies, we have several examples of how self-service portals in Human Resource functions reduced costs and improved service. On one HRO account, the provider implemented eHR, a portal that enabled client users to manage their own benefits, training, travel, and expenses. It is also used for recruiting. "We had a lot of very good feedback. The technology is great," said the client.

Self-service portals in procurement are also common. These tools allow clients to request resources directly from their portable devices. In some BPO deals, the self-service portals are accessible by third-party vendors, which reduce the number of calls to the help desk. "We implemented a vendor portal for the accounts payable vendors which is driving a lot of basic questions to be answered there, as opposed to the Helpdesk," one provider explains. "We are in the early implementation phase, but we have a lot of good responses from their vendors about how much easier it is. They can get the information they need more timely, when they want it as opposed to someone calling in and having someone call them back. That I think has been a benefit." The client corroborated the value of the vendor portal "[The provider] set up a vendor portal which allows the supplier to see a picture of his account with us. So, instead of ringing us and saying, 'where's my invoice?', he can see what the progress is. 'When are you going to pay me?' It's on there, on the schedule. So that's helpful."

2. Automation

Automation reduces costs and increases standardization, and invoice automation is one example from the case studies.

On one BPO account for finance and accounting outsourcing (FAO) services, the provider had already reached 100 percent service levels for processing invoices and had reduced costs through labor arbitrage and process standardization. With focus on further reducing the cost per invoice, the provider identified electronic invoicing as a prime candidate for doing so. "We proposed to implement an optical character recognition (OCR) system and an electronic invoicing solution to make AP invoicing automated and paperless. This change was driven through because we agreed to focus on the business outcome of reducing cost per invoice." said the provider. While electronic invoicing is likely to reduce the provider's headcount, thereby impacting their revenue, a gain-sharing arrangement provides an incentive for the provider to propose further process and technology automation initiatives, which not only bring long-term rewards for the client, but also benefit the provider through project scope expansion and contract extensions.

3. Business analytics tools

The Everest Group survey found that "domain understanding and analytics" is one of the eight best practices of high-performing BPO relationships. Technology is one of the prime enablers of business analytics—the ability to continuously analyze past business performance to gain insight, and to identify ways to improve performance.

Clients are highly desirous of business analytic capabilities. However, doing it on their own can cost an organization a million dollars or more. Increasingly, clients are turning to their service providers to help deploy business analytics. Service providers are increasingly using business analytic tools to report on key performance indicators that are standard within an industry. "[The provider] provides us with a lot more reporting on what's going on in these areas than we ever had before. They can tell us things about our process that we never knew before, like how much time to post an invoice, the average time banks are holding onto our money, the percentage of decline to direct debits per country, and so on and so on and so on. They have a whole set of metrics that they sort of bring along as standard," said a client. Another powerful benefit of key performance indicator (KPI) standardization is the provider's ability to aggregate and disseminate learning across clients. Today, an increasing number of clients are expecting providers to infuse new ideas and innovations based on business analytics of standard KPIs across clients and industries.

In high-performing accounts, business analytics is increasingly the most critical driver of innovation after other transformation levers such as labor relocation, centralization and process standardization have been deployed. One provider on a high-performing BPO account explained: "Whoever you select as a provider, within a relatively short period of time the service levels will become green. That is bound to happen. In many cases the business cases are based on labor arbitrage and fixed headcount reduction driven through by continuous improvement activities. As time progresses, the question that will quickly come to the fore is, How can additional value be delivered over and above what has already been committed? Here you need to look at a provider who can start thinking about that question from the outset. The key ways to drive out additional value will be through analytics and significant improvements by looking at the processes end-to-end."

4. Predictive analytics tools

While business analytics examines past business performance, predictive analytics forecasts the probabilities of possible future outcomes and plans accordingly.

Clients in high-performing BPO relationships increasingly rely on the provider's technology-enabled predictive capabilities. In one BPO account for a large, multi-state healthcare organization, the BPO service provider pre-examines healthcare claims and predicts whether the claim will require rework. By auditing just 1% of the total claims population, the provider identified and corrected more than 50% of the preventable financial rework. Predictive analytics saves between $25 to $50 in administrative costs per overpaid claim, and between $6 to $12 per underpaid claim.

On another BPO manufacturing company account, the provider deployed a better forecasting tool for supplies and proposed a new key process indicator—supplier promise delivery date fulfillment. These innovations helped the client improve the customer order fill rates for new parts from 60 percent to 85 percent and the turnaround time for delivering parts to grounded aircraft from 21 hours to 17 hours. The executive for the manufacturing company explained: "The provider has worked with its own proprietary tools to forecast the demand in different regions of the world and recommended some relocation of material in different regions so we meet the demands more properly, and then validated that the supply chain was delivered accordingly. We ended up with enough parts supplied to support them and we have achieved service levels with a first fill rate above more than 90 percent for the first time."

5. Workflow tools

High-performing BPO relationships increasingly rely on technologies that enable better controls and compliance. These operational tools, used by both clients and providers, facilitate complete transparency in the day-to-day operations of the relationship.

One of the best examples is the Controller Workspace, a centralized tool used to manage the FAO relationship between Microsoft and Accenture. The tool is a central repository for all data about close and compliance processes that may be accessed by employees located around the globe to get accurate, timely, and reliable data. In the Record to Report function, for example, all the tasks needed for daily close are listed, including the person responsible, and the current status of each task. Microsoft's finance controllers and staff as well as Accenture's service delivery personnel all have one shared window into the daily operation. In 2011, the tools used in this relationship won the Global Excellence in Outsourcing Award (GEO) for Innovation, sponsored by the International Association of Outsourcing Professionals.[vii] On another BPO account, the client describes how the workflow tool enabled military precision in the financial close process: "Closing down at the month-end is a military operation. We have a very, very, very fast financial close process and we need final figures transmitted electronically by the afternoon of the second working day. What they (the provider) brought to the party was a progress-chasing tool that allowed everybody to track the progress of every process on a minute-by-minute basis. So planning our military operation has become so much easier."

6. Governance tools

Governance is the set of activities that are necessary to manage a BPO relationship, including the management of service level agreements, performance reporting, and billing.

Like workflow tools, good governance tools provide a shared view of timely and accurate information. Governance tools also facilitate complete transparency among the senior levels managing the BPO relationship, such as C-suite executives, global, regional, and divisional functional leaders, commercial directors and contract managers. Again, one of the best examples is the Governance Workspace—a centralized tool used to manage the FAO relationship between Microsoft and Accenture at the strategic level. In addition to SLAs and performance reporting, the Governance Workspace also incorporates a planning and control tool which helps eliminate unnecessary and unwanted surprises by showing, in real time, the status of service and by providing an efficient reporting tool for SLAs, measurements, transactions and deadlines.[1]

7. Cloud delivery

Cloud computing will help drive innovations in future generations of BPO. Providers are increasingly working on offering software as a service (SaaS), platform as a service (PaaS), infrastructure as a service (IaaS) and hosted services.

Integrating some of these can achieve business process as a service (BPaaS), reflecting the focus on business-specific services.[viii] Clients, however, will need to assess the cost-risk-benefit profile of private, public and hybrid options and the capabilities of competing suppliers. Our research also points to client concerns around security and legal risks, contact and relationship challenges, lock-in and management issues[xi]. However, it is already clear that cloud computing can—if managed carefully—be harnessed to business purpose. As one executive told us: "Cloud computing in its best form lowers the barrier to actually getting the business what they want."

Updates can be made to the software, and new configurations and capabilities can be implemented through the cloud configuration. On one procurement deal for an electronic design automation client, the provider moved the client's procurement platform to the cloud to lower the client's costs and to speed-up their access to upgrades. The provider explains: "One of the biggest innovations was moving the client to this on-demand platform. And as a result, they now see regular innovation because, given that it's in the Cloud, updates are made to that software and new configurations and capabilities are implemented through that Cloud configuration. The client would have had to pay a consultant to come in and hardwire their CD version. So that's certainly helping them innovate from a technology standpoint."

As **one example** amongst many of this trend, Australia-based Qantas has moved its massive frequent flyer program to a cloud-based computing platform in order to keep up with growing demand. Its 22-year-old Fortran-based system has been replaced by an Oracle on Demand service, incorporating a scalable architecture designed to cope with changes in demand. Using Oracle's Siebel Loyalty and On Demand offerings, the system can provide consistent service to more than seven million members, while also dealing with rapidly growing member activities. Qantas also sees the new platform as providing the opportunity to target loyalty promotions and extend its loyalty program by introducing new partners—something that would have been difficult with the older system.[x]

Breakthrough performance: Taking action

High-performing BPO relationships rely on technology enablement. However, based on our research, there are important caveats, insights and guidelines for action.

Understand the maxim: garbage in, garbage out.

The technologies described in this report contain powerful algorithms and striking dashboards, but their value is highly reliant upon the quality of the data they process or express. Data structures, data collection procedures, and data reporting procedures must be defined to ensure consistency, accuracy, and timeliness—which can be a challenge. "After transition, the teams were performing well but couldn't report on it yet. We had to get the data reporting protocols locked down, get the reporting structures in place, and have our reports posted consistently on a regular schedule in a format that made sense and was visible and consumable," said a provider delivery manager.

Business Intelligence technologies, in particular, can require complicated extracting, transforming, and loading of data from disparate systems. One provider eases the client's data burden by collecting data in a simple spreadsheet that requires about ten key fields to be entered. Clients with standard IT platforms get the most from BPO technologies. For example, Microsoft has a single-instance global ERP system that facilitates process standardization, rollouts, and onboarding for new subsidiaries. While it has been identified as a key enabler of shared services[xi], few global firms have achieved this milestone.

Clients must decide upon the customization-standardization trade-off

The provider's proprietary tools are built for deployment across clients. The benefits to the clients are faster access and lower costs compared to building custom tools. The interface to most tools can be customized, but building custom capabilities can be costly. There is clearly a customization-standardization trade-off here.

For instance, one client interviewed was not pleased with the interface tool to the learning system software, although they were pleased with the robust functionality. They wanted the provider to invest in overhauling the interface, which the provider did not find feasible for a single client. Eventually, the parties agreed to not use the proprietary tool but collaborated to find a hosted solution.

"We have worked with them on all their business requirements. We are collaborating to evaluate four different platforms in the market that we can partner with. We are also looking at how we can swap our existing system in a manner that commercially will work for all of us—with minimal investment on the part of the client and ourselves. We are working very collaboratively on that with the client," said the provider.

The value is in the integrated toolkit, not any individual tool

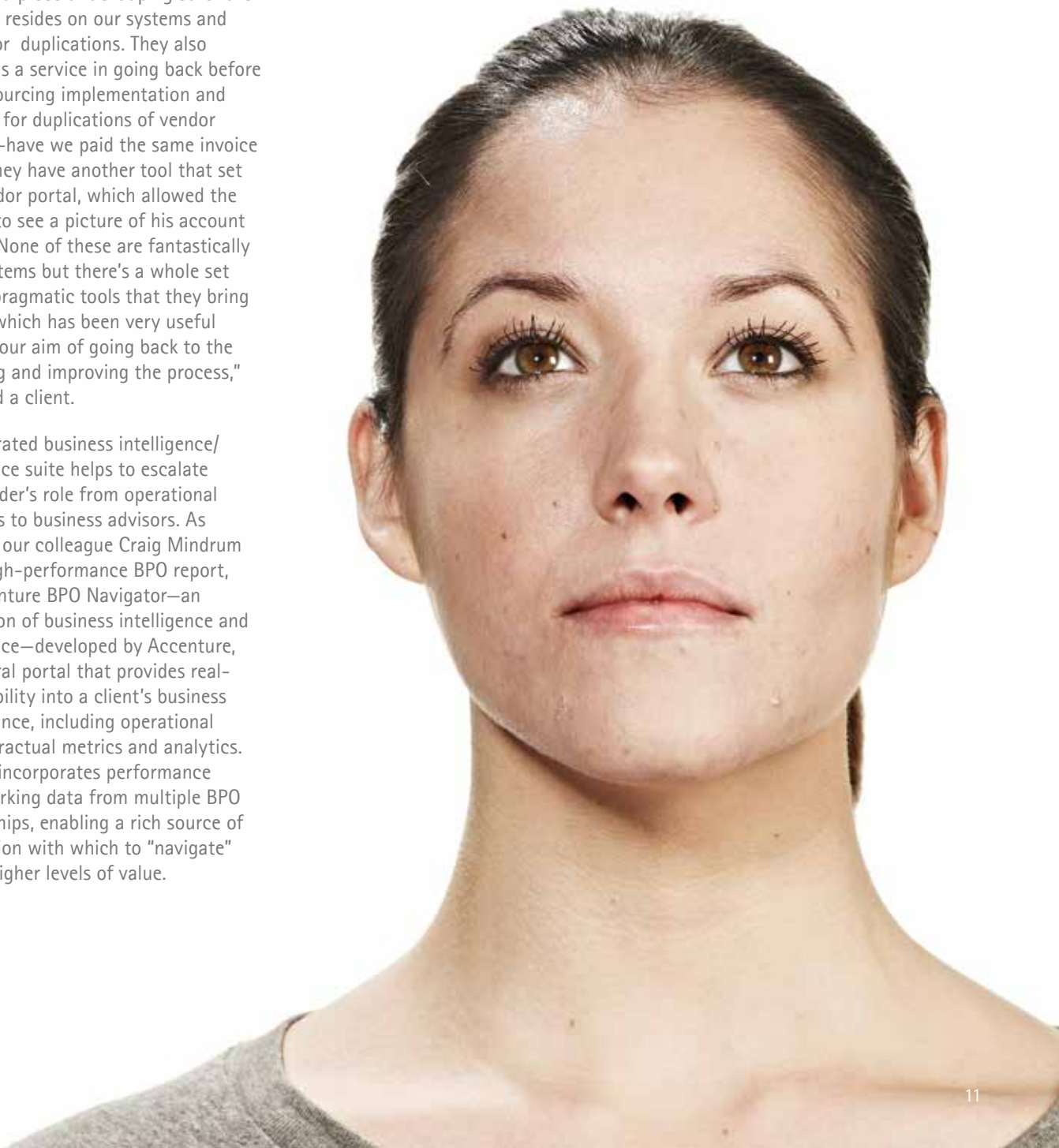
Many providers have a suite of technologies to manage BPO relationships. While an individual tool may not be an optimal fit for the customer, the entire suite can add real value.

One client explains: "The provider brought in a group of small but effective proprietary tools that they had, but we would never develop, which is the advantage of outsourcing. For example, they had a piece of de-duping software that now resides on our systems and checks for duplications. They also offered us a service in going back before the outsourcing implementation and checking for duplications of vendor invoices—have we paid the same invoice twice? They have another tool that set up a vendor portal, which allowed the supplier to see a picture of his account with us. None of these are fantastically huge systems but there's a whole set of little pragmatic tools that they bring to bear, which has been very useful for us in our aim of going back to the beginning and improving the process," explained a client.

An integrated business intelligence/governance suite helps to escalate the provider's role from operational managers to business advisors. As noted by our colleague Craig Mindrum in the high-performance BPO report, the Accenture BPO Navigator—an integration of business intelligence and governance—developed by Accenture, is a central portal that provides real-time visibility into a client's business performance, including operational and contractual metrics and analytics. The tool incorporates performance benchmarking data from multiple BPO relationships, enabling a rich source of information with which to "navigate" toward higher levels of value.

A provider executive describes how the Accenture BPO Navigator operates for his consumer goods client: "We can look at our retention dashboard by business group, by demographics, by geography and look at where there are retention challenges or how one area of the business differs from another. What does that enable us to do? It enables us to look collectively at company policies that might impact retention. It allows us to detect trends that we can address. But more importantly, it allows us to collectively refine the forecast coming into the recruiting process."

It is not so much the tools' capabilities per se that enable high-performance BPO, but rather the partnership capabilities that precede effective technology deployment and the collaboration that results. Clients and providers have to be willing to share details about who is doing what and to what level of performance. In short, partners must build a collaborative, trusting, and transparent relationship in order to apply technologies, industry specific knowledge, business process expertise, and client-specific context to drive high performance.



About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with 257,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$27.9 billion for the fiscal year ended Aug. 31, 2012. Its home page is www.accenture.com.

For further information about this research, please visit www.accenture.com/highperformancebpo

Reference

i The survey was conducted by Everest Group with support from Accenture in late 2011 and is reported in Accenture (2012) Achieving High Performance in BPO Accenture, London. The survey identified 20 percent of respondents as "high performance" scoring strongly on at least three must-have attributes, and in the top quartile on seven additional attributes. A further 20 percent were potential high performers meeting one or other of these two criteria; 60 percent were typical BPO performers meeting neither criteria. Note that typical here covers a wide spectrum of performance from normal to poor. The research found that levels of performance were independent of industry, geography, size of deal, tenure of BPO relationship and business function outsourced. High performance was twice as frequent when two functions were outsourced as a bundle (as opposed to one function or three or more functions). Three further sources of research, described below, are used in this series of papers to enrich and extend these survey findings.

ii The interviews were carried out between October 2011-September 2012. They were typically 45-60 minutes in length and used a pre-designed questionnaire aimed at eliciting performance outcomes and effective and unsuccessful practices. The sample was drawn from across sectors and countries, with outsourcing deals ranging in size from small to very large. Nearly 50 percent could be identified as high performers on the criteria detailed above.

iii See Lacity, M., and Rottman, J., (2012), "Delivering Innovation in Outsourcing: Findings from the 2012 Outsourcing World Summit", *Globalization Today*, March, pp. 26, 31.

iv We have been conducting BPO case studies since 2000. Some of our first BPO case studies are published in Willcocks, L., and Lacity, M. (2006), *Global Sourcing of Business and IT Services*, Palgrave, United Kingdom. Our most recent BPO work is found in: Lacity, M., and Willcocks, L. (2012), *Advanced Outsourcing Practice: Rethinking ITO, BPO, and Cloud Services*, Palgrave, London, (forthcoming).

v See Willcocks, L. and Lacity, M. (2012) *The Emerging IT Outsourcing Landscape: From Innovation To Cloud Services*. Palgrave, London, especially chapter 8. Also the five papers by Leslie Willcocks, Will Venters and Edgar Whitley (2012) *Cloud and The Future of Business: From Costs to Innovation*, LSE/Accenture, London available on www.outsourcingunit.org.

vi Lacity, M., Solomon, S., Yan, A., and Willcocks, L. (2011), "Business Process Outsourcing Studies: A Critical Review and Research Directions," *Journal of Information Technology*, Vol. 26, 4, pp. 221-258.

vii see IAOP's Global Excellence in Outsourcing 2011 Award Winners: https://www.iaop.org/Content/19/165/3131

viii A detailed account of these options is provided in Willcocks, L., Venters, W. And Whitley, E. (2011) *Cloud and The Future Of Business 1 – The Promise*. LSE/Accenture, London, - see www.outsourcing unit.org

ix See Willcocks, L., Venters, W. And Whitley, E. (2011) *Cloud and The Future Of Business 2– The Challenges*. LSE/Accenture, London, - see www.outsourcing unit.org

x For details of the research see Willcocks, L., Venters, W. And Whitley, E. (2011) *Cloud and The Future Of Business 3– Impacts*. LSE/Accenture, London, - see www.outsourcing unit.org

xi See Lacity, M., and Fox, J. (2008), "Creating Global Shared Services: Lessons from Reuters," *MIS Quarterly Executive*, Vol. 7, 1, pp. 17-32.

12-3079 SL

1245934