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Mastering high-performance BPO

Keys to the Kingdom

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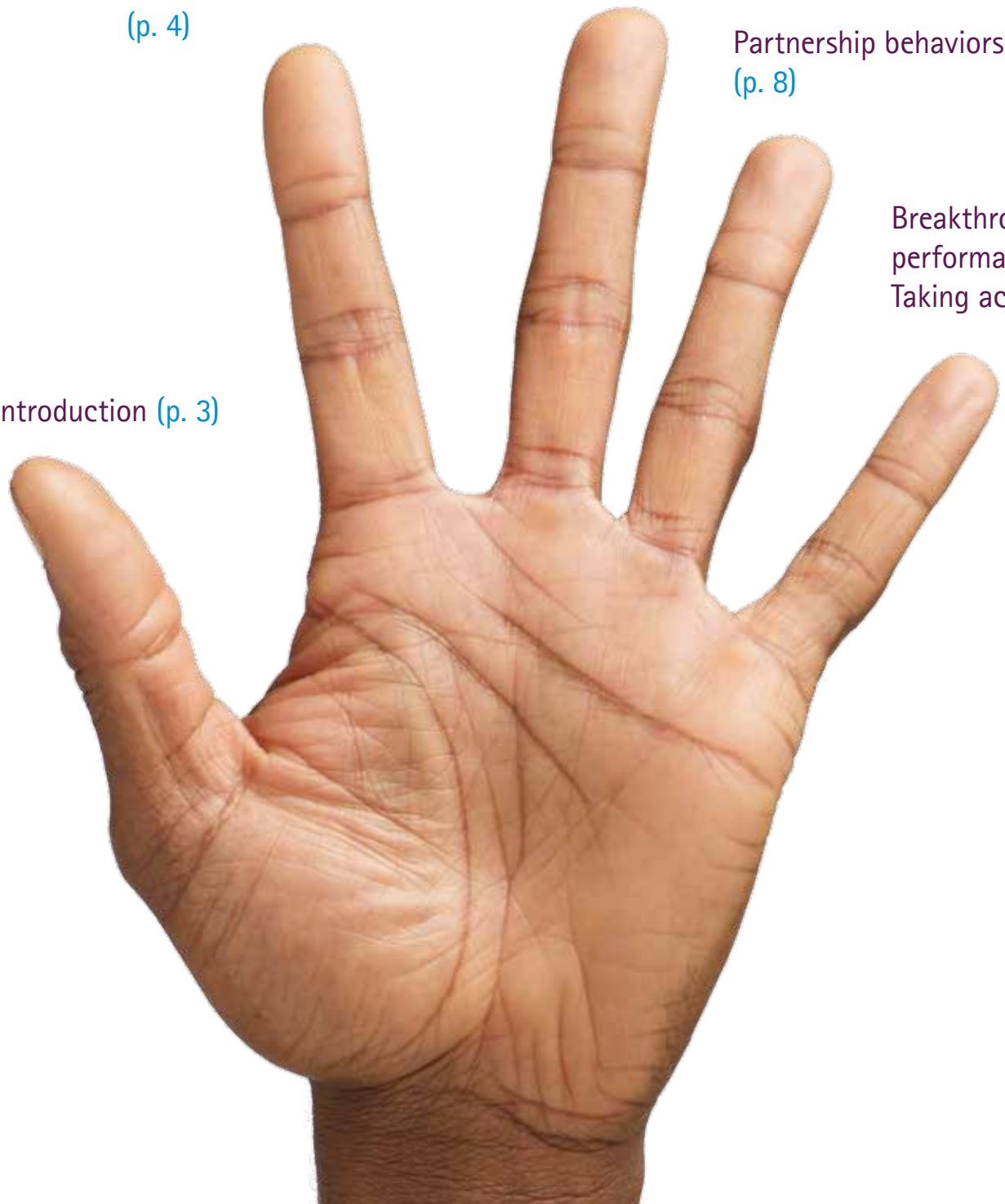
High performance. Delivered.

Contents



Introduction

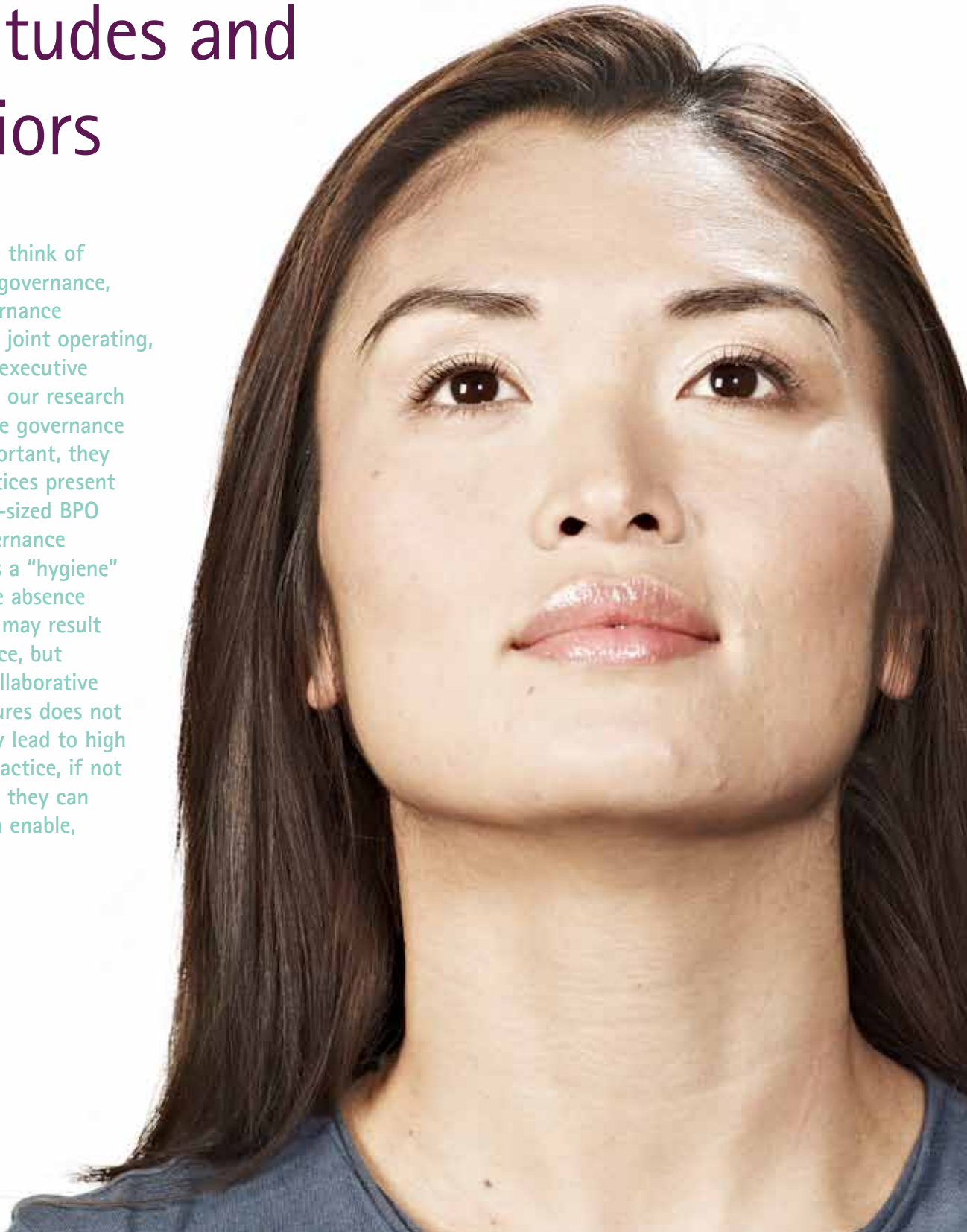
As the BPO market matures, clients are expecting BPO outcomes beyond cost savings and meeting service level agreements. Next-generation BPO clients want their service partners to transform their back offices, to improve business performance, to nimbly enable the client's shifting business directions, and to 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 uncovered the "keys to the kingdom" practices that contribute to high-performance.

These practices emerged from analysis of four principal research streams: a comprehensive survey of 263 senior client BPO executives[i], in-depth interviews with client-provider executive pairs in 20 organizations[ii], research into 26 organizations identified as high performers in collaborative innovation[iii] and a review of 1,356 BPO and ITO findings from 254 academic research studies identified as robust[iv]. Collaborative BPO governance is one of the most important of those practices.

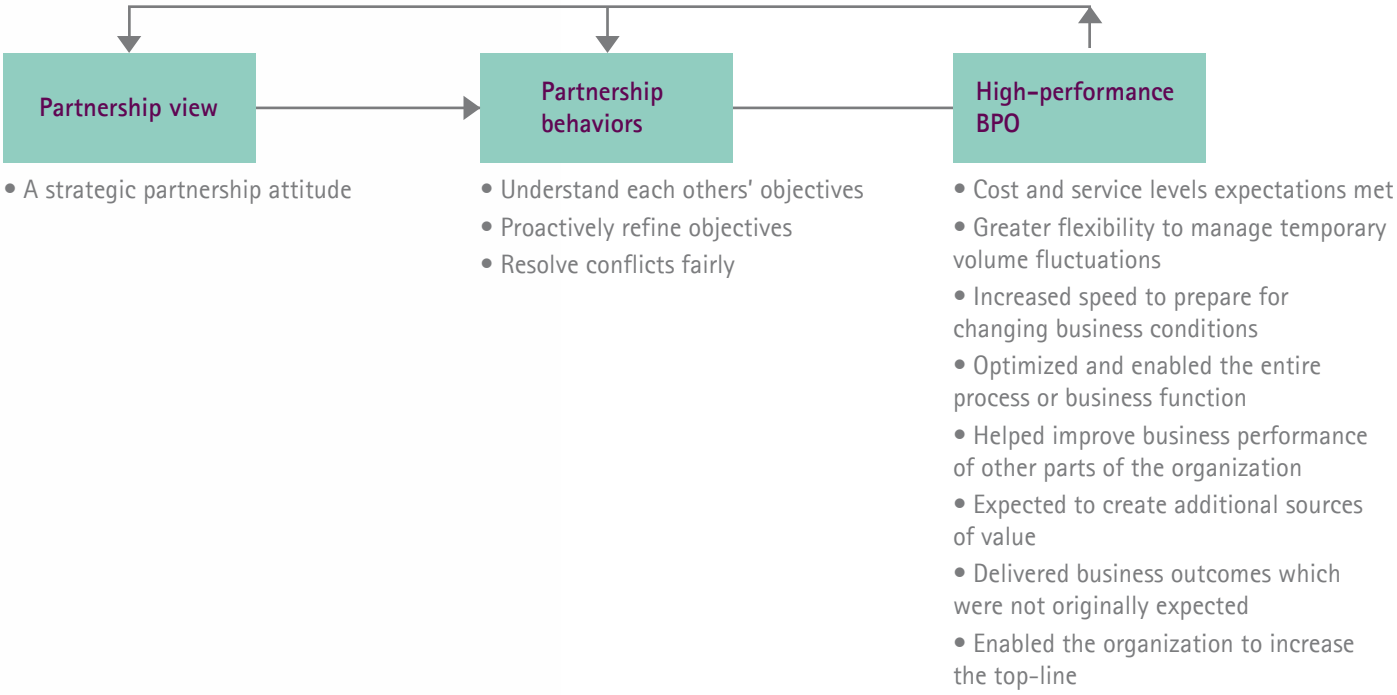
Beyond structures to attitudes and behaviors

When most people think of collaborative BPO governance, they think of governance structures, such as joint operating, management, and executive committees. While our research confirms that these governance structures are important, they are pervasive practices present in all substantially-sized BPO relationships. Governance structures are thus a "hygiene" factor, because the absence of such structures may result in poor performance, but the presence of collaborative governance structures does not in itself necessarily lead to high performance. In practice, if not designed correctly, they can inhibit, rather than enable, high performance.



In the high-performing BPO relationships that we studied, collaborative BPO governance is much more than a set of committees; it also comprises embedded partnership attitudes and behaviors. Collaborative BPO governance begins with an attitude we call the "partnership view" in which a client regards the provider as a strategic partner rather than as an opportunistic vendor. The partnership view manifests itself in partnership behaviors—such as resolving conflicts fairly and protecting both parties' commercial interests—that result in high BPO performance from both client and provider perspectives. High performance, in turn, reinforces partnership attitudes and behaviors, preparing the ground for the next crucial interaction.

Figure 1: The basis of high-performance collaborative BPO governance. (Source: 263 respondent survey and author interviews)



The partnership view

All research sources identified compellingly the importance of the partnership view as a distinguishing contributor to high-performance BPO. From our comprehensive review of all academic research findings, the partnership view was one of the most important relationship governance factors that determined BPO outcomes.[v] From the survey, 85 percent of the client respondents from high-performing BPO relationships consider the service provider to be a strategic partner compared to 41 percent of the client respondents from typical BPO relationships. Our interviews with client and provider teams revealed how the partnership view works in practice.

In high-performing BPO relationships, the client executives deeply hold and proselytize for the partnership view. Consider how client executives from three different FAO relationships spoke about their service providers. On one high-performing deal, the client commercial director from an energy company said:

"I'm not interested in being a recipient of service. I want us to be strategic partners. It is a word that is tossed around in a clichéd way. But for me, strategic partner means: let's talk about my five most important objectives and how that overlaps with the things that the provider does."

A second client executive—a vice president of global shared services for a pharmaceutical company—described how collaboration and the partnership view contributes to success: "I think being collaborative—very much accepting the provider as part of our infrastructure and not treating them as a vendor but more of a partner—has been very successful for us."

A third client executive—a senior director for a technology company—stated:

"We have a very strong concept that we talk about in outsourcing and that is what we call "TOGETHER" We are in it together. There is nothing that the provider has to do or we have to do—we have to work issues together."

Client executives must actively diffuse and reinforce effectively the partnership attitude throughout the client organization. When client employees lapsed into complaining and blaming the provider, the client executives from high-performing relationships buttressed the partnership view. The Senior Director for one global FAO relationship told this parable:

"I get frustrated when we don't think about the concept of working TOGETHER with the provider. 'There is a saying that if you point your index finger at someone, then the rest of your fingers actually point at yourself.' That's why I think the concept of TOGETHER is so important. It drives a lot of the success that we have."

Client executives committed to the partnership view will replace their own employees when they cannot or do not embrace the right attitude. This can be a sensitive issue since client executives are often not aware of the dissidents within their organizations, and because service providers do not want to complain about obstructionist clients. In one case, the gentle provider approach, "Can you tell me how to more effectively deal with so-and-so" was enough for one client executive committed to the partnership view to reassign the employee.

Partnership behaviors

The partnership view reveals itself in partnership behaviors, where committed partners work together to deliver business results while still protecting the commercial interests of both parties.

On high-performing BPO engagements, we found a number of distinctive collaborative behaviors that were absent or occurred less frequently in normal or low-performing BPO deals. In particular, the following partnership behaviors emerged strongly from the survey and interviews:

• Senior leadership from both parties collaborate to understand each others' objectives.

• Senior leadership from both parties proactively refine objectives as the BPO relationship matures.

• Senior leadership from both parties resolve conflicts fairly.[vi]

In practice, these behaviors are not necessarily independent, but occur concurrently, iteratively, or sequentially. As an example of the last, some parties we studied began to resolve a conflict fairly first by understanding each other's objectives and then by redefining them. The value of collaborative BPO governance is most convincingly evident when either the client or service provider experiences substantial financial exposure due to changes in the business environment.

Consider one example (amongst many) from the interviews. One global FAO deal was initially based on unit prices. The service provider calculated the unit price by determining the full time equivalents (FTEs) needed to service the expected volumes. After the deal was in place, the client's transaction volumes declined severely after a number of divestitures. The provider could no longer cover its costs based upon the agreed transaction prices. Rather than just make the provider suffer the loss, the client executive agreed to renegotiate the pricing mechanism based on FTEs. According to the client executive, he also worked with the provider to alter the contract to incent the provider more favorably to meet the client's key business milestones. The provider account executive summarized the situation by saying: "The client recognized that this was something important for us and that was what drove us to a decision to renegotiate. Both of us were pretty happy with that."

Exogenous factors can also introduce stress into relationships. Since 2008, the global economic recession has caused many clients to endure budget cuts, layoffs, and sinking financial returns. In high-performing BPO relationships, the provider account executives invariably responded to client requests to help remedy a client's failing commercial position. On one high-performing supply chain engagement, the client's business was losing money and asked the provider to consider different pricing and funding mechanisms. The provider account executive explained:

"So what we are doing right now with them is identifying three or four potential areas where they are having business challenges affecting their profit and loss in a negative way and we're figuring out what kind of investments upfront we need to drive those improvements and then gain- share on the improvement that we bring."

In high-performing arrangements, collaborative intent and performance emerged clearly. Two more examples show how parties were willing to renegotiate when changing business conditions was harming one of the parties: "We want them to be successful. No one wants a failing supplier".... "Our contract wouldn't let them hire any of our people for two years, but we had to cut them some slack on that one."

In contrast to the previous examples, we have studied a number of low-performing relationships in which the party with the favorable contractual position refused to renegotiate a deal that was financially unsound for the other party. We have heard people say, "It's not our fault they are losing money, they signed the contract." Typical quotes from the low-performing BPO arrangements we have studied revealed an antagonistic approach to the relationship: "They always wait for us [the client] to react to something... they play dead until we kick them" .... "We know where they are having problems but damned if I am going to tell them" .... "The supplier is only in it to make money.'" Clearly, these people do not hold a partnership view, do not exhibit partnership behaviors, and consequently experience poor performance.

Breakthrough performance: Taking action

The combined evidence from all our BPO research streams enriches the survey findings. It points to three actions for stepping up to high performance.

Signal collaborative behavior and practices early, and always.

Collaboration is a cooperative arrangement in which two or more parties work jointly in a common enterprise towards a shared goal. In business relationships, the word "collaboration" signals close partnering behaviors developed over and for the long term, distinguished by the high trust, flexibility, reciprocity, risk-sharing and investment of time and resources essential if high performance on individual and shared goals are to be achieved.

Leadership is fundamental, starts in the boardroom, but must operate at every level in and across the collaborating organizations.

Leadership is shaping and mobilizing adaptive work[vii], that is, engaging people to make progress not just on the technical but also on the adaptive problems they face. Senior leaders, initially on the client side, shape the strategy, context, resources, mindset and incentives for high performance collaboration. Other leaders ensure these are applied and sustained operationally over the long-term. Leadership manages out risk and manages in opportunity. As one client manager put it:

"We created a place where people could innovate and that's the act of good leadership; making it safe for people to stick their necks out."

High performance is built on cycles of trust and performance.

Look to create a virtuous circle between trust-building, win-win incentives on strategic and operational criteria over the longer term, and the reinforcement effects of superior delivery. Parties need to work at three kinds of trust. Personal trust reflects confidence in a person's ability to work for common aims with integrity. Competence trust reflects belief in the others' ability to deliver on their promises. Motivational trust arises from the right incentives and penalties being in place to drive win-win behaviors. Trust is built over time through demonstrable performance. As one oil client executive put it: "You build trust by spending time together. You need to have capacity within the organization to do that and to build competence and business understanding (in the supplier)... You have to invest in the relationship."

About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with more than 244,000 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$25.5 billion for the fiscal year ended Aug. 31, 2011. 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-performance businesses 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 in the October 2011-February 2012 period. They were typically 45-60 minutes in length and used a predesigned 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. Lacity, M., and Willcocks, L. (2012), *Advanced Outsourcing Practice: Rethinking ITO, BPO, and Cloud Services*, Palgrave, London, chapter 1 (forthcoming). Also Willcocks, L. and Lacity, M. (2012) *The New IT Outsourcing Landscape: From Innovation To Cloud Services*. Palgrave, London, chapter 3, (forthcoming).

iv. 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.

v. Lacity et al. (2011) op. cit.

vi. Our interviews described in Note ii above, together with the 26 organization collaborative innovation study, enrich these findings by also establishing the importance of senior leadership in shaping the context in which leadership can be performed also at lower management and operational levels in and across the collaborating client and supplier organizations.

vii. An adaptive challenge is when people's hearts and minds have to change; when all technical fixes fail; when conflict persists despite all remedial action; when a crisis arises. See Heifetz, R. (1994) *Leadership Without Easy Answers*. Belknap Press, Cambridge, Mass.

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