Mastering high-performance BPO

Keys to the Kingdom

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Transformation of the retained organization

High performance. Delivered.
Introduction

As the BPO market matures, clients are expecting BPO outcomes beyond cost savings and meeting service level agreements alone.

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 “keys to the kingdom practices that contribute to high-performance. These practices emerged from an analysis of four research streams: a comprehensive survey of 263 senior client BPO executives by the Everest Group, in-depth interviews with client-provider executive pairs in 20 organizations, our prior BPO case study research and a review of 1,356 BPO and ITO findings from 254 academic research studies identified as robust. Our client interviews and survey both found that transformation of the client’s retained organization is one of the most important of those practices. This involves putting a change management program in place, aligning organizational structures and operating models, enhancing retained skills and capabilities, and maximizing coordination and interaction between the retained and outsourced providers.
Route to retained organization transformation

In another practice paper, *End-to-end Approach*, we discussed six transformation levers clients use to transform their services organization—centralization, standardization, optimization, automation, technology enablement and labor relocation.

In this paper, we focus on the shape of a client’s retained organization and three key stakeholders—internal business clients, employees in the business services organization and BPO providers. Clients with world-class business services organizations—with services characterized by service excellence, low costs, scalability, flexibility, compliance and high customer satisfaction—transformed their retained organizations in four ways (see Figure 1):
1. Structures transformed from "pyramids" to "diamonds"

2. Employees transformed from "back-office doers" to "front-office service coordinators"

3. Internal clients transformed from "users" to "customers"

4. Provider relationships transformed from "them" to "us"
Structures transformed from “pyramids” to “diamonds”

The Everest Group survey found that 50 percent of high-performance BPO relationships modified the broader organizational design to optimize the BPO operating model compared to 29 percent of normal BPO relationships. Many clients with world-class business services organizations have radically redesigned their retained organizations; and one common pattern is changing the retained organization from a “pyramid” to a “diamond” model.\textsuperscript{vi}

Pyramids are heavily populated with employees, most of who are at the bottom of the pyramid. The benefit of this design is that employees continually build valuable, client-specific experience as they are promoted higher up the pyramid. The pyramid model is strong on retained knowledge, but costly. Back-office managers trying to recruit college graduates must compete with providers who can court them with far richer career paths and many more peers. The model also tends to rely on expensive local contract workers to fill in skills gaps. The pyramid model is also characterized by a significant class of middle managers who manage both employees and onsite contract workers. Companies like Unilever, BP, Microsoft, Samsung, Canon, Bank of Ireland and Express Scripts have moved or are moving to diamond-shaped organizations.

Diamond-shaped retained organizations replace the heavy bottom of the pyramid with BPO providers. Many transactional activities that were once performed by employees are now performed by providers, typically in a lower cost location. There are fewer middle managers, but more subject matter experts (SMEs) and project leads. The diamond-shaped organization also needs more quality assurance and governance skills to coordinate services with providers. The benefits of the diamond-shaped retained organization are lower costs, access to BPO providers with best-of-breed skills, and greater flexibility because providers can more easily adapt to increases or decreases in service volumes.
Employees transformed from “back-office” doers to “front-office” service coordinators

Moving the business services organization to a diamond-shape requires a different type of workforce than the pyramid design. The Everest Group survey found that clients from high-performance BPO relationships transform the retained organization in terms of roles, responsibilities, and requisite skills. Our current interviews and past research strongly support this finding.

In the diamond-shaped business services organization, far fewer employees perform transactional activities and many more coordinate service delivery with BPO providers and internal clients. Middle managers require greater governance skills, although many clients and providers we interviewed said it was difficult to get the client’s middle managers to shift from managing resources and processes to managing inputs and outputs to/from providers. For instance, as one client said, “Where I think we perhaps fell down a little is that we did not equip some of those people who were managing the relationship with the necessary tools and skills. What we did was find really good functional managers and we said, ‘Hey you are a really good functional manager; why don’t you manage the relationship with the provider,’ rather than finding a really good contract manager who understood how to get the best out of the commercial relationship”

One provider agreed that good functional managers do not necessarily make good relationship managers: “The reality is that relationship managers (in the client retained organization) need a vastly different skill set. Just taking your best accountant and putting them in the role of relationship manager doesn’t work well. An accountant has a very analytical job and a retained organization needs to be a very relationship-focused job; and it does not always connect well.”

On this account, the provider and client worked together to redesign the client’s retained organization to great effect. As the provider explains, “Each client business unit had new roles and responsibilities related to how things were going to work in the future. They actually gave people the title of Relationship Manager, which was very helpful. I think that explains why our contract is more successful, with fewer incidents and higher satisfaction of the customer, than other relationships.”

Another client from a medical devices company learned from a previous BPO relationship how to best prepare middle managers for their new roles. “We rewrote their job descriptions and coached them; but my best advice is to get your people to the provider’s centers early. The earlier you do this, the faster you open their eyes to the possibilities. Meeting people and understanding what they do opens them up to their new roles,” said the client executive.
Internal clients transformed from “users” to “customers”

The Everest Group survey found that in 60 percent of the high-performance BPO relationships, internal business users receiving services critically influence the direction of the BPO relationship compared to 30 percent for typical BPOs.

From the interviews, we learned that clients from high-performing BPO relationships transformed their internal business users into educated customers. While users consume resources with little thought to costs, educated customers make informed choices about service levels, functionality and costs that they incur. The identification and negotiation of service levels and reporting on end-to-end service performance are important practices that accelerate the transformation from users to customers. Once complete, the shift from users to customers considerably empowers the client executives to more meaningfully contribute to business objectives. Rather than responding to a user’s request with “I am sorry, it is not in my budget”, the client executive works with the customer to consider the business value versus costs of customer requests. We also found across the four streams of research that providers developed capabilities and assisted clients in creating that customer mindset. However, in practice, despite the learning by the provider, the client’s retained organization has to be ready to shape the context for becoming a customer if meaningful change is to occur.
Provider relationships transformed from “them” to “us”.

Philosophers from Hegel to Foucault have discussed the notion of “other”, i.e., the human propensity to distinguish who belongs inside the group versus who is relegated outside the group. “Others” are segregated, marginalized, or even excluded. In the context of BPO, clients from high-performing BPO relationships view and treat the provider more as in-group compared to clients from troubled BPO relationships that view and treat the provider more as “other”.

A client from an information infrastructure company said of her high-performing BPO relationship, “We do not treat the provider like a vendor; they are extensions of our team. We know the names of their staff, and we treat them like they are ours. I think that’s been great. I feel like they belong to us and they feel like they belong to us. That goes all the way up and down the chain of command.” Another high-performing BPO client from a medical device company echoed a similar sentiment, “We treat everyone as one team; badge color does not matter.”

Transforming the provider relationship from “them” to “us” requires clients to integrate the provider meaningfully into their organization. Clients from high-performing relationships more frequently invite providers to key meetings, include the provider in end-to-end process performance (not just SLA management), and are more transparent about their business objectives. They also treat the provider’s remotely located staff as part of the global delivery team by collaborating virtually and physically with them. Effective client leaders visit remotely located provider staff once or twice a year, even after the relationship has stabilized.

One high-performing BPO relationship serves as an exemplar for integrating the provider into the client organization. The client leader tasked his own leadership to meaningfully include the provider’s remotely-located staff, reminding them that the provider’s offshore-based staff were an integral part of the end-to-end team, along with the client’s internal staff. The client and the remotely located provider employees now have monthly meetings to encourage and financially reward the continuous improvement and innovation programs. This client leader has also transformed the behavior of the remotely located provider employees by encouraging them to challenge the client more. As a result, the client has implemented several ideas from the provider’s team.
Breakthrough performance: Taking action

As noted by our colleague Craig Mindrum in the main report, transitioning to a BPO relationship can be tough on workers in the retained organization if steps are not taken to help them succeed in the new environment.
Their roles will often shift and they will find themselves charged with managing and coordinating the outsourcing service relationship rather than simply managing others executing tasks. There may also be cultural differences between the retained and outsourced workforce which need to be dealt with carefully.

Aligning the organization's corporate culture with new ways of working and integrating the culture of the outsourced workforce is not easy. Some retained employees will not be able to adapt to the newly designed retained organization. For example, one client said, “I think this was a real fight where we were already seeing some of our no-fits between the new type of role that people would be asked to do and the profile of the people we had.” Sometimes it is the provider employees, with their high degree of professionalism and intimidating pedigrees, who may alienate some of the retained client employees. “Some of my staff would say that the provider needs to be less aggressive,” said one client said of the provider. Such cultural differences perpetuate the notion of provider as “other”.

To get the provider better accepted into the client organization, one client asked that the provider’s logo be removed from all the emails and the provider’s name from voicemail boxes. “One of the initial things was trying to remove roadblocks and get my organization to make sure they accept the provider as part of the operating model. That was difficult for our organization where there were functional groups that were not giving them information, not treating them with the same respect and giving them the time of day they were giving other colleagues in the organization. By removing those provider logos and titles, whatever job you are doing, you are doing for the client. You might be receiving a paystub from the provider, but you are working for the client,” said the client.

Ultimately, successful clients attain a “one team” mindset across all workstreams and the alignment of all workforces into an integrated and unified organizational structure. “Our business users don’t know they are talking to the provider. One of my things is that whoever answers that phone, no one needs to know that it is us or anybody else that we use,” said a client executive managing a large HRO relationship.
The survey was conducted by The 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 best-in-class, scoring strongly on at least three must-have attributes, and in the top quartile on seven additional attributes. A further 20 percent were potential best-in-class performers meeting one or other of these two criteria; 60 percent were normal BPO performers meeting neither criteria. Note that normal 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. Best-in-class 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.

The interviews were carried out in the October 2011-February 2012 period. 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% could be identified as high performers on the criteria detailed above.


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

Reference

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