

Finding Uncommon Ground

Collaborative BPO Partnering for Competitive Differentiation



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Effective outsourcing begins with a single concept: focus on the aspects of your organization that differentiate your offering in the marketplace, and allow skilled partner firms to handle traditional business tasks. Your partner takes over the common aspects of a business; you're allowed to specialize in areas that make your business uncommon. Most outsourcing buyers have heard variants of this basic premise – “do what you do best, we'll do the rest” – over the years. But for many organizations, separating the common from the uncommon can be challenging – and no one single definition fits the bill. A function that might be considered a common business task to one company can be viewed as a unique differentiator for another. Freight and logistics for Microsoft is an important job; for McDonald's, it's a mission-critical task; for UPS, it's the basis of an entire business. Functions can also change from common to uncommon during the course of an organization's lifetime. Leasing and credit functions, originally just a value-added service for heavy machinery manufacturers, have become critical sources of competitive differentiation.

It's important to first consider each and every business function as a potential source of competitive differentiation before considering whether or not to outsource it. Often, tasks like finance and accounting, human resources, customer care, and IT are 'automatically' grouped into the 'common' category. That's because a great deal of business process outsourcing (BPO) activity takes place in these areas, and for good reason; they are business functions with tremendous potential for optimization and cost reduction. But before outsourcing these functions, it's important to identify ways in which they contribute to your organization's overall competitive differentiation, so that those aspects can be preserved in an outsourcing engagement. Thinking of processes as 'common' and 'uncommon' is a good jumping-off point, but more often, business functions sit on a continuum between these points, rather than being entirely one or the other.

Many organizations begin separating business functions into the common and the uncommon by asking the ultimate keepers of that knowledge – customers. The customer's experience in interacting with your organization drives their resulting perceptions of your strengths and weaknesses. Soliciting customer input directly, or even doing so 'at arm's length' through review websites, chat forums, and other intermediary research functions, can tell you a great deal about where those strengths and weaknesses lie. That process is often an enlightening one for many firms, and can form the basis of a longer-term commitment to more direct customer communications. In addition to being an unparalleled source of information as to where competitive differentiation exists within your organization, a planned program of customer contact is also an outstanding foundation for a competitive intelligence program, advisory council, new-product testbed, and more.

The process of soliciting customer feedback on your common and uncommon functions also produces a wealth of knowledge about perceived organizational issues. But it's important to look closely at both the issues raised and the potential sources. Often, a single problem is the result of two, three, even four different business functions impacting a particular issue. Consider an organization with low customer satisfaction scores. Are those scores caused by poor service in the contact center? If so, is the issue with the systems that agents are given to work with, or the quality of the agents recruited by company human resources professionals? Perhaps it's the interface between the contact center and your company's billing and accounting systems – or simply not having enough agents available to take calls.

Also, it's important to ensure that in outsourcing a 'common' function, your organization isn't setting itself up for a short-term gain – and a long-term loss. It's all too easy for BPO providers to 'achieve' brute-force cost reduction in a function like customer care, human capital management, or accounting – fulfilling all of the terms

of their contract, and potentially earning a payout for overperforming an SLA. But if the organization suffers down the line from hidden costs, those savings can vanish quickly, to be replaced by customer churn, employee burnout, or regulatory audit. Outsourcing should provide your organization with a long-term advantage in focusing on the 'uncommon' aspects of the business. If your time is instead occupied with repairing customer goodwill, bringing functions back in-house, and other BPO firefighting duty, you've gained nothing from the engagement – and lost a great deal.

After identifying your organization's key competitive differentiators, the following checklist can be used as a guide for determining common business functions that can be outsourced.

- ▶ For each potentially outsourced function, identify differentiation touchpoints. These might not be immediately obvious, so it's important to map each function's contact points with your customers. Areas such as human resources and IT often require a second look; while they're considered 'internal' operational groups, they touch other functions that impact the customer. Taking a 360-degree view of your business can often yield insights beyond what your customers have told you; consider talking to suppliers, strategic partners, and analysts about the factors that separate you from the competition. Competitive intelligence (CI) is also at a premium during this process, so if your CI database is outdated, this is an excellent time to update it.
- ▶ Identify internal expertise that's been developed within 'common' functions. Most organizations considering outsourcing specific tasks have been executing those tasks themselves for decades – sometimes centuries. During that time, you've built more than an accounting group, or a human resources department. You've built **your** accounting group – **your** human resources department. In doing so, you've designed processes and procedures that fit your needs and the needs of your customers. Make sure that expertise is identified and surfaced during the process of identifying good functional candidates for outsourcing.
- ▶ Score your functional areas on the common-uncommon continuum. This step produces the 'juice' for your strategic outsourcing planning process. Choose a convenient scale that works for you – one to five, one to ten, one to one hundred – and lay out your organizational functions based on their level of competitive differentiation. Generally, you'll find that areas like product development, marketing, sales, and support are close to the top of that continuum, but odds are good you'll be surprised by at least one or two functions that score higher than expected. Many organizations in particular find that their finance, billing, and human resources operations are 'quiet' contributors to competitive differentiation.
- ▶ Talk to your BPO provider about a process optimization plan. There is an ongoing debate surrounding whether existing (insourced) business processes should be "fixed" before they are outsourced or after the provider has already taken over operations. But this odd dichotomy ignores the simplest and most effective choice – collaboratively improving a business function's efficiency using both the client's knowledge and the provider's expertise. A process should not be fixed either before or after it's outsourced – it should be fixed during the transition, leveraging the strengths of both parties. Once you've identified the internal expertise in the function to be outsourced in the point prior, be sure you are working with a partner that's interested in building that expertise into the engagement.
- ▶ Make a plan to transfer that domain knowledge. In this stage, you're transferring common processes and domain expertise, enabling your BPO service provider to become a part of your business process network. BPO providers will likely differ in how best to transfer specialized domain knowledge. Most will want to establish written process documentation protocols; many will want to map the process 'in action' by participating in, or observing, workflow. During this phase of the outsourcing engagement, it is vital that this transference take place efficiently and accurately.

- ▶ Develop a 'tagged baseline' for ensuring that domain knowledge thrives in an outsourced setting. While specialized knowledge is being documented and transferred, it's also important to select baseline metrics for long-term measurement to ensure that the transference process worked correctly – 'tagged' metrics that should continue to be present even after the process is outsourced. If your organization has traditionally had a higher employee retention percentage than your competition because of its recruiting and training skills, that advantage should continue in an outsourced relationship. If your company has traditionally had superior cross-selling success in the contact center, you should continue to see those results. Tracking these 'tagged baselines' ensures that you're receiving peak value for your investment, and that your provider is operating efficiently as a part of your business process network.

By following this checklist, you can ensure that your organization identifies and pursues the best fit between potential process optimization and competitive differentiation. The checklist also helps in identifying the right BPO provider for your organization. Remember that

nearly every provider will promise to take over even the most problematic business process and cut cost – the "your mess for less" approach. But few BPO firms will take the time to understand how your company differentiates itself in the market and work to preserve those sources of differentiation in an outsourced engagement. Fewer still have both the experience and the vision to not only reduce expense, but create value for you.

TeleTech's approach to business process outsourcing emphasizes each of these key points. We're careful to preserve every aspect of your operations that have made your company a unique success story – and bring our decades of expertise in process re-engineering, value creation, and quality assurance to the table for companies around the world. We're just as excited to hear about your vision for long-term excellence as we are to tell you about our capabilities and build solutions for you.