

Inside: 7 Thought Papers

Infosys®

BPO Future Forward >>>

Releasing Innovation



www.infosysbpo.com

1. The 3-Dimensional Take

What Next, What More: Perspectives on Big Shifts in Business Process Outsourcing

Bret Clayton, Suchitra Narayan and Swami Swaminathan

6

2. Unleashing the Power of Buyer-Provider Collaboration to Innovate and Co-create Value

Rajiv Raghunandan

16

3. Augmentative Outsourcing

New Ways to Support Contextual Functions & Strengthen Core Capabilities

Madhusudan (Maddee) Hegde, Bharath Vasudevan

24

4. Enhancing Customer Experience with the Right BPO Model

Vijay Narsapur

34

5. Transform to the Human Resources Face of Tomorrow

Maheedharan Thiagarajan

44

6. Unlocking Transformation Opportunities through
Business Process Outsourcing

Anantha Radhakrishnan and Madhukar Tata

52

7. Finding the Right Business Model

A Combination of SaaS, BPO & Licensing Tailored for You

Mark DePhillips and Gordon Beckham

62





Foreword

Dear Reader,

When I joined Infosys BPO in 2002, outsourcing clients would look askance upon any mention of the word innovation. What has happened in the intervening period is a revelation. Over time, over multiple engagements, innovation in business process outsourcing has manifested in various ways.

Sometimes, it is innovation in the form of complex back-office re-engineering, which produces remarkable results in productivity and process agility. Other times, it is a re-imagining of the shared services model itself – which fuels top-line growth and creates outcomes for different C-suite executives. Rarer but not uncommon, is clients and service providers coming together to co-create a completely new kind of value. From the back room to the boardroom, innovation in outsourcing is a very real phenomenon, and it is here to stay.

Given today's volatile marketplace, if change is the clarion call, enterprises need to innovate. And that's where a BPO provider can make a difference — by becoming the client's true business partner and helping the client organization in '[Releasing Innovation](#)'. This to me, is what innovation really means — a commitment to change businesses for the better and build tomorrow's enterprise.

We at Infosys BPO have demonstrated our commitment to co-create innovative outcomes for our clients – across industries and processes. For a leading global technology distributor, we became an aggregator – providing back-office services to their supply chain partners. When a global electronics major wanted to grow in Latin America, we invested in setting up a delivery center in Belo Horizonte, Brazil. We are deploying a hybrid cloud/BPO service center for a fraternal insurer, giving them the flexibility to change their business model over time. You can read about more such novel cases in this issue.

Special thanks to Bret Clayton from Rio Tinto and Suchitra Narayan from IDC Asia/Pacific for lending their perspective to Future Forward. This collection of view points examines how far innovation has come in business services, and where it is heading. I hope you find these perspectives useful in furthering your innovation agenda.

Your feedback on this edition is welcome at infosysbpo@infosys.com.

Best Regards,



[Gautam Thakkar](#)

Vice President & Unit Head - Enterprise Services, Infosys BPO



1

The 3-Dimensional Take

What Next, What More:

Perspectives on Big Shifts in Business Process Outsourcing

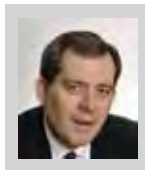
- Bret Clayton, Suchitra Narayan, Swami Swaminathan



Abstract

Having moved up the value chain, the BPO industry is abuzz with possibilities presented by newer capabilities and engagement models. While the way forward is capitalizing on change, there are many perspectives on the present and future of business process outsourcing. In '[The 3-Dimensional Take — What Next, What More](#)'; we invited a representative each from the buyer, provider and analyst sides to share their views at the Infosys BPO Colloquium Community. We posed the same question to each of them, and they answered. Do their opinions converge?

Let's find out with:



Bret Clayton

Group Executive, Business Support & Operations, Rio Tinto



Suchitra Narayan

Senior Research Manager, Services, IDC Asia/Pacific



Swami Swaminathan

Chief Executive Officer and Managing Director, Infosys BPO

It's safe to say that today, outsourcing has moved beyond cost. Going beyond cost, which areas do you see BPO making the biggest impact?

Bret Clayton

It is moving beyond just cost, although this remains an important aspect. Being a dynamic industry that is growing quickly, the ability to flex up quickly at reasonable cost is important. We (Rio Tinto) face difficult conditions in growing with skills in Australia (expense and availability of people). We would hope that BPO plays an increasing role in mitigating these issues as well.

Suchitra Narayan

BPO remains highly underrated in the industry! It carries with it this image of being a cost arbitrage solution despite coming long way since the 1980s and moving well beyond being a simple cost offering. The more mature organizations are aware that the implementation of effective BPO solutions can result in a significant impact to their core business.

The three areas that we foresee BPO creating the biggest impact in are:

1. Enabling a more customer centric environment – think Social media, the ability of a BPO provider to provide a customer scorecard – a single customer view across multiple touch points, with analytics thrown in, traditional transactional CRM data mapped to social CRM analytics, understanding behavioral patterns and then cross selling appropriate products, the potential is endless...
2. Enabling organizational agility and competitive strategy development to meet market changes – BPO enables the customer to be focused on the key objectives and respond to changes in the market conditions rapidly. Organizations that have their processes managed effectively and efficiently are well-placed to meet competition head on and equips them with the agility to react to change. BPO solutions that have industry benchmarks built into process efficiencies will also drive process efficiencies to enable organizations to keep astride of competitors in the market. The C-suite is able to focus on their core capabilities and leave their BPO partners to focus on the process innovation and functionality, creating a win-win situation.
3. Enabling business growth with the power of Analytics – which resonates with the point of discussion above, but with a focus on impacting the top line or the bottom line.

Swami Swaminathan

Today, the BPO industry has evolved from the earlier transactional to a transformational mindset. There is immense potential for providers and buyers to work together in areas that unlock business transformation and deliver enhanced business outcomes. Which means providers must focus on helping buyers improve their revenue line. This also means that buyers can work with their providers to enter newer markets faster, drive business agility, and introduce new products/services at reduced costs and accelerate new product rollouts.

But here, I believe it is very important to establish what transformation means. If you look at the balance sheet or Profit and Loss Statement (P&L) of companies, there is the gross margin line and then there is the net margin line. Savings from a back-office process typically impacts the SG&A line, and so it impacts the net margin, not the gross margin. Transformation to me is when outcomes from an engagement start impacting the gross margin of the client. Key considerations here are: Because of the buyer-provider relationship, does the buyer's revenue go up? Is the buyer organization able to attract and retain more customers? Are providers helping buyers reduce their direct cost of providing products and services to their customers? Are there improvements in customer experience? All of these have bearing on the gross margin line, and this is where BPO can create the biggest positive impact.



There is immense potential for providers and buyers to work together in areas that unlock business transformation and deliver enhanced business outcomes

– Swami Swaminathan

How can BPO providers fuel growth for buyers by partnering with them in unexplored areas?

Bret Clayton

By helping buyers understand that once a beach head is established, we can move much smaller pieces of work – teams of 5 or so people on an incremental basis. While general BPO areas like IST understand this, the opportunity often exists in other business areas as well. Decision makers in these areas are reluctant to move work. But once they see the benefits, they quickly become supporters.

Suchitra Narayan

BIG DATA is opening up opportunities for services providers and BPO players to seek out strategic value propositions for buyers in unexplored areas. It's not just about the external data that organizations collect from various social media applications in unstructured formats, but also about the internal transactional data from the CRM systems in place. To take one example; contact centers today are brimming with information – call logs, IM chats, emails, videos, transaction logs etc. There is a huge opportunity to clean, filter and mine this data for the valuable nuggets of intelligence that will enable a direct contribution to the organizations revenue stream – an example would be, in the instance of contact centers, outbound cross sales.

Swami Swaminathan

One area is entering new markets. Today, BPO providers go to new geographies and set up infrastructure there — providing a competitive and a strategic advantage to their clients. Quite a few global corporations find that entering new markets and new product categories is challenging in terms of speed-to-market and costs of operations. This is because they believe that the supporting infrastructure does not scale up rapidly — whether it's supporting a product, supporting a market, supporting a customer, or supporting a process. By leveraging the expertise of their BPO provider all they need to do is focus on their product and customer. The provider can take care of the rest.

BPO providers already have people strengths, so they can get the job done rapidly. Companies can access talent pool from the provider's existing location. If it is important for people to be at a certain location, providers can work on making talent available at said location. While hiring the right talent and training them is one thing, providers can also set up, execute and harmonize processes with the kind of speed and agility that companies expect. So what happens here is that providers help their clients in becoming extremely agile, and in entering new markets much faster — furthering the clients' vision of becoming a truly global corporation.



Quite a few global corporations find that entering new markets and new product categories is challenging in terms of speed-to-market and costs of operations. This is because they believe that the supporting infrastructure does not scale up rapidly

– Swami Swaminathan

What does innovation in an outsourcing engagement mean to you?

Bret Clayton

Do more than just wage arbitrage. We have the ability to access higher level skills like engineering and legal.

Suchitra Narayan

Innovation today in the context of outsourcing is synonymous with Business Value Creation. It is about partnering not just to deliver process excellence but driving an impact to the top or bottom line for the customer. BPOs bring in process innovation, industry benchmarking and are willing to put more skin in the game with more creative business models such as business outcome pricing. Innovative BPOs are those that constantly evolve with market needs and developments, which build out new business models and deliver business impact to the customer.

Swami Swaminathan

I view innovation at a base level, relative to a certain frame of reference: every BPO transaction, in some sense, touches the lives of the stakeholders of our clients. In a customer service practice, we touch the lives of our clients' customers; in the sourcing and procurement practice, we touch the lives of our clients' vendors; in an HR practice, we touch the lives of our clients' employees. With every BPO transaction, we touch the lives of one of these stakeholders.

Whenever I see innovation in terms of people, process, or technology, I measure it against two yardsticks. One is, "Is this making our client look good in front of their stakeholders?" The second is, "Is this improving revenues and gross margins for our client?" Innovation to me is tied to business outcomes; and without such outcomes, there is no innovation.



Innovative BPOs are those that constantly evolve with market needs and developments, which build out new business models and deliver business impact to the customer

– Suchitra Narayan

How can the buyer-provider relationship become more strategic so as to enable business transformation?

Bret Clayton

By working with the buyer to understand areas of opportunity and then working with the individual teams to get them to go and see for themselves the BPO skills and opportunities. We find that once people actually see and feel for themselves, they are sold on the opportunities. Once this door is opened and the relationship delivers success, then I believe that further opportunities will naturally flow.

Suchitra Narayan


This relationship is evolving in the market with the maturity of the BPO industry as well. BPO is no longer an LOB mandate; it has clearly evolved into a CIO decision making process. The past two years has seen an increase in focus of the CIO to align IT to meet business outcomes and objectives. Capex is frowned upon and opex is certainly the mantra. With the right vertical expertise, the right platforms and the right industry benchmarked processes; the BPO vendors are well positioned to create value in the boardroom for the CIO.

From a transformational perspective, organizations are starting to look at process re-engineering and re-defining processes that can have a business impact. BPO vendors are very well positioned in this scenario to tackle the challenge – map out the business processes, identify the process that have any sort of business impact, select some such processes to be outsourced and finally generate process improvements on select handful of processes that will have a direct business impact.

Swami Swaminathan

We have always spoken about partnerships, but in the future, conventional buyer-provider partnerships may not be enough. It has to be about collaboration — collaboration in the ecosystem. By this, I don't mean collaboration just between the buyer and the provider, but collaboration across the client's ecosystem – be it between the buyer, provider and even between service providers. For instance, today, Buyer X may choose to work with Provider Y in one area of work, and Provider Z in a different area of work. The same logic can be applied to different geographies as well.

Although Provider Y and Provider Z are competitors, when it comes to Buyer X, they need to collaborate by keeping in mind the best interests of Buyer X. I think it is collaboration in the ecosystem which is going to be a winner in the future rather than just partnership. I have always been a strong proponent of collaboration. I always tell my clients, "It does not matter if this provider is my competition, we all need to collaborate. Because ultimately what any of us do impacts your customer, your vendor or your stakeholder. So if we (the other provider and I) say that we are here to make you look good, then we need to collaborate not just with you, but also with all your other business partners." I believe this is the attitude, direction and focus that all players in the buyer ecosystem must internalize going forward.



Once people actually see and feel for themselves, they are sold on the opportunities. Once this door is opened and the relationship delivers success, then I believe that further opportunities will naturally flow.

– Bret Clayton

Which business functions do you see moving to an outsourcing model in the next 2 – 3 years?

Bret Clayton

Business, operational and exploration analytics; engineering; R&D.

Suchitra Narayan


Analytics-as-a-service is just around the horizon. Organizations are seeking more information in a condensed, but actionable format. While most organizations have no lacking for structured and unstructured data available to them for analysis; very few capitalize on converting this into intelligence that is actionable to deliver business results. Analytics will be an integral component of the fundamental DNA of BPO offerings. This will have the potential to create a winning factor for organizations willing to capitalize on market, economic and organizational changes for 2012.

Swami Swaminathan

To a certain degree, most functions have already moved to an outsourcing model. If you go back to the history of outsourcing — manufacturing moved, then services started moving. Today, functions like F&A, HRO, Sourcing & Procurement, are handled by BPO providers. A newer offering is high-end analytics for the CPO, CFO and Marketing Head.

What is likely to happen is though, is that a greater number of vertical-based or industry-based functions will start being outsourced, as opposed to just horizontal functions like F&A. We're already seeing it happen: in financial services, for instance, credit card and mortgage functions are being outsourced. The same goes for telecommunications, with functions like product provisioning and product fulfillment.

Enterprises have always been reluctant to outsource functions which they consider core to their business. But this core and non-core is relative and is often changing. As buyers get comfortable with the capability and delivery competency of providers, the needle moves. And this is the right thing to do. As BPO companies start equipping themselves and provide a strategic and competitive advantage to their clients, the needle will move even faster and we will see more and more of the so called core functions moving over.



Analytics-as-a-service is just around the horizon. While most organizations have no lacking for structured and unstructured data available to them for analysis; very few capitalize on converting this into intelligence that is actionable to deliver business results.

– Suchitra Narayan

About the Interviewees



Bret Clayton

Group Executive, Business Support & Operations, Rio Tinto

Bret was appointed Group Executive, Business Support & Operations in October 2009. He joined the Group in 1995 and has held a series of management positions, including Chief Executive of the Copper and Diamonds groups, President and Chief Executive Officer of Rio Tinto Energy America and chief financial officer of Rio Tinto Iron Ore. Prior to joining the Group, Bret worked for PricewaterhouseCoopers for nine years, providing auditing and consulting services to the mining industry.



Suchitra Narayan

Senior Research Manager, Services, IDC Asia/Pacific

Based in Singapore, Suchitra leads the research for Business Process Outsourcing, Document Management and Solutions, and Global Delivery for the Asia/Pacific region. With a focus on Services, Suchitra looks at the constantly changing market models, the evolution of new technologies and the impact on surrounding services opportunities, such as the impact of Cloud based solutions on BPO market and the increasing interrelationship between Document Management and Solutions with the BPO industry. Her focus areas also include the study and competitive analysis of 3rd-party BPO providers; assessment of the growth opportunities within the market, and providing market intelligence to customers for strategy development.

As the lead analyst for these three areas of Services research, Suchitra provides clients with both syndicated and custom research, market intelligence and analysis to provide an end-user perspective that resonates well with their business.

She also actively engages with both the vendor and the CIO community through workshops, events, and roundtables to draw in the linkages between availability, awareness and adoption of technology related solutions and services regionally and country specific.

She has been a featured speaker at numerous industry conferences and events and is frequently quoted in regional and local publications such as Business Times, The Australian and Straits Times.

Prior to IDC, Suchitra had more than seven years of experience in the consulting and online sector where she specialized in business planning and analysis, distribution and company investment strategies across Australia and Singapore. In her previous role, she was a Category Manager with eBay for Singapore, Malaysia, Philippines and Hong Kong.

Suchitra holds a Bachelor's degree in Electrical and Computer Engineering (High Honors) from Illinois Institute of Technology, Chicago (USA), and an MBA from The Australian Graduate School of Management, Sydney (Australia).



Swami Swaminathan

Chief Executive Officer and Managing Director, Infosys BPO

Swami has over 30 years of experience in general management, finance and accounting, sales and marketing, international trading, and human resources management. He has performed multiple roles in sales, marketing and operations leading global teams in the manufacturing and services industry and has also been associated with infrastructure projects in India and overseas. Swami joined Infosys BPO in 2004 and took over as the Chief Executive Officer and Managing Director in January 2010. He also heads the Executive Council in Infosys BPO.

Prior to this, Swami was Senior Vice President and Head of Global Delivery and Horizontal Practices. He provided leadership in building some of the key industry verticals, international centers, horizontal practices, and managing corporate functions such as business transition, quality and risk.

A qualified chartered accountant, Swami is a great believer in processes and metrics and has made operational excellence a key strength of the organization.

Under his leadership, Infosys BPO has won several key awards for partnerships with clients such as the Shared Services Excellence Awards for Best New Outsourced Services Delivery and the Breakthrough Award at the Global Supplier Awards. Infosys BPO has also won awards for people practices such as The Stars of the Industry Award for BPO Organization of the Year and RASBIC Awards for Recruiting and Staffing Programs.

2



Unleashing the Power of Buyer-Provider Collaboration to Innovate and Co-create Value

- Rajiv Raghunandan



Abstract

Don't just ask what your provider can do for you.

Ask what you can do with your provider.

Herein is the key in moving beyond productivity gains to the desired state of collaborative innovation. If buyers can augment vision with their providers' capability, innovation can lend itself to co-creation of value. And outcomes are not just limited to soft benefits. Top-line revenue enhancement is also on the agenda. This is true of the 3 approaches to collaborative innovation that are highly relevant today: going beyond local innovation to create greater P&L impact, harnessing provider capability to create service utilities for the buyer's value chain, and collaborating with other players in the buyer-provider ecosystem to create growth avenues.

How We Got Here, Where We Are Now, How We Should Move Ahead

How We Got Here

When the BPO industry began operations, it was — and continues to be seen as — a cost-takeout industry. Making a bottom-line difference was the industry’s *Raison d’être*.

When innovation was spoken of, it really meant a price discount. Over a period, innovation evolved to technology-backed offerings, analytics and customer care platforms. However, such innovation was something the service provider worked on – it was one-sided.

Where We Are Today

A proliferation of new technologies, rising economic pressures and increasingly demanding customer expectations have made innovation a back-office must-have, as much as a boardroom big bet. This need has cascaded through to BPO engagements – where optimization and innovation are both equally important desirables. However, the call for innovation comes with its own set of challenges:

- » Strategic importance of the innovation initiative within the buyer organization
- » Structure of a buyer organization — strategy and cost optimization are seen as distinct components
- » Commercial and contractual constructs that sometimes inhibit collaborative innovation
- » The drive and willingness to look for revenue creation opportunities as opposed to focusing on cost optimization with both the buyer and provider leadership teams

How We Should Move Ahead

The growing maturity of the BPO industry gives buyer organizations access to more capabilities than have been possible before – deep domain expertise, best-in-class technologies, and most importantly: a willingness on the provider’s side to bring innovation to the table as a competitive differentiator. If the C-Suite vision for innovation is to become a reality in BPO engagements, buyers and providers must work together to co-create outcomes with 3 approaches:



Any service ultimately boils down to a line item in the profit and loss statement (P&L) of the buyer organization. Conventionally, the buyer contracts the provider; and any innovation from the provider — which is local innovation — impacts a defined line item in the buyer's P&L and that line item is typically G&A cost. Where collaborative innovation differs is that in addition to impacting the defined P&L line item, it also impacts a different line item – cost or revenue.

Innovation in a BPO engagement has always been local innovation – one-sided innovation from the provider. It has impacted the business process the provider has been contracted for. If and when it has impacted other areas, it is what flows into adjacent business processes. If, for instance, the provider is contracted for accounts renewable and cash application, local innovation — even if it was business innovation and not process innovation — is limited to that area. At best, its effects are felt upstream in a process like order entry, or downstream in a process like data management.

However, Innovation can also have an implicit impact on other P&L line items. For example, if a provider is contracted for HR services, innovation can help drive faster recruitments, hence reducing the cost of recruitment for the buyer. This impacts a defined line item. However, if the provider is able to enhance employee engagement to a large extent and also reduce attrition — this can increase employee satisfaction and enable managers to focus on greater value-added work. This increased employee drive can translate to increased revenue for the client by way of higher billable hours, and greater customer satisfaction owing to reduced employee attrition.

The real opportunity in creating greater P&L impact is for the buyer and the provider to collaboratively evolve a business model that creates outcomes in reducing in cost in another line item in the buyer's P&L or increasing revenue for the buyer.

Another example of moving up the innovation curve: A large buyer organization's value chain typically consists of multiple smaller value chain players. These are companies with revenues ranging from \$ 5M to \$ 500M, who do not have the scale or size to access service providers in global markets. The buyer organization and their primary service provider collaborate to create a service offering for these smaller players. Such innovation can be of great significance to a buyer organization operating in low-margin industries, where adding \$1 to profitability is equivalent to adding \$ 100 to revenues. Let's assume there is a difference of \$2 in hourly rates between what the provider charges the buyer and what the buyer charges their smaller value chain players. For the buyer organization, their administrative effort will amount to one dollar, while the other dollar contributes to their bottom line.

A leading global technology distributor contracted Infosys for vendor management and voice-based customer service. The relationship developed with the client resulted in the development of a secondary client delivery model. The client was able to offer their partners back-office services by leveraging facility, communications and program management infrastructure at Infosys. In addition to increasing their revenue, this collaborative innovation enabled higher partner satisfaction and tighter integration with supply chain partners.

In each value chain, a certain player is stronger than the others in terms of relative bargaining power. If the buyer has the vision, and the primary service provider has the capability, there is an opportunity for stronger players to influence the way business process are run in their value chain by creating a completely-hosted, full-blown utility service model for all other players in the value chain.

Today, BPO buyers have the opportunity to become aggregators and offer their provider's services to their entire value chain — aggregate volume across multiple players. The buyer can leverage the technology, process and service model offered by the provider to make it the value chain standard for multiple players, customers and suppliers.

For example, the Consumer Packaged Goods (CPG) industry consists of suppliers, manufacturers, wholesalers and retailers. For any CPG company, a major problem is access to point of sale (POS), end customer or SKU level information. This information visibility becomes more challenging for global CPG companies who sell into emerging economies, where technology adoption among retailers and distributors is significantly lower than large retail chains in western economies. If a CPG company decides to leverage their provider's supply chain knowledge and technology competencies, they can create a product or service offering that connects the entire value chain. This not only brings additional revenues to the buyer (the CPG company in this case), but also provides valuable information visibility that is today being viewed a key factor in improved sales and profitability. The same logic can be extended to any manufacturing entity.

While such innovation takes the buyer far beyond the remit of their original core business, it also co-creates value which is significantly higher than contractual agreements. An entire value chain is using the product or service offering that has been created by the buyer in collaboration with their service provider. Needless to say, business processes across the value chain will be harmonized to a certain extent.

A global fast moving consumer goods company and Infosys have co-created value by producing the scale to enable growth in the company's emerging markets. The company's master data management was in silos and there was lack of agreed roles and responsibilities. Today, with a one touch master data environment, they are able to see performance indicators real time. At the core of this collaborative innovation is a platform for distributors that redesigned the client's operations – driving better collaboration by bringing visibility with regard to secondary sales, inventory and fill rates.

Infosys has partnered with a leading global private equity firm major to provide a range of critical operations support activities across the firm's investment deal lifecycle. In addition to setting up a dedicated Knowledge Resource Center (KRC), one of the benefits Infosys has been able to bring to the client is an understanding of the scope and potential of offshoring for its investee companies. The client can provide the investee company process and technology outsourcing by leveraging Infosys' capabilities, increasing the valuation of the investee company during the evaluation phase, and driving down costs after the investment is complete.

Ecosystems are merging, industry lines are blurring and companies are increasingly diversifying their lines of business. In the future, buyer-provider collaboration may not be enough. This calls for buyers, providers and multiple value chain providers in the buyer and provider value chains to come together and co-create value of a completely different kind in the form of integrated service offerings and business solutions.

Industries are being transformed by the emergence of newer players trying to displace older ones, and older players increasing market play to compete with newer players. For instance, the communications market has been transformed by cable, wireless, wireline and internet service providers competing with each other. Cable providers offer broadband internet and phone services. Wireless companies also offer internet services. Wireline entities now provide combined fixed line and mobile telephony.

The same can be said of the IT/ITES industry. In the 2000s, the BPO and IT industries realized that operations without technology is incomplete and vice-versa. BPO providers created alliances with best-in-class technology vendors, and IT providers began acquiring BPO providers.

What is happening today is that the ecosystem is becoming like a melting pot, where buyers, providers and other value chain partners in the buyers' value chain are also becoming either a buyer or a service provider. This is giving rise to new competitors for established players across industries.

Typically, a manufacturer has different providers for third-party logistics, technology services and business process management. However, today, many third-party logistics players have the capability to offer the manufacturer BPO services. Some players even have the capability to offer technology services. However, third-party logistics players also contract technology and BPO providers for their services. This muddles the defined roles of buyer and provider, and creates new competition.

Increasingly, the competition is going to be between ecosystems of alliance partnerships. This means innovation will not be restricted to buyer-provider collaboration, but collaboration among the buyer, the provider and a much larger portion of the buyer's value chain. It may not be just the buyer; it may be the buyer's supplier and buyer's customer collaborating with a service provider and another player like a third-party logistics provider to offer an integrated business solution.

Infosys has been chosen as a partner by a global healthcare major. This healthcare major has set out to establish the first global healthcare brand, something that does not exist today. Its strategy is largely driven through acquisitions of established healthcare chains in emerging markets such as India, Africa, the Middle East, Vietnam, Singapore, Malaysia, Hong Kong, Eastern Europe and the Caribbean across primary, tertiary and specialized healthcare. As this company grows inorganically and establishes a franchised global healthcare delivery model, Infosys will scale its front, back and mid-office and establish operations engines that are scalable and flexible, with the ability to support seamless integration of the acquired entities and enable the acquired entities to rapidly take cost out and focus on their primary business of delivering quality healthcare while Infosys will focus on areas like sourcing, inventory management, asset utilization, finance & accounting, HR and customer service.



The Way Forward

Service providers need to be a part of the strategic planning in the buyers business by taking on a bigger role in driving strategies in areas like sales & marketing or supply chain optimization. The existing BPO buyer-provider relationship needs to evolve towards a more collaborative approach with innovation at its core. Such innovation should be underscored by a commitment from both entities towards soft benefits that pay off in the longer term, as well as the creation of revenue opportunities which fuel top-line growth.

A

About the Author



Rajiv Raghunandan

Strategic Business Practice Head, HRO and S&F, Infosys Limited

Rajiv Raghunandan joined Infosys in 2002 and currently heads the HRO and Sales & Fulfillment practices for the organization. The two practices span 4000+ resources across five global delivery centers. Rajiv is part of the leadership team at Infosys BPO and has been integral to growing many different parts of the company's portfolio such as Enterprise Services (F&A, Sales & Fulfillment, HR Services), Industry verticals (Manufacturing) and Transformation capabilities.

Over the course of the last nine years in the company he has played a variety of roles across sales, solution design, transition, operations and transformation in multiple industry segments.

Prior to Infosys, Rajiv was with Andersen business consulting where he was engaged in new business planning, strategy design, process optimization and post-merger integration for industries such as healthcare, pharmaceuticals, telecom, manufacturing, financial services and tourism. He started his career in finance.

He holds a Post Graduate Diploma in Management from the Indian Institute of Management, Bangalore, a Graduate degree in Cost & Management Accounting and Bachelor's degree in Accounting.

3



Augmentative Outsourcing

New Ways to Support Contextual Functions & Strengthen Core Capabilities

- Madhusudan (Maddee) Hegde, Bharath Vasudevan



Abstract

If a BPO buyer has contracted a service provider for web content management, is there value in engaging the provider for digital marketing support as well? If a buyer has farmed out license management and user on-boarding services, then why not farm out fraud protection for digital, cloud and gaming platforms? If a BPO provider is handling market research for a buyer's sales organization, then is the provider capable of taking on account planning too? These are some of the questions gaining velocity as a new wind blows across the industry — known as 'augmentative outsourcing'. A simple Google search for the exact phrase displays "no results found" and instead offers a plethora of results for staff augmentation. To be clear about it at the very outset, augmentative outsourcing of business processes is NOT about "staff augmentation". What it is, in fact, is skill and capability augmentation that creates business value for the BPO buyer's business. Augmentative outsourcing is the next value frontier which perceptive buyers must beat their path to — by sourcing services from BPO providers across their activity chain, including in areas once considered 'core'. And in so doing, they will get access to wider BPO capabilities that can help them innovate and stay on top of their value chain.

An Opportunity Called Augmentative Outsourcing

The classic BPO buyer typically contracted with a provider to work on only one part of the value chain, say master data management (MDM). Today, augmentative outsourcing presents BPO buyers with the opportunity to outsource adjacent business processes. These could be both upstream and downstream processes related to the existing process being outsourced. This model of engagement could also mean outsourcing new business process needs within any organization that can be addressed by BPO providers, but have hitherto not been considered for an outsourcing model. Such needs may have not been considered for outsourcing because of a lack of the requisite skills on the BPO provider-side, or because such engagements haven't been thought of yet.

Why is augmentative outsourcing relevant today?

Five years back, who would have thought that a BPO provider could aid the design of 'green products' or support manufacturing production management with a great degree of competence? Yet here we are – there are providers who have demonstrated expertise in such areas. And a lot of this newfound expertise can be chalked up to the subliminal effects of outsourcing business processes in an augmentative manner.

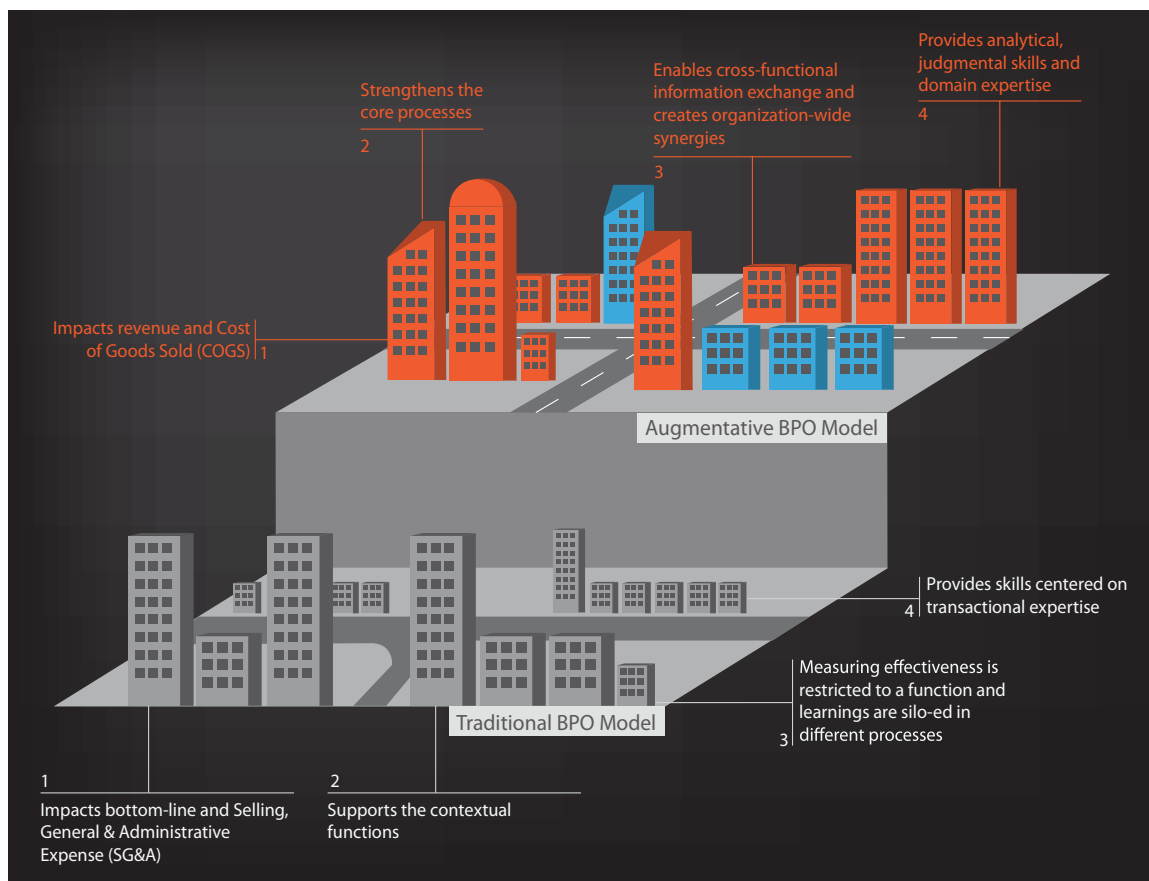
Who can benefit from augmentative outsourcing?

Augmentative outsourcing holds great promise for mature buyers, with the ability to go beyond incremental improvements, as a provider who's closer to the buyer's core can deliver value to diverse CXOs in the buyer organization. A tangential case could be made for a new buyer – engage a single provider for a variety of small augmentative engagements, experience the value that can be derived, and then move to a more traditional BPO model.



Why Augmentative Outsourcing Makes for a Compelling Value Proposition

For buyers who may want to consider an augmentative BPO model, there are 4 value levers that can be moved from what are conventional benefits to those that are in a higher realm of optimization and innovation.



How Augmentative Outsourcing Actually “Augments” the Buyer’s Business

1

Impacts the revenue and cost-of-revenue side of the business

The low-hanging fruits in BPO are still offerings on the General & Administrative (G&A) expense side of the Profit & Loss (P&L) accounting – whether it be Finance & Accounting (F&A), Procurement or HR. However, a significant share of the buyer’s total cost structure sits out there on the cost-of-revenue side.

With augmentative outsourcing, buyers can appreciably impact their cost-of-revenue. An impact, no matter how marginal, on the cost-of-revenue side could translate into compelling bottom line results. Some areas where augmentative outsourcing can impact the cost-of-revenue rather than G&A are:

- In F&A — Sourcing decisions around high-end processes like general ledger, financial planning and analysis, SOX compliance and business controllership
- In media and entertainment — Functions like advertising production and circulation-accounting-based standards
- In retail — Enablement in areas like retail analytics around trade promotions management that can help drive new product launch strategies
- In publishing — Themes like royalty accounting and the nuances within

2**Enables buyers to co-create innovation with the provider**

Augmented BPO delivery enables buyers to tightly couple providers with their core processes – so the provider functions as the logical extension of the buyer organization. Both entities can then explore opportunities for co-creation in the buyer’s core processes and products. Take for instance, a BPO provider who is supporting a buyer’s account planning process, or development of green products. Armed with cross-functional and multi-domain expertise, as well as best practices from multiple process transformations, the provider can infuse fresh thinking into the buyer organization. This could result in multiple incremental innovations or a big breakthrough — either operation-wise or outcome-wise. The provider, in essence, can be the buyer’s “external innovation partner”.

3**Gives the buyer access to a pool of business process experts**

Augmentative outsourcing presents buyers with a pool of business experts (as opposed to BPO experts), so the buyer benefits from domain, technology and advisory perspectives as well as analytical, judgmental and cross-functional expertise. This is a step up from having access to only either consultants or practitioners. While a traditional BPO expert may just be a thinker with an eye for the unexplored or a foot soldier, an augmentative BPO expert is “thinker, tailor, soldier, innovator” – all in equal parts.

4**Extends the outsourcing relationship beyond the CFO’s / CPO’s office**


Most buyers regard pure play operational metrics around turnaround time, accuracy, and so on as table stakes. Buyers with the augmented sourcing mindset are staunch on demand that their providers design outcomes that more of their senior executives (the C-suite) find easier to relate. Such buyers look for outcomes than can make stronger connections with the heads of operations, sales and marketing – apart from the CFO’s and CPO’s office. For example, where the buyer sources an order-to-cash process, they would want the provider’s performance metric linked to a clear end-business outcome like, say, a reduction in the days sales outstanding (DSO) or a reduction in the amount of stock keeping units (SKUs).

5**Provides opportunities to work closely with the provider, beyond just “offshoring”**

Augmentative outsourcing can enhance utilization of locations outside their home base, where the buyer’s business is already invested, and where the provider has a local presence. This is because augmentative BPO opportunities are more often than not tightly coupled with the buyer’s core processes rather than support functions – which will require greater collaboration and tightly-coupled operations between the buyer and the provider. For example, quite a few U.S. and European firms have operations in emerging markets like India, China and Brazil to drive their revenues for these markets. BPO providers who can work on providing services like manufacturing support documentation and technical training manuals customized to the local geographies can provide significant value beyond acting as back office support providers.

Examples & Cases of Augmentative Outsourcing

Let us now consider three examples as well as a case study as a proof point of what to expect from augmentative outsourcing.



Example 1

Sales Support

Part of the sales support value chain that the provider has been contracted for

Support for market research, tele-marketing / cold calling

Augmented benefits across the sales support value chain that the provider has identified

Support for account planning and channel partner assessment



Example 1

Sustainability

Part of the sustainability value chain that the provider has been contracted for

Support for carbon credit consulting and management

Augmented benefits across the sales support value chain that the provider has identified

Support for tracking measuring and reporting carbon footprint

Support for green product design and development



Example 1

Procurement

Support for spend analytics

Benefit

- Know how much money is spent on what type of procurement

Skill sets

- Financial analytics
- Spend management

Support for supplier rationalization**Benefit**

- Know how many suppliers to work with

Skill sets

- Supplier management, supplier agreement, supplier negotiation

Support for 'should-costing'

Benefit

- Know what is the right price to pay for a procurement

Skill sets

- Analytical

Examining engineering drawings

- Judgmental

Considering supplier interactions

- Domain

Evaluating materials and the impact on manufacturing processes

- Cross-functional

Intersecting skills in engineering and procurement**Sub-vertical commonalities**

- Leveraging procurement know-how across assembled and value-added components as well as sub-assemblies



Case in Point

Augmentative Outsourcing

A Global Industrial Distributor Engages Infosys BPO for ‘Should-Costing’

BACKGROUND

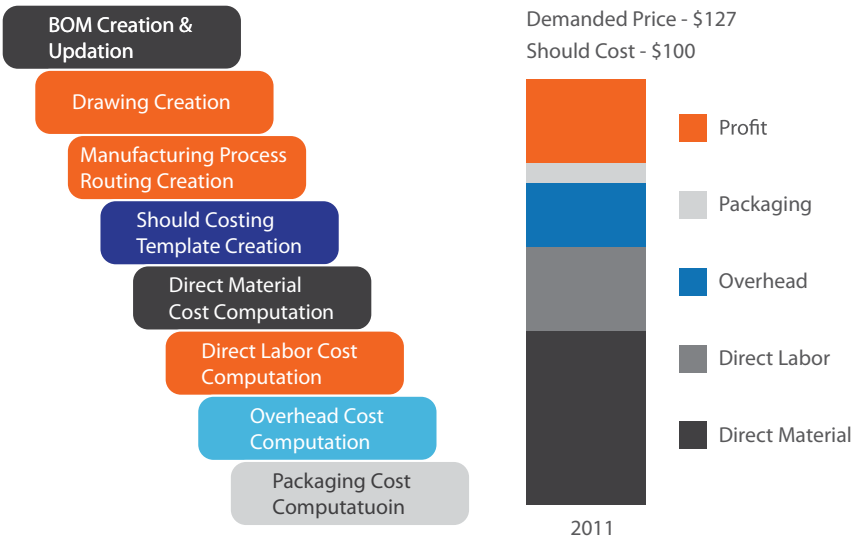
The client procures and sells millions of industrial products through its distribution network and leverages global sourcing to drive value for customers.

BUSINESS OPPORTUNITY

The client needed a sustainable scientific model to conduct negotiations around some SKUs. In the past, such negotiations were driven by little more than gut-feel and not backed by any scientific model.

INFOSYS APPROACH

Infosys developed a robust ‘Should Cost’ model for the client. In doing so, Infosys leveraged the 8-step ‘Should Cost’ computation process, apart from its industry expertise and tool suites like reverse auctions and commercial databases.



BENEFITS

- Negotiation backed by scientific data reduced spend by 15%
- Identified new vendors who could be leveraged for procuring similar parts
- Created base master data – comprising of drawings, BOM and routings – which could be leveraged during new vendor development
- Realized 10x ROI



When considering the two sides of an augmentative outsourcing relationship – buyer and provider – there is plenty of room on the provider side to build capabilities that can help buyers increase their top lines. By engaging their BPO providers in conversations focused on leveraging new opportunities together, buyers can facilitate an augmentative mode of engagement. This could mean outsourcing business process services that require a more evolved skill set, or integrating BPO services with other services across technology implementation, engineering services, and consulting.

Augmentative initiatives will help deepen relationships between BPO buyers and providers for the long term. The appetite for augmentative outsourcing is growing. It is no longer a question of if, it is a question of when and how. And it is a question that will be answered when buyers ask providers to showcase their prowess in higher realms of value.



About the Authors



Madhusudan (Maddee) Hegde

Head of Client Services, Manufacturing, Infosys BPO

Madhusudan (Maddee) Hegde is the head of client services and business development for the manufacturing portfolio in Infosys BPO. He works with global corporations to deliver business value; by envisioning their roadmap for business process transformation, helping them execute their plans and managing the governance of these relationships.

Maddee has over 15 years of work experience and he has advised clients in different stages of their journey leveraging outsourcing in a global delivery model. He holds a bachelor's degree in engineering and a master's degree in management and is based out of Chicago.



Bharath Vasudevan

Head, High-Tech & Discrete Manufacturing, Infosys BPO

Bharath heads the High-Tech and Discrete Manufacturing portfolio for Infosys BPO. In his role, Bharath has executive ownership and overall responsibility for delivery of BPO services across functional areas, for clients in his portfolio. Bharath has been with Infosys for close to four years and has contributed to securing and growing relationships with several large global manufacturing clients during this period.

Bharath has close to twelve years of experience in consulting and business process outsourcing, and has played a variety of roles during this period ranging from advisory support to architecting, transitioning and delivering BPO solutions to clients across the globe.

Bharath holds a Post Graduate Diploma in Management from the Indian Institute of Management (IIM), Bangalore, and is a Metallurgical Engineer from the Indian Institute of Technology (IIT), Chennai. He is also a certified CPIM from APICS, the Association for Operations Management.

4



Enhancing Customer Experience with the Right BPO Model

- Vijay Narsapur

Abstract

BPO business models have evolved to their current forms with good reason. A significant proportion of BPO buyers and providers are well-informed and effective in customer service – at least that’s what their measurements reveal.

However, the ever-changing boundaries between technology and process, between regulation and innovation, between changing customer expectations and company policies, have brought forth a milieu of scenarios for businesses. A direct impact of this complexity is felt when the opportunity or the need to outsource arises. Processes that touch customers, needless to say, are fraught with the greatest of risks and opportunities.

This Point of View delves into how customer needs and BPO models may be thought of together — much to the profit of both.

The Rise and Rise of Customer Service

“Why is it that the more customer service changes, the more it remains the same?”, a CXO of a celebrated U.S. credit card bank once asked me at an industry conclave. It’s a seemingly innocuous question, but actually a profound one.

Early interest in customer service itself was thought of as a passing phenomenon. From the 1960s, service businesses and service divisions of companies scaled rapidly — due to rising prosperity, greater awareness of information usage, the rise of user-friendly software, and a dramatic fall in telecom network prices. The “customer service promise” became an integral part of product and service offerings. One of the more famous value propositions is Scandinavian Airline Services and their “moments of truth”. Even product companies were forced to rethink their customer service approaches. Shareholder and customer activism further ensured that the movement only intensified. A focus on cost and quality of customer experience suddenly merged like never before. By 2010, the customer service outsourcing ecosystem was an opportunity worth over \$250 billion globally, with a few hundred mature outsourcers present across the globe. Of course, every provider claims to offer the best customer experience that money can buy.

With customer service outsourcing no longer being a novelty, managers are overwhelmed with the need to strike a balance between the customer and the shareholder. Customers have become sensitive to, and vocal about, the smallest of changes to how they are treated. Management thinkers, corporate boards and CEOs have recognized that customer service outsourcing decisions aren’t tactical anymore — getting it wrong, apart from sullied reputations, can mean permanently impaired businesses. Customer service outsourcing is clearly more than a simple outsourcing decision.

Enterprises now have near equal access to capital, technology, information and other resources — consequently, dimensions of sustainable differentiation for corporations are fast disappearing, and the customer’s ability to differentiate one company’s offerings from another’s is diminishing. An enterprise’s ability to accurately identify subtle but critical differences between outsourcers is also lagging behind changes in the marketplace. This makes it dangerous to venture out and make outsourcing decisions solely on the basis of previous experience. The uncertainty surrounding investment payback has also increased dramatically. This is forcing companies to look at every cost reduction opportunity possible, and has contributed to a further rise in the industrialization of customer service outsourcing. The market quickly progressed by offering standardization frameworks. They advanced the cause of both clients and outsourcers, but left the end customer craving a ‘better’ experience.

Models and Experience: A General Context

Before we dive straight into the topic of ‘right business models’ and ‘customer experience’, it is useful to understand what these terms mean in the industry context. Suffice it to say that the relationship between a BPO model and customer experience is a strong one. Improvements in the latter are rarely possible without changes to the former.

A BPO ‘business model’ includes a large number constructs – intellectual, technological, geographical, economic and contractual, work-migration-related, compliance-related, resourcing-related, quality-related and governance-related. There are several important variations to each one of the constructs stated above — several large businesses have been created around just the variations. But let us focus on the main characteristics that impact customer experience rather than on niche variations of the ‘model’.

Customer experience is a measure of “how a customer feels, or felt”. The context of the measurement varies rather widely — it relates to the overall sentiment/feeling measured for a period of time such as a quarter or a full year (for continuing customer relationships), for a “specific” interaction with similar possibilities in the future (such as a customer call or email), or for a specific “boxed” experience (such as a workshop or training). Customer-articulated satisfaction on the basis of questionnaire-type instruments remains the staple form of experience measurement today. Scientifically, the measurement process can be divided into the following parts:

- 1 The underlying hypotheses about what generates a good customer experience (comes from understanding your customer)
- 2 The data collection approach (such as a questionnaire, or other non-intrusive methods)
- 3 Data collection channels (like phone, IVR, email-survey-based)
- 4 The experience analysis framework which finally “produces” the ‘customer experience’ measurement

It is critical to note, that “experience” measurement is meaningless, unless “experience” is defined meaningfully. This is a circular issue — knowledge of the experience allows for effective measurement, and measurement improves knowledge of the experience.

There is also an element of measuring how enterprises experience their outsourcers, but we will leave that issue out for now — outsourcers that offer a great ‘end customer experience’ are generally likely to create a favorable opinion amongst their clientele.

Market Needs and Challenges

Outsourcers aligned with the agenda of improving end customer experience rather quickly. But it’s hard to find a consensus amongst providers and enterprises on how effectively the agenda has been delivered upon. Present-day benchmark data indicates that enterprises spend a significant amount of governance efforts on the basic issues of customer experience, and sometimes compliance as well. A reasonable consensus is already in place regarding the approaches an outsourcer must adopt to generate the high-quality experience — that an outsourcer must manage costs well, must have the best talent, must provide and adhere to high levels of compliance and transparency, must be proficient in the usage and extension of telephony and CRM technologies, must have top-flite investments in quality specific technologies and processes. Needless to say, an industrial-strength transition capability is as much a must-have as a strong process improvement capability that incorporates Lean/Six Sigma methods.

But the customer service agenda is now becoming more broad-based – and the markets are demanding offerings beyond the basics. Enterprises are now looking for transformative changes to their customer service approaches. And like in every market that’s pregnant with possibility, there are a number of competing viewpoints as to what can be treated as “transformative”. Couple this with the fact that there is almost no information asymmetry about outsourcing costs and delivery methods between outsourcing providers and buyers. This is an important variable because it molds both overt and covert behaviors of buyers. Buyer attitudes and behaviors in turn end up determining what outsourcers can effectively provide as solutions, and still satisfy both shareholders and clients. The big question now confronting both clients and outsourcers is, “What is a customer service transformation?” And everyone agrees that a large part of the transformation is better experience.

The best answers to this question are afforded by a deep look into important issues that buyers face today. As regards a transformation in customer experience, buyers are battling the following key questions:



“What delivery model will free us (and outsourcers) from the constant issues of employee hiring, training, motivation, performance, boredom and stress, and attrition issues?”

“How do we create a leaner operations organization structure? How can we handle more volumes with lesser resources? How can we ensure that experience does not deteriorate with the optimized model?”

“How do we create a globally consistent customer experience model? What is a globally consistent experience model?”

“How do we better utilize existing technologies to solve experience related challenges? What technologies do we invest in for the future?”

“How do we convert our costs into investments? How are we going to be affected by changing consumer attitudes?”

Solutions and Challenges

A first attempt at providing solutions to questions reviewed in the last section has already been made, and there are some interesting results, and related challenges. The list is not exhaustive, but does address the most important dimensions.

1

Operational models: Too rigid to change?

As far as operational models are concerned, they have remained stable. This is partly due to most outsourcers accepting the role of supervisory necessities in delivering performance, and partly due to an inability on the part of some to change their contractual restrictions. Industry staffing ratios have also been legitimized or mandated by several certification frameworks and bodies such as eSCM, COPC and JD Power; and are now perceived to be pareto optimal – any changes made will affect some operational variable in an adverse manner, besides the threat of non-compliance. An industrial approach has meant a regimented approach for a large part of the workforce, which by its very nature, burns out the workforce. This is not a response to a transformational demand of customer experience by any means, but the consensus is that the model is here to stay.

2

Commercial models: The price is right, or so it seems

Due to almost perfect information symmetry between outsourcers and providers, buyers have been able to drive down prices to the lowest possible numbers. Every possible commercial model has been tried, from an effort-based model, to an outcome-based model, to others in between. These models were largely pushed by providers as smart conveniences to buyers. Now, outsourcer pricing has been driven down to the standard operations model only, and there is very little room available for proactive investments in innovation resources to providers via pricing mechanisms. Evidence of this phenomenon is widely observed during contract renegotiation — financial reductions passed on to buyers at this stage are inexplicably equal to depreciation costs in a large majority of cases, and outsourcers end up preserving cash and sacrificing accounting profits. This represents a long-term threat to buyers, as innovation resources on both buyer and provider sides diminish, and the overall outsourcing scenario starts approaching a 'zero sum' game, rather than a positive sum game.

3

New channels: Great expectations, but counterproductive outcomes

A concerted move towards FAQ-driven self-service, electronic channels such as email and chat, and IVR-based service was used to neutralize increasing customer management costs. It was hypothesized that customers would actually enjoy this experience, and the customer service world would move to a new order of "self-service only" operations. However, we now know that customers reacted negatively to many of these moves, and channels have come to co-exist with each other, rather than be substituted by each other. Costs of self-service and offline channels are well established now, and this area holds the greatest possibility of transformational change. A silo-driven approach, by channels, is further causing issues with customer experience. Social-media-driven customer service is now on its way to creating the next silo.

4

Contact avoidance: Good on paper, but the implementation...

With the rise of self-service, contact avoidance became a realistic possibility. Both outsourcer and buyer communities made aggressive attempts to implement this strategy. Contact avoidance is all about providing the customer with the means to be able to deal with simple and medium complexity questions on their own. While conceptually sound, this strategy was not looked at in a good light when unskillful implementations led to the externalization of customer service effort. Stories of customers being lost in IVRs, or being replied to with a 40-line email reply are not uncommon. Misguided implementations in this area have resulted in a massive deterioration of customer experience.

5

Incremental sales: Pull back when needed, or risk pushing them away

Buyers, in their enthusiasm to recoup investments faster, sped down the path of converting every customer contact into a potential opportunity for a sale. After all, every satisfied customer is a logical candidate for incremental sales – so went the hypothesis. However, the practical experience is that customers generally do not appreciate being bombarded with sales offers. Besides pushing customers away with a less-than-pleasurable experience, this strategy also increased costs to clients (due to handle time increases), and incremental sales did not necessarily justify this approach – and affect the customer experience negatively, it did.

Quality: A case of many technologies and many geographies

In the last 10 years, quality systems technology used in the customer service space has advanced significantly. Transaction recording, auditing, and advanced techniques such as speech-to-text analysis are commonly understood, and are widely used. These technologies helped realize the goal of standardized processes and delivery consistency. But this approach also created new problems. So long as the customer service function had stayed in-house or locally outsourced (as in home country/culture), a process-standardization-driven approach to customer experience was quite successful. However, when service delivery from culturally different locations gathered momentum, this approach showed clear limitations. A standardization-oriented approach, at best, was able to deliver compliance, but not a high-quality experience. The specific reasons for this differ from geography to geography, but the observation has remained consistent. The standard response to this challenge on the part of both outsourcers and providers was to increase quality process intensity, rather than making any attempt to conduct a ground-up inquiry into the situation. As investments escalated and results were marginal, the buyer attitudes towards capabilities of certain geographies hardened as a whole. This is unfortunate, and more so for the buyer, because low investments in geography-specific quality control models and technologies can easily solve this problem.

Analytics: Potential waiting to be unleashed, but highly unexplored

Customer-experience-related analytics has rapidly developed as an independent area. Most outsourcers did these in order to circumvent the limitations of the quality challenge discussed above. However, the vast potential of this discipline is still unrealized. Specifically, in the area of analytics, outsourcers have failed to communicate the subtle but significant differences with the area of quality management systems (QMS). A classic and unfortunately frequent example of this failure is the general inability of those claiming expertise in analytics to differentiate between correlation and cause. Consequently, buyer skepticism regarding application of analytics to customer-service-experience-related problems is extremely high, and ultimately reflects in limited efforts and results in this area.

The 'Right BPO Model' for Customer Experience

The challenges articulated in the previous section can seem quite daunting. However, pockets within the industry are taking a very different approach to addressing customer-experience-related-needs through changes to the business model, and results are encouraging. For these changes to spread over and become accepted main street models, both buyers and outsourcers will have to re-evaluate several aspects of their overall understanding of what drives customer satisfaction. Client-vendor partnerships that embrace the design points being articulated will considerably increase their chance of reaching the holy grail of customer service — that of being able to use and flaunt customer experience as a marketplace differentiator. The observations themselves are voluminous, but we will review just the key ones here.

Start with the resourcing model

Buyers need to accept that creating and sustaining a cultural context in an outsourced scenario is substantially different from local geography outsourcing or insourced scenarios. Specialized skill positions are required in hiring, agent training, managerial training, compliance quality, experience quality and analytics. Ultimately, this needs to translate into positional commitments from the provider, and buyers need to ensure that specialized positions will not become victims of future 'optimization' initiatives by the vendor, or plainly, moves to recoup some profits on account of relentless pricing pressure from the client. Specialized positions need to become part of the buyer's regular risk and audit process to ensure continuity.

Custom design the quality process for experience

The most successful designs at present separate the quality process into two parts, and compliance and experience are measured using two different processes. Observations indicate that this approach enables agents to bring in personal strengths to generate high quality experiences for end customers, instead of using a scripted approach which may not play to their strengths, and at best meets compliance requirements. Compliance and experience scores are then looked at in tandem to determine agent effectiveness. The compliance and experience processes are managed by two independent teams. Experience, being an attitude and ability issue (rather than a knowledge issue), is handled by front line managers via intensive engagement with the customer experience management team.

3
**Drive
“Analytically
Driven
Operations
(ADO)”**

Over the years, BPO companies have become adept at process improvement (PI), and analytics is almost always considered as a subset of process improvement agendas. A typical PI project starts with some variant of the DMAIC approach (define-measure-analyze-improve-control). An underlying assumption of PI that often goes unnoticed is that the future is assumed to mimic the past exactly – which is rarely the case in business. Hence, a more effective analytical approach is to use a combination of scenario simulation and possible responses, along with PI-oriented techniques. Simulations-based planning ensures that challenging situations are recognized “as they occur”, and an early response becomes possible. Call this a preventive approach, rather than a curative one. Building an ADO approach into your business model ensures that wild swings in your operation's performance are moderated and controlled – this in turn delivers a stable and consistent customer experience. In hindsight, it seems incredible that enterprises have consistently bought ‘problem fixing’ ability more than ‘problem prevention’ ability.

4
**Adopt
“Probability
Based
Offering
(PBO)”**

We discussed the downsides of indiscriminate upselling and cross-selling to customers. But the need to generate revenues from customer conversations as often as possible is a reality that's here to stay. PBO comes into play when an agent is encouraged to upsell or cross-sell to customers after determining the probability of a successful sale using a ‘real-time’ model. A real-time model uses a ‘learning and adapting’ algorithm to determine the probability of a sale, and encourages a sales attempt only if the chances are above a certain threshold. This approach affords the advantage that customers are not unduly pressured into a sale, and leads to a more conducive agent-customer relationship, which ultimately produces higher overall levels of satisfaction. Design, creation and maintenance of these models, of course, is a continuing task that involves significant skills and investments with reasonably assured returns.

5
**Adopt
“Algorithm-
based
multi-step
self-service”**

The full power of self-service is yet to be exploited. In the first generation, support offered via these channels was restricted to simple FAQs, IVRs, or knowledge articles, or enriched media support (such as short video clips). Over time, clients also made their diagnostics and resolution processes (via structured workflows, in the form of decision tree walkabouts) available to end customers. However, this model was ineffective when it came to semi-structured, medium complexity issues. An algorithmic approach (such as case-based reasoning) ensures that customers get a resolution path that's not just customized to their problem, but customized to how they articulate a problem. Such an approach not only produces a reliable solution, but also produces a personalized experience of self-service for the customer. We believe that the next major move towards contact volume deflection and automation will come about through successful efforts in this area.

6
**Measure
and Reduce
“Effort”**

Finally, the most important issue. Measurement of ‘satisfaction’ or ‘loyalty’ in a metrics-based form alone can be misleading. Empowering the customer in the specific context of service has become synonymous with making problem resolution information available to them, through better and ubiquitous access. Based on these actions, corporations built up expectations that the effort of customer query resolution process itself can be externalized. Any hint of failure in achieving this goal is then countered with even more information thrown at the customer. Consequently, many end customers complain that they have to “do all the work” now. They feel upset that the effort of service owed to them is being shunned by companies. Along with measurement of satisfaction, we must measure ‘customer effort’, or the experience of what it costs the customer in terms of intangibles to deal with the enterprise. Customer service associates and managers believe that the ‘effort’ issue applies internally too. Suboptimal designs that ignore the effort levels required from employees end up alienating them – this sense of alienation is then carried over to end customers.

BPO models and customer experience are both vast subjects, and each of the suggestions we've made in order to help you improve your end customer's experience is an independent subject by itself, with several possible variations. The most important thing to note is that these suggestions are not 'hunches', but are scientifically tested approaches drawn from varied disciplines such as Engineering, Psychology, Statistical Quality Control and Economics.

Infosys BPO has drawn on these disciplines heavily and built proprietary approaches in technology, algorithm-driven sales, behavior-based coaching and other analytical frameworks so as to help our clients deliver differentiated services to their end customers. The caselets in this section highlight some of Infosys BPO's successes using the approaches recommended in the previous section.

The right mix of technology interventions and process changes

To a large U.S. telecom service provider's customer service organization, Infosys BPO recommended a "wrapper technology" tool which could be used in conjunction with their existing CRM systems. Using this tool allowed the client to create a single view of the end customer for their associates – across 23 different applications. This change resulted in a significantly improved ability amongst customer service associates to resolve end customer problems. Contact quality scores increased and handle times came down by as much as 10%. End customers benefited because they were able to get improved resolutions by spending lesser time, and client associates felt greater fulfillment due to the evidence of increasing numbers of satisfied customers, as well as reduced rework and complaints.

This is a direct example of a change recommended by Infosys BPO that resulted in benefits to both end customers and agents. This example also illustrates that 'effort reduction' ideas may come from both technology interventions as well as process changes.

A multi-faceted approach of a custom resourcing and delivery model, coupled with technology interventions

For a large, global telecom equipment manufacturer, Infosys BPO provides outsourced operations that involve customer and channel partner contact through multiple channels from five locations across five continents. While the relationship governance philosophy across all operations centers is the same, day-to-day management and operations structures are geography-specific. This has allowed end customers to experience 'personalized' delivery, without the fetters of inflexible contracts. The client has been with Infosys BPO for almost 7 years, and local resourcing models have evolved continuously over time – they have explicitly changed to fulfill customer expectations.

The approach of moving away from a rigid and pre-defined, contract-driven delivery model, to one that's continuously malleable to customer demands has allowed the provider to deliver high levels of customer satisfaction. The client has benefited by capitalizing on satisfied customers, introducing target campaign mechanisms, and realizing the sales potential of service calls to the fullest.

This is an example of how a multi-faceted approach of a custom resourcing and delivery model, coupled with technology interventions can deliver high-quality experience and revenues concurrently.



The Way Forward

Suffice it to say that customer experience is built into the model. Often times, early decisions take hold of an outsourcing program's culture and possibilities, and changing this situation can be a large and risky undertaking. On the same hand, once elements that are crucial to customer experience have been built into your business model, sustainability becomes easy, and all the advantages follow from there on. While features of products and services continuously evolve, and their differentiation erodes over time, companies that invest in customer experience will be paid in handsome gains many times over. Furthermore, management literature now conclusively states that while product features are easy to copy, experiences and cultures are durable, and next to impossible to replicate.

Back now to the industry conclave, I asked the SVP whether they had designed 'customer experience' into their model, or had merely assumed that one model was as good as another in order to deliver the required experience benefits. He turned pensive, then reflective, and finally, resolute. I suppose he had bought the message hook, line and sinker.



About the Author

Vijay Narsapur

Associate Vice President and the Strategic Business Unit Head — Customer Service, Infosys BPO

Vijay Narsapur is an Associate Vice President and the Strategic Business Unit Head for Customer Service at Infosys BPO Limited, a fully owned subsidiary of Infosys Limited. In this role, Vijay is responsible for all customer-service-related sales, pre-sales, solution design, products and offerings, and delivery-related activities. He is also responsible for strategic activities of the practice such as M&A, alliances and selection of delivery location.

Vijay has been with Infosys BPO since February 2009. Since then, the notable achievements of the Customer Service Practice at Infosys BPO have been expanding the Customer Service business in the Philippines and Europe, and starting service offerings delivery in the Americas. Recently, the Practice has added several exciting offerings in the Social Media space, and was mentioned as a leader by a notable independent analyst firm.

Vijay began his career in CRM with Deloitte Consulting's Parsippany-NJ office in 1998. He co-founded iSeva, a BPO company, in March 2000. After iSeva's partial acquisition in 2004, Vijay returned to India and has since been playing senior roles in the global BPO industry. In his previous role before joining Infosys BPO, Vijay was the SVP-Operations with Aditya Birla Minacs. Vijay is an Engineer-MBA by training, from IIT-Mumbai and IIM-Lucknow respectively.

5



Transform to the Human Resources Face of Tomorrow

- Maheedharan Thiagarajan



Abstract

What are the challenges facing Human Resources (HR) leaders of global companies? In developed markets – growth, or the lack of it. In emerging markets – finding the right talent to feed growth, or even matching the skyrocketing career expectations of Generation Y. In the board room – the pressure to be a true business partner and deliver value. How can HR leaders turn these diverse challenges into great opportunities? How can they have a “face for all seasons”, especially for that of the future?

While there is no singular formula for success, there are a few emerging themes which will help HR leaders navigate through today’s challenges and fortify themselves for tomorrow’s needs. Based on successes of HR practitioners who have scaled similar challenges and insights from industry HR analysts and advisors, 3 catalysts have emerged. Catalysts which can accelerate the transformation to the ‘Human Resources Face of Tomorrow’ — Technology-enabled Consolidation, Analytics-empowered Decision Making, and Social Media-driven Outcomes.

Great Expectations: Human Resources Today

Balancing strategic business value with tactical gains. Crafting outcomes that are both tangible and intangible. Attaining a global standard while addressing local sensitivities. Enhancing focus on core competencies while seamlessly managing contextual operations. Driving performance day-to-day and setting the stage for the day after. It's a complicated checklist for Human Resources organizations today – which is reflective of their evolution over the past few decades and the myriad expectations from Human Resources – whether it's the back room or the board room.

From being a 'Personnel Department' to a 'Human Resources Department' and then a 'People/ Talent Development Department', HR has come a long way to occupy its seat on the strategy table. What started off as a mindset to control 'people and their work' evolved slowly into 'taking care of employees and coming up with supportive policies' and then into 'building careers and grooming talent'. This led to phenomenal talent-centric themes like 'Careers for Life', wherein the remit of HR organizations is to provide for growth of employees and nurture talent.

While the names and nomenclatures in the sphere of Human Resources have changed, there is one underlying theme that hasn't – 'people & talent'. And with a business environment that augurs more competition, change and cost pressures in 2012 and beyond, global enterprises are placing big bets on their people as a source of sustainable competitive differentiation. While many a C-Suite have turned to their HR organizations to deliver this difference, it behooves one to dissect the challenges HR leaders are faced with as they embark on their quest to become "a face for all seasons".

Deliver cost savings and efficiency while creating strategic business value	Increasingly, HR organizations of global and regional companies have been asked to embrace best practices and standardize processes. They are being asked by their boards to minimize administration, drive down associated costs and add value to strategic talent decisioning.
Add social media to the conversation	With new-age employees embracing social media like never before, there is a need felt – and adopted in some cases – by organizations to tap into this power of collaboration and creativity, thereby seeking to improve employee productivity.
Nurture a "global unified work culture" while celebrating diversity	As companies grow, Mergers & Acquisitions (M&As) are increasingly becoming commonplace. The importance of culture and policy harmonization is now being stressed as a key focus area for global HR leaders.
Develop the right attitudes for different latitudes	With globalization, the war for talent – the right talent – has increased. With "pay more and hire" no longer the mantra of the day, it is important and more so critical to showcase a company's HR credentials to the candidate / new hire. It isn't just enough for HR to find the right talent, they must groom them too. Enterprises are placing greater focus on role-based and competency-based training and learning needs for employees, so that there is a strong internal talent and leadership pipeline to step up as and when the company needs.
Find tomorrow's leaders, today	The challenges faced by HR today are vastly different and will remain dynamic in the future. However, faced with the call to action of becoming a strategic partner to business leaders, global HR leaders are viewing their information technology and business processes as tipping points of transformation. In most circles, HR organizations are taking stock of: <ul style="list-style-type: none">• Tremendous amount of legacy and administrative burden, caused by multiple layers of HR administration• Change management and the need to redefine various HR roles in the context of their future state• Stakeholder management and budgetary approvals to implement the changes needed, as well as the effective use of data and analytics

The Three Big Catalysts for Human Resources Transformation

To help HR leaders embark on the journey, there are 3 approaches or catalysts that are prescribed below, which aim to provide guidelines based on proven industry inputs.

1

Drive Technology-enabled Consolidation

Leverage evolved and intuitive HR systems to minimize administrative burden and maximize strategic focus

This typically involves the enterprise-wide consolidation of Human Resource Management Systems (HRMS). It is a fact that most enterprises operate legacy and disparate systems for HR, which add to the administrative burden as well as lack of visibility and consolidated reporting of key HR parameters – even something as transactional as Payroll. Consolidating the HRMS strategy across organizations with clearly-interfaced ancillary systems and solutions enables processes to be harmonized and standardized across the organization where possible, immediately reducing the administrative focus.

This also ensures the setup of a centralized or a regionalized shared services model, mostly in cost-advantageous locations, increasing the impact of the business case that will already be secure by HRMS consolidation.

Taking this one step ahead, many large enterprises who want to focus on their core business and not really worry about managing and hosting HR IT systems or about compliance and upgrades, have taken the route of going the ‘managed services’ way. Here, one provider with their own partner network – as the need be – is responsible for delivering end-to-end HR services to the enterprise, which includes managing the technology aspect of the same. In such cases, quite a few enterprises have realized business cases leading up to 30 – 40% savings over the period of the contract.

2

Unlock Analytics-empowered Decision Making

Model information and data to deliver meaningful insight – both predictive and diagnostic

Consolidation of HRMS and other technology warehousing tools have fared well as far as data integrity is concerned. The HR and HR-IT leaders of business are increasingly looking at this data which is stored, what it is; and if mined, what it can do for them. This data holds the potential to slice-and-dice recruitment and retention initiatives, compensation, workforce performance, and untapped skillsets. Whether it’s a pre- or post-mortem analysis that is desired, analytics can deliver powerful predictive and diagnostic insights that prove invaluable to both front-line and higher management.

The way to deliver this goal is to ensure the information needs and requirements are captured from the business and as well as senior HR leadership, and then create the necessary frameworks to be implemented. Once these frameworks – including predictive models – are created, deploying data to these models and frameworks will obtain the right information set to facilitate meaningful and strategic decisions.

3

Unleash Social Media-driven Outcomes

Set up an environment that bolsters productivity and fosters collaboration

This is achieved by a combination of technology elements and policy decisions. Self-service is the first step towards this outcome — an intuitive self-service interface to the employee ensures greater adoption, ensuring minimal change management needs, as well as decreasing administrative burden on the part of shared services. More employee adoption means more alignment and immediate real-time feedback to HR. Once a large employee base begins operating in self-service mode, the doors to unprecedented employee productivity open up.

One approach enterprises can take is to deploy off-the-shelf social media and collaboration tools where informal mechanisms help capture best practices across the organization on an as-needed basis. Such tools, which are built on the premise of employee engagement, also provide a forum for internal referral hiring which can reduce hiring costs. Other outcomes from such tools include collaborative innovation and crisis resolution, greater discoverability of resources and talent pools, re-enforcement of corporate values, and the creation of a “social enterprise” which is flatter, faster and smarter.

Infosys helps clients climb the HR ladder and face future opportunities in various ways that address the challenges and approaches outlined in the previous section. Some of the solutions that help deploy the approaches suggested are listed below.

Infosys TalentEdge™ is a business platform and managed services model helps enterprises embark on global HRMS consolidation as well as the delivery of HR services. In this model, Infosys takes complete accountability — from technology to compliance to meeting operational SLAs — which has helped clients realize savings of greater than 35% over the duration of contract. The model ensures process standardization, fastest time to onboard the client organization onto the system, proven security and data privacy approaches, and meets all local and global compliance needs.

Infosys has implemented this model for many clients globally — an example is a leading U.S. retailer who operates multiple brands for products ranging from apparel to online food gift items. With more than 2,200 stores in the U.S. and 28,000 employees, the retailer's staff comprises of full-time, part-time, permanent, and contingent work force.

The retailer was grappling with a fragmented Human Resource system that was keeping the HR department from being a business enabler.

After having engaged a third-party vendor to manage their internal Human Resource needs, the retailer engaged Infosys to implement an enterprise-wide Human Resource Management (HRM) solution that enabled approximately 35% reduction in total cost of ownership (TCO).

Infosys SocialEdge™ Employee Engagement Platform offers best-in-class social media and employee engagement features and is available on a license / user basis. Powered by the SocialEdge Context Engine, the Platform is delivered in the enterprise SaaS model and can be deployed in the Infosys Cloud or an enterprise Private Cloud. With modules to facilitate initiatives like employee on-boarding, knowledge networks, sales collaboration, and alumni networks, the Platform boosts employee efficiency and effectiveness by connecting and engaging with them within the organization.

The associated analytics services have added tremendous value to clients in helping reduce their hiring costs and optimizing sources, reduce and prevent employee attrition, and also improve transactional efficiencies by deploying benchmark studies and helping client HR organizations transform to best-in-class functions.





It is obvious that enterprises and their HR organizations will continue to feel the pressures of talent management as changes and global scenarios impact their businesses. The evolution of these changes will only increase in velocity, and the key to staying ahead of the HR curve will be the time taken by the HR organizations to respond to today's challenges, as well as proactively anticipating tomorrow's challenges. Call it the "survival of the fastest". This will mean the need to be dispassionate about the HR status quo, the willingness to adopt new technology, and a sense of urgency in meeting people aspirations — all of which will go a long way in ensuring that HR organizations consistently add value to strategic enterprise initiatives. Needless to say, information technology and business process outsourcing will be two constants in the face of many variables. Constants which can accelerate and sustain a "transformation to the Human Resources face of tomorrow".



About the Author



Maheedharan Thiagarajan

Head of Solution Design, HR services, Infosys BPO

Maheedharan Thiagarajan (Mahee) is responsible for setting up the global talent operations shared services and Centers of Excellence (CoEs) for global clients in North America and India. Mahee has more than 17 years of experience in the outsourcing business, including HR transformation projects as well as talent and learning outsourcing.

With expertise in the banking and manufacturing verticals, Mahee has modeled and designed the Service Level Agreements (SLAs) for various clients supported. He has extensive experience in setting up global HR service centers and operating them on an ongoing basis. He has managed the service delivery for a Fortune 50 organization's regional business in Asia-Pacific, and has handled the regional delivery center in Kuala Lumpur.

Prior to joining Infosys, Mahee was the Director of Operations for HR services with a large global HR services provider in the outsourcing business. In this role, he defined and implemented the right shoring strategy for moving work to the appropriate locations in the provider organization in both Europe and Asia, in addition to handling the Global Project Management Office (PMO) for the organization's learning practice for all global clients. Mahee holds a Bachelor's degree in Mechanical Engineering and a RBNQA certification for quality examiners.



6

Unlocking Transformation Opportunities through Business Process Outsourcing

- Anantha Radhakrishnan, Madhukar Tata



Abstract

In a smarter organization, processes are standardized, not disparate. Operating models are ones that fit the best, not ones that fit the gap. Technology is a multiplier, not just an enabler. The focus is on effectiveness through benchmarking of business metrics and delivering business value, not just continuous improvement of process metrics. Insights are dynamic, not just static knowledge.

In today's competitive and complex environment, making these 5 shifts is essential to unlock transformation opportunities. And with the right approach to business process outsourcing, organizations can not only accelerate transformation, but also realize true business value from it.

Making the Five Shifts that Matter

Trans•for•ma•tion

To change in character, composition, condition or structure

Busi•ness val•ue

Value delivered beyond economic value

If you've been part of an outsourcing engagement or advised on one, chances are, you've seen the terms "transformation" and "business value" being used quite often as engagement desirables. But value beyond SLAs, SG&A components and bottom-line savings has been hard to realize.

Part of this disappointment can be traced back to a school of thought, for whom business process outsourcing is just low-cost service. The reality is far from it: BPO providers can do much more – from redrafting business models to aiding top-line growth.

To realize transformation from business process outsourcing and create a smarter organization, buyers will need to work closely with their providers and make 5 shifts:



Key Imperatives for Global Organizations

Traditionally, business priorities of global organizations have focused predominantly on cost control, free cash flow and improved bottom line. But priorities are changing owing to an increasingly complex landscape of new technologies, complex supply chains and a global employee base. Organizations are now looking for realization of true “business value” over and above the cost drivers, leading to the following key imperatives:

- Growth in emerging economies – with the rise of Brazil, Russia, India, China (collectively BRIC) and Mexico
- Benchmarking with best-in-class organizations, functions and processes to drive innovation through new operating models and differentiation
- Asset (including people) utilization and efficiency
- Unlocking business value across functional silos and in the business/IT intersection cusp

Staying ahead of the competition will require organizations to achieve Simplification, Speed, Collaborative Learning and Sustenance in meeting the above goals, and in moving towards their journey of becoming smarter organizations.

Challenges

While this may sound simple, it is easier said than done. Most organizations are faced with multiple challenges due to the nature of their growth (organic and inorganic), competitive market conditions and prioritization of business objectives and investments; some of the prominent ones being:

- Rigidity caused due to sunk costs and investments
- Limited capital availability and quarter-to-quarter pressures
- A need to focus on core activities while ensuring transactional activities are executed well
- Adaptability to evolving new technologies and operating models

Taking the Right Approach to Making the Shifts

While organizations continue to view BPO for cost reduction and leverage conventional techniques like Lean and Six Sigma, the complexities stated in the previous section necessitate fundamental shifts in their approach:



The situation

Organizations have grown both organically and inorganically, which has led to proliferation of different processes and systems, as well as varied practices and measures. While some of these are arguably justified due to factors like regulations and local country nuances; most others are not.

The shift

When organizations are in a state of disparity in processes, one of the most obvious levers is driving a level of standardization that brings in better efficiencies by addressing 3 key dimensions of the operating model:

- Centralization vs. Decentralization
- Localization vs. Globalization
- Scale vs. Specialization

For a leading consumer goods major — a global player with a presence in more than 60 countries — Infosys supports a range of Order to Cash (OTC) processes across different categories and regions.

These processes were initially non-standardized, and were being managed across huge volumes: 2.3 – 2.4 million orders / invoices per year through different channels (phone/fax/EDI/e-mail). This led to increased pressure on costs of running operations and long lead times in order fulfillment and Accounts Receivable (AR) activities.

In order to build a scalable model, Infosys executed a process harmonization exercise. This was a two-phase transformation, where the first phase was to create a frontend-backend structure in each region and then move the backend to a central offshore location. As part of this, workshops were conducted in different regions to identify frontend and backend processes. The solution also included redesigning skills needed, rationalization of deviations, cross-training plans, implementing CRM workflow for tracking/monitoring and introducing enabling tools like eFax/Fax OCR, single-click OCR solution, and document management solution.

Today the OTC process is delivered on a single process and technology backbone with embedded best practices and has led to significantly lower cost/order, ageing of holds and DSO, tighter turnaround time from order receipt, validation, processing, order release and shipment, and a greater number of “zero touch” orders.



The situation

Considering the existence of disparate applications, an unequally distributed base of vendors, suppliers and employees, quite often the same solution cannot be applied universally in most global organizations. In such scenarios, it becomes important that organizations have an adaptive approach to setting up the ‘right’ operating model, which may often be a mix of in-house and outsourced solutions for technology, process and people.

The shift

Organizations can engage providers and find the right mix of operating models, such as shared services, traditional outsourcing, business processes on cloud and business platforms. In each function, it is important to see the ‘right fit’ based on cost, logical (process) and technical feasibility. For example, a world leader in healthcare, lifestyle and lighting is in the journey of transforming their HR organization. They have chosen an ERP backbone for about 80% of their large countries, created 6 regional Shared Services Centers, and have selected a mix of Software-as-a-Service (SaaS) and outsourced models for the rest of their locations – where a full-fledged ERP based solution did not present a viable business case. It is important to note that the optimal design will vary for organizations as they vary in their maturity levels, leading to different starting points for each organization.



Use technology as a process enabler

Use technology to multiply value and fill white spaces

The situation

With the advent of newer technologies and enabling tools, it has now become possible to perform most processes in a streamlined, automated fashion.

The shift

It is now imperative to bring in an optimal set of tools that simplify processes and enable linkage of upstream and downstream activities to core functions. Technologies that can be leveraged are:

- Workflows, tools, automations, macros — to make processes more efficient

- Specific products (platforms, specific software) that impact the process and upstream/downstream processes — to provide incremental efficiencies
- Newer technology adoption will need to be integrated into relevant white spaces — to complement existing technology in the form of sunk investments; e.g. paper-based invoices supported through imaging and workflow, in conjunction with an existing ERP application (a prior investment)

For a leading bank and financial services provider operating in Australia and New Zealand, Infosys has transformed a very complex landscape of eight different entities on different applications and processes to a harmonized standard back-bone for HR, Payroll and Absence Management – the Infosys HRO Platform, TalentEdge™. Infosys provides the client HR process operations support, in addition to infrastructure and application support. Benefits include a 15 – 25% improvement in business service level agreements (SLAs) / outcomes and an expected reduction of 35% in total cost of ownership (TCO), thereby multiplying delivered business value significantly.

For one of Infosys' global manufacturing clients, setting up offshore delivery centers meant enabling seamless processing from 3 locations. Before offshoring, the processes were not standardized, and there was no visibility of key invoice processing metrics. Also missing was a solution to track, respond and resolve vendor queries.

To fill in these white spaces, Infosys implemented a suite of tools, such as a standardized workflow solution from invoice receipt to posting into ERP across regions, an OCR-based solution to automate data capture, and an AP Helpdesk solution to effectively manage vendor query resolution process and capture vendor satisfaction survey results.

These tools had a cumulative impact of streamlining and standardizing the process — resulting in 25% improvement in productivity, 20% reduction in exceptions handling, improved cycle time, centralized reporting mechanism, capability to prioritize urgent invoices, end-to-end effective management of query resolution, improved vendor satisfaction levels, and greater visibility of process performance.



Assess process efficiency and drive continuous improvement of operational metrics

Drive business effectiveness and value through benchmarking of business metrics

The situation

Traditionally, operations are managed in terms of efficiency and effectiveness metrics, such as touch time, turnaround time and accuracy. The underlying business impact and business metrics, however, reveal large gaps and opportunities when weighed against business metrics.

The shift

Organizations need to continuously benchmark themselves with the global best – across industries. This will enable rapid and continuous evolution by adapting to global best practices. The focus should shift towards business value, while having a surgical focus on processes.

Infosys has developed the Business Value Realization (BVR) framework to deliver business value — the framework leverages multiple levers connecting process metrics to business metrics, and therefore helps realize business value.

For a large consumer care company, as part of a consulting exercise, Infosys assessed the current performance of the Accounts Payable (AP) process across 3 global centers and mapped the entire value chain. Based on the BVR framework, Infosys identified multiple change enablers that would impact key business metrics. These enablers ranged from mailroom transformation to automating GRIR reports to creating debit balance policy. The business value realized is to the tune of \$12 M impact on a YoY basis, both on the cost and the cash side.



The situation

Traditionally, knowledge has been a function of tenure or time spent on a particular process while decisions are driven by intuition and experience. A more dynamic world calls for knowledge to be more dynamic, where learning is imbibed at a rapid pace through knowledge sharing and multiplication and decisions are driven by insights drawn from the power of data.

The shift

Organizations need to work with their providers to create Centers of Excellence that foster an accelerated understanding of functional areas and access to global best practices. These Centers should ideally:

- Leverage best practices across functions, locations, processes and industries
- Build a knowledge repository of process knowledge and benchmarks
- Use analytics to support fact-based decisions around increasing revenue, human capital management, cutting costs, improving return on investment (ROI); e.g. visibility of data through analytical tools like CPO dashboard and People dashboard; market segmentation by analyzing customer behavior on social media
- Foster a culture of innovation that rests on deep understanding of process

The power of business insights was demonstrated for one of Infosys' clients in the footwear retail segment, who had just finished a year-long data warehouse implementation initiative. The question from the CMO's office was: "Is there a way to quickly recoup investment made on the warehouse before further investments on a Business Intelligence platform?" Such an approach, over and above providing actionable insights faster, would also pay for future investments by itself. The charter was delivered through a short but intensive analytics effort, to provide specific insights on their best customer profiles and targeting strategies based on these insights for an expanded basket size and revenue.

The client was able to realize value within the first 6 months of implementing insights. Not only was the investment on data paid back, the client also benefited from a surplus for funding further investments in their analytics roadmap. Today Infosys has created a full array of data elements (eCommerce data, web analytics data, CSAT scores and custom developed shopper segments) to leverage and deliver on current strategic priorities. The learning from this and other similar exercises have now been incorporated into our Center of Excellence, thereby providing a rich base of knowledge to leverage for future projects.



Leading BPOs operate as Centers of Excellence. They are today using their geographic and industry-wide reach to demonstrate their capability to become transformational partners to their clients.

Clients need to make, by design, big bets on service providers who can deliver Business Value in addition to cost reduction. They should also be willing to absorb and enable change within their organization to transform their people, process and technology in order to build a smarter organization.



About the Authors



Anantha Radhakrishnan (Radha)

Vice President and Head - Business Transformation Services, Customer Services and Technology Services, Infosys BPO

Radha is a key member of the Infosys BPO Executive Council, setting and executing the BPO business growth and differentiation strategy.

Radha heads various groups within Infosys BPO which primarily focus on driving transformational business value to client by leveraging technology and using innovative service delivery models. Radha also provides leadership to the India Business Unit, Customer Services group and International Centers. Radha brings two decades of global industry experience working at local, regional and corporate levels.

Radha is the Infosys representative and associate member of the National Retail Federation (NRF) and Grocery Manufacturers Association (GMA), which are US industry bodies in the CPG and Retail industry. He has also been part of speaker panels at the India Sourcing Summit and FAOToday conferences, wherein he has spoken about the value of technology-led differentiation in BPO and the next generation BPO. Radha was also part of a CNBC panel discussion on Optimizing Business Processes and a panelist at the Reuters Investment Summit.

He is a post graduate in Management from the Indian Institute of Management, Lucknow, and is a graduate in Engineering.



Madhukar Tata

Delivery Lead - Business Transformation Services, Infosys BPO

Madhukar's focus is driving growth and managing delivery of Business Transformation Services - an advisory practice focused in helping clients realize business value by leveraging multiple levers including of establishing their operating models.

Madhukar brings 16+ years of experience in the areas of transformation and reengineering in varied industries including manufacturing and service industries. He has been involved in architecting and designing various frameworks to assess organizational efficiencies and effectiveness that drives material impact to businesses.

Madhukar has co-authored a report on operational excellence in the BPO industry and has also co-chaired panel at the Nasscom Quality forum. He has also spoken about operational excellence in various forums including Amcham.

He is a post graduate in Industrial Engineering from Cleveland State University and is a graduate in Mechanical Engineering from Bangalore University. He is also a certified Master Black Belt.



7

Finding the Right Business Model

*A Combination of SaaS, BPO & Licensing
Tailored for You*

- Mark DePhillips, Gordon Beckham

Abstract

It's not easy being an insurer today. New technologies, new markets and new business models are having a ripple effect on everything from consumer expectations to business operations. With the pace of change increasing exponentially, there are two tenets to consider when it comes to finding the "right business model". One: what works today will not work tomorrow. Two: the right business model for one insurer is not the right one for all.

Many insurers are now considering transformation, enabled by IT and BPO, to address new priorities. But there's always the danger of casting too rigid a mold and forming structures that cannot be easily reshaped. Let's say an insurer licenses an enterprise-wide policy administration system, or deploys a full-blown SaaS model, or engages an end-to-end platform BPO solution. What if the insurer's needs change tomorrow? What if a better model makes more sense at that point in time? What if there is no way to reverse the hard-cast transformational mold?

The answer lies in building a business model embedded with the capacity to change, based on both what is anticipated and what is not. This begins with asking the right questions, finding the right model, and then making the right moves.

Asking the Right Questions

Life insurance companies today are increasingly examining their business models with an eye towards changing them. Many factors are driving this examination – including heightened competition, aging labor forces and/or infrastructure, the need to change or augment traditional distribution models, and the need to introduce new products and/or existing products in new markets / emerging economies.

The pace of change is increasing exponentially. Disruptive new technologies continue to challenge us with both risk and opportunity. It seems like only yesterday that being able to do business end-to-end on the internet was a potential differentiator, and now it is simply table stakes as we are challenged by the rise of the mobile device. Regulatory oversight is increasing, adding complexity and risk. The list goes on and on.

So what is the right business model? Simply put, the right business model is what optimizes your business. Simple to say, but what does this mean? We would suggest that there are two key elements:

1

What works today will not work tomorrow

As we hear over and over again, the only thing that is certain is change. As is the case with many industries, the focus of changing a business model in our industry can be somewhat near-sighted in nature. We want to optimize for the here-and-now and the foreseeable future. We build upon what we know, and what we can see in the near future.

Realistically, how long will this business model remain optimum and relevant? 5 years? Maybe. 10 years. Doubtful. If you step back 5 years, how many companies had a Facebook page? Today the question is: who doesn't? Clearly, we don't know the precise contours of the future but we do know that change will be omnipresent.

2

The right business model for any one insurer is not the right one for all

There are a number of key questions to review when defining a change to a business model, and the answers to these will vary. Although not germane to this discussion, we would also stress that these questions need to be answered honestly, not aspirationally. Here are some of the fundamental ones:

- What are your organization's core competencies? You can break these down in many ways but at the highest level, they would include: product development, distribution, customer service, sales / marketing, IT, operations, finance. What are the core competencies that can differentiate you in your market space, the ones which you want to drive deep into every part of your organization?
- What are your weaknesses as an organization? Peter Drucker said something about a manager's task which includes "making weaknesses irrelevant". All right, so what are your weaknesses, and how can you make them irrelevant?
- How much transformation can your organization tolerate? Is it better to be evolutionary or revolutionary? What is your organization's realistic appetite for change and how could this evolve over time?

Again, the list goes on. Looking at these, they seem like bedrock-type questions which don't really change, and yet let's go back to the first element; the only thing which is certain is change. We believe that the answers to seemingly foundational questions — such as what are core competencies, weaknesses, and appetite for transformation — can and will change over time. This means that in building a business model, you need to build in the capacity to change — not just what you anticipate, but also what you don't anticipate.

Finding the Right Business Model

While asking the right questions is one thing, what does it all mean to defining your service / IT business model? For most companies, the answers to questions in the previous section drive a decision to license a policy administration system, deploy a Software-as-a-Service (SaaS) model or engage a Platform BPO solution (BPO providing both policy administration platform and BPO services for operations). We would suggest that just as your business imperatives change, so must your service model. Also, for many, hard lines are drawn around each of those models, whereas a mix or “hybrid” solution may be the right answer. Some points to consider:

1

You feel strongly that you want to maintain ownership over client or agent interactions, so you may be leaning towards a License or SaaS model.

Alternative to think about: Consider a “hybrid” SaaS/BPO solution where your client-facing activities are done in a SaaS mode, while your personnel and “back office” activities are handled by a BPO provider.

2

You feel strongly that IT is a core competency and long-term differentiator but like many other companies, the project and “To-Do” pipeline is “years”-long. The traditional approach is to license a policy administration system and then spend 4x to 15x over license cost for implementation services. What did that fundamentally accomplish besides a huge spend?

Alternative to think about: Consider a SaaS deployment from a qualified BPO provider with an option to license the technology, when and if you are ready to do it.

3

Over time, your needs and/or appetite for change will evolve. Perhaps your vision is that long term you want to move service as much as possible to an external outsourcing partner but realistically you know the appetite for transformation is evolutionary within your organization. You need to walk before you run.

Solution: Deploy a full SaaS model upfront — with the ability to migrate selected functions to a BPO provider over time.

The right business model will change and evolve in fundamental ways over time. Just a few years ago, it wasn’t really possible to consider such flexible solutions. This is not the case anymore, and you can capitalize on this opportunity by creating a flexible model that has the capacity to change with your organizational needs.

How Two Insurers Made the Right Moves

Infosys is one of a very limited number of BPO partners who can provide a high level of flexibility (platform plus services) in a “hybrid” model that can change as your business changes. We would like to share two recent examples of clients taking advantage of this flexibility.

Case A

The situation

Client A is a fraternal insurer whose existing clients and agents are key to attracting new business. They wanted the maximum savings they could achieve from both upgrading their platform and outsourcing service, while at the same time controlling client and agent interactions.

Infosys’ solution

Client A is migrating all their legacy business to Infosys’ proprietary Policy Administration Platform, VPAS® Life. We are deploying a hybrid SaaS/BPO model where the client contact center will be staffed by Client A. Service personnel and back-office administrative activities, such as financial and non-financial requests, will be split onshore and offshore to achieve maximum cost savings.

Future state options

The service model could move more in either SaaS or BPO direction with the evolving needs of Client A.

Case B

The situation

Client B is an insurer who has gone through major changes in the last year, including being acquired by a private equity firm and going from a run-off mode to aggressive plans to ramp up sales under new ownership. Client B was an existing client and prior to their acquisition, outsourced service on an end-to-end basis. Under new ownership, Client B wanted to assume the agent contact responsibilities as well as new business processing, both of which are critical to building sales in a new distribution channel.

Infosys’ solution

Change service model to allow Client B to provide contact center and new business services in a SaaS mode, while continuing to handle end-consumer contact and back-office administrative services in a combined onsite/offshore model.

Future state options

As in Case A, the service model could evolve along SaaS-BPO continuum in either direction.



Client A is keeping all their options open as they move forward, and Client B made a change to their service model that they would never have envisioned 18 months previously.



Clearly, what is right today will not be right tomorrow, and what seem like bedrock decisions will potentially change. We would suggest that when considering a change in your service model, although you need to clearly focus on what your needs are now and in the foreseeable future, you must also ensure that you have flexibility to change as your environment changes. This doesn't necessarily have any material cost impact. In addition to identifying the right business model, it also means working with a partner who is first and foremost aligned with you — one who can keep all your options open as your needs change.



About the Authors



Mark DePhillips

Senior Vice President, McCamish Systems, an Infosys BPO Company

Mark DePhillips is Senior Vice President of Insurance Services and leads BPO Operations for Infosys' VPAS® Life policy administration platform. Mark has over 25 years of experience in administration and information systems in the life insurance industry.

Before joining McCamish in 2009, Mark was an officer at Allianz Life and Prudential Financial, in addition to being part of an Executive Team at DVFS, Inc., a leading provider of operations and technology solutions for the Life Insurance industry. Mark has built and led large technology and service delivery teams which have been nationally recognized for service excellence. Mark has also played a role in numerous industry initiatives as part of NAVA and LOMA.



Gordon Beckham

President and Chief Executive Officer, McCamish Systems, an Infosys BPO Company

J. Gordon Beckham, Jr. is President and Chief Executive Officer of McCamish Systems, an Infosys BPO company. Gordon joined The McCamish Group (TMG) of companies in 1988 as Director of Marketing. Until 1995 when McCamish Systems was formed, TMG was focused on virtual insurance company concepts including product design, distribution and administration. Prior to joining McCamish, Gordon was an international trade finance officer at the C&S National Bank of Atlanta, Georgia.


In addition to the positions he holds with McCamish Systems, Gordon maintains his Series 7 General Securities Representative, Series 24 General Securities Principal and Series 63 Uniform Securities Agent State Law licenses. Gordon graduated from the University of South Carolina (USC) with a BA in English in 1984 and obtained his Masters in International Business from USC in 1986. Gordon serves on the Boards of the Foundation of the Holy Apostles, the Georgia Public Policy Foundation and the National Parkinson Foundation.

notes



Questions? Opinions?

Please visit
www.infosysbpo.com



Global organizations depend on Infosys BPO Ltd, the business process outsourcing subsidiary of Infosys Limited (NASDAQ: INFY) to deliver measurable business value. Infosys BPO's strong focus on industry solutions, technology and a consulting based approach has created new engagement models to help clients build tomorrow's enterprise.



Building
Tomorrow's Enterprise

For more information, contact infosysbpo@infosys.com

© 2012 Infosys Limited, Bangalore, India. Infosys believes the information in this publication is accurate as of its publication date; such information is subject to change without notice. Infosys acknowledges the proprietary rights of the trademarks and product names of other companies mentioned in this document.