

# CREATING BUSINESS VALUE

Making our customer succeed by enabling their business to improve end user experience, reducing cost of operations, and improving revenue.



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Traditionally, organizations outsourced “processes”, the focus being on “process value creation”. Service providers were held accountable for transaction processing with measurable Key Performance Indicators (KPIs) such as accuracy and cycle time. Today, however, we see the spotlight moving from “process value” to “business value”, where responsibility for the customers’ business outcome – based on factors such as end-user satisfaction, revenue growth, cost reduction, etc. – gains importance.

This shift to “business value creation” calls for significant investment in domain/vertical-specific skill-sets, the objective being to offer solutions aligned to the customers’ core business, while enabling the customer to achieve strategic organizational objectives. Early adopters of this concept have gained new business, built partnerships with existing customers, and are enjoying higher customer satisfaction levels – a win-win scenario for both the parties.

The purpose of this paper is to understand “business value creation” and analyze the benefits of shifting from “process value meter” to “business value meter”.

## Why Must BPO Service Providers Standardize?

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Today customers realize that “process value creation” does not necessarily result in “business value creation”. The primary objective of the traditional outsourcing process was cost arbitrage. Service providers based out of low-cost locations could provide services at lesser costs without compromising on work quality. With time, the focus shifted from cost to quality of service. This gave birth to the “metrics culture” that clients set up to measure performance of the service providers.

Although KPIs in the traditional outsourcing process were defined on the basis of parameters like accuracy, cycle time, and productivity; service providers started working on improvement of each of these as customer expectations increased. This 3-D shift in the industry was termed “process value meter” - the new basis for measuring value delivery. However, with technological advancement, growing competition, and new outsourcing models (hub and spoke), these gradually became hygiene factors inadequate for achieving business targets, compelling service providers to move from “process value” to “business value”.

# The Business Value Concept

To understand the business value concept, let us compare it with process value as shown in table below

Business Value	Process Value
Service provider is accountable for business results	Service provider's responsibility is limited to process measures
Focus on end user satisfaction	Focuses on customer satisfaction
Service providers need to have domain/vertical knowledge	Domain/vertical knowledge not needed
Service provider must achieve business KPIs linked to the customer's strategic business objectives	KPIs are defined based on parameters associated with the performance of the service provider
Partnership approach with more flexibility	Third party provider approach hence need to work within defined KPIs
Integrated approach with common goals	Fragmented approach with different objectives for customer and service provider
Higher rewards and benefits	Defined objective achievement
Long term relationship	Meeting day to day commitments

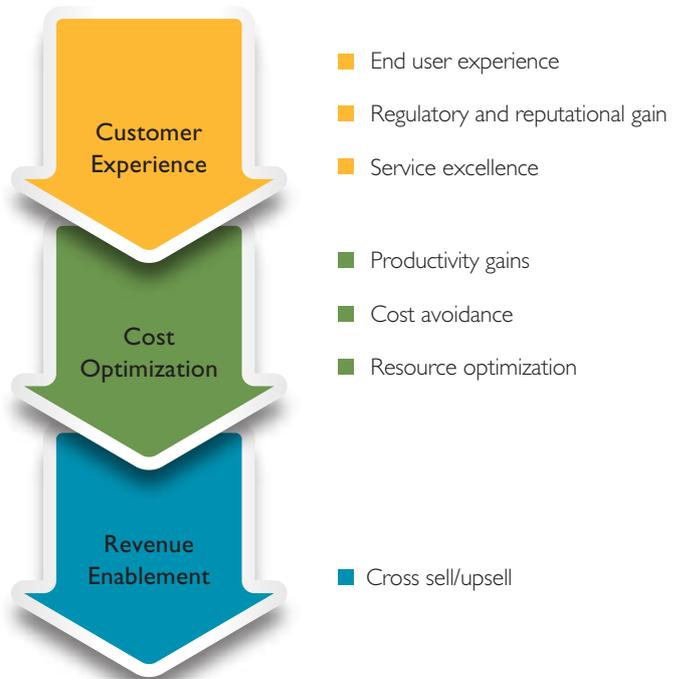
# Challenges in Business Value Creation

Creating business value requires significant domain expertise from the service provider with a deep understanding of clients' business and industry. Exposure to only a small part of the overall business function may limit the understanding of the service provider and limit the understanding

of clients' business challenges and goals. Alternatively, a biased view may lead to a focus on short-term goals instead of long-term sustenance. There is also a possibility that the service provider may lack the know-how to create business value or have insufficient investment in technology and resources required to drive business value.

# The Business Value Concept

To meet these challenges, we propose a methodology known as "business value meter". The business value meter is a comprehensive measurement system aligned to the customers' business needs. It captures and reports business value created for customers under the following parameters (figure 1):



**Customer experience management: This entails generating value for the client through focus on:**

1. End user experience: raising the satisfaction levels of the clients' customers
2. Regulatory and reputational gain: initiating projects which enhance customers' reputation or business ranking, creating a positive brand image
3. Service excellence: development and improvement of SLAs/KPIs linked to client's key business goals

### Cost optimization: service providers can cut costs in various ways:

1. Productivity/efficiency gains can be brought about by initiating process improvement— introducing automation for instance – to reduce operational costs of the clients' business. These could be lean or six sigma projects.
2. Cost avoidance involves taking necessary steps to reduce notional costs/ increase notional gains. For instance, a large amount of funds blocked in collections can result in excessive bad debts. A cost avoidance project can also facilitate improvement in the client's business performance through reduction of future costs/increased future benefits.
3. Resource optimization - Labor arbitrage, once the primary driver for process outsourcing, is no longer based merely on the 'lift and shift' model. Rather, it requires the service provider to deploy resources appropriately with initiatives like process complexity analysis, right sizing, deskilling, etc. for delivering best business results.
4. Revenue enablement: Customers can increase direct revenue or reduce revenue leakages through these projects. For instance, web or speech analytics done by a service provider can allow customers to generate more revenue through cross sell and up sell.

## Implementation of business value meter

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A well-designed business value meter requires knowledge of customer operations, business goals, subject, and latest industry trends. The following are the key milestones in creating business value for customers:

**Understand business:** Service providers have to comprehend the customer's business and the operations involved, identify key business metrics and collect performance data.

**Benchmark and measure gap:** The next step is to benchmark the client's operations performance with the best-in-class performance, carry out gap analysis by comparing similar metrics and shortlist areas of improvement.

**Analyze gap and develop improvement plan:** Benchmarking is followed by further analysis of the identified gaps to understand the reasons behind the shortfall and listing out the improvement actions that need to be taken.

**Implement solution:** Some of the actions will necessitate changes at the customer end and should be owned by the client. Responsibilities of the customer and service provider should be clearly distinguished.

**Ensure sustainability:** The service provider should ensure that the implemented solutions are sustainable and validate results for confirmation.

## Conclusion

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The BPO industry is facing challenges from changing market landscapes, emerging low cost competitors, and changing customer sensibilities with tighter budgets and more expectations from service providers. Service providers are being challenged to differentiate themselves through performance and pricing. In this scenario, BPO providers must drive standardization across their business to provide value to customers and enables enhanced control of business processes. A framework like 'Process Labs' can help them achieve this objective.

## About the Author

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**Gopal Aggarwal** is a process excellence manager at Wipro. He specializes in the Business Process Reengineering for the Finance & Accounting processes. He comes with an experience of 10 years in the areas of BPO Operations, Quality and Process Reengineering. In his tenure, Gopal has derived various process improvement initiatives using Lean, Six Sigma, Standardization, and Process Benchmarking and has received "Top Gun" award. By qualification, he is a Chartered Accountant (CA), and holds a Post Graduate Diploma in Management. He is a certified Black-belt from Oracle Corporation and BMG Consulting. Additionally, he is a certified Trainer for Six Sigma.

## Wipro in Business Process Outsourcing

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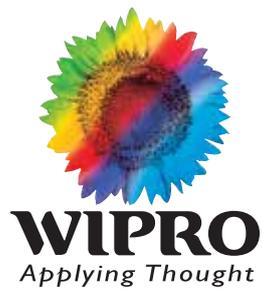
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