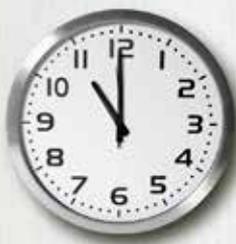WIPRO
Applying Thought

STANDARDIZATION IN THE OUTSOURCING INDUSTRY

Moving from "Variation by Rule" to "Variation by Exception" resulting in better quality, faster delivery, and lesser cost of operations.

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To meet cost constrains, drive efficiencies, and inculcate scalability, outsourcing clients and vendors are looking to standardize processes across markets and products. This paper discusses the need for standardization and the various approaches that can be followed by companies to achieve it.

Why must BPO service providers standardize?

Outsourcing started in middle of twentieth century in the manufacturing industry. With the development of telecom infrastructure in the last few decades we have seen an increase in outsourcing of services particularly the IT & IT enabled services. Globalization and focus on core competencies has accelerated the outsourcing drive by organizations around the world. It brings them cost and quality advantages besides providing them opportunities to share the business risks with services provider.

In last few years recession has forced organizations to initiate cost management programs. Outsourcing is one of the fastest ways to achieve this objective. In addition to labor arbitrage, customers also take this

opportunity to consolidate their business and processes which are often spread across markets in different countries and multiple products.

For service providers the challenge is scalability and cost containment as demand for outsourcing grows. To meet this challenge, leveraging their existing delivery model for new engagements makes business sense for them. A well developed and standardized delivery model can be positioned as a differentiator for service provider while enabling them to offer low-cost, value added services to their clients.

The various benefits of standardization to outsourcing clients and vendors are outlined in the standardization vale map below (figure 1):
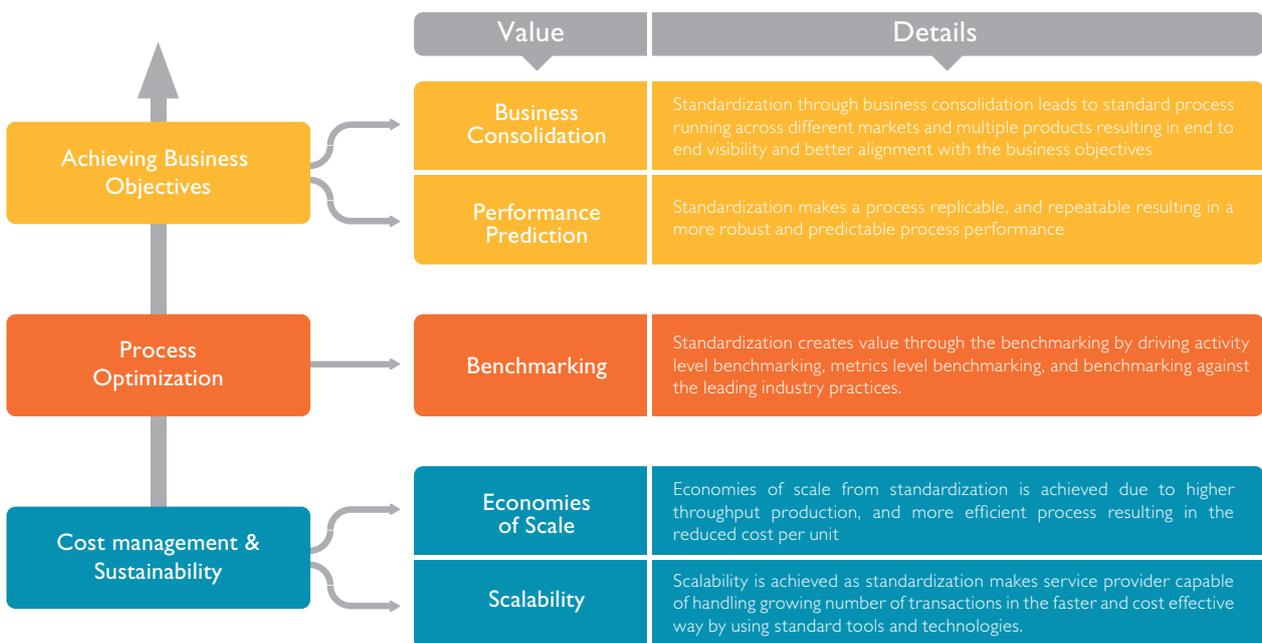
Value	Details
Business Consolidation	Standardization through business consolidation leads to standard process running across different markets and multiple products resulting in end to end visibility and better alignment with the business objectives
Performance Prediction	Standardization makes a process replicable, and repeatable resulting in a more robust and predictable process performance
Benchmarking	Standardization creates value through the benchmarking by driving activity level benchmarking, metrics level benchmarking, and benchmarking against the leading industry practices.
Economies of Scale	Economies of scale from standardization is achieved due to higher throughput production, and more efficient process resulting in the reduced cost per unit
Scalability	Scalability is achieved as standardization makes service provider capable of handling growing number of transactions in the faster and cost effective way by using standard tools and technologies.

Achieving Business Objectives

Process Optimization

Cost management & Sustainability

Figure 1: The Standardization Value Map

The standardization capability model

Standardization of delivery is deployed not just on core business processes outsourced by the customer but on enabler processes as well. Enabler processes are those which support the delivery of core processes. Service providers integrate standardization of core and enables processes in their quality framework. Standardization approach is a four level model called the standardization capability model (Figure 2).
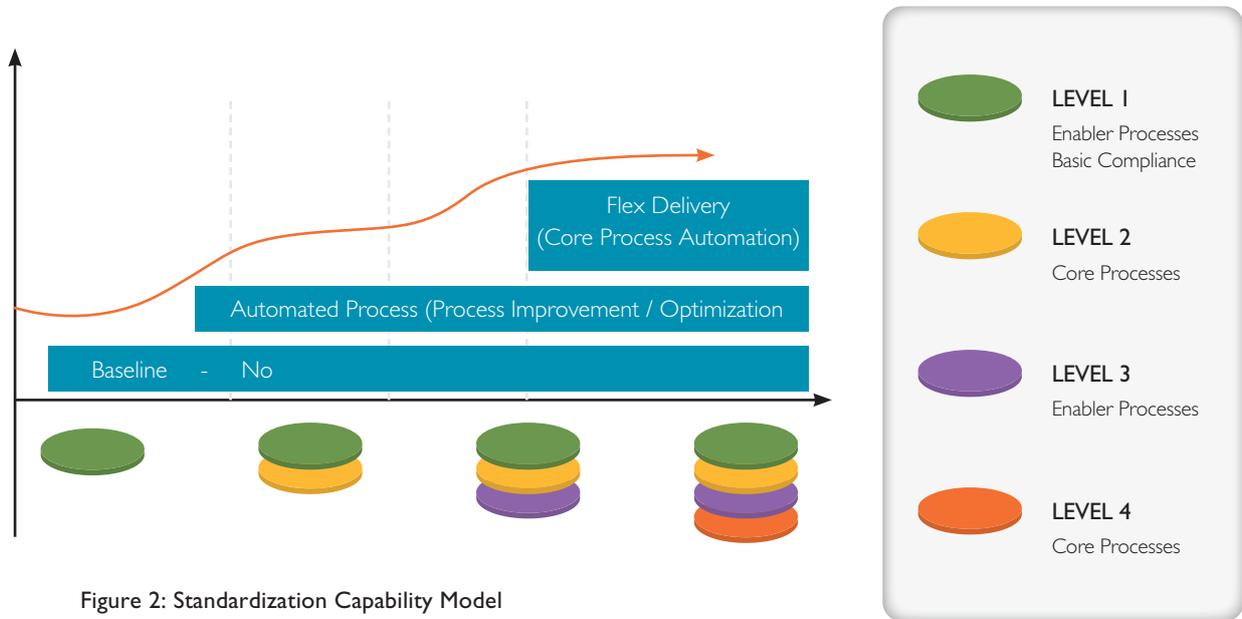

Figure 2: Standardization Capability Model

Level One Standardization

Level One is the basic compliance of enabler processes against a set of standard practices which evolves through multiple engagements across industries, service lines and multiple global delivery centers. It is measured through a process of periodic audits using a standard checklist. The practices are further classified into "one time setup" practices and "ongoing" practices.

Level Two Standardization

Level Two is the basic compliance of core process against a set of standard practices or industry best practices which evolves as the industry represented by the process evolves. This is referred to as "Activity Level Benchmarking". The extent of standardization across businesses is measured by process parameters like percentage common activities or output parameters like throughput. The latter is also referred to as "Metrics Based Standardization".

Level Two standardization is the foundation for consolidation of business spread across markets in different countries and across multiple products. Often business processes of such customers are different for different units even if they are providing same services thereby not giving the advantage of economies of scale. By outsourcing, customers are able to consolidate this under a service provider who then deploys same set of people, processes and platform to provide the benefits due to economies of scale. It also de-risks the customer from resource utilization variation across geographies.

Activity Level Benchmarking

Activity level benchmarking measures the business processes against the industry best practices referred to as "standard". It not only maps the process against the best practices but also against the process objective. It then recommends changes in process design by balancing between process objectives and industry best practices.

This exercise is done in two steps:

- Map the activities to the business and process objective

  Mapping to business and process objective will reveal process inefficiencies – activities which have no effect on the achievement of business and process objectives. This also helps in resource optimization by replacing multiple activities with a single activity.

- Compare the activities performed across units (similar process across multiple markets / products for one customer; similar process across multiple customers and so on).

The best and the most efficient ways of delivering the activities are identified. These are inputs to process re-engineering for customers which helps in developing a sustainable and long term solution for the customer.

Metrics based Standardization

It is important to quantify and measure the extent of standardization across units. To align standardization with business and process objectives, it is measured against process and the business outcome or "metrics". Some of the commonly used metrics to measure standardization are throughput, quality, and turnaround time. It is important to identify the right outcome or metric and its appropriate operational definition. The identified metric is then measured across the units which could be different accounts or different market / products for same process. The variation in the value of metric across the units is a measure of (lack of) standardization. This provides a quantified output to track as improvement steps are approached with an objective of standardizing business processes. Sources of variations (drivers) are identified and these drivers are quantified which helps in identifying the gaps and corresponding counter measures to manage these drivers. The results of this can then be measured by reduction of variation in the value of metric.

As an example (Figure 3) let's consider an outsourced account payable process that is being delivered across multiple clients or across multiple markets to the same client (each representing a unit). The steps involved in standardizing the accounts payable process are:

- Identify the outcome metrics, (for ex. Throughput)
- Measure the throughput across all the units
- Identify the sources of variation or drivers
- Quantify the drivers
- Identify gaps, formulate, and implement counter measures
- Measure the reduction in variation of output measures and institutionalize process changes and improvement

Level Three Standardization

Automation of enabler processes is referred to as Level Three standardization. In a process lab, the reusable components like common measuring, reporting tools, etc. are replicated for the new customer without any considerable customization. This helps in faster scalability and predictability of performance.

Level Four Standardization

Automation of core process leads to development of processing platforms which ensures enhanced controls, higher efficiency, scalability and predictability of performance. This helps in complete consolidation of outsourced business processes of a customer. It also helps in development of outcome based fee business model.
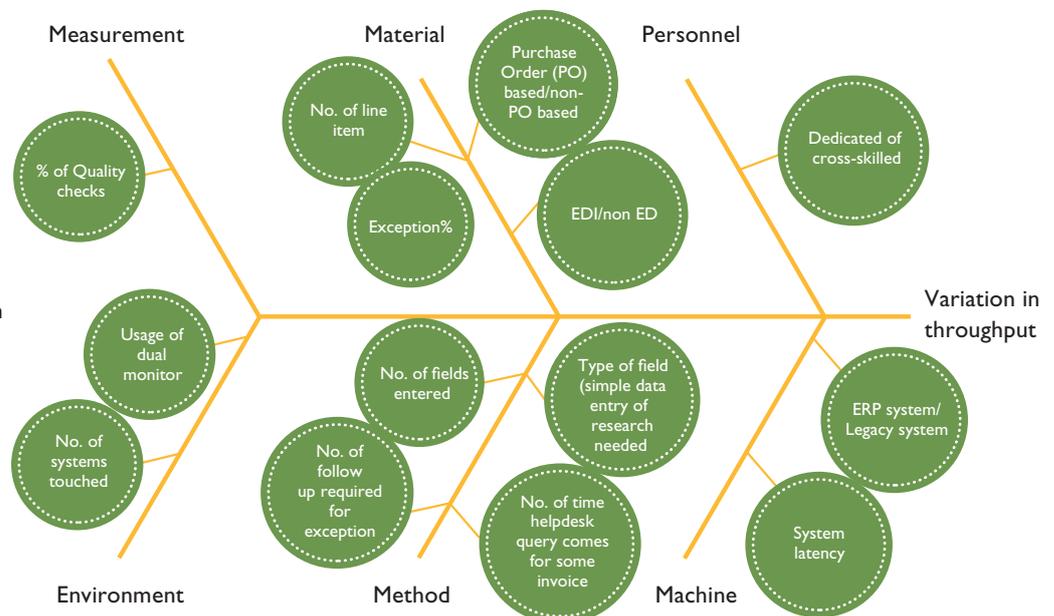

Figure 3:
Metrics based standardization

The Process Lab Framework

The "process lab" initiative leverages technology for process standardization. Process lab plays a vital role in driving a cultural shift in the organization in moving from manual work methods to automated processes through application of tools and technology. Process lab journey starts from institutionalizing business process management system (BPMS) in transition of new processes (Figure 4). It helps in development and deployment of several tools that help in managing the delivery across the entire process life cycle. Process lab diversifies into three work streams:

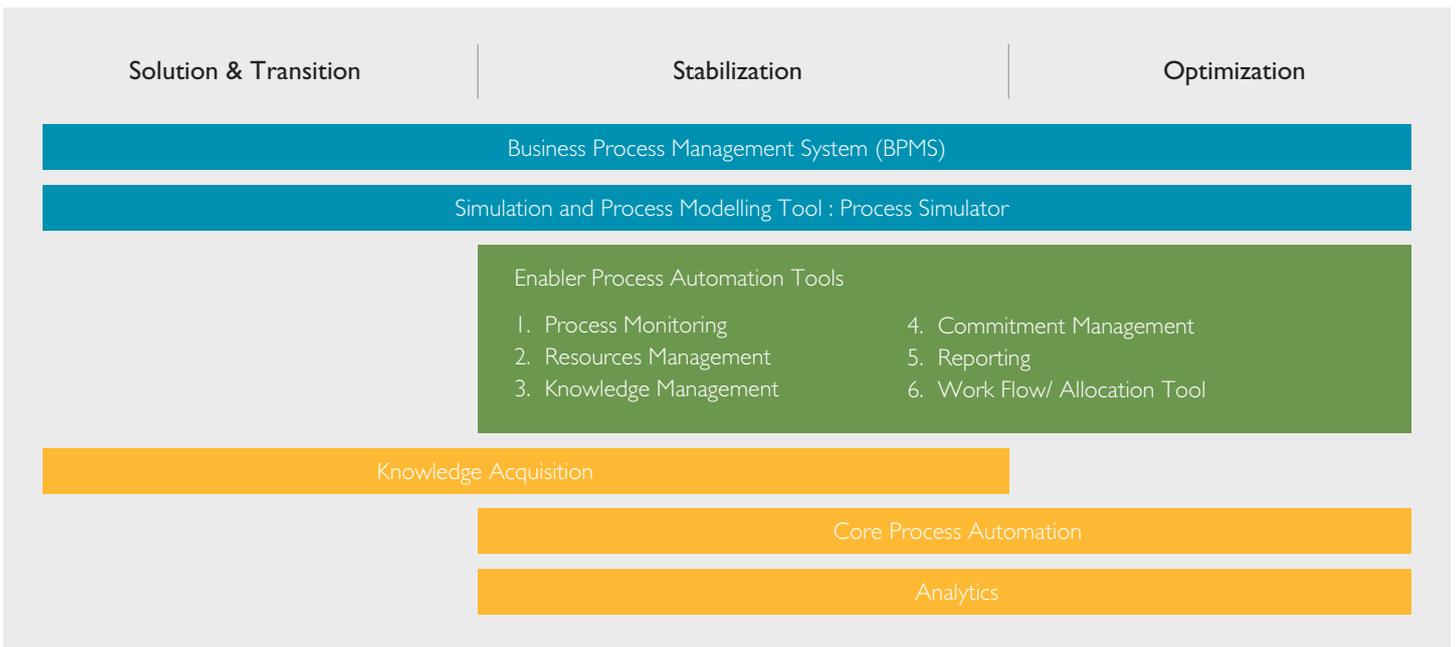| Solution & Transition	Stabilization	Optimization
Business Process Management System (BPMS)		
Simulation and Process Modelling Tool : Process Simulator		
	Enabler Process Automation Tools 1. Process Monitoring 4. Commitment Management 2. Resources Management 5. Reporting 3. Knowledge Management 6. Work Flow/ Allocation Tool	
Knowledge Acquisition		
	Core Process Automation	
	Analytics	

Figure 2: Standardization Capability Model

- Generic tools for enabler processes

- Deployment of re-engineering tools

- Core process automation

Process lab generic tools cover a wide spectrum of standardization of vital enabler processes like measuring, reporting, process monitoring, resource management, knowledge management and commitment management. Large scale deployment of these tools helps in effective process management and governance.

Re-engineering tools like process modeling and simulation, text analytics, data mining and speech analytics is adapted with a view to analyze a process from a standardization view point and generate other business value adds. While process simulation provides a distinctive edge in leveraging technology enabled analytics tool for capacity design and process design, next generation analytics like text, speech and data analytics helps in mapping business objectives with current processes which is a vital element in the journey towards standardization. It helps in mining potential business gains. Re-engineering tools help in standardizing and delivering excellence to customers.

While above mentioned streams focus primarily on automation of enabler processes and analytics, process lab also helps in design and development of tools that help core process automation. These tools help in standardizing the core process, the benefits of which is reflected in improved overall productivity and quality of delivery. Automation projects are run at process level and best practices are replicated across service lines.

Conclusion

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

Rajesh Sehgal is a Process Excellence Leader at Wipro. He has been with Wipro for over nine years and has played a leading role in transforming the role of the quality function from process compliance to value creation. He is a certified Master Black Belt and assessor for Malcolm Baldridge framework. He has represented and received awards and recognition at National and International Platforms (Global Six Sigma Business Improvement Award). His thought leadership papers have been published and shared at forums like Nasscom and ANQ. Rajesh is a mechanical engineer with an MBA in International Business from IIFT New Delhi.
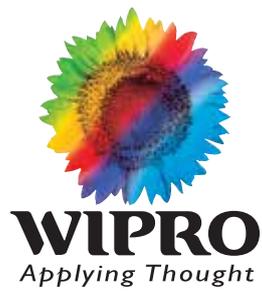
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