



OUTSOURCING FOR SUSTAINABILITY IN A CHANGED FUTURE

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Outsourcing for sustainability in a changed future

Some years go down in history as game changers, and 2020 will not fall short of that. It has been a redefining year for many people and businesses, and its repercussions will be felt for the years to come. A critical sector that has seen significant rapid change is business process outsourcing (BPO). But despite the many challenges, it has uncovered new opportunities for more resilient solutions to emerge.

Traditionally, BPOs have been relied on to simply increase capacity. By offshoring operations, companies have been able to reduce costs by lifting and shifting processes and procedures, while lowering their own liabilities on wages and facilities. But despite the powerful business case for companies to lean on BPO partners, the practice is not without its challenges.

Can BPOs fit into a changed Future?

In 2018, Enlighten explored the outlook of the BPO sector at the time, and noted that across the board, there were some changes that had to be made, with leaders already at a tipping point.

There was an urgent need to revisit thinking around partnerships and proactive strategy, adopting the right-fit technology, exploring new locations and displaying more transparency in the relationship with clients. Now more than ever, this creates a challenge for BPOs in remaining sustainable, as global operations were impacted through lockdowns and organisations had reduced access to outsourced support. BPO leaders will need to understand where the big gaps are in their solutions and how they can pivot as a sector to remain sustainable. To do so, they will need to address seven key challenges.



Andrew Johansen

Andrew Johansen
COO and Co-founder

Seven key challenges for sustainable outsourcing

1. Improved productivity

Most companies lack full understanding of their process capabilities before outsourcing. This leads to a tendency to simply “lift and shift” whole operations and processes as-is, with no improvements to workflow or engagement, resulting in productivity that is typically no better and often worse than the original operation.

The “set and forget” mindset leaders apply to outsourcing is a major reason for this, which results in a lack of continuous improvement. Businesses often feel that once work has been offshored, it does not need to be reviewed, as the expectation is for BPO engagement to reduce costs.

2. Ensuring transparency

BPOs typically have no incentive to be transparent – they will provide metrics as part of the contract, but these will not usually include details like productivity, errors and rework. This results in what we call a “black box” where companies pay BPOs by widget or FTE, painting an inaccurate picture of the BPO’s true capability.

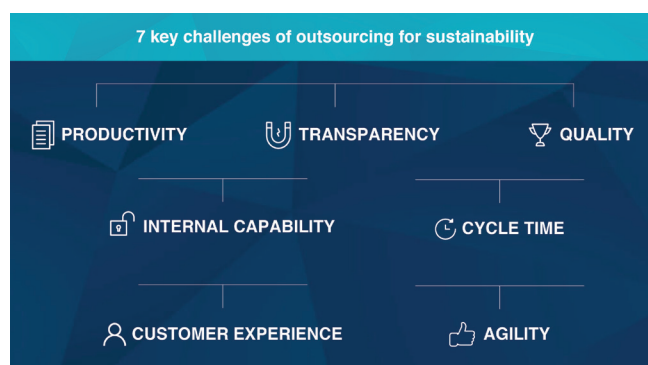
This lack of transparency is a lost opportunity for companies to take control over identifying operational issues, streamlining costs, and improving workflow and productivity.

Instead, they become fully reliant on the BPO to fix these issues on their own, which can increase blind spots and pose certain management risks.

3. Empowering internal capability

When companies outsource a function, they typically also outsource the skills required to perform that function internally. This presents a number of weaknesses in the delivery of the company’s products and services.

In the event the BPO can no longer perform a task, it would be near impossible for the company to take over internally in the short term. This can cripple a company, especially if the process is outsourced to a single BPO partner or location, with no others serving as back-up.



Seven key challenges for sustainable outsourcing



4. Enhancing quality

Companies that engage BPOs face quality issues from all sorts of sources. Poor procedures, poor input quality, varying input information, things that fall outside the process, lack of training, decision boundaries and staff turnover are some examples.

These issues typically force companies to invest additional resources to check the quality of products or services as they go out to the partner, and again when they come back from the partner or before they get passed to the customer. At best, this erodes the business case savings, and at worst, it damages the company's corporate image.



5. Reducing cycle time

Cycle time is typically impacted by the increased number of handoffs created by the BPO process and can be exacerbated by issues of quality control. Designing the BPO process to have the same cycle time is challenging, and in a bid to reduce them, companies tend to add additional resource or flex resource to peaks beyond the business case.



6. Focusing on customer experience

Customer experience can be impacted dramatically by quality, cycle time and natural language barriers, particularly in voice-reliant services.

To control quality, knowledge and skill, companies typically end up restricting the breadth of responses allowed by BPOs, which tends to create an increase in handoffs and a reduction in first-point resolution. These can negatively impact customer experience and cause long-term injury to the company's corporate image.



7. Managing a lack of demand transfer

If a company outsources to a single BPO and maintains limited skills anywhere else, this poses inherent risks. In addition to difficulties in meeting sudden increases in demand, companies run a more serious risk of being unable to pivot their operations quickly enough in the event a disaster should strike.

The severity of this issue depends on how much impact these things have on the company's realisation of benefits over time and their ability to react in times of crisis. If companies have used the typical "set and forget" method of BPO (which entails little to no continuous management and collaboration with the BPO), then transfer of work for demand or disaster becomes extremely difficult.



Driving positive transformation through times of crisis

As we've seen with our own clients here at Enlighten, the crisis has actually presented huge opportunities in changing mindsets around the workforce. The new elastic workforce has allowed leaders to look at increasing capacity onshore rather than offshore, and to shift work based on capabilities, unhindered by facilities or even time zones. Using internal data management programs, our clients have tapped into their performance metrics to manage teams across geographies and shift their operations in a way that has allowed them to increase output, despite fewer resources.

This highlights the possibility that companies do not need to rely on outsourcing to reap the same benefits of reduced costs and increased capacities. An example of this is Northern Trust, who saw their India operations shut down by the COVID-19 crisis. They needed to pivot quickly to manage a rising demand for their services.

Pete Cherecwich, President of Asset Servicing, commented on that pivotal 'AHA' moment for them, saying, *"Every crisis forces people to ask themselves whether they really need a function to be performed within their office, or whether they can have someone else do it for them... If we know who has capacity, we can move that work around to maximize our output. So, if volume in Asia is too high, we can have people in the US log in and pick up the slack."*

However, that that does not mean the future does not involve BPOs. Going back to the Northern Trust example, Cherecwich also elaborates on their own position as an outsourced solutions provider, predicting that, *"In light of current events, we believe outsourcing will increase over the next year. If everything was good and firms had plenty of money, they would do these things themselves. But we've seen a huge uptick in organizations looking to outsource their trading desks to us ... [because] it puts them on a variable-cost model, not a fixed-cost model."*

Three actions for outsourcing success

1. Clearly understanding internal capabilities and process issues before outsourcing is key. This ensures that the eventual BPO process is able to provide the best possible boost to productivity, while minimising additional risk, increases to cycle time, and effect on customer service quality. If companies are successful in moving demand and monitoring operational performance, they can then not only safeguard against disasters but create a better, lower cost experience for their customers.

2. Ensuring full knowledge over BPOs' operational capability is critical, especially when dealing with captive and non-captive offshore operations, and how they are performing against that metric. Leaders also need to understand how their BPOs are improving that operational capability through process improvements, automation, and more.

Incomplete understanding of these issues presents a number of problems, as companies lack essential information to change the terms of their BPO arrangement, if necessary, to improve on existing operational performance.

3. Leaving aside the “set and forget” mindset and looking towards active management of BPOs' processes before anything is “broken” or serious issues arise. The true opportunity lies in understanding the BPO's operational capability and fitting it into the company's long-term strategy.

With the current circumstance, we foresee that a larger number of operations will see the risk with the “set and forget” mentality of outsourcing, and will endeavour to either diversify their offshore operations, bring these roles back onshore, or find a way to codeliver with their BPO partners.





Conclusion

Outsourcing has been popular to reduce costs and can continue to be a good option in enabling this if leveraged correctly. Effectively partnering with BPOs starts internally with first understanding the capability of your current processes and getting your own operations working to the capability. Leaders must then ensure full visibility of the partner's operations to drive continuous improvement and share in any process improvement and automation.

Finally, it's also important to ascertain total coverage over all bases and have the technology to move demand and understand the operational performance for any and all locations.

Keeping these in mind, leaders can look to create operational resilience in a changed future with the support of BPO partners by driving agility and reducing costs whilst ensuring solutions suit the business need.

Meet Enlighten

We are a global operational excellence firm that helps businesses dramatically elevate performance. We empower businesses by delivering impactful results.

Over the years, we have partnered with over 30 major local and international companies to unlock high performance. Our unique approach combines behavioural change consulting, analytics software, and management methodologies.

Few companies do what Enlighten does. We bring consulting and software technology together to drive huge business transformation and cost savings. We connect the dots between high engagement and better work practices.

We deliver long-term, sustainable results with a combination of unique business principles that drive transformative outcomes for your business.

A hand with a ring on the ring finger holds a glowing blue map of Australia. A network of white circles and lines is overlaid on the map, with one circle highlighted in the top left. A semi-transparent grey box with the text 'CONTACT US' is positioned over the top left circle.

CONTACT US

enlighten 

Explore how Enlighten can help you successfully
outsource for a changed future. Get on the front foot today.

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