# IMPROVING QUALITY IN BUSINESS PROCESS OUTSOURCING

## ACHIEVE PROCESS AND SERVICE QUALITY WITH TECHNOLOGY

To improve the quality of their customers' processes, outsourcing providers need to leverage various measures, including proven process-change methodologies, people skills, and technology. While the impact of process optimization and people skills on quality is generally clear to both BPO customers and providers, the impact of technology is often not fully understood and thus tends to be underutilized.

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# EXECUTIVE SUMMARY
## HOW PROVIDERS ARE TAKING BPO TO A NEW LEVEL

Companies engage in business process outsourcing (BPO) for three key reasons: to lower process cost, reduce risk, and increase process quality and flexibility. According to a survey conducted by outsourcing advisors EquaTerra, 87% of BPO customers state "process improvement" to be a core goal of their BPO undertaking.[1] To improve the quality of their customers' processes, outsourcing providers need to leverage various measures, including proven process-change methodologies, people skills, and technology. While the impact of process optimization and people skills on quality is generally clear to both BPO customers and providers, the impact of technology is often not fully understood and thus tends to be underutilized. Notwithstanding this, the best BPO providers do harness technology as a key enabler of superior process and service quality.

### BPO As a Quality Enabler

Much focus has traditionally been put on the cost-savings aspect of BPO.[2] However, in today's fiercely competitive market environment with constantly changing requirements, other key competitive requirements are operational excellence and flexibility, which require high-quality processes. Also, outsourcing a process for pure cost reasons will not in the long run produce the desired

| Quality Dimension | Qualitative Description | Submeasures |
|---|---|---|
| Reliability | Ability to perform the promised service dependably and accurately | On-time delivery<br>Accuracy of results<br>Accessibility<br>Correct historical records<br>Disaster recovery |
| Tangibles | Physical facilities, equipment, and application; appearance of personnel | Advanced technology<br>Global expertise<br>Application's user-friendly interface<br>Ease of data reporting and extracting<br>Application scalability<br>Application interoperability |
| Conformance | The degree to which a service's design and operating characteristics meet established standards | Systematic process design<br>Consistent process delivery and management<br>Efficiency and effectiveness<br>Added value |
| Responsiveness | The timeliness of service | Speed<br>Competence<br>Correction of errors<br>Customer relationship |
| Security | The freedom from danger, risk, or doubt | Confidentiality<br>Physical safety<br>Financial safety |
| Flexibility | The process ability to deal with changes | Rescalability<br>Availability of upgrades<br>Innovation<br>Transition |

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1. EquaTerra/Outsourcing Institute, "Market study on next generation outsourcing," 2008.
2. For more information on cost in BPO, and the impact of technology on it, see "The Impact of Technology on Cost in Business Process Outsourcing" (SAP, 2007), www.sap.com/services/bysubject/bpo/brochures/index.epx.

result if the process delivery lacks in quality. The move toward a new generation of BPO contracts ("BPO 2.0") is proof of this development: BPO customers, providers, and industry observers have started shifting their focus toward achieving better, more sustainable delivery models.

To understand how BPO can contribute to improving process quality, one first needs to define what quality is, specifically in a service environment. Unfortunately, due to the very nature of services, "quality" is harder to define and measure than the quality of physical products. The quality framework shown in the table below illustrates six quality dimensions that can be applied to BPO.[3]

Service quality in BPO needs to ensure that two separate constituencies within the BPO customer are satisfied: the "service provider" and the "service recipient." For example, HR professionals (the "service providers," from the internal customer's perspective) might judge the quality of an outsourced payroll process by accuracy and timeliness. Employees receiving a payroll slip (the "service recipients"), on the other hand, will consider timeliness and accuracy to be a given. They may instead define quality as having personal access to competent and flexible payroll staff in case of questions or errors.

3. H. Li, J. Meissner, "Improving Quality in Business Process Outsourcing Through Technology," working paper, Lancaster University Management School, 2008. Available at www.meiss.com.

# MANAGING BPO QUALITY WITH TECHNOLOGY
## BEYOND PURE EFFICIENCY GAINS



Despite the fact that many BPO engagements center on general and administrative "back office" activities that are not core to the business, process excellence requires more than just optimizing the processing aspect through a technology solution. In particular, the interaction with a customer's internal "service recipients," be they managers or employees, has a crucial impact on the process-quality experience. For example, a solution for scanning and digital processing of physical invoices might nominally improve efficiency of the accounts payable process. But if such solution is not seamlessly integrated with a powerful yet easy-to-operate workflow system, approvers within the BPO customer's organization will experience a poor overall process quality.

In addition, the acquired level of service quality is relative; what was considered state of the art in the 1990s is perceived as archaic now. The pace of innovation means that service quality must be constantly improved. Constant quality improvement is a key requirement in modern BPO deals; delivering this is theoretically the task of the BPO provider. But achieving service quality through innovation depends on the level of integration and the specific functionality of the underlying technology.

## Four Quality Levers

To leverage technology for quality optimization and constant improvement of outsourced processes, a BPO provider should build on four interdependent approaches: standardization, integration, automation, and innovation, as follows.

**Standardization** per se is a two-edged sword: on the one side, it reduces the complexity of the provider's operations and thus helps attain higher reliability, responsiveness, and consistency. On the other hand, customers may perceive the provider's flexibility to implement custom processes as a sign of quality. With the right technology, personalization and standardization of the outsourced activities can be balanced. A good balance can create the capacity to recombine more granular, standardized subprocesses that suit the specifics of each BPO customer, while maintaining a standardization level that enables sustainable long-term advantages for both provider and customer.

Readily available **integration** of systems – and if possible, native integration – makes it easier to integrate processes. Importantly, the role of interfaces goes beyond gluing a series of systems together; rather, interfaces enable consistency of data, related semantics, and more. An integrated system provides the most effective data and information storage, thereby improving the efficiency and reliability of service. For example, in an HR context, an employee fills out time sheets only once and tracks tasks or assignments on just one user interface. The company maintains only one version of the employee's address or bank account, stored in one place. A fully integrated system also ensures a sustainable quality for the BPO buyers, maintained throughout systems deployment, maintenance, and upgrades.

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Furthermore, an integrated solution makes achieving centralized operations possible without the need of centralization in a physical location but through "virtual" centralization.

Technology directly drives process **automation** through workflows, paperless document management, and online interactive applications. Automated workflow not only speeds up processes and thereby decreases costs but also delivers a more secure and more agile service with enhanced process quality. For example, workflow automation in the new-hire process increases the quality perceived by the BPO customer, as well as job candidates, by making the process easier for everyone. Through self-services and a single user interface, hiring managers can control the outsourced screening process, starting with the job requisition, up to accessing candidate information, testing, scheduling appointments,

and hiring. Or, candidates could self-manage their information and applications submitted for various vacancies.

Although **innovation** was not initially a primary driver of outsourcing, many customers now perceive innovation as one of the biggest advantages of outsourcing. Business practices can certainly drive process innovation, but technology facilitates it, as in the case of self-service techniques. Technology enables innovations like intelligent collection, analysis, and mining of information, creating better visibility and competitive advantage. Some recent innovations, such as using corporate blogs as recruitment marketing tools to enable the sharing of information with candidates, have had a big impact on recruitment and recruitment outsourcing. Also, technology can support continuous BPO process innovation if it allows the easy adoption of process changes through personalization and configuration options.

## How SAP Supports the BPO Approach

SAP supports leading BPO providers in setting up services that generate sustainable business benefits – while reducing costs, lowering risks, and improving process quality. By using delivery platforms based on SAP® applications to serve multiple clients, BPO providers can differentiate their services from traditional BPO offerings. These platforms are based on the latest versions of market-leading SAP software and are deployed in a cost-effective and standards-compliant way. Our dedicated services include solution design, delivery, and management support – ensuring up-to-date support and state-of-the-art operation of the BPO services that complement your core business processes.

BPO powered by SAP software can help you achieve excellence by providing the following:
- Applications that support mature, best-practice processes that are global yet country-specific
- Future-proof outsourcing relationships with SAP and leading BPO providers
- Unique support to BPO providers to ensure optimal solution deployment and operations
- Processes adapted to your specific needs but built on a standardized, unified delivery platform

By using delivery platforms based on SAP applications to serve multiple clients, BPO providers can differentiate their services from traditional BPO offerings.

SAP's key requirements for leading BPO providers include the following:

- Ability to implement and operate business processes based on the SAP NetWeaver® technology platform and SAP Business Suite applications
- Certification standards (every two years) ensure high levels of technical expertise for SAP solutions and proven support capabilities
- Strong BPO-specific collaboration between provider and SAP throughout the BPO project life cycle

You can learn more about how SAP supports BPO providers at www.sap.com/services/bpo.

**Find Out More**

The study "Improving Quality in Business Process Outsourcing Through Technology" by Drs. Meissner and Li provides a more in-depth view on the topic of quality in BPO and provides further explanations and examples on the impact of technology. Download the full report at www.meiss.com.

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