

Business Process Outsourcing

Extending the Enterprise

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Agenda

- **Business Process Outsourcing (BPO)**
 - What is it? Traditional versus trends
 - Other outsourcing models
 - The business case
 - Required components
 - Organizational behaviour
- **Program Management**
 - How is it different than Project Management?
 - The role of the Program Manager in BPO
- **Best Practice - Case Study**
- **Wrap-up**
 - Takeaways
 - Further research and case studies

Bio and Relevant Experience

Grant Barkman



- Large corporate and government outsourcing - Canada
- Methodology, project management



- Advanced technology centre – finance, government - UK
- Best practices in transformational outsourcing



- Business process outsourcing
- Financial sector, insurance - US



- Multi-country in-sourcing - Europe and Africa
- Commoditization, standardization, supply chain management



- Program management – best practice
- Business process outsourcing, deregulation – utilities UK



- Enterprise accounts – Program Management / BPO
- Methodology – business outcome engagement processes



Business Process Outsourcing

Traditional

- Historically, Business Process Outsourcing (BPO) has been characterized as the contracting of a specific task or business process
- Cost saving is usually the primary driver
- Some successes have been achieved, e.g. call centers, human resource management, payroll, and accounting functions
- Enterprises and opponents still contend that many BPO agreements do not produce the same level of service, cost the same or more than doing it in house
- BPO firms depend on empowerment so enterprises tend to lose at least some level of control

Business Process Outsourcing

Trends

- Traditional BPO moving towards Business Outcome Outsourcing (or performance-based outsourcing or comprehensive BPO)
- Another trend that is emerging is transformational outsourcing, or the outsourcing of a major change program
- The global BPO Industry is estimated to be worth \$120–150 billion, of this the offshore BPO is estimated to be some \$11 Billion and growing
- More “captive centers” where enterprises are not competing for resources and therefore less likely to lose control over the outcome
- More due diligence in selecting partners is done today with an emphasis on shared risk



Business Process Outsourcing

The Business Case

- The business case for Business Outcome Outsourcing is more comprehensive than traditional BPO:
 - Velocity
 - Knowledge capture
 - Risk sharing
 - Quality of service
 - Cost
- The downsides that need to be considered:
 - Potential loss of control
 - Monopolistic tendencies



Business Process Outsourcing

Required Components

- Outsourcing agreement
 - Preferably performance-based or SR² (Shared Risk / Shared Reward)
- Outsourcing coordinator
- Program plan
- Program charter
- Outsourcing partner single point of contact (SPOC)
- Outsourcing partner single points of accountability (SPOA's)
- Sole source agreement (optional)
- Decision-making frameworks
- Implementation roadmap with ongoing and active portfolio management



Business Process Outsourcing

Co-dependent Organizational Behaviors

- Transparency
 - Costs, budgets, resources, results
- Shared risk
 - Joint risk identification / management
- Shared reward
 - Performance-based bonuses
 - Early delivery of results
- Openness and honesty



Program Management



Key Roles and Responsibilities

Wide variety of roles involved in typical BPO arrangement:

- Enterprise Inc. Steering Committee Members
- Executive Sponsors
- Enterprise Inc. Acceptor
- Enterprise Inc. Project Leader
- Super Users And Key Users
- *Partner Program Manager*
- Partner Account Executive
- Partner Project Leader
- Partner Solutions Architect
- Partner Client Service Engineer (CSE)
- Partner Business Analysts
- Partner Implementation Consultants / Systems Engineers
- Partner Program Coordinator
- Additional Resources as required by domain



Partner Program Manager

Program Manager's primary areas of responsibility include;

1. Participating in the planning of IT projects.
2. Providing management consulting and process re-engineering services
3. Assisting in the development of business outcomes.
4. Coordinating Partner teams assigned to the account.
5. Ensuring alignment of Strategy, Process & Systems to meet client objectives.
6. Assisting in the creation of management dashboards to measure KPI's and track performance against corporate objectives.



Project Status Reporting

Project status reports focus on project deliverables, plans, budgets and exceptions:

- Accomplishments
- Planned but not accomplished
- Accomplished but not planned
- Planned activities
- Risk Summary / Management Actions Required (if applicable)
- Financial summary
- Change management summary (if applicable).

STATUS REPORT		
Customer Name: 1		
Project Name: 2		Project #: 3
Project Phase: 4		Period From Date: 5
Project Leader: 6		Period To Date: 7
Distribution: 8		Overall Status: 9 Green
10	Status	Comments
Scope	Green	
Investment	Green	
Time	Green	
<p>● Green = on budget, satisfied team /client, progress equal to or better than planned; no significant changes or issues.</p> <p>● Yellow = Caution; early alert; forecast overage or other risks that have potential for overage. Corrective action is or may be required.</p> <p>● Red = actual overage or risks that point to a high probability of actual overage. Progress is less than planned; significant changes or issues need to be considered.</p>		
Accomplished (this period): 11		
Planned but not Accomplished (this period): 12		
Work Completed but not Planned (this period): 13		
Objectives (next period): 14		
Risk Summary: 15		

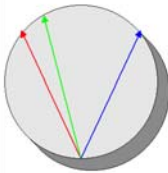
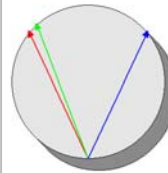
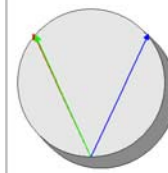
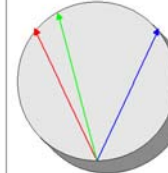
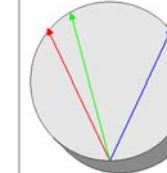
MethodX Status Report
March 2, 2004

Page 1 of 2

Program Status Reporting

Program status reports focus more on progress against KPI and linkages to projects:

- KPI Dashboard (Balanced Scorecard)
- Overall status achievement of program goals
- Summary of projects
- Linkage of project work to program objectives
- Program risks
- Program exceptions
- Budget summary

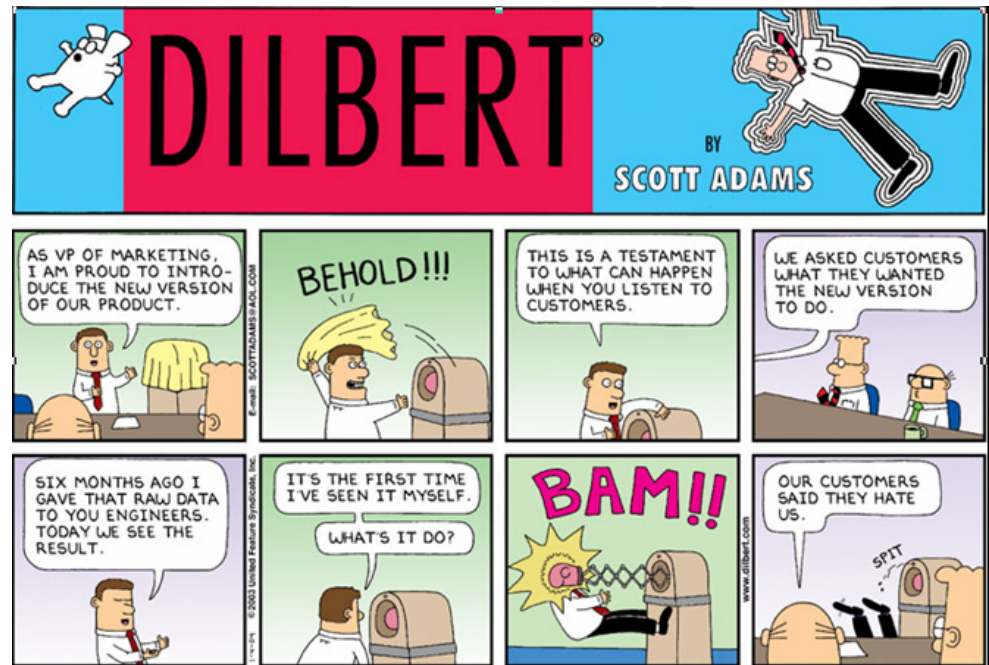
PROGRAM STATUS REPORT				
Program Name:			Period From Date:	
Program Manager:			Period To Date:	
Distribution:			Business Sponsor:	
Initiative – RPM Project	Start Date:	End Date:	Sponsor:	0% Completed
Management Dashboard – Balanced Scorecard				
Finance	Operations	Customer	Employee	Overall
KPI –	KPI –	KPI –	KPI –	KPI –
				
Baseline = Target = Current =	Baseline = Target = Current =	Baseline = Target = Current =	Baseline = Target = Current =	Baseline = Target = Current =
Forecast Investment / Benefits / ROI (Period)		\$ 0	\$ 0	\$0
Project	Scope	Investment	Time	Comment
01.	Green	Green	Green	
<p>● Green = on budget, satisfied team /client, progress equal to or better than planned; no significant changes or issues.</p> <p>● Yellow = Caution; early alert; forecast overage or other risks that have potential for overage. Corrective action is or may be required.</p> <p>● Red = actual overage or risks that point to a high probability of actual overage. Progress is less than planned; significant changes or issues need to be</p>				

Consultative Selling

Program managers do more than provide coordination and management of the program. They also:

- Provide ongoing management consulting
- Provide alternative assessments
- Provide ongoing cost / benefit justifications

In summary, they act as consultative sales agents for BPO partner



Consultative Selling

A methodology that:

- Is based on a constructive dialogue between customer and salesperson
- Delivers fresh perspectives on what the client already knows or assumes to know
- Each interaction creates new value for the customer that is quantifiable
- Looks across the enterprise in order to identify as many of the benefits



Case Study

Overview of Enterprise Inc.

Enterprise:

- Is one of the world's largest gold mining companies;
- Employs more than 9,000 people worldwide;
- Has 18 world class operations and development projects focused throughout the Americas;
- Is a low cost gold producer and does not hedge or sell forward its gold production; and
- Shares are traded on the Toronto and New York stock exchanges.

OPERATIONS

- - Development Projects
- - Operations



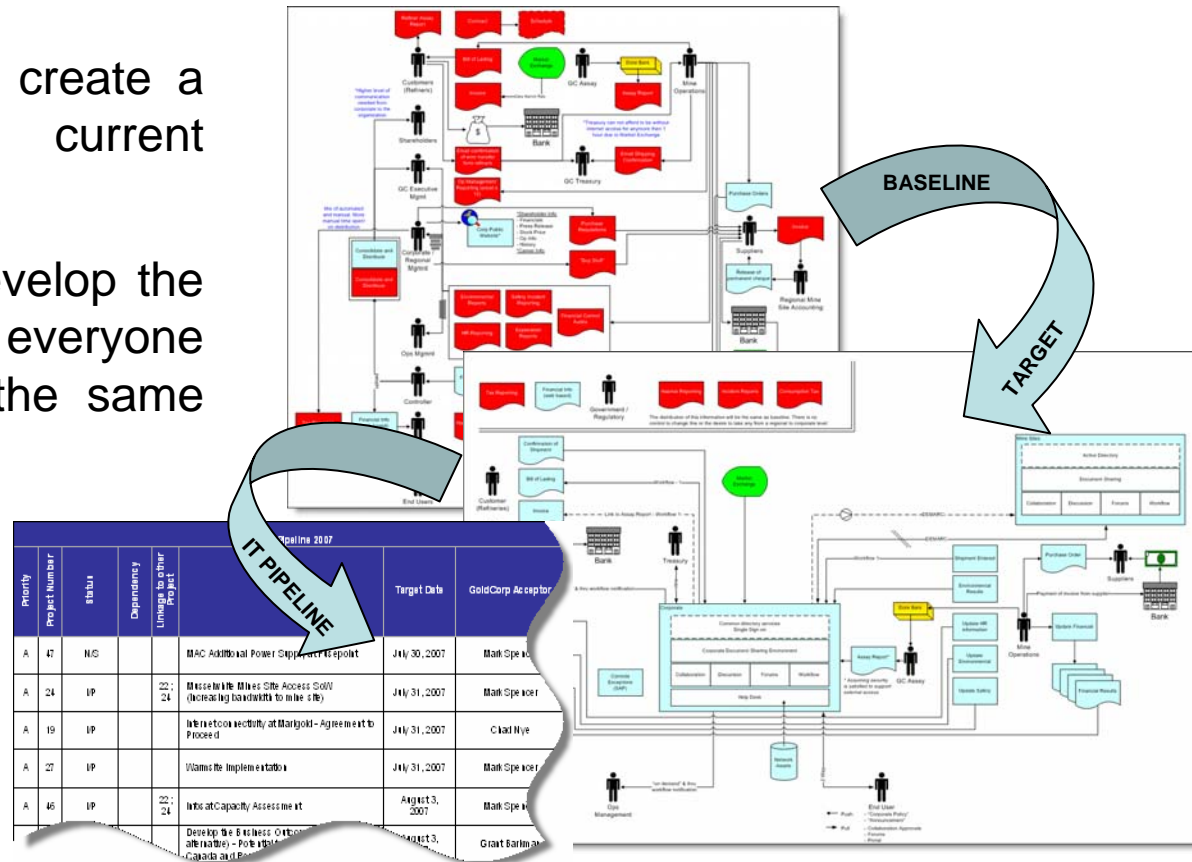
Business Process Outsourcing Model

- Enterprise has limited senior IT management resources
- Enterprise needed to increase velocity of projects completed
- Enterprise is prepared to pay for business outcomes
- Program Management was engaged by the Enterprise to:
 - Extend their IT management team with expertise
 - Manage internal complexities of dealing with partner
 - Provide solutions architecture and systems assurance services
 - Deliver business analysis activities in support of the definition of business outcomes



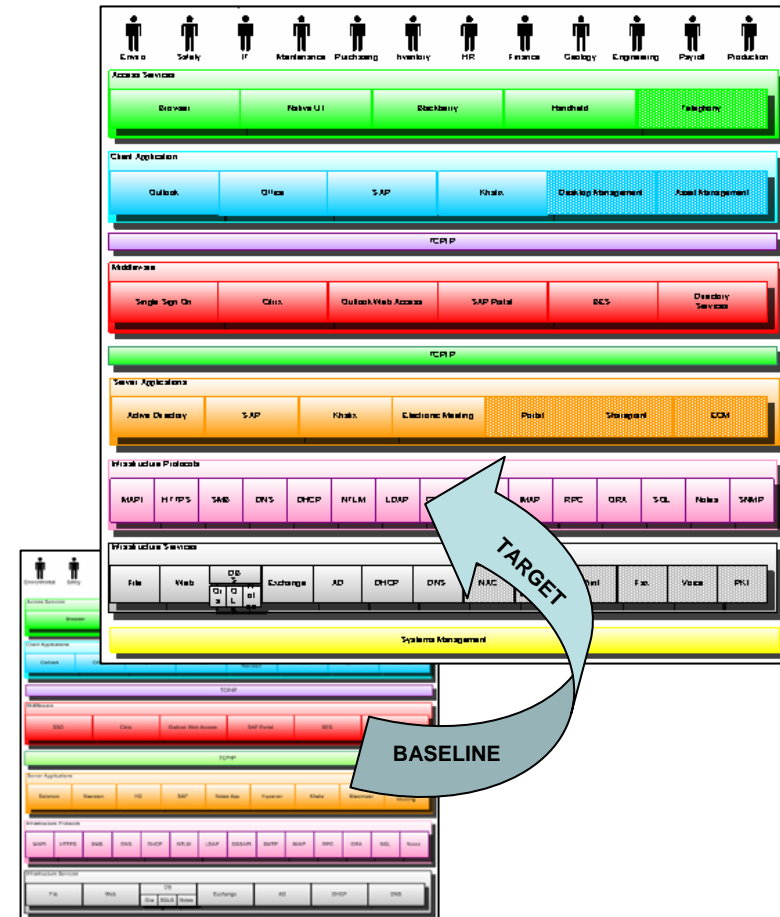
Understanding the Enterprise

- Workshops were done to create a baseline view of their current processes.
- Facilitated workshop to develop the target process to allow everyone involved to work towards the same common goal.
- Ensure that the current IT pipeline is still in “synch” with target.



Alignment of Process to Systems

1. Form a high level budget
2. Connect the architecture
3. Understand gaps
4. Look for risks
5. Group similar components together
6. Visualize interactions
7. Identify lines of demarcation



Decision Making Framework (DMF)

A master DMF governs the highest level priorities and principles.
More DMF's may be defined for specific areas.

1. Apply constraints
2. Evaluation criteria
3. Influencing factors



Type	Principle
Constraints	Focus on the user experience: <ul style="list-style-type: none"> Standardization Simple: use relative to alternatives that perform a similar function Fewer clicks to perform any given function would be chosen over more clicks to perform the same or similar function
	Establish key Performance Indicators (KPI) that will allow ability to potential risk minimization. Establish a well defined scope prior to starting any new initiatives.
	Future nodes on the network will not connect to Support .
	The existing active directory design as documented in the contract agreement with Bell will stay in place. Active directory extensions are open for discussion.
	Minimum security standard based on ISO 17799 Minimum stability standard of 99% reliability.
Influencing Factors	Minimize risk of process failures or error (mitigate foreseeable risks in lead of users mitigating risks). Wherever possible design with management in.
	Give preference to solutions that are available "off the shelf" as opposed to highly customized
Evaluation Criteria	Appropriate control points will link place to minimize risk (measured and compared)
	Security capability
	Commonality of systems applications and user experience
	Systems need to be highly reliable. Preference will be given to solutions that provide permit for superior. High level of reliability as possible with an overall goal of achieving 99.9% reliability
	Systems need to be highly available
	Systems need to be easily maintainable
	Total cost of ownership (TCO) within the top quartile of the industry.

Roadmap / Portfolio Management

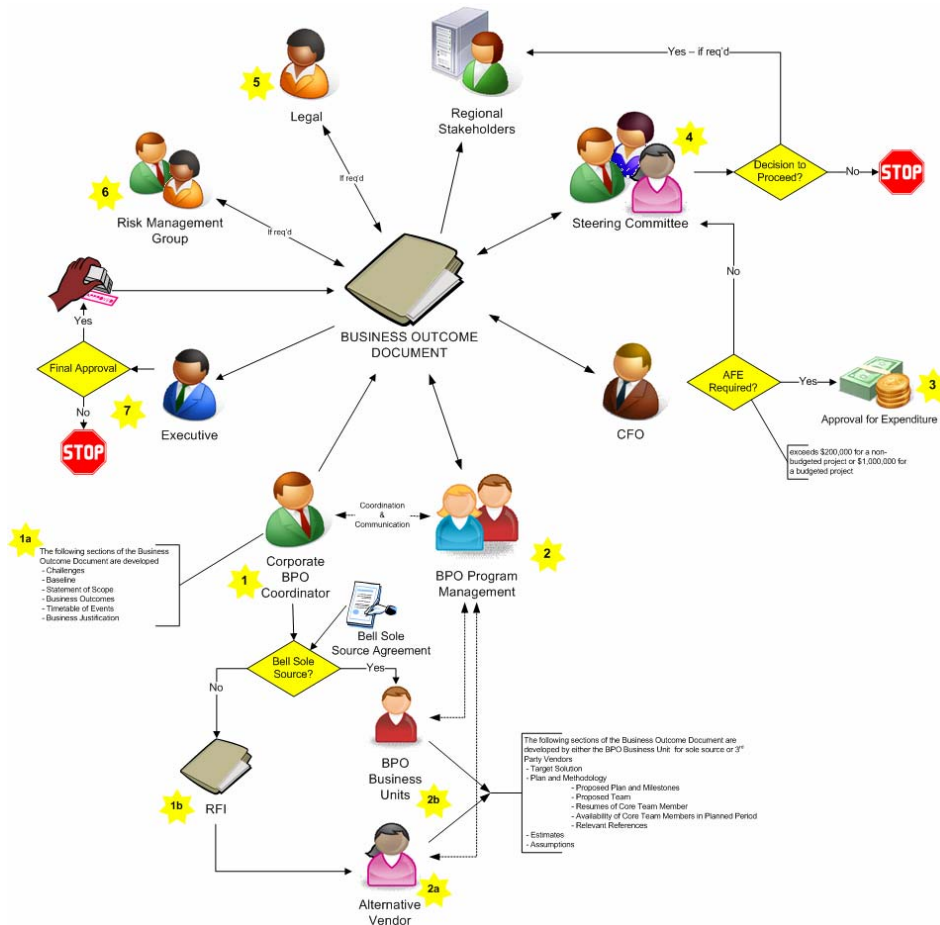
Roadmap - A prioritized list of projects that will continuously be refined.

To determine priorities, the following were considered:

- In-flight projects
- Foundational projects (i.e. enablers)
- Projects that improved user experience, security or stability (highest priority principles)

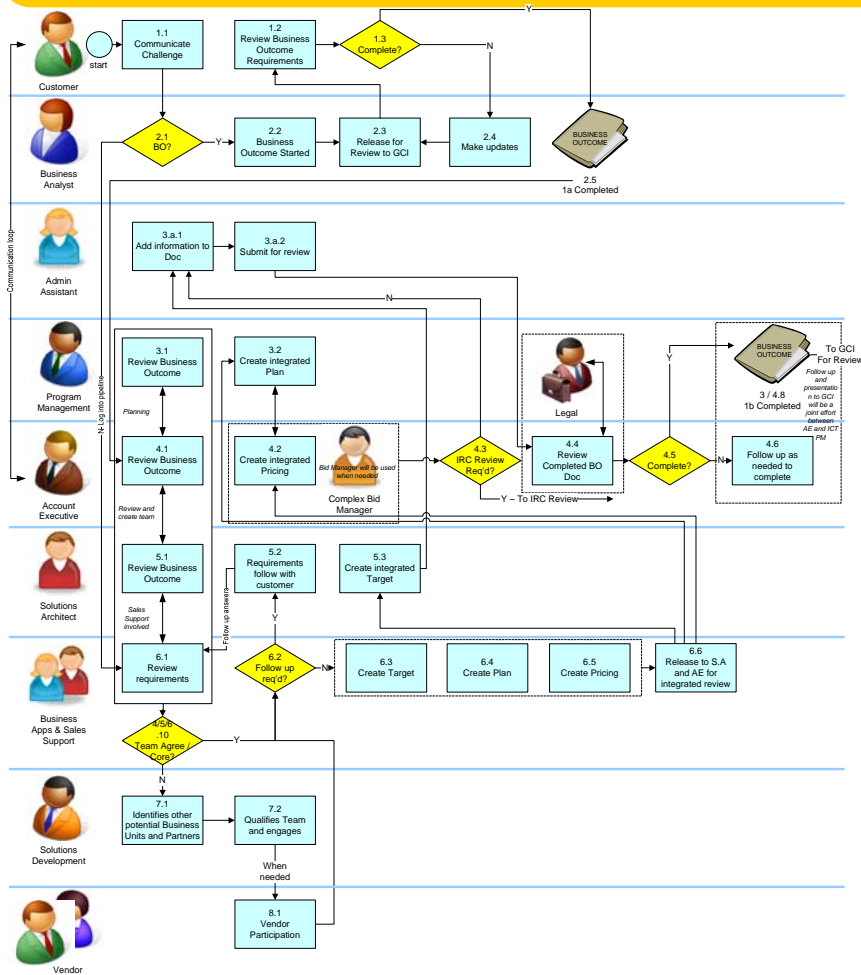
Project Pipeline 2007							
Priority	Project Number	Status	Dependency	Linkage to other Project	Projects	Target Date	GoldCorp Approver
A	47	N/S			MAC Additional Power Supply at Fisepoint	July 30, 2007	Mark Spencer
A	24	IP		22 : 24	Mossburn Mine Site Access SoW (increasing bandwidth to mine site)	July 31, 2007	Mark Spencer
A	19	IP			Internet connectivity at Marigold - Agreement to Proceed	July 31, 2007	Clad Nye
A	27	IP			Wamsite Implementation	July 31, 2007	Mark Spencer
A	46	IP		22 : 24	Intelsat Capacity Assessment	August 3, 2007	Mark Spencer
					Develop the Business Continuity alternative - Port of Spain, Canada and B...	August 3, 2007	Grant Barman

Business Engagement Process



1. Standard process for business engagement
2. Based on pre-negotiated sole source agreement
3. Simplifies ongoing management and administration
4. All activities centered on defining and delivering business outcomes

Business Outcome Analysis



1. Designed to integrate and coordinate multiple business units into a single focused solutions group
2. All activity is transparent to the client, driven by business outcomes but managed by third-party BPO partner
3. Business outcome analysis is a collaborative activity
4. Value-add comes from minimizing effort on the part of the customer to coordinating activity from within the delivery organization

Business Outcome Analysis

A standard Business Outcome Document format was created. The table of contents is proposed to contain the following:

Part A (to be completed by Enterprise or Partner Program Management)

Challenges
Baseline
Statement of Scope
Business Outcomes
Timetable of Events
Business Justification

Part B (to be completed by the vendor)

Target Solution
Plan and Methodology
 Proposed Plan and Milestones
 Proposed Team
 Resumes of Core Team Member
 Availability of Core Team
Members in Planned Period
 Relevant References
Estimates
Assumptions



BPO Impacts

- Rapid increase in IT project activity
- Reduced backlog delivers greater business outcomes (end user value)
- Simplified management
- Simplified and standardized reporting
- Greater access to resource pools

Summary and Wrap-up

- Traditional BPO is largely transactional and based on cost reduction
- Other models are emerging including business outcome and performance-based outsourcing with more comprehensive business cases
- Control and quality service levels remain the greatest challenges to overcome
- Successful BPO agreements require innovative contracting, governance structures and active program / portfolio management
- Successful BPO arrangements are based on co-dependent organizational behaviours such as transparency and SR²

References and Further Research

- Tutorial Reports – BPO Primer - <http://www.tutorial-reports.com/business/outsourcing/bpo/what-constitutes.php>
- BPO Information Portal - <http://bpo.knowledgehills.com/BPO/default.aspx>
- Bell MethodX - Program Management
- ComputerWorld – Business Process Outsourcing - www.computerworld.com/managementtopics/outsourcing/story/0,10801,55557,00.html
- Internet News – Business Process Outsourcing Overhyped? - <http://www.internetnews.com/ent-news/article.php/3071001>
- <http://www.outsourcing.org>



Questions?

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