THE RISE OF THE "SMART CLIENT"

BY DEBORAH KOPS
HEAD OF PROGRAM PLANNING & DEVELOPMENT, SHAREDXPERTISE

While much has been written about the failure of business process outsourcing (BPO) initiatives, most of the blame has been laid at the feet of the service provider community, with little discussion around the role clients must play in the implementation of successful outsourcing arrangements.

In any nascent market, attention is always paid to those who initiate or brand a new idea or service; in the case of BPO, the perpetrator was arguably the provider community. But as the market for BPO services matures, with increased competition and differentiation among providers and more transparent and longer track records, clients have no choice but to take on the dominant role in driving the change represented by implementing new back office process delivery arrangements.

BPO is also becoming increasingly complex. Moving up from point service contracts to multiple process or multi-tower solutions requires a higher level of sophistication and the acquisition of internal capabilities such as governance, performance, and risk management. As a result, the buyer must raise his or her game; he or she must become a "smart client."

WHY ARE SMART SLIENTS CRITICAL?

Outsourcing, unlike the procurement of other goods and services, is not a passive exercise. The traditional purchasing competencies of product or commodity market analysis, point sourcing, and contract administration do not begin to cover the range of capabilities required to develop the strategy, solutions, sourcing, implementation, and governance inherent in the success of BPO. A client ill-equipped to be a good buyer of process services will contribute to the failure of – or at least significant dissatisfaction with – a BPO initiative, despite the best efforts of the provider. Fundamentally, BPO is a wholesaling of the execution of a group or groups of processes to a retained organization who "on sells" or merchandizes those services to his business line customers. If the wholesaler cannot define the retail requirements or manage the provision of his suppliers, he cannot please his customer. If the client cannot establish the right service levels to support the business, design and enforce the right policies and procedures, develop and sell the necessary incentives for change, and monitor, report, and govern efficiently and effectively, his outsourcing engagement becomes a fool's errand.

WHAT SEPARATES THE SMART FROM THE ILL-EQUIPPED?

The smart client understands that a problem outsourced remains a problem, and steps up to the plate to drive the full suite of change necessary to affect sustainable business process transformation. They are fully aware of the responsibility of the corporation in the transformation process, and realistic about the benefits outsourcing can and should deliver. The smart client is adamant about the need for strong, retained, and transformation teams, and knows that a full range of skills are a precondition for success.

Whether intuitively or by design, the smart client team avoids making ten mistakes:

1. Reaching for the moon: Pushing the provider to deliver a plethora of services or technology at levels which have no potential to be reached under any scenario is a recipe for failure. No provider can ameliorate overnight years of poor process performance or lack of investment in people and technology. The smart client understands that most effective provider relationships stage incremental improvement, not immediate revolution.

2. Ignoring the starting line: Starting down the outsourcing path without a good baseline understanding of volumes, velocity of business change, existing service levels, and historic track records against any type of performance indicator is hazardous. Expecting an outsourcer to sign up for improvements without the requisite understanding – or the ability to quickly gauge the current state of play – through due diligence is akin to buying a home without a survey.

3. Believing in fairy dust: Smart clients are able to penetrate the obvious marketing hyperbole that accompanies provider claims. They fully understand the complexity and difficulty of transforming processes, and the art of the possible. Providers' assertions as to their ability to perform business process transformation miracles, or unrealistic claims about the duration of transition or performance, are discounted by smart clients.

4. Avoiding post champagne withdrawal: Many clients think the hard work ends when the contract is signed, but the work involved in the solutioning and shaping of the deal is a weak warm-up for the real contact sport – implementation. Contracts are static but the businesses they affect are not; implementing the intent of a solution given changing business requirements means that the contract must be reinterpreted almost daily. Smart clients know this.

5. Going it solo: Often, the retained organization believes it is, or should be, the sole arbiter of taste when it comes to solutions and service. Smart clients truly understand the wholesale/retail analogy and balance requirements for standardization and speed with managing the effects of change at the business-line level.

6. Abrogating key decisions: Someone has to play the role of the client, a responsibility that many sponsoring organizations neglect. Often, because of their lack of experience and capability, clients forget that designing, implementing, and governing outsourcing is ultimately their responsibility. Decisions of what, how much, where, and when to deploy any level of change are the purview of the client, heavily advised by the provider. Smart clients are in the driver's seat.

7. Not documenting: A key to successful implementation of an outsourcing initiative is the application of robust program management disciplines by the client. Documentation of progress toward deadlines and key performance indicators, affects on upstream and downstream processes, and changes in policies and operating procedures is solely the responsibility of the client team. Without a daily diary of conversations and decisions, the ability to track and justify changes which are morphed into change requests is impossible. Smart clients understand the critical importance of documentation.

8. Communicating change like a drive-by shooting: Any outsourcing, no matter how deeply situated in the corporate back-office, represents change for some party or another. Many clients confuse sporadic communication for change management, delivering messages to affected parties only upon an event such as a country or process roll out. Smart clients know that communicating bad news early and good news often is imperative; successful change is often predicated primarily on having an immediate response mechanism to issues and concerns.

9. Casting strategy/approach in concrete: Given that velocity and change in business conditions is a daily occurrence, contract scope, approach, and service levels are nearly out-of-date on the day the contract is signed. The smart client understands that scope and contract represent a sophisticated statement of intent, with service levels and measures that are structured to survive the test of time, including mergers, acquisitions, changes in executive team, and unanticipated business volumes. Flexibility to continually reinterpret and regroup is a hallmark of a smart client.

10. Positioning the provider as the enemy: The going-in position should be to plan for the best but protect for the worst. Any client team which goes into a relationship with the intent to ignore what drives the provider's business is destined to suffer disappointment. Smart clients understand what motivates provider behavior and know when to be flexible or hold a contractual ground.

WHAT CHARACTERIZES A SMART CLIENT?

The smart client team comes to the transformation initiative well aware of the enormous difficulty of the process, and has the good sense to understand how effective change is made in the corporation. The client's first order of business is to articulate an approach to change which drives transformation forward without ignoring antecedents – how the organization evolves, how it accepts change, and how it likes to receive its communication.

The team knows it is playing in the big leagues, and that making any level of radical, recognizable, and sustainable change in a multi-national corporation brings with it high personal and program risk. As a result, the team is realistic about its chances for success, and assembles the right team regardless of personal loyalties or friendships in order to increase its odds for achieving its goals.

The team does not confuse program leadership with the ability to manage and synthesize a myriad of individual projects. It takes the long view but understands that the path of change is affected by thousands of small decisions. The smart client embraces its role as an orchestrator of events, decisions, and solutions, and is flexible to adapt to changing conditions, always taking the long view.

The smart client understands its role as a steward of both corporate and business line needs, rather than the dictator of a solution. The team does not "go it alone," but rather continually has its hands on the pulse of the organization, ensuring the solution is shaped to respond to needs as well as change behaviors.

Outsourcing is a partnership whether in form or substance. The good client can always understand the provider's point of view, putting provider performance in context. Understanding business conditions affect capability to perform is key to building and governing a successful provider relationship.

Documentation is the mantra of the smart client who knows that fact is a compass in implementing a difficult and nuanced change program. The smart client establishes a typology of key events, services, and projects which are documented and measured, supporting every aspect of the program.

CHARACTERISTICS OF A SMART CLIENT

Can articulate approach	Knows what can change, what can't, and what can be left undecided
Realistic about chances for success	Understands potential for personal and program failure
No fear of flexibility	Continuously adapts to changing conditions, needs, and results
Does not "do it alone"	Builds constituencies at all levels
Understands the provider's point of view	Knows provider leadership capabilities and economics drive success
Documents, documents...	Understands that every e-mail, chat is nuanced
Realizes governance is a daily job	Does not escalate to resolve
Understands change orders are a way of life	Makes decisions in context of the original solution
Keeps the contract on desk	Knows "partnerships" are commercial relationships

FIG. 1

GETTING STARTED AS A SMART CLIENT

Do your homework	Learn from war stories; harness institutional knowledge; establish baseline
Staff the right team	Plan for continuity; assemble right capabilities; avoid loyalty retention
Invest in a robust PMO	Retain knowledge; manage documents; administer governance
Build the base	Focus on WIIFM; implement feedback mechanisms; communicate

FIG. 2

The smart client understands governance is not an event, but a daily occurrence. The team integrates governance with daily transformation management tasks, gaming the effect of transition decision-making on ongoing operations, performance, and relationships.

Smart clients know the contract is simply a map, and there is no definitive "how to" for transforming business processes, just a commercial intent and tools to arrive at points in the journey. The team keeps the contract on the desk, understanding that changes and change requests should be made in context of the contractual obligation. At the same time, the smart client uses the contract as a daily guide; it is not hidden in a drawer for use as a projectile when expectations of the provider are not met. (SEE FIG. 1)

GETTING STARTED AS A SMART CLIENT (SEE FIG. 2)

Becoming a smart client means abiding by a few simple rules. Those who are prepared have a much better chance of sustaining benefits from BPO.

One of the greatest challenges in getting started is reconciling the desire for haste in implementation with the need to prepare thoughtfully and carefully. Client teams tend to over- or under-engineer the teams, processes, and ways of working. They tend to see the contracting phase as the end, not the beginning, of the process.

The four pillars of succeeding as a client are not complicated or different from any other initiative:

1. Learn from history: Corporate reaction to change evolves slowly. Prepare by devising a campaign based on previous history, harnessing institutional knowledge. Understand the current state by establishing clear baselines, and determine what is accepted as successful change.

2. Staff the right team: Put biases aside, develop a comprehensive set of roles and responsibilities, and get the right mix of skills on board.

3. Manage by fact: Do not stint on investing in a program office and technology from the outset of transformation. Implementing management tools from day one promotes transparency which will help manage a number of constituencies – business lines, program sponsorship, and the provider. A well-equipped program office provides decision support, manages performance, is the nucleus for governance, and will support any dispute which might arise.

4. Build your base: BPO is merely a tool to improve service delivery. Its implementation responds to business needs and cannot be implemented in isolation from the rest of the organization. The provider does not make change happen; the implementation results in change. The smart client begins the process by programming as much time with his internal "customers" as with his provider. The smart client asks, listens, and delivers. ❖

SHAREDXPERTISE® Helping Organizations Transform

Deborah Kops is Head of Program Planning and Development for SharedXpertise (formerly the SBPOA). Prior to SharedXpertise, Deborah was responsible for developing and implementing strategies and tactics for outsourcing non-core business processes for Deutsche Bank. She also served as Managing Director, FleetBoston Financial's Fleet Services Group, for a range of corporate services. Before that, she was a founding partner of PricewaterhouseCoopers' BPO group.