

KINETICTM
YOUR BEST OPTIONS IN MOTION



**Evaluating Business Process Outsource (BPO)
Providers**

What Are You Trying To Achieve With the Evaluation?

The fundamental question that needs to be answered in any evaluation is: "what in fact are you trying to achieve?" It may sound like an obvious question but in many cases this becomes the root cause of many problems in supplier evaluations. There are normally multiple stakeholders with different requirements during the evaluation process. For example, the business stakeholder would normally be focused around the results a provider will deliver but the procurement manager will be focused around getting the lowest price and the technology stakeholder may be focused around the easiest integration with systems. Often these different focus areas can create tension during the evaluation as they may not always lead to the same evaluation outcome of a provider.

It is critical that the evaluation criteria is determined using clearly defined parameters. These parameters need to encompass traditional scientific elements such as mathematical weightings and non-traditional elements such as relational and experiential scoring. Weightings need to be applied to various areas of the evaluation to ensure there is clear agreement as to what outcomes are *most* desired.



What we have found is that over the years the evaluation criteria of providers has begun to incorporate more non-traditional elements such as the nature of the relationship with the providers as more sophisticated companies become aware of the importance of the relationship element between the provider and their company.

This summary provides an outline of some of the less obvious elements considered in a BPO supplier evaluation that often play a major role in the ultimate value extracted from the engagement with the provider.

What Mistakes Do Clients Make When Evaluating Potential BPO Providers?

Over the years we have seen some very interesting decision making around BPO provider selection. Some of these relationships have not worked out well for both the company and provider. There are often common elements to making a poor evaluation. The top three key ones we have seen over the years are as follows:

1. Focusing on the big brands in BPOs and ignoring the actual people delivering the service.
2. Selection focused on the lowest price provided
3. Selection of a provider by a procurement department as opposed to business stakeholders

Out of the top three we would have to say that making a decision around the brand name itself rather than the people often leads to poor selection. It is understandable that companies want to minimize risk by working with larger established brands but this does not necessarily make them the right choice for the needs of the business.

Outsourcing relationships that survive the test of time do so because of the people leading the BPO are a good match to the client. The key is look at the

key people in the organisation and understand their individual track records in delivering similar services. During the evaluation stage companies should really go beyond the tick box approach for comparing providers and examine the critical aspects which cannot be quantified using a tick box method. Companies need to look beyond the big brand, facilities and technology. They need to examine the character of the top people, their integrity, and track record in the marketplace. Having a close look at the individuals behind the company is the key to making the right selection.

Our research over the years has identified that successful outsourcing relationships are primarily the result of trust, integrity, capability and good leadership in the relationship enabling both parties to work together in a partnership with mutual respect.

What Kind of Competencies and Capabilities Should a Customer Look for in a BPO Provider?

This really depends on the type of service you want delivered and what business outcomes you want to achieve over a period of time. Once you have identified this then you can begin ranking the various competencies and capabilities.

The advancement in technology over the years has meant that capability amongst providers is no longer a point of differentiation. Nowadays if a provider does not have a capability and they need to get it they can often acquire it within a few short weeks. We think it is fairly safe to assume that capability is close to a level playing field these days.

Competency is the critical area to examine when evaluating a BPO. Companies need to have a close look not only at the company's track record but at the actual people delivering the proposed service. The right types of questions need to be asked that go beyond the matrix tick-box evaluation method. As mentioned earlier a close examination of the individuals leading the BPO is critical. This is very important for companies outsourcing to countries that have different cultures than their own.

A provider may have all the correct boxes ticked but later you may discover their leadership team doesn't effectively manage local people because they have not adjusted their operating model to cater for cultural demands and sensitivities.

What Should Customers Ask BPO Providers to Supply So They Can Make a Sound Assessment of the Providers Capabilities? What are the Due Diligence Procedures that Clients Need to Undertake?

It is important to ask for only the important things that you can properly assess. It is nonsensical to ask for a 200-page proposal that

covers everything you can possibly think off. These types of proposal requests still exist and it only reflects poorly on the company requesting it since it highlights the company does not in fact know what is important.

The key is to request what is in fact important for the company. This will vary with every organisation but we always like to focus on the areas that will help communicate to a client what the provider is doing on a regular basis so MIS reporting is a critical area to evaluate since this will be one of the key documents to justify the invoices issued to the client on a regular basis.

A client's due diligence procedures will vary with the size of the service to be outsourced. Our recommendation is that you make it appropriate for what is being outsourced and the value of the contract. Also, as mentioned earlier the due diligence needs to go beyond the quantifiable and ensure the people leading it are properly evaluated. During the due diligence companies should speak to low level staff to understand how

they are treated and how they feel working for the company. This should be done using random selection to avoid orchestrated responses. A proper evaluation of the employee engagement levels will help identify whether the BPO provide is capable of delivering the service levels promised in the proposal.

EVALUATION

- Outstanding**
- Very Good**
- Satisfactory**
- Unsatisfactory**



How Important is it to Evaluate a BPO Providers Staffing and HR Management and Whether They Have High Turnover or Not? What is an Acceptable Level of Staff Turnover?

Staff turnover rates in BPOs vary depending on the type of service delivered. It is normal to expect a higher turnover rate in an outbound sales environment but you would not expect the same turnover rate in an IT help desk environment. The rule of thumb is that you should expect a lower turnover rate the more specialised and less repetitive the work is.

Retention of skill set is very important but at the same time a healthy level of staff turnover should be expected. Why are we proposing this? Because a good BPO provider is able to find the right balance between staff engagement, pay levels and performance expectations. For example, a provider with a low staff turnover rate may in fact signal a poor performing provider. The reason for the lower than average turnover could be they do not focus enough on performance management or they overpay their staff compared to the industry. Either way this could be detrimental to the client.

Staff turnover rates vary on service type. Acceptable levels of turnover for inbound customer care should be below 5% a month. It should preferably be closer to the 3% mark to ensure the right balance for a client. Other BPO services will have their own benchmark levels.

What Level of Change Management and Transition Support Should the BPO Provider Offer to the Client?

The level of change management offered by a provider should extend to the service that is being taken over by the provider. The limits of change management support may extend beyond the actual service but you need to put boundaries around how much support will be provided.

We think it is imperative from the outset that the provider guides the customer as to the likely impact this will have internally and help prepare the client for issues they may need to address. A good provider will have the expertise to guide and support the client through any changes they need to manage.

A provider should offer extended change management services on a consulting basis to the client to enable them to address larger change management issues identified from the outset.



What Value-Added Services Should Clients be looking for?

This is the area that we believe is fast becoming a key differentiator for many BPOs. Currently there are many BPOs that look the same by many accounts. Value-added services can become more important to a client than the actual delivery of a service. For example, a BPO provider giving a client high quality insights into their customers as a value-add can be more valuable than the service delivered.

Companies, like Kinetic, have identified this as an important point of differentiation and have focused heavily on delivering services that elevate the customer experience for their clients. This targeted focus on customer experience is designed to provide clients with a higher level of value-add that most providers would not be able to deliver on.

Clients should be looking for value-added services that do exactly what they say: add *value*. Providers that can prove to clients they have know-how that can help differentiate a client in the marketplace should be highly considered since this type of value-add has the potential to increase overall profitability and market share. Specialist providers usually have the highest level of value-add to offer a client.

Where to Next?

Kinetic BPO is committed to accelerating customer experiences for organisations. We provide a range of services from full outsourcing of front or back office through to consultancy and training.

Feel free to contact us to learn how we can assist your company.

If you would like to know more about how we can help you improve your customer experiences, contact us at:

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