

# CASE STUDIES

The NOA brings readers a series of case studies, based on last year's NOA Awards entrants, further demonstrating best practice in the outsourcing sector.

With a stormy economic climate providing the backdrop for the outsourcing industry the past year, ensuring the best possible level of service is being provided at the lowest possible cost – has proved more important than ever.

Maintaining this delicate balance has proved fundamental and it is imperative that outsourcing suppliers are aware that providing excellence in service delivery and holding strong relationships with end-users is what can make the difference between sink or swim.

One way of ensuring these high standards are consistently being aimed for – and indeed met – is by learning from the NOA's annual Awards, which in 2009 saw a higher standard of entrants than ever before. These awards are a reflection of best practice within the outsourcing industry, and demonstrate the importance of getting the balance between cost and standards met.

This year saw a plethora of fantastic submissions, all of which demonstrated excellence in the industry. Every entrant into the NOA Awards is demonstrating best practice and offering the whole industry a helping hand, by openly sharing its tried and tested techniques for success with the wider outsourcing sector.

The following case studies, taken from the winners and other highly scoring entry submissions into the NOA Awards 2009, show innovation, originality and best practice. They highlight major successes of the industry, and clearly show the impact that individuals, teams and companies have had on the wider outsourcing arena. They prove how to make outsourcing work, and provide best practice examples for the wider industry to follow – congratulations must go to one and all. We are proud to share these examples with you to further bolster the reputation of the outsourcing industry.

**NOA AWARD:  
FINANCIAL SERVICES OUTSOURCING PROJECT  
OF THE YEAR  
WINNER:  
CAPITA**

## **Capita came on board to improve efficiency at Prudential UK Life & Pensions – with first-class results**

In 2007, Prudential UK undertook a cost review to understand how they could increase the productivity and improve the efficiency of their life and pensions operation. The review encompassed the work of around 3,000 people and the key concern for the financial services provider was to ensure they did the right thing, not only for Prudential UK, but also for their customers and shareholders.

During this review, Prudential recognised Capita's strengths and decided to partner with them. The contract was signed in November 2007 and was, at the time, the largest ever BPO contract in the UK.

The key objectives of the partnership were to:

- Administer seven million Life & Pensions policies, ensuring the successful transfer of 3,000 people – developing good relationships was critical to keeping the ethos of working in partnership alive
- Improve service delivery and quality – business improvement targets were set, service levels agreed and a focus on quality established
- Deliver efficiencies by transforming operations to a new operating model – investment in both new technology, with the introduction of Natural Language Routing Enhancement (NLRE), and people, through a purpose – built Management Development Programme (MDP)
- Support Prudential in meeting their business objectives – working together to develop new products and bring them to market faster than Prudential could themselves.

### **HOW THEY DID IT**

The partnership was implemented between April 2008 and June 2009. The successful transition of employees and a focus on service excellence ensured the partnership's first year exceeded expectations. Capita developed a work order process so everyone understood their roles and

responsibilities, and joint Capita-Prudential groups were created to collectively monitor key areas such as complaints, risks and project governance.

Capita launched the transformation programme in May 2008, one month after service commencement, and the partnership is part of a five-year programme. However, they are confident they will achieve the following aims:

- Provide motivated people who share ideas and take responsibility
- Reduce risk for both Capita and Prudential in a way that is consistent with regulatory obligations
- Create a more profitable business by increasing efficiency
- Support Prudential in revenue generation through the provision of IT platforms to deliver new products.

### **MEASURING SUCCESS**

The key results so far:

- Met critical operational service levels and exceeded expectations on all measures
- Ensured quality as well as customer focus remained at the centre of the process, reporting quality scores of 99.7 per cent
- Invested in innovative new technology designed to improve the customer experience in contact centres
- Delivered 32 major change projects for Prudential, hitting 94 per cent of milestones.

Results from independent surveyor Sweeney Pinedo showed that in the best of class category, Prudential had moved from fifth out of eight in 2008 to second place overall in 2009. They also received qualitative feedback from Prudential account managers, demonstrating the power of the strategic partnership, which means service is no longer a barrier to sales.

Capita also concentrated on dealing with an increased number of customer complaints and how best to service customer needs in the credit crunch. The outsourcer drew from best practice across its Life & Pensions division and

**NOA AWARD:  
PUBLIC SECTOR OUTSOURCING  
PROJECT OF THE YEAR  
WINNER:  
CAPGEMINI**

from working with Prudential to ensure that everything was being done to deliver a consistent service, while at the same time reducing volumes.

## **I FOCUS ON PEOPLE AND TECHNOLOGY**

Capita's determined aim to ensure managers were suitably equipped to lead teams in an outsourcing environment is wrapped around its in-house Management Development programme. This programme comprises a comprehensive suite of fast-paced and participative workshops dealing with commercial awareness and impact, effective leadership, and driving performance through engagement and motivation, all with the end-goals of improving both customer experience and company performance. All managers who take part in the programme assess themselves on competence before and after the programme, and the results are overwhelmingly positive:

- Commercial awareness increased from 51 per cent to 76 per cent
- Awareness of leadership styles rose from 58 per cent to 78 per cent
- Confidence in motivating and engaging teams increased from 58 per cent to 83 per cent
- Confidence in having a difficult conversation with a poor performer moved up from 67 per cent to 86 per cent.

There has also been a significant investment in technology, including the introduction of innovative National Language Routing Enhancement (NLRE) technology into contact centres. Future enhancements will introduce the capability to carry out data protection checks.

"Although we make the best use of technology to deliver business benefits to our client, none of this would be possible without empowering our people to do whatever it takes to deliver excellent service," sums up Carol Hamilton, community relations manager at Capita. "Investing in our people and helping them to improve their skills and knowledge is what brings us rewards."

## **Capgemini's project for the Ministry of Defence showed innovation and insight into public sector needs**

As part of its Defence Travel Modernisation Programme, the Ministry of Defence wanted to enable British forces and civil servants worldwide to book business travel online. To achieve this, the MOD commenced the Defence Travel Online (DTO) project in collaboration with Capgemini.

The project's primary goal was to enable users to spend minimum time making and confirming their travel and accommodation arrangements, while achieving maximum value for money. The system would be for use worldwide by some 300,000 Royal Navy, Army and Royal Air Force personnel of all ranks, and MOD civil servants, both individuals and groups, who needed to book business travel – air, rail, overseas road or hotels. The service would also need to be available worldwide via the Internet yet at the same time, for obvious reasons, achieve very high levels of security. Objectives of the project were to:

- make travel booking quicker and easier for users
- help users save travelling time and money by comparing options online
- cut administrative costs by phasing out existing paper-based systems
- introduce a single system to replace diverse processes used by different military units
- provide the data required to negotiate better rates with travel suppliers
- provide greater control over travel management and the MOD travel budget.

## **I MEASURING SUCCESS**

The main phase of the DTO project started in January 2008 with completion by Capgemini in July 2008 – on time and within budget. Cost control was important to the MOD, which pays for DTO on a 'Software-as-a-Service' per transaction basis, so it can continuously monitor the running costs of the DTO service against budget.

The success of the project was measured by:

- cost savings achieved against plan, as measured by formal internal audit
- transaction volumes against plan (and month-on-month trends in volumes) using statistics automatically tracked by the DTO system
- availability and response times of the DTO system.

The results achieved exceeded expectations throughout the first 12 months, with measurements of success including:

- the MOD achieved a 20 per cent saving against its annual travel expenditure of £300m in the first year of DTO, amounting to a very high return
- transaction volumes, currently totalling 20,000 per month, are running ahead of forecast as is the month-on-month increase in those volumes. The MOD is therefore confident of meeting its longer-term forecast savings over a ten-year period
- availability and response times have been consistently ahead of the very demanding levels set by the MOD.

Additionally, cost savings achieved were generated in three main ways:

- DTO enables the individual user to quickly review different travel options and choose the best deal, for example, by comparing budget airlines with scheduled carriers
- DTO generates the management information the MOD needs to negotiate better contracts. For example DTO has already cut the average cost to the MOD of a rail ticket by £20
- DTO significantly cuts paperwork and reduces administrative costs, and cuts time spent by forces personnel in form-filling.

## ■ A LITTLE HELP FROM TECHNOLOGY

The DTO project is a clear example of the successful use of technology as a vital enabler in saving time and money. Its success is equally clear to independent external reviewers. The DTO modernisation programme was the first MOD programme to be subject to a Gateway 5 Review from the Office of Government Commerce – the independent office of HM Treasury which helps the government deliver best value for its spending.

The technology for DTO was designed by Capgemini in collaboration with the MOD. This involved a unique integration of several leading-edge software components from specialist vendors acting as subcontractors to Capgemini. These include business intelligence and management information software from Cognos, an IBM company, an online travel booking solution from KDS and an Internet portal from Carlson Wagonlit Travel.

## ■ LOOKING AHEAD

DTO is an integral element of the Defence Travel Management Programme, designed to save money, make business travel booking simpler and quicker for UK armed forces and MOD staff worldwide, and to give the MOD full control of its travel budget.

After 12 months of full-scale post-pilot operation, it has achieved all these aims. DTO has already assisted in delivering a 20 per cent saving in its first year of operation against the MOD's annual travel expenditure of £300 million, and savings are running ahead of forecast. It also permits the redirection of MOD budget to vital frontline activities.

DTO is now being closely examined by other major UK government departments with a view to its adoption on a shared service basis as the main system for booking business travel. The potential cost savings this model can offer to UK companies are immense.

**NOA AWARD:  
TELECOMMUNICATIONS, UTILITIES AND  
HIGH-TECH PROJECT OF THE YEAR  
WINNER:  
FIRSTSOURCE**

## **Firstsource aligned itself to Vodafone's vision and has risen to meet new challenges throughout their outsourcing partnership**

Firstsource started working for Vodafone in July 2006, providing inbound customer service in Belfast, UK, and email response in Mumbai, India, for consumer contract customers of the telecommunications company.

The contract was initially for one year but has been renewed until March 2010. Firstsource has already been established as a catalyst partner for Vodafone, to drive strategic process improvements. The service has also expanded as Firstsource has demonstrated its understanding of Vodafone's business and ability to connect with, and add value to, the company.

### **I BEST PRACTICE IN CUSTOMER SERVICE**

In October 2007, Vodafone was experiencing exceptional call volumes in its Business Customer Service (BCS), which supports SMEs. The company had never outsourced this type of customer service work before. Firstsource responded rapidly, providing 30 high-performing agents to ease call volumes – initially over a three month period. Today, the service for BCS has more than doubled – nearly 100 Firstsource agents now provide support for business customers.

All Firstsource agents are dedicated to specific clients and usually for specific processes for that client, too. However, Firstsource has increased its flexibility by cross-skilling certain agents with particularly strong skills. For example, business customer service advisors will generally have already been trained in the consumer business unit and therefore are equipped to handle consumer calls. At peak times for calls, agents may be transferred back to the consumer department.

Collection of customer debt is a major challenge for Vodafone, as with all mobile operators, and in the current economic situation, late payment is rising amongst contract customers. When customers call in to Firstsource's Belfast centre in response to letters about non-payment, instead

of transferring the call to Vodafone's dedicated collections centre, Firstsource has trained a number of its agents specifically to handle collections calls, resulting in fewer transferred calls to the centre and faster collections times – and an added £120k per annum to Vodafone's revenues.

Firstsource and Vodafone have monthly and quarterly business reviews where senior managers from both companies evaluate previous work, identify areas for improvement or recommendations for rollout to other areas of Vodafone's business, and make plans for future activities. As the relationship has evolved, monthly reviews are less focused on SLA adherence, as this is seen as a hygiene factor, and more on added value, such as insights into customer behaviours, for example, how they interact with Vodafone online.

### **I INNOVATION IN A TOUGH ENVIRONMENT**

Reducing average handling time (AHT) is always a challenge for call centres. The balance must be achieved between giving the customer as much attention as possible, while at the same time controlling cost through minimising call times. Firstsource has worked consistently to reduce AHT at Vodafone. This was done by mapping the call lifecycle to understand the components of handling time and to identify refinements. Upon implementation, these adjustments reduced AHT by more than two minutes.

In another attempt to reduce call volumes, Firstsource recently carried out a caller survey to ascertain awareness of services via the Vodafone website, such as billing. Over two thirds (67 per cent) of those surveyed had not used the online services, so Firstsource sent them a reminder email or SMS and followed up with a phone call within two weeks. It is too early to establish this innovation's impact on call traffic – however, the exercise has produced additional, valuable data, because Firstsource used the opportunity to ask customers how Vodafone might improve its online service.

In an innovative attempt to reduce complaints, Firstsource established a dedicated resolutions team to answer more complex calls in early 2008. The team developed such exceptional negotiation skills that

**NOA AWARD:  
OFFSHORING OPERATION OF THE YEAR  
WINNER:  
EXIGENT  
HIGHLY COMMENDED:  
CAPITA INDIA**

customer complaints dropped from six to zero per 10,000 calls. Best practice has now been rolled out to all agents, negating the need for a resolutions team.

This approach has been extended to enable Firstsource agents to use Vodafone's technical support platform. This has reduced calls escalated to the technical support centre, saving Vodafone around £89k per year and slashing AHT by 30 seconds. Value-added financial benefits of this include:

- firstsource up- and cross- sells Vodafone's products and services as a value-add to customers. Typical inbound conversion rates are 3-4 per cent, while overall conversion is 12 per cent, contributing over £1m per year to Vodafone revenues
- the dedicated resolutions team is saving £89k by improving first time resolution
- firstsource's work on collections has added £120k per annum to Vodafone's revenues.

Firstsource has evolved from being an outsource vendor to a valued strategic partner delivering a real difference to Vodafone business through innovation and continuous process improvement. Both organisations invest in the partnership from a people, process and technology perspective. Most importantly, the relationship is based on trust and commitment towards the highest standards in service delivery.

"Over the last three years, Firstsource has established itself as a reliable and strategic partner of Vodafone. There is a true cultural fit as both companies have the same attitude towards customer service excellence and continuous improvement," summarises Mark Gait, head of outsourcing at Vodafone UK.

## Capita India commenced operations in 2004 and has since become integral to the company's long-term vision

Since 2005, Capita India has doubled its staff strength year on year and moved up the value chain from simple to complex processes. The company has grown gradually, starting from simple processes to become a core part of clients' businesses. In some cases, Capita India manages 70 per cent of client processes offshore. Today Capita India has 3,000 staff and is the largest UK Life and Pensions service provider based in India.

Capita India is:

- servicing a diverse range of industries including: mutual fund administration; life and pensions administration; insurance services; local government services and financial services
- industry benchmark for Capita voice processes in India
- undertaking offshore operations from its four state-of-the art facilities, of which three are in Mumbai and one in Pune.
- certified in its key operational centres to ensure security (physical and logical) and client confidentiality
- an employer of choice, with an industry-leading low attrition rate of 16 per cent.

## THE WINNING FORMULA

Capita India has striven to position itself as an employer of choice where people want to stay working – with encouraging results:

- very few employees leave after experiencing the open and engaging work culture that Capita India strives for, reflected in low annual attrition of 16 per cent – much lower than the national average of above 30 per cent
- nearly half (40 per cent) of staff have spent more than three years in the company, allowing the organisation to manage more complex processes

- an impressive 45 per cent of overall recruitment is through employee referrals, emphasising the fact that employees are happy in the work environment.

Capita India has played an integral role in the Capita Group, winning four large UK outsourcing contracts in just over a year. These are:

- Prudential Life and Pensions –£722m over 15 years
- Abbey Life Assurance –£130m over ten years
- AXA Life –£522m over 15 years
- Marsh –£200m over ten years.

A key component of Capita India's proposition is to work with clients to enrich the end customer experience, which they consider to be the most important building block in offering quality services. The organisation's strategy is to transform clients' operations to deliver cost reductions, quality enhancements and efficiency gains.

## TRANSFORMING SERVICES

Capita India demonstrated its ability to improve efficiency and provide operational excellence during a project in 2008, which saw around 200 staff transferred to Capita India from an incumbent BPO service provider in India. Around 95 per cent of staff transferred over to Capita India and six months later, efficiency had increased by 15 per cent compared to the previous operation. This was achieved through process improvement and management focus translating to reduced cost of service delivery.

Contributing to this success was a strong focus on people. There were regular formal communications to employees through group presentations and consultation sessions; personal queries or concerns could be raised and responded to by a dedicated team via email or telephone; and Capita India guaranteed that staff terms and conditions and loyalty payments accrued due to length of service would be honoured at all times. As a result:

- an impressive 96 per cent of staff accepted Capita India's offer letters two months before the transfer date, ensuring retention of knowledge of client systems and processes
- their ongoing business transformation programme has reduced staff by 10 per cent. These staff have been redeployed within Capita India, allowing the company to reduce cost to the client and provide experienced staff to work on new client migrations to India.

Capita India was responsible for the transfer of voice processes and back office employees from the client's captive business in Mumbai. Following service transfer, Capita India commenced its transformation programme, which was based on the following principles:

- driving operational excellence by focusing on basics and identifying opportunities
- adopting Capita India's robust and standard risk and compliance framework, to address the challenges faced by life and pensions companies.

"Capita India has proven that it delivers against its business strategy to transform clients' operations and deliver cost reductions, quality enhancements and efficiency gains," concludes Sanjay Razdan, managing director of Capita India.

"Capita India has proven its ability to stabilise and increase performance in the challenging environment of second generation transition in India, whilst retaining a culture that its staff want to be a part of," he adds.



**NOA AWARD:  
OUTSOURCING PROFESSIONAL OF THE YEAR**  
**JOINT WINNERS:  
ANDREW RIGBY, BRODIES LLP  
PETER COATES, NHS BUSINESS SERVICES**

## **Legal firm Brodies' outsourcing chief, Andrew Rigby, has driven strong results in ground-breaking and innovative deals**

Andrew Rigby, who heads up the Brodies outsourcing team, has earned a reputation for his international and forward-thinking approach to outsourcing. Rigby is also carving a distinct profile for his unique methodologies, his thought leadership in the industry, and his wider efforts to drive business potential for the sector as a whole.

Rigby has been involved in a number of ground-breaking deals. He advised on the first procurement outsourcing deal in the UK, valued at \$6bn and a number of the first middle-office fund management contracts in the UK, which involved assets valued at over £120bn; and service delivery in the USA, Poland, Luxembourg and Dublin. Involved in technology law since 1986, and outsourcing since 1995, Rigby has been recognised as a thought leader and respected expert in the field for many years. He has written on outsourcing issues for numerous technology, legal and other publications and is a regular speaker at industry conferences.

Brodies takes an approach that aims to understand how clients want team players to operate on a high-level commercial plane. Their advisory work is solutions-driven and reflects a holistic approach to outsourcing rather than being focused on project-specific guidance. Rigby himself was also named by The Lawyer magazine as one of the UK's "Hot 100" Lawyers of 2009 in recognition of his expertise and achievements in this field.

## **A GLOBAL FOCUS**

With an international portfolio of clients and industry connections, Andrew Rigby's work has covered many overseas countries, such as the USA, Japan, Finland and South Africa. Rigby has been an advisor to the Scottish Government's Trade and Development Agency, Scottish Development International (SDI), and has recently been a

participant in the Scottish Government's Trade Delegation to Bangalore, advising on consultations with Indian outsourcing suppliers.

Rigby has also been involved in work with, and consultation by, various governments and national bodies, including the UK Cabinet Office, the UK Department for Trade and Industry, Action 2000, the Argentinian Government and the Cayman Islands Government. In recognition of his global expertise, Rigby has been featured as a "highly recommended" lawyer in PLC's Global 2000, a list of major international lawyers.

## **CONTRIBUTION TO THE INDUSTRY**

Rigby is a renowned specialist when it comes to thought leadership and thinking outside the box. Upon his arrival at Brodies, Rigby was instrumental in developing a Brodies initiative to maximise Scotland's potential as a global outsourcing hub.

It is vital that outsourcing leaves behind its negative image and plays a part in rebuilding the economy – both on a global and a national scale, the firm argues. Rigby's outsourcing initiative advocates Scotland as an ideal environment to deliver high-quality business process and knowledge-based services to customers throughout the UK and beyond.

The emphasis is on moving up the value chain, by focusing on "value add" outsourcing, which tends to be driven (from the customer perspective) by the pursuit of a quality, not merely a cost-saving, agenda. Rigby believes that Scotland has the potential to excel at this, with its educated and skilled workforce – with particular expertise in financial services and ICT – its well-developed infrastructure, political stability, relatively low operating costs and temperate climate for greener technology.

Rigby has been active in promoting this idea successfully within the Scottish Parliament, Scottish Development International and Scottish Enterprise amidst a tremendous amount of media and industry interest.

**NOA AWARD:  
OUTSOURCING SERVICE PROVIDER  
OF THE YEAR  
WINNER:  
EXIGENT**

## **I BRODIES' BEST PRACTICE**

The methodologies devised by Andrew Rigby offer best practice in outsourcing for his clients. Utilising the NOA Outsourcing Life Cycle model, Rigby has helped develop and define a succinct advisory role, considering further the implications of change management and corporate governance.

The contract lifecycle process is important. Rigby aims to ensure that as much time as possible is saved in this lifecycle and to prevent internal resources being overstretched. To make sure that best practice is followed, Rigby accounts for several issues which may impact upon the speed of conclusion of any outsourcing transaction. These include:

- organisational and business unit willingness to outsource
- extent to which services are routine or customised
- level of organisational consensus on outsourcing strategy and goals
- extent to which the outsourcing itself is transformational, strategic or tactical.

In the words of the Chambers & Partners 'Best of the UK for Outsourcing' review in September 2009: "The extremely knowledgeable Andrew Rigby continues his outsourcing practice at Brodies LLP in Edinburgh. Clients say he is a strong negotiator who can educate our suppliers and their legal teams on all the key characteristics of a deal."

## **Exigent has been instrumental in the outsourcing market helping to win the respect of the legal profession**

Exigent is a Legal Process Outsourcing (LPO) provider, that produces and delivers more than one million legal documents per annum for thousands of lawyers, from over 100 law firms globally. The team provides time-critical support, 24/seven, from three data centres in two time zones – South Africa and Australia – to service lawyers' immediate document processing needs.

The legal industry is facing an economic storm and knows it must change its working practices and must innovate to survive, says Exigent. The company has introduced outsourcing to a conservative industry and has changed working practices for 25 per cent of the top 100 law firms.

Exigent's services enable law firms around the globe to outsource not just one, but a range of legal processes. Different infrastructure, processes and procedures are essential because no two documents, systems or security protocols are the same and clients are extremely demanding in terms of quality and speed of delivery.

## **I HOW HAVE THEY DONE IT?**

Litigation is difficult work with lumpy demand, Exigent argues. Timescales are tight: there is always immense time pressure. In partnership with leading law firm, Pinsent Masons, Exigent designed a solution, recruited offshore lawyers, developed bespoke processes and delivered a trained team. A process historically fulfilled in-house by junior lawyers is now seen as something that can be outsourced.

The barriers to working in the legal sector were significant, according to Exigent. Weak technology, conservative culture, reluctance to change, minimal financial imperative, concerns about confidentiality and data protection all stood in the way of the legal industry



embracing outsourcing. Advice was essential to overcome their concerns, model the outcomes and design the bespoke solutions. Without Exigent's advice, these firms would not have changed their working practices.

To comply with the security and confidentiality requirements of global firms working on high-profile criminal cases, celebrity divorces or market sensitive corporate finance projects, rigorous procedures are needed – just one failure would be catastrophic. Unique advice is given on the impact of outsourcing on the firm's financials, IT, operations, HR, training, marketing and communications. Bespoke document production systems and software enable highly skilled operators to process hundreds of legal documents each day and deliver them to lawyers.

This meticulous process includes:

- thousands of audio files or scanned manuscripts arriving daily from lawyers around the globe for word processing or examining
- flow of work being managed, prioritised and monitored using a bespoke work flow system built from scratch in-house
- examiners scouring thousands of pages to ensure every document is correct
- completed documents being returned directly to lawyers who then rate each piece of work using electronic voting buttons.

## **I** EVOLVING TO MEET INDUSTRY NEEDS

Exigent aims to work in partnership with clients to review their strategy. They explain how many secretaries and lawyers they need, how best to use their technology and what the HR and communications issues will be. Change is gradual: shifting bulk typing and document review off-site to enable the change in the role of the secretary and fee earner takes months; working practices can take two to three years to embed.

Client feedback is critical to Exigent's evolution: lawyers use voting buttons to rate individual pieces of work, creating a unique system that enables immediate feedback on more than one million pieces of work per annum.

Exigent has helped guide the legal sector through a complex process and has become a change manager in a sector that had barely contemplated outsourcing five years ago. They have helped clients understand the benefits of outsourcing, guided them to review their working practices, persuaded them that various tasks can be fulfilled externally and demonstrated the financial and operational advantages of outsourcing.

Additionally, Exigent invented the idea of changing the legal secretarial role by taking away the bulk typing element of their workload. Rather than outsourcing the whole job, Exigent takes away the least cost-effective element of the role and advises on how to improve the remaining role to give clients better service.

Of firms who outsource in the legal sector, 90 per cent consult with Exigent. Over the last three years, Exigent has completed projects with six of the top 16 law firms in the UK and the largest firm in Australasia. Having created the market in the UK and Australia, Exigent is now demonstrating best practice in the LPO sector.

"Exigent's ability to guide us through the change management process was invaluable. A rapid national roll-out has been planned to achieve a 25 per cent reduction in headcount and an estimated saving of £4m per annum," said one client.

"We wanted to offer an alternative to our clients – it's the same work and the same quality, but at a lower cost. We shared our problem with Exigent and together we developed a solution which will achieve savings of 60 per cent," concludes another.

**NOA AWARD:  
CONTACT CENTRE PROVIDER OF THE YEAR  
WINNER:  
CAPITA**

## **The transformation of Capita's contact centre in the past year has vastly improved service delivery to its client, the Pearl Group**

Capita's Glasgow contact centre offers the servicing and administration of approximately 3.6 million policies to its client, the Pearl Group. During the past 18 months, the company has successfully delivered a number of significant changes for the Pearl Group and gained positive feedback from the Pearl Group and its customers. The centre handles an average of 50,000 inbound calls per week. All service levels agreed with the Pearl Group were met or exceeded during the first half of 2009.

Earlier in the year, the organisation set out with one key objective: to provide service excellence.

With this aim in mind, Capita's transformation of its contact centre included:

- consolidating a multi-site contact centre operation to one location in Glasgow
- deploying the latest technology
- responding to client business changing hands by implementing multiple re-branding exercises and dealing with increased volumes of customer queries
- focusing on its people, with morale-boosting activities and the right training for new staff.

### **THE CHALLENGE FOR CAPITA**

Capita had a multi-site contact centre, which was successfully consolidated into one site in Glasgow within an aggressive six month timescale. This consolidation included the transfer of 85 roles, creating scale and opportunities for operational efficiencies.

The company also undertook the development of a strategic front end to cover the complexity associated with seven historic 'Life Company' brands, currently administered through over 24 core administration IT platforms. It also invested in core contact centre telephony technology to bring the centre up-to-date and fit for purpose.

Jackie Lindsay, head of customer response, describes Capita's situation in June 2009: "Ever changing and tough economic conditions, alongside looking after clients as their business changed hands meant it was necessary to rebrand the business for the end customer," she explains.

"The contact centre has been at the hub of the operation, supporting the client with the impact of these changes to their customers and also managing the additional call traffic associated with a market in recession – and more demand from increasingly savvy consumers."

### **FOCUS ON PEOPLE**

The contact centre would not have been able to do this, she argues, had they not heavily invested time and effort in their people, to both develop and motivate them.

Capita's people-focused initiatives included:

- establishing a Local Employer Partnership
- setting up a new recruit training academy
- developing a career progression framework
- publishing a new local newsletter and organising local events
- taking monthly 'temperature checks' with staff.

The success of the contact centre has relied on an integrated approach to making operational and technological changes, along with the investment in people, explains Lindsay.

People are at the heart of Capita's development this year. Focus on staff has comprised several areas of initiatives, including:

- recruitment – getting the right people for the role, using interviewing techniques to assess motivation and behaviours
- training – implementation of a New Joiner Academy with a dedicated manager following structured New Joiner Pathway for the first 12 weeks in the organisation.
- Events2Go – an events team organising charity and social events such as Contact Oscars and Olympics and a Christmas Night Out

**NOA AWARD:  
OUTSOURCING ADVISER OF THE YEAR  
WINNER:  
STEPHENSON HARWOOD**

- Morale-O-Meter – a monthly ‘temperature check’ survey asking what would make staff feel more valued, what they should continue doing and what would increase the employee’s enjoyment of day-to-day activities.

## **GETTING TECHNOLOGY RIGHT**

Before outsourcing its service provision to Capita, the Pearl Group suffered from a lack of investment. The on-site IT no longer met the needs of a fast, evolving contact centre handling significant call volumes. With this in mind, a new system was installed: IPortal in-house knowledge management system.

The contact centre was in need of a knowledge management repository to store all detailed information about its products and processes. A system was therefore implemented to optimise service performance and resource deployment, bringing the contact centre bang up-to date, while offering the following benefits:

- Workforce management – six weeks advance shift management, scheduling and online shift swapping facility
- Intra-day forecasting to maximise service delivery
- Quality monitoring and digital voice recording
- Effective management planning facility, to ensure ability to deliver sustained and improved service performance

If further proof were needed that Capita’s transformation this year has reaped rewards for its client, customer experience manager at the Pearl Group, Janice Jamieson says: “There is a definite sense of striving for excellence working with Capita – the desire to deliver good service to customers is evident.”

“Feedback from customers and our own independent call monitoring has confirmed that service has improved from acceptable to good or very good,” she adds.

## **With its innovative approach to relationship building, Stephenson Harwood is paving the way in outsource advice**

Stephenson Harwood managed to firmly buck the economic trend to become ranked as one of the most profitable law firms in the UK. This success is replicated in its outsourcing practice, comprising ten partners and 20 associates worldwide, which has seen revenues grow 100 per cent year on year for the last four years.

Over the last two years, the firm has advised Capita on the UK’s first ever Shari’ah compliant insurance outsourcing, seen as a blueprint for the industry, and leading to a number of follow-on queries and work. This is rapidly developing into a centre of excellence for the practice, and reinforces its existing traditional strengths in the financial services sector.

The firm’s clients represent a significant sample of suppliers and purchasers of outsourcing and include Capita, SAIC, Valtech, SITA, Micro Focus International, Genentech, St Martin’s Properties, Constellation Europe, Brit Insurance, MMA Insurance, NatWest/Royal Bank of Scotland and HSBC.

## **POINTS OF DIFFERENCE**

Stephenson Harwood has many attributes that make it stand out from other firms, the company argues. Many of the firm’s lawyers have been recruited from the industry or have spent significant secondments there. John Buyers, head of outsourcing practice, previously worked in-house at Capgemini as senior outsourcing counsel (writing most of their standard terms and conditions for outsourcing – many of which are still in use). Buyers therefore has a unique appreciation of outsourcing deals from both a service provider and a customer perspective.

Continuing this philosophy, the firm regularly places senior and junior lawyers with outsourcing-based clients. It recently placed a lawyer with Capita’s Life and Pensions division and is currently supporting Micro Focus International in the same way.

Client events are another focus for the firm, which runs general counsel dinners on a six-monthly basis to enable the 'movers and shakers' of the sector to interact with each other and discuss issues which have immediate currency in the industry.

The firm runs an active series of seminars and workshops, and writes regularly on outsourcing issues, all in an attempt to add value to the outsourcing knowledge sector.

## **I CONTRIBUTION TO OUTSOURCING**

Stephensen Harwood broke the mould advising on the first Shari'ah compliant outsourcing in the UK, between Capita Insurance Services and Principal Insurance Holdings (formerly British Islamic Insurance Holdings), the first dedicated provider of Shari'ah compliant Islamic insurance (known as Takaful) to the UK market.

This £90m, eight year transaction involved Principle Insurance outsourcing its insurance and back-office operations to Capita.

Over the last two years, Stephenson Harwood has drafted and advised Capita on the outsourcing agreement, as well as Shari'ah compliance issues and has also provided a broad range of advice covering employment, pensions, finance and regulatory issues.

The firm worked with its Middle Eastern colleagues, Al Sarraf and Al Ruwayeh in Kuwait, advising Capita on the structuring of the deal to ensure that the outsourcing contract itself was Shari'ah compliant, and making certain that conceptual issues repugnant to Shari'ah law were avoided or addressed in a manner which was complementary to the philosophy.

## **I DEMONSTRATION OF BEST PRACTICE**

As a law firm, Stephensen Harwood is often engaged in an outsourcing transaction at a more developed stage than might be the case as strategic outsourcing consultants. What they find however, is that there is a significant lack of understanding in relation to the legal cycle of outsourcing deal generation, and the time allocated in any project plan for contract negotiation is often severely underestimated.

Their approach therefore typically consists of the following:

- on first instruction by a client, the firm produces a revised detailed project plan showing all of the required stages to successful deal conclusion
- any pricing offered to clients is often tied to a revised project plan, to enable clients to plan budgets accordingly
- clients are debriefed following production of the plan in order to identify whether they have sufficient in-house resource to enable documentation of the relevant draft service schedules
- the firm works closely with clients' allocated in-house resource, for schedule production
- during the negotiation, the company will not seek to make artificial points or enter into "argument for the sake of argument"
- the firm views the schedules to an outsourcing agreement as integral to the deal and not separate.

John Buyers, partner and head of commercial outsourcing and technology at Stephenson Harwood, sums it up: "We are delighted to have assisted one of the nation's most successful outsourcing companies on the UK's first ever Shari'ah compliant outsourcing.

"As a blueprint transaction, this involved complex legal and commercial advice including a consideration of theological principles rarely seen in deals of this nature."

**NOA AWARD:  
OFFSHORING DESTINATION OF THE YEAR  
WINNER:  
THE PHILIPPINES**

**With its abundant graduate workforce, the Philippines is becoming a veritable offshore giant for the UK BPO market.**

Currently, 62 business process outsourcing (BPO) companies employing 132,000 in the Philippines are listed as serving the UK/European market, accounting for around ten per cent of existing BPO companies in the Philippines.

A conservative estimate is that at least half of these employees, or about 65,000, are serving the UK market alone. This would make gross revenues from the UK about \$845m or 14 per cent of total Philippine IT-BPO exports.

In the words of one of the country's clients: "The Philippines workforce is dynamic, hugely resourceful and creative, and loyal with such an eagerness to excel and do things right. This combination is pretty hard to find elsewhere and makes Manila such an important piece of our overall business strategy," says the director, content operations Asia for Thomson Reuters, in the Philippines.

## **I TALENT IN ABUNDANCE**

The Philippines has a total population of about 90 million, with a literacy rate of 92 per cent. Packaged with this high literacy level, is the ability of Filipinos to understand and speak the English language with a neutral and understandable accent.

The Philippines has a labour force of 36 million and produces an average of 450,000 college graduates per year, around 100,000 of which are finance and accounting graduates. Currently, Manila is the largest offshore BPO city in the world. Everest and John Clements data show that more than 245,000 full-time BPO workers are based in Manila. For labour cost competitiveness, the Philippines is among the top five countries in the world.

The Philippines has a stable, reliable, fully redundant, and world-class telecommunications infrastructure that is highly scalable due to numerous fibre-optic landings and links. Moreover, the cost of bandwidth has shrunk

by at least 85 per cent in the last six years and is now \$4k a month for E1 lines to the UK. The biggest telcom companies have been making investment projects to tailor-fit the requirements of the booming IT-BPO industry.

Income-tax holidays (ITH) are granted to BPO companies from start-up to the sixth year of operations. After the six-year ITH has lapsed, a special 5 per cent tax rate on gross income is implemented. There are also tax and duty exemptions on imported capital equipment, particularly for locators in IT parks and other economic zones. These perks include exemptions from wharfage dues and the 12 per cent input value-added tax on allowable local purchase of goods and services. Zone locators are also allowed to employ foreign nationals.

To ensure the need for talent is met, the government has allocated some \$7.5m per year for the training of potential workers for contact centre, IT development, animation, and transcription operations. Scholarships are distributed in the form of vouchers which can be redeemed for cash by the training companies that train the potential employees.

Last year the Philippine government also allocated \$1.3m to a promotional budget for the local IT-BPO industry for international marketing, a national competency assessment test, and an operational excellence program. Another \$3.3m has also been approved and will soon be disbursed for a global advertising and promotion campaign.

## **I PHILIPPINE EXPERTISE**

The country has demonstrated expertise in outsourcing of a plethora of different operations, including:

- voice-related service accounts for two-thirds of the Philippine IT-BPO industry. Contact centres in the Philippines employed more than 227,000 FTEs, generating \$4.1bn in estimated revenues in 2008
- a number of companies are already doing back-office work in the Philippines such as JP Morgan Chase Bank, Chevron Texaco, Shell, HSBC, Deutsche Bank, Emerson Financial, Thomson Reuters, and Manulife

**NOA AWARD:  
OUTSOURCING END-USER  
OF THE YEAR  
WINNER:  
ASTRAZENECA**

- some 120 companies employing over 35,000 IT professionals are exporting IT services from the Philippines. These services include applications development and maintenance, IT operations and infrastructure, software product development, business analysis, project management, and education
- about 38 engineering design companies are in the Philippines, with more than 8,000 full-time engineers
- around 40,000 students graduate from engineering courses yearly with knowledge in internationally accepted engineering standards, such as computer-aided manufacturing and computer-integrated manufacturing
- there are 50 animation and game development studios in the Philippines employing a total of 7,000 animators—with companies that service Hanna Barbera, Disney, and Marvel among them. The sector registered \$113m in export revenues in 2008.

“When Shell Shared Service Centres Manila proved successful for US clients, European companies followed. Now, we work in three shifts to serve our clients in different time zones,” says Noel Paraso, CEO, Shell Shared Services. “Even a typhoon doesn’t keep our employees from coming to work. Moreover their affinity to the Western culture and their high level of English make the Philippines an attractive offshoring destination for our customers worldwide.”

Maralyn Johnson chief technology officer, Cambridge University Press (Holdings) concludes: “To this day, we have never regretted the business decision we took nearly five years ago – offshoring to the Philippines has given us more development staff at a reasonable cost, allowing us to improve our business systems at a much faster rate.”

## **AstraZeneca transformed a critical part of the drug development process in the largest outsourcing deal of its kind**

AstraZeneca is one of the world’s largest pharmaceutical companies, with a broad range of medicines designed to fight disease in important areas of healthcare. Active in over 100 countries, the company has its corporate office in London, major sites in Sweden, the UK, and the US, and 21 manufacturing sites in 17 countries. Sales in 2008 totalled \$31,601bn, with operating profit \$10,958bn.

AstraZeneca entered into partnership with service provider Cognizant on a five-year, \$95m project that aimed to centralise the management and delivery of AstraZeneca’s end-to-end clinical data processes. This represents a truly innovative partnership within the industry says the company, and is the first time that a single outsourcing partner has been chosen to handle all the clinical data management needs of a major pharmaceutical company.

Clinical data management is a critical part of the drug development process. It ensures that data captured from clinical trials is used efficiently to determine the effectiveness of new medicines, which are then registered with the regulatory authorities. Streamlining this process gets products to market faster for the patients who desperately need them.

## **INNOVATION VIA LEAN THINKING**

The project began after a strategic review at AstraZeneca of what was core and non-core activity. The organisations decided to launch a strategic outsourcing partnership to find smarter ways to deliver data for clinical programmes, and bring about increased process efficiencies, simplification, standardisation and economies of scale.

This would enable AstraZeneca to focus its energies on core activities designed to bring life-changing medicines safely and quickly to patients. It was clear from the outset that the project was very different from traditional, so-called

'lift and shift' style arrangements where a partner is chosen to simply perform the same processes at lower cost.

Their intention was to not only deliver cost-effective results, but to harness Cognizant's IT and business process expertise to identify ways to innovate and transform the processes surrounding data management delivery.

Of particular importance on the transformational side of the project was process standardisation. AstraZeneca operates in many global locations and, as a result of past mergers, had inherited different approaches and applications to working at the various sites. A key requirement of the agreement was to simultaneously deliver results and maintain business performance, while switching the global clinical development organisation to work on common, streamlined platforms, as well as transforming some processes.

Before the transition, approximately 1,100 people in AstraZeneca were involved in end-to-end data management activities, so another key achievement was reducing the demand on resources. Through centralisation and streamlining of systems and processes, demand on resource has been reduced to about 300 Cognizant staff and 50 AstraZeneca staff, contributing to significant cost savings and operational efficiencies that can be redirected into core activities.

## PROOF IN THE PUDDING

AstraZeneca and Cognizant successfully delivered the transition of all change management requirements: the transfer of 80 ongoing studies, knowledge and process requirements, and readiness to set up brand new studies within a six-month period. The speed of delivery on this project was exceptional given the scale of work involved.

Reducing the time taken for activities such as database locks means that AstraZeneca can access data more quickly, speed up the decision-making process and support the company in its drive to bring drugs to patients as quickly and safely as possible. This project is currently on track to deliver the following benefits:

- \$150m reduction over five years in AstraZeneca's cost base
- a standard, high quality delivery process and range of tools measured by SLAs
- cognizant and AstraZeneca commitment to invest \$5m each in innovation of new technologies and processes
- delivery of effective cost control and visibility via the service order process, which generates data management purchase orders for each project team
- create a program dashboard across studies and geographies
- successfully complete one of the largest electronic data capture studies ever conducted.

## A HIGH HONOUR

Within the pharmaceutical industry, this project represents a historic, ground-breaking relationship, according to AstraZeneca. It is the largest clinical data outsourcing deal signed to date, and the first time that a single outsourcing provider has been contracted to manage the end-to-end clinical data management needs of a major pharmaceutical company.

Eric Terhaerd, AstraZeneca's vice president of US clinical development, says: "This is a great achievement and high honour. Not only does the change represent significant value for AstraZeneca, it has also established working tools and behaviours that can be used by many others for years to come.

"Most importantly, our efforts mean that AstraZeneca will be able to explore many new projects that can make a meaningful impact to patient lives that would otherwise not have had the funding or resource. This project, and the people who delivered it, have been recognized by our CEO as exceptional."

**NOA AWARD:  
INNOVATION IN OUTSOURCING  
WINNER:  
IBM**

## **IBM paired up with an international clearing bank facing tougher regulation against disaster prevention – with exceptional results**

As a critical component of the US Financial Industry, the international clearing bank that IBM provides technical solutions to settles over 50 per cent of all foreign currency dealings. When its regulator the US Federal Reserve required tougher measures to prevent a regional disaster affecting financial systems, the bank faced a daunting challenge. Demonstrating the benefits of the close collaboration between the bank and IBM, systems architects and designers from both companies worked together to overcome the significant technical challenges of developing an innovative, long-distance fibre network.

IBM began implementing the new solution to deliver a synchronous link between data centres located over 400km apart in January 2008. The solution, believed to be a world record for long distance replication, has enabled the bank to fully satisfy the requirements of the regulator by achieving secure, resilient, continuous operations between dual-region data centres with no data loss in the event of a regional disaster.

This replicable solution has particular importance within the finance sector, contributing to increased resilience by enabling sites to operate synchronously over long distances – but it could equally be applicable to any industry with similar requirements.

### **■ BREAKING BOUNDARIES**

Following the World Trade Center attacks, regulating body the US Federal Reserve required tougher measures to prevent a disaster in any one region bringing down its entire financial system. This presented a challenge for the bank – the real-time nature of its service means that a few seconds of data loss can cause significant impact. The only way to ensure integrity between locations is to replicate synchronously between two mirrored data centres.

It was widely believed by technical experts that synchronous replication was limited to distances of 120-150km – plus, latency rapidly becomes a problem as delays increase over greater distances. For this reason, the bank had initially been set up to run synchronously across two data centres less than 50km apart. To achieve regional resilience, the bank had commissioned IBM to implement a data centre in mainland Europe but, as this was situated over 400km from the UK sites, it only provided an asynchronously replicated addition to the infrastructure. The European data centre would always be slightly behind the primary site, which could have significant financial implications for parties using the bank's settlement services.

The bank asked IBM to help it overcome the tough challenge of breaking through the distance boundaries of high performance fibre networks. Its implementation followed several years of collaboration between IBM, the bank and specialist optical networking service provider Vtesse to design and develop an innovative, long-distance fibre network. Radical breakthroughs were made in three main areas: the communications network, the server platform and the bank's settlement system.

With the data centres over 400km apart as the crow flies, the solution needed to handle latency over a much greater length of fibre, if city centres and other potential risk areas were to be avoided. The final solution in fact includes two separate fibre links, one of which is over 800km long.

### **■ SHOWING INNOVATION**

When the bank was first established, its founders needed a technical solution to convert their vision into reality. They turned to IBM to help them design, build and run that solution. An integrated application and infrastructure approach was key, as changes to hardware and software had to be brought together to deliver a service able to handle the time delays caused by distance.

"It would have been difficult to establish and extend this resilient settlement system for one of the world's

**NOA AWARD:  
BEST PRACTICE IN OUTSOURCING  
WINNER:  
CENTRICA**

major financial markets without the commitment, skills and capabilities of IBM.” says the president and ceo of the bank. Following the implementation of the new infrastructure and services, the bank has:

- achieved secure, resilient, continuous operations between its dual-region data centres with no data loss in the event of a regional disaster. The service is now recoverable within 40 minutes
- complied with the Interagency Paper ‘Sound practices to strengthen the resilience of the US Financial System’
- increased the capacity of its data centres by 100 per cent to meet expanding transaction volumes in the foreign exchange market
- achieved financial savings by reducing three data centres to two and eliminating the need for out-of-region, asynchronous disaster recovery.

The remarkable resilience of the service was demonstrated two days after one of the many high profile financial institution collapses in 2008. Over 1.55m trade instructions were processed – an increase of 35 per cent on the previous daily record – with a value of \$8.6tn.

This replicable solution not only meets the requirements of an individual client, but could benefit clients in many industries argues IBM. It has particular importance within the finance sector, contributing to increased resilience by enabling sites to operate synchronously over long distances for the first time.

## **Centrica is using its knowledge and expertise to set an example of best practice in its work with British Gas**

Centrica has been outsourcing many different types of services over a number of years. More recently, the company offshored a significant part of its back office processes. From a standing start in 2005 to today, Centrica has developed a significant footprint in India with more than 3,000 employees currently operating across six cities, with 11 suppliers.

The scope of this work is predominately back office processes for all of British Gas, as well as debt collection, finance and accounting, correspondence and online communication processes, and imbalance processes. They have also outsourced some HR processes to India as well as a small level of outbound sales processes, IT-related processes around application development and support and technical helpdesk services.

Centrica learnt quickly that consolidating the corporate memory of experience, learning and evolved best practice, into a centralised centre of excellence was paramount to making the most of existing relationships and preventing them from reinventing the wheel for new initiatives. The company therefore chose to develop a cohesive approach across global offshoring, with a team in place with responsibility to deliver best practice across procurement, legal, contract management, migration disciplines and a clear strategy to evolve commercial propositioning in line with the maturity of the relationships.

## **STRATEGIES FOR SUCCESS**

Centrica’s pre- and post-commercial management approach is one of its greatest strengths, according to the company. From the very start, procurement and operational contract management/business leads worked closely in relationships to manage the entire lifecycle of the contract effectively. This has resulted in a virtual team being created and maintained. Advantages of this approach include:

- a consistent sourcing strategy with a dual-vendor approach
- enhanced stakeholder management
- relationship management – understanding each others' aligned objectives
- contract management – understanding negotiation hotspots and continuity for account management
- a consistent approach to management of suppliers
- alignment of commercial and operational objectives.

From regular strategy reviews, service management and supplier relationship management, through to pre-emptive exit planning, all stages are planned, taking input from key internal stakeholders and aligning back approaches to overall company strategy and goals. This has ensured that Centrica has been able to optimise its back office relationships and subsequently drive value.

## POINTS OF DIFFERENCE

To set themselves apart from the competition, Centrica developed effective processes for sharing knowledge internally, such as the development of contract management resources through a virtual team which meets regularly to discuss key learning experiences, develop and deploy best practice and has a direct link to organisations such as the ICCAM.

They also developed a two-day training programme, "Managing Effective Partner Relationships", aimed at internal employees who manage outsource relationships and help them develop skills and approaches based on real learning and experiences from practitioners, both internal and external to Centrica.

Additionally, the virtual team approach means that Centrica can rapidly deploy best practice tools, templates and experience to all new migrations, while keeping a collective responsibility for delivery of the whole programme – not just individual components. This allows operational leads to link into tried and trusted frameworks, with relevant help and support.

## THOUGHT LEADERSHIP IN ACTION

The feedback Centrica received from suppliers regarding its approach to relationships has demonstrated its success. The company has, for example, run supplier forums to facilitate the discussion of aligned goals, and to update suppliers on strategic challenges and aims.

Additionally, the benchmarking process the company has developed positively seeks a collaborative approach with suppliers, resulting in more trust in the way the benchmark is carried out. This should ultimately create a more positive discussion with suppliers, to ensure processes are being managed in the best possible way. As part of Centrica's people management strategy, the company has made significant effort with partners to target attrition. Examples include:

- cross-skilling agents to ensure they learn new elements
- 'Agent/Advocate/Expert' model to differentiate between agents, so they are remunerated accordingly and are incentivised to stay longer
- incentivisation where appropriate – e.g. debt collection
- 'Team Talk Live' – replicating senior team updates given by executive members to employees in the UK and India face-to-face
- visits from senior members of the company, to re-inforce the importance of offshore operations
- values – British Gas values shared across offshore operations and sit alongside suppliers' values
- a number of CSR initiatives have been established and supported through staff volunteers.

**NOA AWARD:  
ACADEMIC ACHIEVEMENT  
WINNER:  
GRAHAM JUMP, CONSOLVE CONSULTING**

## **Graham Jump from Consolve Consulting provided food for thought with his insightful paper on value for money**

Value for money (vfm) in outsourcing deals is often best understood at the start, after the rigorous 'strategic review' and 'procurement' phases called for by best practice. However, as time moves on it becomes more and more difficult to have confidence in the ongoing value of an outsourcing contract at any point in time, argues Graham Jump. How does the client organisation gauge whether the contract remains vfm against some supposed 'fair market price' at any time?

Assuming that vfm is realised in the first instance how can you maintain the value over time relative to the snapshot at inception? Marketing professionals, in suppliers, consultancies and indeed developing countries, frequently proclaim "the next 10 offshoring destination cities in China" or that "Ghana is the 15th best destination for outsourcing in the world". These are of course PR exercises and national governments promoting their economies but can result in pressure from executives to shave costs through fine-tuning offshoring decisions, or concern that others are getting a better deal.

In Consolve Consulting's paper, Graham Jump used a simplified view of an IT outsourcing environment in order to focus on the question: how do you deal with the idea that the outsourcing market is constantly moving ahead and leaving you disadvantaged? The paper showed insight and innovation, impressing NOA judges.

### **WHY VALUE FOR MONEY**

There are many definitions of outsourcing but most, if not all, would include the sense of taking a function or service that was once performed inside an organisation (client) and entering into a commercial contract with an independent organisation (supplier) who would then perform the function or service in return for a fee. In so doing, the client aims to achieve some advantage.

It is self-evident that in the vast majority of transactions, part of the advantage must be an improvement in vfm – for example, a cost reduction for the same level of service; improved service at the same cost; or even improved service at increased cost. In fact, some argue that cost reduction is the single most prevalent reason organisations outsource in the first place.

So far, so obvious. But because vfm may be regarded as part of the essence of outsourcing, it follows that the client organisation is faced throughout the life of the contract with the question of whether its outsourcing arrangements remain vfm when new technologies, improved business processes, competing supplier organisations and developing offshore locations are all constantly acting to drive costs down. It is easy to worry that your three (or five, seven or longer) year contract pricing would no longer be competitive in the market.

The problem is, unlike IT hardware, or power, or office floor-space, it is very difficult to know what a current fair market price for an outsourced function or set of services would be.

### **A COMPLEX ISSUE**

It is appealing to interpret the ever-present concern over value for money in outsourcing as a consequence of the clearly 'imperfect' nature of the outsourcing market, argues Jump: the goods are not uniform, especially when aggregated; they are subject to rapid change; there is limited exchange of information (hence the demand for benchmarking substitutes); switching costs are high, etc.

Value for money in outsourcing is subjective, complex, and context specific. It is true that the individual services within an overall Information Services outsourcing contract may be commodity-like (e.g. service desk, PC break fix) but perhaps the sourcing of a number of commodities from a single source, so that 'the whole is greater than the sum of the parts', introduces a non-commodity character and thus begins to cloud the overall value.

**NOA AWARD:  
CORPORATE SOCIAL RESPONSIBILITY  
WINNER:  
CENTRICA**

## **I MORE THAN COST-CUTTING**

It is important to clarify outsourcing benefits over and above 'mere' cost savings. Its benefits can indeed be strategic, but with IS budgets against turnover in the three to five per cent range, even a saving of 30 per cent will be marginal to the business as a whole: worth having but not at the expense of focusing on delivery.

Best practice behaviour at the outset includes the rigour of the procurement process, the level of contract detail and the duration of contract. During operational delivery, service management (SLAs, change control) and relationship management (communications and governance) come to the fore and must all be robust.

Jump's crucial message is this: Value for money in IS outsourcing will be more effectively driven by attending to best practice than to marginal cost improvements: you will only get excellent value in IS outsourcing by managing the contract excellently.



## **Centrica has set a shining example with its work in India over the past three years. Here's how the company made a difference**

Centrica has been running outsourced operations in India for over three years and was keen to extend its UK values and principles to the organisations it works with there, with the creation of corporate social responsibility projects. With this aim in mind, one of the company's partners in India commenced volunteering activity in building and setting up a primary school: the OM Memorial School.

The OM school, built by Centrica and its Indian colleagues, is an Indian NGO focusing on providing a quality education for children whose families earn less than 3,000 rupees (£40) a month and who all live in the local 'slums'. The school teaches in English and has a structured day and curriculum.

Centrica took the project on with several objectives in mind:

- to deliver a sustainable initiative that would provide benefits to local deprived children and their families
- to provide a focus for volunteering opportunities for both EXL staff, British Gas and Centrica personnel in India
- enhance levels of engagement within Indian personnel
- build an effective bridge between the UK organisation and outsourced operations.

## **I HOW DID THEY DO IT?**

The project was initiated on the back of a visit from Centrica's COO to the OM school in May 2008, where he asked the charity head what his aspiration was for the primary school. His reply was that he wanted a secondary school so children could complete their full education.

The stages that followed were:

- investigation into the costs and feasibility of building a school and a seven year lifecycle of operating costs
- decision and approval given
- site search and negotiations with landlord

- school building – 12 classrooms, landscaping, etc
- school fixtures and fittings plus decoration
- school inauguration
- school opening.

## ■ A LITTLE HELP FROM STAKEHOLDERS

Centrica's stakeholders in this initiative were diverse with all of their drivers:

- the OM Foundation – their aspiration of having a fully functioning and resourced school has been met 100 per cent
- they facilitated the engagement of a number of other businesses in India – Pearson Group, EXL, Hewitt – to support the initiative
- British Gas – the company's services business, business to business operation and colleagues in the US were generous in their fundraising (over £15k was raised by individuals)
- EXL – their staff have played a vital role in the development and engagement with the pupils in the schools through their volunteering activities. This proved one of the key measures of success for the project, in harnessing the enthusiasm of the EXL team to go into the school and work with the children
- there are now over 50 regular volunteers who will spend a couple of hours each week (built into the school timetable) to continue the volunteering activities.

## ■ INNOVATION IN SOCIAL RESPONSIBILITY

The whole project has in effect proved innovative, as was demonstrated by the following measures:

- the desire to build a school and continue to provide free education
- the finding and building, furnishing and decorating of the school in a remarkably short time
- the response from the local community

- the partnership with the OM Foundation has been truly innovative, as they have embraced Centrica's engagement in the whole initiative, meaning the company has played a key part in the design and decision-making process right the way through the project, and now sit on the school management committee
- the engagement and support of EXL staff in working with the children.

"The OM School project is a perfect example of our desire and commitment to work with and alongside local communities," says Anne Minto OBE, Centrica director of human resources. "The success of the scheme can be seen through the smiles on the faces of both the children and the staff who now have a wonderful facility, in which to really help the prospects of so many."

## ■ LOOKING AHEAD

But Centrica's commitment to corporate social responsibility doesn't end there. British Gas and EXL have made the decision to continue to support the school for the duration of Centrica's time in India. They have encouraged the school to look for ways of commercialising its assets for the wider community – for example, by providing adult education – and this plan is in development.

Additionally, there is a second phase of building to be completed in 2011 for which funds have now been raised. Centrica's teams in India will continue to play an active and proactive role in the development of the children.

"This has given us an opportunity to scale up our activities and helped us to take the school to the next level," concludes Sanjay Drabu, founder and trustee of the OM Foundation. "Moreover they helped us to bring to life the dreams we had for our kids."

**NOA AWARD:**  
**BUSINESS PROCESS OUTSOURCING (BPO) PROJECT OF THE YEAR**  
**WINNER:**  
**NHS SHARED BUSINESS SERVICES**  
**HIGHLY COMMENDED:**  
**FIRSTSOURCE AND BSKYB**

## **Firstsource demonstrated best practice in rightshoring in its BPO contract with BSKyB. Here's how they did it...**

Firstsource's BPO partnership with BSKyB started as a pilot project in 2001, with 30 FTEs in Bangalore. The account now employs around 2,200 staff across three locations – Bangalore, Mumbai and Londonderry – demonstrating a rightshore approach to outsourcing.

The outsourcer provides a wide range of outsourced services for BSKyB, focusing on technical support, customer service and back office administration. The breadth of service spans technical support for digital TV services, such as remote handset or signal issue resolution, to general customer inquiries, package information, service additions, billing and package upgrades. In the back office, Firstsource carries out email processing, contract processing, correspondence indexing and mandate processing.

## **THE OBJECTIVES**

Sky's guiding principle underpinning every aspect of its business is "Believe in Better" and the company expects its outsourcing partners to help reinforce this principle.

The service provider's customers have a choice of 250 channels and six pricing packages. Firstsource's agents help customers choose packages to suit their individual budgets, preferences and lifestyles and up-sell other products such as Sky Talk telephony, Sky Plus, HD and Broadband.

BSkyB aims to deliver best value to customers. Firstsource therefore set out to improve customer service while reducing operating costs through delivering highly productive operations, structured to support periods of peak customer call demand.

## **WHERE ARE THEY NOW?**

Firstsource started working for Sky in December 2001 and the project has developed incrementally over the years to over 2,200 staff onshore and offshore. The three principals for the Sky account are:

- 1. First-time resolution**
- 2. Sales Through Service**
- 3. Sky CARES**

First time resolution (FTR) means ensuring customer satisfaction and minimising costs through resolving the customer's issue on the first call. Firstsource has improved FTR at Sky more than any other outsource partner, it claims.

Using a sales-through-service approach, Firstsource has contributed additional revenues to BSKyB through over 100,000 premium channel upgrades. For example, technical support calls handled by the outsource provider generate a significant number of upgrades to premium channels per week.

Sky measures customer experience and satisfaction with Sky CARES, its customer quality guideline. BSKyB launched its 'CAREs' customer experience principles in November 2007. The principles encourage customer service agents to:

- Get Connected
- Show Appreciation
- Take Responsibility

Be Enthusiastic on every customer call. This programme defines how Sky aims to interact with customers to ensure that every contact is a personalised conversation focused on customer resolution. In February 2009, Firstsource was consistently achieving 7.8 out of a possible 10 – the highest of any BSKyB outsourcer.

Firstsource's team has carried out process mapping and re-engineering on Sky's processes. Local operational teams have undertaken projects to improve efficiency and effectiveness, including improving sales through service performance, reducing handling time, improving shift

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patterns to achieve best fit of resource to customer peaks, and driving improvements in issue resolution.

The commitment of Firstsource managers and team leaders to drive process improvement is a special feature of the company's relationship with BSkyB, and has identified many best practices that have been rolled out to the entire BSkyB customer service estate.

## **I HOW FIRSTSOURCE STANDS OUT**

Customer feedback from regular agent focus groups provides valuable information about issues that customers regularly experience and helps to identify areas to be resolved by Firstsource.

Agents are trained in empathetic listening, raising awareness of customers' environments and external influences. This enriches customer experience and improves suitability of recommended products. They also follow a call resolution process, focused on FTR. Staff are trained to up-sell where appropriate to the customer's needs, not only resulting in happier customers, but increasing average revenue per customer.

For BSkyB, this relationship is unique for the following reasons:

- no other partnership achieves this level of performance against key measures
- no other partner is so good at process improvement
- no other partner created concepts like the Customer Experience Room, training in empathetic listening and on-screen simulators
- this is a true value-added partnership, where Firstsource initiates measurable benefits to BSkyB's business.

In the words of the clients themselves: "Firstsource is a key partner for Sky, demonstrating flexibility and innovation. Most importantly, Firstsource consistently delivers a high standard of performance and support to our customers," says the head of customer and technical outsourcing, BSkyB.

## **Alsbridge showed professionalism and provided invaluable advice to Butterfield Bank during their IT outsourcing process.**

Supporting a client on designing and implementing a significant business transformation programme is what many outsourcing consultants are aiming for. And if that programme happens to be located in the balmy climes of Bermuda and Cayman, so much the better, says outsourcing firm Alsbridge.

Early in 2009, a team of Alsbridge consultants found themselves in this situation – and although both the challenge and the environment seemed to be the stuff that dreams are made of, the programme itself required a huge amount of effort from both the consultants and the client to drive it through to a successful conclusion, in a timescale which met business requirements.

Butterfield Group is a full service community bank and a provider of specialised international financial services. The headquarters and largest operations are in Bermuda, where they were established in 1858 as the island's first bank, and they continue to play an important role in the local economy. The bank also has operations in other markets including Cayman Islands, Bahamas, the UK and Switzerland.

## **I AIMING HIGH**

Butterfield had two main objectives from the programme:

1. to improve the robustness and resilience of IT operations
2. to replace the ageing core banking models with a new state-of-the-art system, which would become the model for its operations globally.

Outsourcing was regarded as the best possible approach, because the bank would be able to partner with an organisation that could:

- migrate the IT operations to centralised, robust, SAS70 compliant data centres

- leverage best practice management to improve service to the business and provide a single method of operating
- consolidate processes for the bank globally
- offer experience in delivering large transformations.

Butterfield engaged Alsbridge to support the bank through the outsourcing process – to help define their requirements, develop a detailed business case, develop a structured sourcing process, negotiate a robust contract and support the transition to the new environment.

The project started in March 2008. The bank asked Alsbridge to work collaboratively with a specialist banking consultancy, Speer & Associates (S&A) in order to provide the best possible service. The bank hoped they would achieve a greater synergy combining the talents of the consultants – S&A’s in-depth banking experience would complement Alsbridge’s outsourcing expertise to provide an optimum service.

The eight-year deal encompassed the transition of all existing IT infrastructure into world-class data centre facilities, whilst introducing procedures for all elements of IT. It also covered transformation of the business, implementing global banking systems (core banking, risk, ATM/POS) which are the template for all jurisdictions within the Butterfield Group.

The bank finance function worked closely with the project team to develop a detailed business case and assess a range of scenarios. It was clear that the deal would result in a cost saving of around 20 per cent compared with the cost of delivering the programme in-house. And despite the large up-front investment in transition, transformation and change, payback would be within three years.

## SHOWING BEST PRACTICE

Alsbridge demonstrated best practice and can be held up as an example to the outsourcing industry in the following ways:

- The process was well thought through (using Alsbridge’s leading FastSource methodology as a starting point) and was clearly communicated to both the business and the suppliers, so that there were no surprises

- This initiative was personally sponsored by the Group CEO, and taken forward by the Group COO and therefore had the right level of executive sponsorship
- The key business stakeholders were all engaged on a regular basis so that they built their ownership, and all key commercial and solution decisions were formally approved through the governance structure, so that the deal team was never exposed
- Alsbridge worked jointly with specialist banking consultants S&A, bringing the best of outsourcing and banking experience together. In addition, expert legal counsel from Hunton & Williams was engaged to drive the contracting process. Most critically, the core team also included key bank personnel.

Alsbridge have worked hard with Butterfield Bank to earn a position as a trusted advisor, and are now working with the bank to help implement the deal.

In the words of Butterfield Group COO Will Dolloff: “Alsbridge have provided expert advice throughout the process.

“The knowledge, professionalism and hard work of their team on the ground has helped us to shape a deal with EDS which will enable us to improve our systems, realise significant efficiencies, and enhance our operating capabilities going forward, to the benefit of all our stakeholders” he concludes.

