

SAP Services
BPO Excellence Series

IMPROVING BPO SERVICE DELIVERY THROUGH COLLABORATION

BPO CUSTOMER, PROVIDER, AND
SOFTWARE VENDOR: A TIGHT TEAM



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EXECUTIVE SUMMARY

For a business process outsourcing (BPO) model to deliver sustainable value, it is essential that all parties involved work together closely to ensure that processes and the underpinning technology are designed jointly. The direct support customers and providers can get from their chosen software vendor is an often undervalued aspect of this collaboration. As the examples presented here show, numerous BPO customers and providers have benefited significantly from dedicated support from SAP – and from our proven BPO engagement model.

When engaging in business process outsourcing (BPO), customers look to reduce cost, mitigate risk, and improve the quality of their operations. For providers to deliver on these expectations, they need to harness the key drivers of BPO value: economies of scale, process optimization, and labor arbitrage – all of which are heavily influenced by technology. An integrated approach to designing processes and the underpinning technology is thus essential to creating a BPO model that truly delivers value.

However, even if such an integrated approach is followed, sustainable BPO success needs to build on more than just process and technology redesign: it requires operational excellence. Unfortunately, many BPO providers traditionally have either excelled at running a given operation or are good at designing and implementing innovation – but rarely both at the same time.

Many early-generation BPO deals resembled systems integration and process reengineering but lacked operational excellence. As experience shows, this can easily result in economically unsustainable deals that leave customers and providers dissatisfied.

To create replicable solutions that enable true leveraging of scale, process optimization, and labor arbitrage, successful BPO providers need to ensure that their services design directly links into operational requirements. As technology choices closely influence both process design and operations, they have to be integrated fully into the design process from the beginning. Customers play an important role in this process too, as they must not inadvertently hamper the ability of the provider to harness those value drivers – for example, by forcing the provider to overly customize the solution.

To ensure optimal use of technology investments, the best service providers seek the involvement and intimate support of their software vendor to assist them in the joint design of processes and technology deployment. These service providers recognize that the software vendor can support their quest for ongoing evolution and improvement. Customers are well advised to obtain proof of such collaboration as part of the BPO selection cycle. SAP, for example, provides for such collaboration with a BPO-specific business model including certification and continuous support.

The following case studies summarize the experience from years of working with BPO providers whose services are powered by SAP® software, and they show how BPO customers and providers benefit from the dedicated support of SAP. They highlight how the end-to-end and appropriate deployment of technology helps ensure that BPO services are delivered at lower costs, reduced risk, and better quality. Each case study comprises three sections:

- Challenges faced by the BPO customer or provider
- Services and solutions jointly developed by the BPO customer or partner and SAP
- Impact on BPO value delivered

For More Information

To learn more about the SAP BPO organization, please contact your SAP representative or e-mail bpo@sap.com.

CASE STUDY: HRO PROVIDER

ASSISTING AN HRO PROVIDER IN CREATING A GLOBAL SERVICE-DELIVERY PLATFORM

Situation

A new human resources outsourcing (HRO) provider wanted to design and implement a one-to-many delivery model for its services. In such a model, the provider would serve all customers from a single technology platform rather than implement a new system for each customer. Specifically, the provider intended to build a global, multiclient payroll platform on the SAP ERP application from scratch.

The HRO provider had a solid background in application development management and system integration as well as strong experience in “multi-shoring.” However, it lacked the needed skills in several areas, including SAP payroll functionality for the United States and the United Kingdom, the SAP integration platform, and overall solution design capabilities. There was also no internal consensus within the provider organization on whether the one-to-many model would be commercially and technically viable.

How SAP Supported the BPO Project

The key to aiding the provider’s decision making and preparation of the planned one-to-many model was a joint engagement during the blueprinting and design phase. During this collaborative project, which covered HR administration processes (representing between 10% and 20% of the HR cost base),

SAP ensured the assistance of senior SAP HR experts who shared their global BPO implementation experience.

The design process resulted in a set of global and country-level templates, which later became the basis for the onboarding of new customers onto the one-to-many platform. Also, SAP helped the provider design BPO-specific strategies for language maintenance, interfaces, initial data load, technical configuration and testing, upgrades, and customer onboarding.

Impact on BPO Value

The close involvement of SAP experts in the design and blueprinting phase helped the provider complete the project on schedule and 30% below budget.

The templates that were created covered between 50% and 80% of the final configuration, allowing the provider to gain an optimal and scalable service-delivery structure. As a result of this approach, the provider was able to lower costs by an estimated 30% for each subsequent implementation. Also, through a better understanding of the pricing structure, the provider was able to offer more accurate – and lower – pricing to end customers.

An additional benefit of the joint blueprinting exercise was that the provider understood the intricacies of the one-to-many model in more detail. This knowledge enabled the provider to improve the description of its approach to potential customers.



CASE STUDY: HRO PROVIDER

SUPPORTING AN HRO PROVIDER IN DESIGNING REPLICABLE INTERFACES



Situation

A tier-one HRO provider needed to reduce costs and improve services. Since existing customer engagements were traditionally based on a “lift-and-shift” strategy, leading to one-to-one implementations and using outdated technology releases, the provider had limited room to achieve these goals within the current environment.

Especially problematic for the provider was the multitude and complexity of interfaces across functions and with third parties such as banks or regulatory bodies. Most of these interfaces had been designed ad hoc and were neither

replicable nor reusable. The cost associated with integrating and operating such a complex interfacing environment was estimated at between 15,000 and 45,000 working hours over the life of the solution.

How SAP Supported the BPO Project

While the provider still had skilled resources available for its existing environment, the company lacked skills to design and implement an up-to-date, reusable interface concept. SAP provided knowledgeable, experienced specialists to support design of a new solution and integration approach.

This new approach leveraged the advantages of an integrated suite of applications, built on a middleware strategy where interfaces and design could be repurposed and replicated for new customers. The provider then used the resulting solution to cover medium- to high-complexity situations.

Impact on BPO Value

SAP’s assistance at the design stage helped the provider implement interfaces at a lower cost. Even more importantly, by designing reusable interfaces, the maintenance cost per interface could be reduced significantly. In sum, costs per interface fell by an estimated 80%, equivalent to an estimated US\$200,000 per interface per customer.

The provider’s new approach also made a positive impact on different value dimensions. There is much less chance of missing cost-relevant integration requirements during the RFP phase, thereby minimizing risk. Time to quality and service quality improved, based on deeper and more thorough integration via reusable interfaces (whose cost could be spread among multiple customers). All these improvements directly benefited the provider’s customers as well.

CASE STUDY: HR PAYROLL SERVICES PROVIDER

IMPROVING LEGAL UPDATES PROCESS TO PAYROLL

Situation

A provider of core HR and payroll services was operating in a one-to-many model, based on SAP solutions. With payroll offerings in more than 35 countries, the provider struggled to keep up with country-specific legal changes often released by governments at short notice. While corresponding changes are implemented quickly within the affected SAP solutions, the release of respective enhancement packages and patches by SAP was still not fast enough for the provider in a BPO scenario.

For one, the provider needed to update the implementations of more than 40 customers, and ensure compliance of all these changes, lest it risked government fines or penalties implied by the service-level agreements with its customers. In addition, the time between release and required going-live incidence was often so short that the provider ran into resource constraints. These problems were acute in some specific countries and generally throughout the Asia-Pacific region.

How SAP Supported the BPO Project

Solution delivery managers from the SAP BPO organization created a BPO-specific implementation process that gave the provider's implementation team more time. A special process was created to address new releases proactively during the year-end period and reduce cycle time even further.

As part of the process, SAP now offers a preview of changes before the software release date, to give the provider time to discuss the implications with its customers. Also, SAP provides upcoming service packs up to two weeks before their official release date, giving the provider the opportunity to pilot and test changes and give feedback to SAP.

Impact on BPO Value

The increase in advance notice from one to four weeks makes resource planning for change implementation much easier for the provider, leading to significantly reduced operations and legal risk. Since penalties for late implementation were eliminated, the provider began to enjoy lower operations costs and was able to pass these savings on to its customers.

In addition, the advanced access to service packs makes the provider an integral part of SAP's testing community, thereby ensuring that BPO-specific requirements have more prominent visibility within SAP and are reflected in product development efforts.



CASE STUDY: GLOBAL BPO PROVIDER

STRENGTHENING MULTINATIONAL SERVICE DELIVERY

Situation

A global BPO provider was receiving increasingly frequent requests from its customers to support multinational service delivery. The provider's initial solution blueprint was based on technology without a unified character set which, while tested and stable, created a fragmented technology landscape. A multinational service delivery thus led to an increase in cost and complexity for both the provider and its customers.

A new version of the software components used by the provider had become available, in which Unicode allowed the use of one solution landscape for all local implementations. However, the BPO provider had limited resources and know-how to devise the best approach to implement this solution.

How SAP Supported the BPO Project

Together with the provider, experts from SAP BPO explored the value of the new Unicode solution in a BPO environment. Specifically, they investigated the implications of the solution for implementation and operation, including the effort and activities required. They also assessed which services, tools, and support would be available from SAP to aid this process.

As a result, the provider put together a business case and project plan for the move toward the new, Unicode-based environment, with assistance from SAP. Also, through the close collaboration, the provider gained significant expertise on the use of best practices for migration to the new technology.

Impact on BPO Value

By implementing the Unicode-based solution, the provider was able to lower costs of technology operations and

innovation, thanks to the reduced complexity of the solution platform. For example, enhancements and upgrades became easier to implement. Costs of integration with the customer's retained organization could also be compressed by ensuring that no extra tools were required on the customer side. In addition to these cost improvements, the provider experienced a positive impact on its risk profile, since a more robust integration both within the provider's system landscape and with the customers' retained systems lowered operations risk.



CASE STUDY: GLOBAL RETAILER

SUPPORTING THE “PROVIDER FIT” ASSESSMENT OF A GLOBAL RETAILER

Situation

A global retailer with 35,000 employees, based in the United States and a long-standing SAP customer, was planning to upgrade its SAP ERP Human Capital Management (SAP ERP HCM) solution. While the company was content with its current HR information systems deployment, management recognized improvement potential in the HR function overall and BPO as a strategic option.

In particular, the company's HR cost per employee – as measured by the ratio of HR professionals to employees – was very high, and employee satisfaction with HR services was low. Also, costs for the in-house maintenance of the SAP ERP HCM solution were high compared to those of other SAP customers.

How SAP Supported the BPO Project

SAP BPO experts worked with the customer to develop a better understanding of various BPO delivery models and how these could serve as an alternative to the current in-house SAP deployment.¹ The SAP BPO team also discussed SAP's BPO engagement model with the customer and provided an overview of participating providers. Based on this information, the customer was able to determine objectively the top three providers that would be the best potential partners. Based on the outcome of these discussions, the customer scheduled meetings with select providers.



Impact on BPO Value

By providing objective guidance for evaluating BPO as a process delivery option and clarifying the role of technology in achieving the best BPO service delivery, SAP helped the customer improve the quality of its decision making. Based on an improved understanding of specific BPO providers' competencies and their support by SAP, the customer was also able to lower implementation risks.

1. Please note that SAP is neutral with respect to process delivery models. That is, SAP neither encourages nor discourages customers from engaging in BPO, but SAP works closely with BPO providers and customers to ensure that BPO – if chosen by the customer – becomes a well-supported and fully viable process delivery option.

CASE STUDY: ONE-TO-MANY BPO PROVIDER

ANSWERING CUSTOMERS' QUESTIONS ABOUT ONE-TO-MANY BPO SERVICES

Situation

A provider operating in a one-to-many service model had potential customers inquire about the implications of this model on their operations and technology. Several of these prospects were long-standing and experienced SAP customers that wanted to explore the possibility of moving their processes to the standardized, replicable model. Further, they sought to understand the implications of technology provisioning via a BPO provider.

While the provider could explain the business model and the implications for processes and operations, the

prospects also had a specific set of technical questions, including the impact on the retained SAP landscape. The provider lacked the required in-depth knowledge of SAP solutions to fully address these questions.

How SAP Supported the BPO Project

Together with the provider, experts from both the solution delivery and partner management groups in SAP BPO developed a special set of questions and answers around technology implications of the one-to-many model. They placed particular emphasis on the impact on an existing SAP environment.

In addition, SAP facilitated the provider's interactions with the prospects, including question-and-answer sessions for the customer and provider. The team also derived a reusable FAQ document enabling the provider to ensure quality responses to questions on data integrity and interfaces, for example.

Impact on BPO Value

SAP's involvement provided several key benefits, both for the provider and the prospects. Most importantly, the quality of RFP questions and the respective provider responses improved significantly. This reduced the risk of misunderstanding, helped avoid poor design decisions, and enabled the customer to move more consciously to a one-to-many model, which in turn ensured a higher BPO value. Also, an RFP cycle shortened by about two weeks led to estimated savings of US\$100,000.

An indirect yet important benefit of this joint engagement was a deeper understanding among all involved parties (provider, customer, and SAP) of the one-to-many model and its implications. In addition, this approach provided replicable assets that could be used to support the development of a more stable delivery model benefiting the overall BPO industry.



CASE STUDY: GLOBAL BPO PROVIDER

COORDINATING LOCAL SAP RESOURCES SUPPORTING A GLOBAL BPO PROVIDER

Situation

To support the necessary in-depth, country-specific setup of its solution, a BPO provider worked with SAP consultants in multiple countries. As a result of its decentralized organization, the provider was interacting with multiple local consulting organizations. This increased both the complexity and risk of implementation projects. To limit these risks and ensure a consistent implementation quality across the involved countries, both the provider and its customers needed an approach that would ensure consistent consulting support from different countries.

How SAP Supported the BPO Project

The responsible solution delivery manager from SAP BPO acted as the interface to the various consulting engagement managers for each country and helped design a global consulting service-delivery agreement that would serve the provider across regions. The solution delivery manager also provided a single point of contact for monitoring, collecting information, and proactively prioritizing and addressing issues that arose locally.

Depending on the specific case or issue, the provider also has access to SAP solution management experts for the relevant solution component, to the support organization, and under certain



circumstances, even to development teams. This ensures that any given problem – relating to standard functionality, configuration, or a needed bug fix – will be handled immediately and appropriately. Again, the solution delivery manager acts as a single point of contact for all communication with the provider.

Impact on BPO Value

SAP's coordination efforts significantly improved quality and speed to quality of the BPO implementation phase. By ensuring that all involved consultants shared the same knowledge on BPO and insight into the provider's requirements, the related transformation risk was minimized.

CASE STUDY: HRO PROVIDER

TRANSFERRING SUPPORT KNOW-HOW TO A U.S.-BASED HRO PROVIDER

Situation

A U.S.-based tier-one HRO provider had multiple customers with a global service scope, resulting in more than 40 installations worldwide. Customer support was delivered through a complex and ineffective support organization, with SAP software-specific support handled by about 10 provider centers collaborating with SAP Brazil, SAP India, and SAP America.

Because of the global scope and complex support organization, issue handling and resolution was slow and inaccurate. For example, system errors required many successive iterations before satisfactory solutions were achieved, both during upgrades and enhancements and during normal operations.

How SAP Supported the BPO Project

SAP assisted the provider by transferring knowledge on how to better leverage the SAP support organization for all customer installations. This included information on how to prioritize issues appropriately, how to find quick routes for very urgent problems, and how to use support proactively for upgrades and enhancements. In addition, introducing a “follow-the-sun” approach for the provider’s entire customer portfolio, and setting up backup and emergency services that would minimize unexpected downtime, succeeded in optimizing SAP software-related support.

Impact on BPO Value

As a result of the better knowledge of SAP support processes, the provider’s own support became a lot more efficient, resulting in reducing operations costs by up to 10% for certain countries and processes. The knowledge transfer also reduced disruptions during the implementation of any innovations or enhancements. In addition, minimizing the expected system downtime resulted in improved quality and lowered risk.



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