

Anupam Govil - Founder and CEO of Global Equations, on Call Center Outsourcing

What are the different types of outsourcing?

Outsourcing can cover a wide range of services depending on the requirements and core competency of the outsourcer. The ambit of services outsourcing essentially deals with the transfer of non-core services to third parties who specialize in providing such services.

Outsourcing at a very broad functional level can be classified into IT, HR, Customer Service, Engineering, Knowledge Services, R&D outsourcing, etc. with each functional vertical covering different type of services. For example: IT has software development, HR has payroll, engineering covers automotive and product design. The range of services depending on the requirement can vary from legal support (Legal Process Outsourcing) to animation back-office.

Customer services lead by contact/call center services spread over both on-shore and off-shore locations, make up for a major category of outsourcing services. Major types of customer services outsourcing include call center services which further cover voice and non-voice based services like: sales, post-sale customer support, inbound customer request handling, tech support, order verification, filing and invoicing (subscription fulfillment), debt and payment collections. Non-voice based contact center services cover a similar range of services using other forms of communication like emails.

Why do you think companies outsource, what benefits does outsourcing provide them?

The biggest driving factor is the cost advantage followed by increased ability to focus on core competencies: 24/7 support, access to newer markets (in case offshoring), improved efficiency, shorter turnaround time and benefits derived from the service provider experience among a host of other benefits. Outsourcing also helps companies deal with the sudden flux in the demand for services as service providers are often in a position to increase or decrease the number of agents involved.

What would you say are the top risks of outsourcing?

Some the major risk factors include service expectation mismatch, lower than anticipated cost savings, data sensitivity (data theft), IP protection, high attrition at service provider level leading to lower service levels, higher training costs, etc.

In case of offshore outsourcing cultural mismatch or language barriers can pose a big risk. Offshore outsourcing, if not handled with adequate sensitivity can also lead to serious customer backlash.

Sometimes the switchback costs can also be quite high and erode all the benefits of outsourcing.

What challenges do companies face when outsourcing their call center functions and how should they minimize risk to their core business?

Call center outsourcing is a tricky proposition as this is the only customer facing operation that can be outsourced on a large scale. Major challenges faced by outsourcers include effect on employee morale and efficiency due to severance, change in functional roles as a result of existing roles being outsourced. Another area of concern is customer backlash especially in case of offshoring as customers may be concerned about the quality of service, data privacy, etc. At an operational level, outsourcers may face transition issues during the initial phase, while on a regular basis, achieving the desired level of process efficiency can be a challenge.

The best way of minimize these risks is to have a well planned campaign to sensitize all parties of the real benefits of outsourcing. While customers need to be made aware of the relative benefits of improved service efficiency, employees should be motivated to augment existing skill sets. Operational issues can be best

handled by creating an internal team responsible for closely monitoring of the process.

What are the top 3 questions a company should ask a potential outsourcer?

The three most important questions, the answer to which can help a potential outsourcer derive greater benefits from an outsourcing deal:

1. What is the company's prime reason for outsourcing - cost, efficiency, services streamlining, overflow management?
2. Have all the performance and financial expectations been quantified with clear delivery results put in place in the form of SLA's and finely defined and measurable metrics?
3. Has the credentials of the service provider been verified along with the drawing of a clear risk-mitigation, fall-back plan in case the agreement does not deliver the desired result.

What effects do legislation (e.g. DMA/FTC etc) have on the outsourcing industry and what are your views on this?

While, most would consider legislations like these to be detrimental to the call center industry, we believe it has helped improve campaign efficiency. At an operational level, companies are now able to embark on more pointed campaigns by harvesting only those contacts that have voluntarily agreed to receive product/service/company specific calls or have proactively registered themselves for similar services. This has resulted in companies achieving a better 'hit-rate' as against previous 'all-out' campaigns.

Although, moves like the 'Do Not Call' list and the ban on e-mail harvesting have restricted the flow of outbound sales calling, most other forms of call center services have remained largely unaffected.

Overall, the result of such legalizations in terms of business has been much limited than anticipated as most companies were quick to adapt to the changes by moving the resources to similar inbound and customer service campaigns.

What challenges do offshore outsourcers face that domestic ones do not?

1. Cultural mismatch - limited understanding of customer style, preferences, etc.
2. Communication barriers - accent, language, writing style, non-voice
3. Fear of service quality - loss of control at outsourcer level
4. Geo-political risks - most outsourcing destinations are located in politically sensitive areas
5. Compliance issues - most outsourcing destinations have relatively lax rules with regards to data protection, intellectual property, non-disclosure, etc.

How have the campaigns and projects companies outsource changed over the last 5 years?

Some of the major changes include marked decrease in outbound telesales campaigns, increased use of IVR systems to screen calls at initial levels, relatively faster growth of non-voiced base services like email campaigns etc. Also, of interest from an offshore perspective is the emergence of multi-shoring model. Clients are increasingly opting for multiple locations to leverage cost arbitrage and skills sets. This has resulted in the rise of newer call center destinations like Central America, North Africa and Eastern Europe. There is also a slow but gradual shift in established offshore destinations towards high value services.

What would you say are the top 5 questions a company should ask a prospective outsourcer?

1. What is the company's prime reason for outsourcing - cost, efficiency, services streamlining, overflow management?
2. Have all the performance and financial expectations been quantified with clear delivery results put in place in form of SLA's and finely defined and measurable metrics?
3. Has a dedicated team for constant performance monitoring been created?
4. Has the credentials of the service provider been verified through reference checks?
5. Has a clear risk-mitigation or a fall-back plan been drawn?

Do you feel that a client of an outsourcer should have unrestricted access to agents/ reps working on their behalf and why do you believe this?

While outsourcers currently have fairly open access to the supervisory (TL) levels along with numerous quantitative assessment parameters to ensure the expected level of service, any move to further increase in scope of interaction can have a detrimental effect.

It would especially harm the operational independence of the third party service provider. Most service providers look at achieving internal efficiency by having overlaps of functional tasks, increase operational fluidity, etc. to increase profitability. Although, a limited agent level interaction can be helpful, unrestricted access will result in undue bias for or against on-floor activities, internal rift, miscommunication, misrepresentation etc.

What management and motivation challenges do outsourcing companies face with their staff?

Resistance to any outsourcing move by employees is a natural reaction against what is often perceived as a threat to employment. While this can lead to strikes and lockouts in markets having organized labor outfits, i.e. unions (especially in the UK and other European countries), it can also have a detrimental effect on employee morale. Staff and lower management can feel de-motivated, let down by such a move. All these can seriously affect employee performance and can have a domino effect on other larger organizational objectives.

The best way to resolve any rift is to proactively educate staff about the benefits of such deals. Management can also consult and involve staff during the various stages of negotiation. Companies can also look into portioning a part of the cost saving to re-train the existing workforce for higher value tasks. The emphasis should be to ensure that the staff are not caught unaware of any outsourcing initiative.

How can outsourcers and clients ensure a fair partnership agreement?

The best way to ensure parity in outsourcing agreement is to mutual expectations, deliverables and timelines clearly understood at the beginning of the engagement. It is very important to have clearly drawn SLA's with measurable parameters of service delivery, financial aspects, delivery mechanism, risk mitigation mechanism, etc. Having dedicated relationship teams responsible for constant monitoring of results and taking corrective actions, goes a long way towards ensuring a long term and healthy vendor-client relationship.

It is also prudent to involve independent sourcing advisors, as they can be of immense help at all levels from defining a win-win contracting relationship to streamlining and aiding the transition.

What are the main advantages of using brokers when considering outsourcing some, or all, of your contact center functions?

The advantages of using third party sourcing advisory are immense for both client and service provider.

From a client perspective, a sourcing advisory helps at every stage from helping to draw an outsourcing strategy, assessing requirements, mitigating risks, drawing a transition roadmap, identifying prospective vendors, creating well defined SLA's to helping in the smooth transition. They can also be of great help in periodically accessing the relationship in order to improve the existing service levels.

From a vendor perspective, an advisor ensures that the SLA's are not skewed against the service provider by considering the various operational aspects, check on value proposition, etc. At the end of the day it is imperative to have a win-win partnership agreement.

Moreover, advisors can help present the overall picture considering non-operational aspects like the macro-economic scenario while still being focused on the relationship and the outcomes of the outsourcing initiative.

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What role do associations play in helping companies select and use outsourcing services?

Although, associations do not play an active role at an outsourcer-vendor level, they are hugely responsible for the overall outsourcing environment in a country. In fact, the success of the Indian outsourcing industry can be largely attributed to NASSCOM, the local IT-BPO trade lobby. Associations like these not only provide an umbrella for all related agencies, they also help in presenting a collective voice in a range of activities ranging from lobbying with government for incentives, drawing overall industry standards to promoting the country as an offshore destination. Agencies like India's STPI also help outsourcers to check on the overall health of the industry based on various reports published at regular intervals, it also through various databases help improve the interaction between prospective buyers and sellers.

Have you seen any trends in your area on the type of outsourcing companies that have established themselves in your area and what would you attribute this to?

In the case of the Indian call center industry, there has been a shift in balance towards third party service providers. This is largely because of the increase in operational cost of large captive centers along with the confidence of achieving the same service levels. Recent large scale changes can be seen as a harbinger to this trend. Also, of interest is the move by many large IT service providers to get into the BPO/Call Center space to provide the entire spectrum of services to clients. The third trend is the rise of Knowledge Services through Knowledge Process Outsourcing. Many BPO vendors are leveraging their client relationships to offer Research and Analytics services. This allows them to climb up the value chain, get into higher margin service areas and also retain top talent.

About Anupam Govil :

Anupam Govil has over 16 years of experience in consulting, business development and venture capital in Enterprise Software, IT services and Business Process Outsourcing (BPO) sectors. He is the Founder and CEO of Global Equations, a consulting and advisory firm providing strategy, sourcing and implementation services to mid-market companies, private equity funds and service providers on offshore outsourcing, joint ventures and cross-border M&A.

About Global Equations :

Global Equations is a US offshore and business advisory firm. Global Equations' primary focus is on advising organizations that wish to leverage global resources for their strategic IT and Business Process Outsourcing (BPO) needs.

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