Achieving business excellence through quality in a BPO environment

“Worldwide spending on horizontal business process outsourcing (BPO) services totaled approximately $382B in 2004, a growth of about 11% over 2003. IDC projects that this market comprising eight business functions of human resources, procurement, finance and accounting, customer care, logistics, product engineering, sales and marketing, and training will increase to $642B in 2009 at a five-year compound annual growth rate (CAGR) of 10.9%.”

IDC, July 2005

Managing quality: delivering results and adding value for customers

One of the most compelling factors that drive enterprises towards business process outsourcing (BPO) has been and continues to be cost savings. However, with outsourcing of activities such as finance, accounting, human resources, and customer relationship management, more and more firms are also beginning to focus on the quality of service delivery as it has a direct impact on stakeholders, employees, customers, and vendors.

Defining and evaluating quality

Traditionally, quality in the corporate world is measured and recognized through quality certifications. These certifications represent achievement of a common standard that companies recognize regardless of their industry. They also constitute a stamp of approval from auditors whose role is to validate whether a company meets certain agreed-upon requirements.

At HP, however, we believe that quality at the highest level needs to mean more than just certifications. It needs to be an enterprise-wide initiative with two primary dimensions: service delivery and organizational effectiveness.¹

In most companies, the key focus is on service-delivery standards—for example, accuracy and turnaround time (TAT). However, it is organizational effectiveness that plays a critical role in achieving the ultimate quality of a company’s services—and the ability to meet its own quality standards.

HP’s quality-management methodology

The combined benefits of service delivery and organizational effectiveness are achieved by HP BPO through a unique quality-management methodology. HP defines quality in a BPO environment as a self-sustaining business result area that is powered by this methodology.

HP’s quality-management methodology differentiates itself by being centered on proactive process improvement (preventive, scalable, and flexible)—as opposed to reactive, short-term quality assurance, which plugs only highly visible process gaps and systemic errors.

Essential to the methodology is the alignment of the key elements of people, processes, and systems in a decentralized, quality-enabling environment that works in tandem with the process-delivery teams. What this means for HP’s customers is delivering a structure organized around people, optimization of systems, and operational excellence.

This unique methodology is embedded in our process-improvement strategies and is aligned to meeting our customers’ key performance indicators (KPIs). Meeting expectations regarding these indicators allows HP to establish more aggressive targets and also enables our customers to showcase positive results.

¹ Service delivery is the ability of an organization to deliver a specified service to clients based on mutually agreed-upon requirements. Organizational effectiveness signifies having internal processes in place to manage human capital and systems, train personnel, and continually improve the quality of service delivery.
Quality culture
- Embedding quality standards in HP’s DNA
- Creating champions and rewarding positive quality management behavior

Six Sigma–based process improvements
- Implementing Six Sigma tools and techniques in all business and administrative processes
- Orienting people on quality standards—listening to our customers to align ourselves with changing business needs

Business process management
- Quality-management program initiated during process transitions
- Compliance and risk management
- ISO foundation laid for a Six Sigma organization

The investment in people who drive the methodology
- More than 500 improvement projects
- One out of every two employees is quality trained
- Four out of five operations managers are quality trained
- ISO 9001:2000 certification of all business delivery centers

HP has seamlessly integrated two of the industry’s leading quality-management practices—ISO and Six Sigma—and then customized and modified them to suit the unique requirements of a BPO environment.

With this approach, the company delivers BPO services not only at a low cost, but also at unmatched levels of quality.

Quality management for process improvement
For HP, process improvement means achieving tangible business benefits in areas beyond those traditionally associated with outsourcing. HP’s quality-management endeavor focuses on continuously enhancing process performance in the following areas:

- **Business controls**
  - More accurate reporting
  - Better audit compliance
  - Greater data security and IP protection
  - More transparency in transactions

- **Customer impact**
  - Higher total customer experience (TCE) scores
  - Better business fundamentals
  - Higher Sigma scores
  - Fewer escalations; fewer queries

- **Productivity enhancement**
  - Reduced operating costs for customers
  - Higher ROI with release of full-time employees
  - Reduced cycle time
  - More robust processes
  - Better system performance/utilization
  - More standardized processes
  - Reduced transaction costs
  - Better information flow between front end and back end
Implementing HP’s quality-management methodology

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<td>0–6 months</td>
<td>6–12 months</td>
<td>12–18 months</td>
<td>18–24 months</td>
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<tr>
<td>• Training</td>
<td>• ISO certification</td>
<td>• Six Sigma process improvement</td>
<td>• Continuous improvement</td>
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<td>• Six Sigma process measurement</td>
<td>• Operationalization of quality</td>
<td>• Corrective/Preventive action mechanism</td>
<td>• Standardization</td>
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<td>• VOC process</td>
<td>• Process audits</td>
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<td>Results</td>
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<td>• Quality mindset from Day 1</td>
<td>• Completely documented processes—right down to activity level</td>
<td>• Continuous measurement, analysis, and improvements</td>
<td>• Best-in-class performance</td>
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<td></td>
<td>• Measure what is important; know what to improve</td>
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<td>• Performance-enhancement opportunities</td>
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<td>• Understand customer needs</td>
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Implementing a quality-management methodology: a key to success

The success of HP’s quality-management methodology lies in its detailed implementation. HP’s quality-management methodology is implemented in a client engagement through a phased deployment.

Phase 1—Establish infrastructure

In this first phase, HP focuses on building the infrastructure required to develop a solid quality-management program. This includes setting up the organization, including levels of participation—“master black belts,” “black belts,” and “green belts”—depending on the size and scope of activities.

This phase also involves training the organization on various levels of Six Sigma, setting up the right system of metrics to monitor and control the process, establishing a voice-of-the-customer (VOC) system to gain frequent feedback from customers, and implementing processes to measure and manage risk.

*Indicative timelines: 0–6 months*

Phase 2—Stabilize environment

The second phase involves stabilizing the quality-management system. This includes process mapping and process documentation, regular data analysis and review systems, audits on the process, and process improvements—leading to an ISO certification approximately 12 months after the start of production.

*Indicative timelines: 6–12 months*

Phase 3—Improve processes

In the third phase, HP’s objective is to regularly apply DMAIC—the Six Sigma improvement toolset—in order to solve a variety of process problems. HP accomplishes this by launching a series of improvement projects focused on goals such as standardization of processes, reduction of defects, improvement of customer satisfaction, and increases in productivity.

This phase also engages a large part of the customer operations organization in the improvement effort, increasing the footprint of these process improvements. The major deliverable of this phase is setting up a corrective and preventive action mechanism—a system that looks at defects as they occur and finds ways to correct them and prevent them from recurring.

*Indicative timelines: 12–18 months*

Phase 4—Achieve world-class performance

This final phase centers on standardizing the improvement mechanism—and, by weaving the methodology into day-to-day operations, on making improvement a habit.

HP benchmarks operations both internally and externally, and revisits customer requirements to refine the measurement system for the process. The Sigma measure is a moving target. As customer requirements or benchmarking data change, so do the targets and specifications for the process.

*Indicative timelines: 18–24 months*
Translating HP’s quality investment into customer benefits

HP’s belief in the two-fold philosophy of service delivery and organizational effectiveness has time and again proved beneficial to customers. Some of the key benefits that customers have derived are listed below:

- **Fewer processing errors**—Robust processes are a prerequisite for BPO transaction processing. The documentation of processes enables coordinated, consistent service delivery—and fewer processing errors.

- **Getting it right the first time**—Sound transaction processes, skilled employees, and strong process management all boost the likelihood of completing deliverables only once, without rework, which translates into fewer cost overruns.

- **Swift resolution of problems**—If a problem does arise, it can be tracked and analyzed quickly following quality standards. There are tools in place to efficiently determine the root cause of a problem, identify what else may be affected, and provide a workaround.

- **Improved productivity**—The processes, methodologies, and tools used as part of an integrated quality system can lead to improved productivity. This means that more transactions can be processed per day to meet cost and time targets.

- **On-time delivery**—Having the appropriate tools and methods for managing the BPO solution design, transition, and delivery leads to BPO processes that are efficient, risk-free, and more compliant with regulatory and client requirements.

- **Cost savings**—Efficient transactions, fewer errors, and less rework can all result in tangible savings for the customer. These benefits translate beyond the outsourced process to include the customer’s end-to-end process lifecycle.

- **Better compliance, lower risk**—A focus on lower risk and greater compliance—especially in finance and accounting processes—results in greater awareness, better adherence to regulatory requirements, cleaner internal and external audits, less rework, and faster time to closed books.
## HP's best practices in managing quality

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<th>HP's best practices in managing quality</th>
<th>What it means to HP's customer</th>
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<tr>
<td>Build a quality-management approach and systems from the start of a client engagement</td>
<td>Drives quality involvement from the early stages of process transition</td>
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<td>Make a strong commitment to key performance indicators (KPIs), service-level agreements (SLAs), and a well-defined continuous improvement process</td>
<td>Allows for a faster learning curve and achievement of KPIs</td>
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<td>Use metrics to create a performance culture throughout the entire organization, its various processes, and every single job</td>
<td>Develops a quality roadmap and sets yearly targets</td>
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<td>Employ a dedicated team to ensure that quality and an improvement-oriented mindset are embedded in the organization</td>
<td>Establishes an experienced quality task force that will drive process improvements and a best-in-class quality program as part of the BPO package</td>
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<td>Promote an improvement culture to reward and motivate employees</td>
<td>Focuses the factory on quality</td>
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<td>Use an audit process to bring about process discipline</td>
<td>Achieves better compliance, more discipline, and regular audits</td>
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<td>Leverage a process-documentation mechanism to enable effective knowledge transfer and knowledge management, and to identify improvement opportunities</td>
<td>Promotes faster knowledge transfer</td>
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<tr>
<td>Use a feedback mechanism to obtain and act on customer comments</td>
<td>Advances a superior client and end-customer experience</td>
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## Promoting an organization structured around quality

What HP’s infrastructure and methodology bring to customers is a system for developing, deploying, and stabilizing quality initiatives over a multi-year timeframe.

More specifically, HP’s quality-management process helps organizations to achieve:

- A focus on quality and Six Sigma
- A deeper understanding of customers, of their requirements, and of how HP processes are performing against those requirements
- A method to systematically measure defects, understand why they occur, and remove the causal factors
- Improvement that is a way of life

The table above details the benefits that HP’s quality-management best practices bring to HP BPO customers.

## For more information

If you’d like to learn more about HP’s quality management methodologies for BPO, please visit [www.hp.com/hps/process/](http://www.hp.com/hps/process/) or send an e-mail message to our sales principal, Steve Stubitz (steve.stubitz@hp.com).