



Knowledge Process Outsourcing – focusing on
domain expertise

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In the art of business, the science of winning lies in recognizing and acknowledging organizational strengths and weaknesses. Successful business leaders have emphasized understanding and mitigating flaws, both from a process and people point of view.

Knowledge Process Outsourcing (KPO) is the outsourcing of high-end complex tasks and processes to specialized service providers. KPO provides value to the customer through domain expertise rather than process expertise. Being at an embryonic stage, the KPO industry is facing uncertainty at various functional points. Understanding these weaknesses and countering them with efficient operational measures will go a long way in ensuring sustainable growth.

KPO – an evolving business

Acquiring a customer is an inherent part of any business and comes with its concomitant challenges, but acquiring a customer for a new business such as KPO--and in a cost-efficient manner--can prove quite a challenge. It will take a while for the customer community to readily accept KPO as a tool for sustainable growth, and as a framework to create value through domain expertise. It is an evolving business in terms of products and services, and is fast creating service and product models around a demand-generation ecosystem.

Selling the KPO idea can be quite complicated, especially, in the absence of real-world and successful case studies. The entire sales process in KPO is usually based on concept selling, with pricing and contracts as essential components.

Generally, BPO or Business Process Outsourcing follows three distinctive pricing models, namely:

- Fixed-prices (hourly billing per resource/ monthly cost of resource);
- Transaction-based prices; and
- Hybrid prices

In BPO, operations are based on an assembly line model, but with KPO's fundamental premise being knowledge, the above models prove to be a mismatch. Therefore, it is imperative to adopt a pricing model based on the nature of the task involved. In fact, the KPO industry today is struggling to develop a pricing model based on its ecosystem.

There are two important clauses followed in any KPO contract, namely:

- SLA (Service Level Agreement: The lack of structured processes in the knowledge environment and high dependency on people restricts the constitution of set rules and service levels for delivery, thereby making SLA creation a challenge.
- Duration of contract: Most often, it is difficult to judge the duration of a project accurately; elongated project times increase the total cost of ownership, while reduced timelines can amplify the risk of failure. Today, KPO contracts base themselves on the BPO model, but soon they will have to develop their own.

Transitioning people, processes and technology

A critical component of outsourcing is the transition phase. Transition or migration management is a methodical technique of transitioning people, processes, and technology from the customer's environment to the

vendor's environment. Transition management is a key element of all BPO engagements and is critical to overall success. Transitions are successful when they proceed rapidly, are transparent to the organization, and objective driven. KPO, being in its nascent stages, has no specific templates and tools for transition. Most vendors use plain vanilla methodologies adopted by the BPO environment. This makes the process risky and increases the chances of project failure. Best practices for transition are expected to evolve as the industry matures. But, until then, transition management will prove to be a challenge.

Defining a governance structure solely for KPO

Another concern in this industry is that without apt checks and balances, vendors run the risk of jeopardizing customer relationships, especially when they are unable to provide continuous, good service, and improve productivity levels. A well-defined governance model can help both vendor and customer in aligning their efforts to meet desired service levels. Governance was not treated as high priority in the early days of BPO, but today it is driven by the client and vendor community. There is a high level of ambiguity in KPO in terms of the onshore-offshore mix, and also in the unbundling of roles in sales, operations and project management. The communication model in the governance structure can be replicated from the BPO model, but there is no specific governance model for KPO that exists today.

Striving for effective operational management

A primary concern with outsourcing lies in ensuring a high level of quality using methods such as Six Sigma. This entails paying stringent attention to operational intricacies. Barring

a few functions, it is difficult to transform knowledge-driven processes into functional assembly lines. It also becomes difficult to organize operations to deliver a desired value proposition. Hence, from an operational management perspective, there are indeed a lot of grey areas which need to be mitigated.

Some of the challenges for continuous service delivery involve:

- Business continuity
- Information security and compliance
- Inventory management of information assets

Adopting the right approach

The need of the hour for KPO is to start engineering its business components. A note of advice for the sales team would be to ensure that they:

- Sell a realistic scope of work;
- Negotiate the right SLAs; and
- Sell skills at the right price

KPO programs begin with mostly ad hoc or customized projects (sometimes as “proof of concept”). Standard times are difficult to define, while TAT (turnaround times) could vary from a single day to 20-30 days for complex projects. It is advisable for the KPO vendor community to opt for small output-driven projects. Such projects reduce the risk of failure and also provide the bandwidth necessary to create the knowledge base and key success factors for project delivery. These factors help in gearing up operations for larger projects.

Choosing a specialist for process analysis and transition is the best way to move with transition management. General transition

managers should play the role of offshore support to the process specialist, and not vice versa. This will reduce the risk of failure and help in drafting a process-specific knowledge repository and transition methodologies. The transition and operations team should focus on designing solutions instead of adopting “as is” processes. Operation heads need to factor in delivery constraints and map them to the right skill sets. And, lastly, vendors need to be wary of hidden costs.

In a nutshell...

The right approach is always a derivative of the successes and failures inherent to the industry, but vendors and customers who adopt logical business assumptions have a distinct competitive edge. To draw an analogy between Sun Tzu's 'Art of Warfare' and business, the following quote “Know yourself; in hundred battles you will never be in peril”, holds true; and, more so in the case of the KPO industry.



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