KPO 2.0 – Step-change in Productivity of Knowledge Processes

Executive Summary

Anyone who has dealt in knowledge-based processes such as consumer insight analytics and campaign support in telecom or retail banking, or competitive intelligence must have faced challenges such as these:

- Duplication of effort across silos and geographies
- Lack of well-defined taxonomies, market definitions, standardised templates and time stamps
- Wastage of resources due to lack of re-use of existing materials, and lack of access to up-to-date reports and timeliness
- Poor quality and inefficiency of work due to lack of specialisation and time availability
- Limited integration of company's internal and external data, and the tacit knowledge in people's minds

This article describes how the Knowledge Process Outsourcing (KPO) industry is now progressing to its next stage of higher value addition where systematic re-engineering of knowledge-based processes can improve the productivity of knowledge-based processes by more than 100% in certain cases and avoid the pitfalls described above.

The business case of KPO 2.0 is very strong and based on enhanced productivity, quality and service levels, and is therefore much more robust than if it were based on salary arbitrage only. Improvements can be achieved within a period of 4–6 weeks. After analysis and benchmarking against best practices, the new process is designed jointly with the client, and this is where KPO 2.0 offers an immediate advantage, immediately implemented and partly run by the KPO partner rather than left to the client to implement.

Knowledge Process #1: Library/Knowledge Management (KM) Services

Most companies have developed their own library or information services units, where large numbers of external data services, both print and electronic, are offered to employees across the company. Experience shows that in such set-ups, access and data usage is rarely fully controlled and external budgets are managed on an incremental basis, which can both result in significant inefficiencies.

The library knowledge process can be improved in partnership with a KPO 2.0 vendor using the following levers:

- **Transparency**: Users, more often than not, use library resources in inefficient ways (e.g., money wasted due to huge download volumes) or do not use them at all while still paying for the licenses. By creating transparency on usage (by user), an organisation can unearth savings potential of up to 10%.
- **Improvement in service**: The process can be improved by setting up a flexible, 24x5 research service staffed with onsite and offsite specialists. These specialists will provide scalable, global and multi-lingual research services, and additionally perform monitoring and benchmarking tasks on an ongoing basis.
- **Standardisation**: Deliverable formats can be standardised (while still allowing some room for customisation) to streamline the logging, production and delivery of requests. It will reduce the delivery time by 10–30% depending on the complexity of the request.
- **Dissemination and re-use**: Workflow tools and knowledge portals can be introduced to facilitate knowledge sharing and access across the organisation in various departments and geographies. Re-use alone can save up to 15% of total usage.
- **Benchmarking**: Usage analysis can be used to benchmark the prices of all external data sources, both print and electronic. This analysis can be used during negotiations to keep the costs from rising (even if reducing costs may not be possible because of optimised download/usage patterns).

This process takes about three to six months to completion, while early wins are realistic within 4–6 weeks. The staffing model is a mix of professionals on the client's premises at headquarter locations, e.g. in London, especially when physical libraries are part of the scope, and those at the KPO vendor's operating centres in Latin America, Eastern Europe, and North and South Asia. In certain cases, the KPO vendor can even hire the client's existing KM team.

Figure 1: Library/KM Services*
(Percent of total cost)

*Estimates
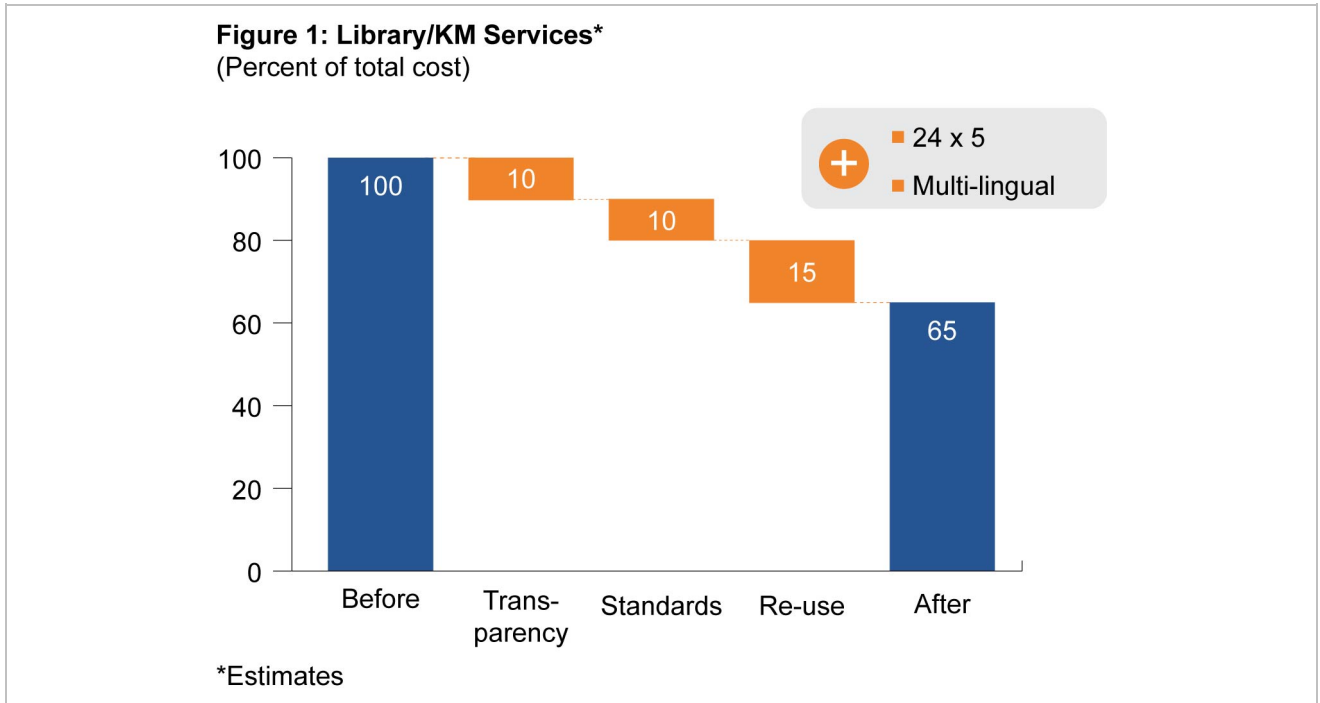
Knowledge Process #2: Financial Engineering for Banks

ETF (Exchange Traded Funds) are traded on the basis of indices, which need to be produced on a daily basis. This involves the initial creation of the index followed by daily operations refreshing and publishing the index. Unfortunately, the quality of data from various inconsistent databases is insufficient for creating flawless indices on an automated basis without prior cleansing and transformation of the data, which requires significant manual labour. So far, this issue was addressed by either not producing the index at all, which of course limits the market potential, or by enduring the manual labour required, e.g., by outsourcing it to a BPO vendor.

In one case, an American banking client had outsourced the manual work for 35 fulltime equivalents (FTEs) to a BPO vendor in India. Owing to time zone reasons, three FTE worth of work was given to Evalueserve Chile. The Evalueserve team ran the old process for sometime, but soon decided to semi-automate the process adopting proprietary macro platforms. This automated 'away' 80% of the manual labour and converted the remaining work into a more value-added, judgement-based KPO activity. Evalueserve then 'returned' the roles to the client which in turn transferred all the work from the Indian BPO to Evalueserve in Chile. With the re-engineering of the process, the entire work can now be done with 8 FTEs of KPO calibre, i.e. MBAs and CFA Level 1 (instead of 35 FTEs of BPO calibre), with the rest of the work being fully automated. This particular index creation process could be improved in partnership with a KPO 2.0 vendor using the following levers:
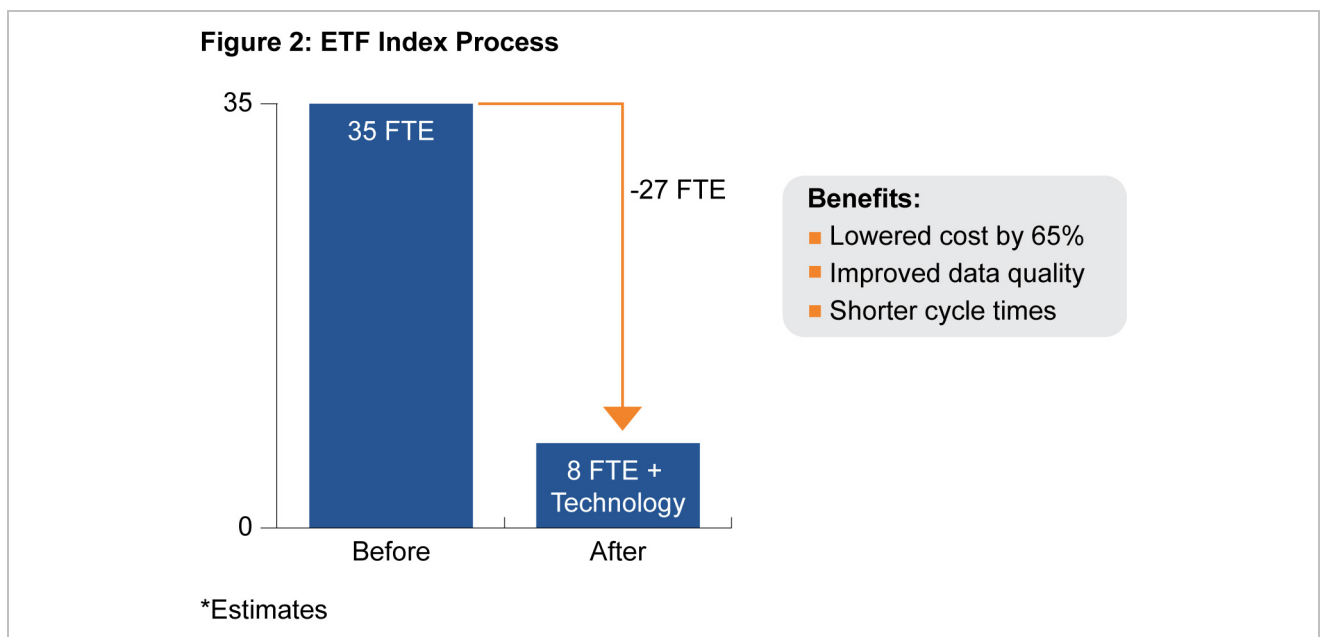
- Semi-automation by leveraging customised macro platforms: Cleansing of the incoming data (both internal and external) is the first step in the daily process of running an index. The data usually contains artefacts, e.g. omitted stock splits creating artificial jumps in the data series. While the percentage of erroneous data may be low, the impact of wrong data points can ruin the quality of the overall index, as each day very large data volumes have to be 'crunched'. A proprietary macro platform that contains up

to 100 rule sets for the identification of problematic data points systematically identifies outliers, actual or just artefacts, and flags such data points for further manual evaluation. The semi-automation converts the whole process into a computer-aided (albeit not fully automated) process that increases productivity by several hundred percent, and improves quality and confidence in the process, as the macros are thoroughly tested.

- <u>Self-learning tool set shortening time-to-market:</u> The macro platform is designed as a self-learning tool that can fine-tune its scanning capabilities on an ongoing basis. Moreover, it contains a rule library, which can be flexibly used for different indices with similar characteristics. This significantly shortens the time to ramp up steady-state operation of new indices.

- <u>Higher quality of judgement calls freeing up time of client analysts</u>: By converting the process from a highly labour-intensive, fully manual process with limited intellectual content into a KPO process with highly qualified professionals, the quality of judgement calls improves and allows outsourcing of more value-adding work. It allows the client's analysts to focus on new index development, marketing and trading.

Nowadays, the re-engineering of individual indices takes a few weeks from analysis to steady-state operation. As a lot of the work can be parallelised, re-engineering of a whole index portfolio takes anywhere between a few months to a year, depending on the number of indices to be re-worked.

The index process is a good example of how KPO 2.0 vendors such as Evalueserve are starting to develop global centres of competence (in this case, the centre of competence for Index Processing in Chile operations) around certain knowledge-based processes, which also include proprietary tool sets that can be easily customised for particular client situations.

Figure 2: ETF Index Process

35

35 FTE

-27 FTE

Benefits:
- Lowered cost by 65%
- Improved data quality
- Shorter cycle times

8 FTE + Technology

0

Before   After

*Estimates

Knowledge Process #3: Business Development Support

Are your sales people spending enough time with your clients? Interviews with sales and marketing managers, and their sales people and marketing professionals show interesting discrepancies. While sales managers feel that their business development people spend only 10% of their time on 'back-office' (unproductive) activities, these professionals feel that they are spending 25% of their time on such activities. Interestingly, the situation does not vary much between sales forces of industrial firms and business development departments of professional services firms. Moreover, experience from multiple client situations suggests that the efficiency of doing such work is low, because sales and BD professionals are
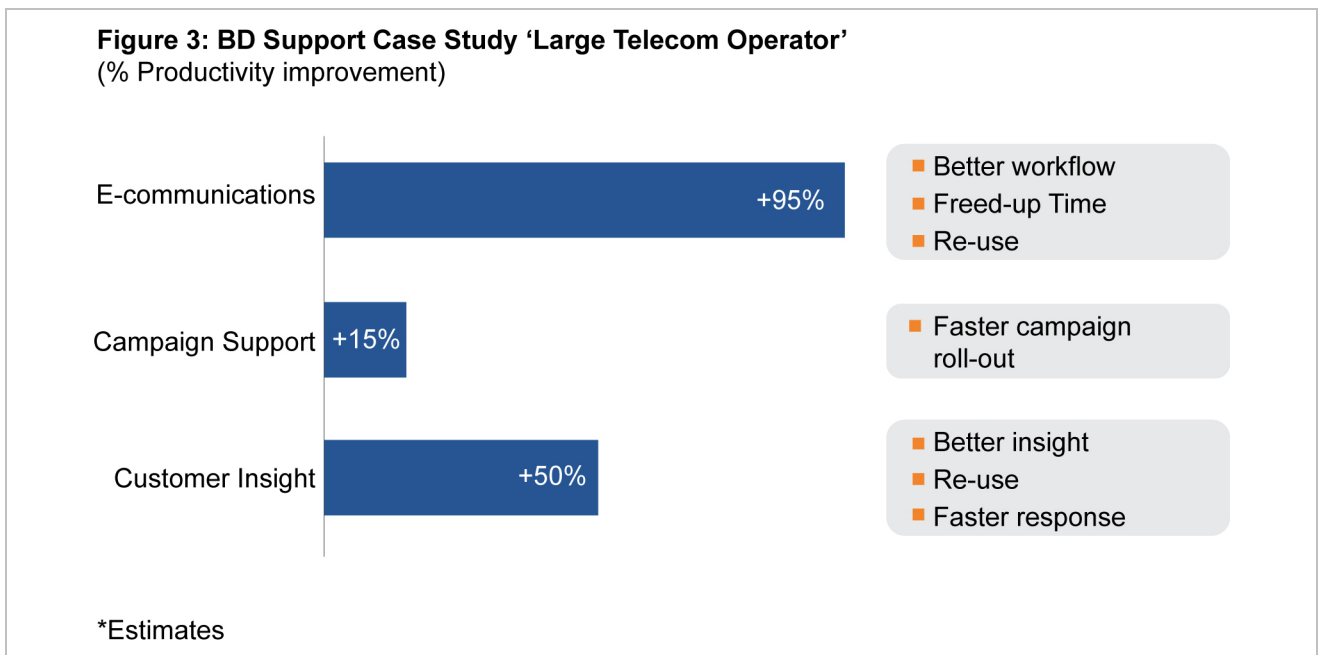
not specialised in areas such as producing sales collateral or marketing materials, or contributing to competitive intelligence processes or benchmarking sales performance.

The following case study of a large telecom operator client illustrates some of the levers of productivity and quality enhancement when re-designing the BD knowledge process.

- **E-communications (95% productivity increase, i.e. reduced resources needed by almost 50%)**: Evalueserve redesigned delivery processes for content creation and publishing of e-alerts, and external and internal newsletters by centralising the production of such content in specialised teams. These teams collect inputs from various marketers across the client's organisation and convert it into finished end products in close collaboration with the client team members. Moreover, the use of proprietary Knowledge Technology[1] tools developed by Evalueserve led to much better workflow management and streamlined publishing. Re-use of deliverables and removal of redundancies across geographic and departmental silos led to further improvements both in terms of time-to-market and productivity.

- **Campaign support and collateral production (15% productivity increase, significant quality improvement)**: Process re-engineering led to better knowledge management, more streamlined workflow and more standardised deliverables, which significantly enhanced the end-user experience.

- **Market research including survey programming and data analysis (50% productivity increase and better tracking)**: The extensive use of Knowledge Technology and the redesign of the information flow led to a 50% productivity increase. Particularly, devising a system that allowed data from prior research to be re-used in a systematic fashion led to significant improvement in tracking capabilities, which enabled new outbound marketing campaigns for customer retention. Besides, the simultaneous reduction of external research budget provided an added benefit.

The above improvements were achieved over a timeframe of about 18 months and are a good example of how a systematic partnership approach can yield significantly better results than a project-based supplier approach.

Figure 3: BD Support Case Study 'Large Telecom Operator'
(% Productivity improvement)

E-communications	+95%
	■ Better workflow ■ Freed-up Time ■ Re-use
Campaign Support	+15%
	■ Faster campaign roll-out
Customer Insight	+50%
	■ Better insight ■ Re-use ■ Faster response

*Estimates

---

[1] *Definition Knowledge Technology: Smart tools (e.g. macro platforms in various analytic software packages) and knowledge portals/workflow tools to improve the productivity, quality and time-to-market of knowledge-based processes and to enhance the dissemination and knowledge management of the content.*

Conclusion

These case studies demonstrate that simultaneous cost, time and quality improvements are possible and do not necessarily represent trade-offs in many cases. A precondition for a successful implementation is a partnership approach, which allows optimisation of processes across company boundaries and silos rather than just local optimisation inside the supplier's organisation. Working with specialised KPO 2.0 vendors such as Evalueserve is essential, as they focus on knowledge-based processes and use proprietary best practices and Knowledge Technology.

About Evalueserve

Evalueserve provides knowledge services to a global client base of Fortune 5000 companies, including Investment, Commercial and Retail Banks; Insurance Companies; Private Equity Firms; Corporates; Consulting and Research Firms; Law Firms and Intellectual Property Firms. Evalueserve's expertise covers areas such as Financial and Investment Research, Business Research, Market Research, Intellectual Property and Legal Support Services, Data Analytics and Knowledge Technology Services. Besides, we provide access to over 20,000 experts through our Circle of Experts.

We currently have more than 2,300 professionals in our research centres in India (Delhi-Gurgaon), China (Shanghai), Chile (Santiago-Valparaiso), Romania (Cluj-Napoca) and the UK (London). In addition, we have 60 client engagement managers located in all major business centres and regions around the world. We have sales offices in the Americas, Europe, Asia-Pacific and the Middle East.

Evalueserve Disclaimer

Although the information contained in this article has been obtained from sources believed to be reliable, the author and Evalueserve disclaim all warranties as to the accuracy, completeness or adequacy of such information. Evalueserve shall have no liability for errors, omissions or inadequacies in the information contained herein or for interpretations thereof.

About the Author

Marc Vollenweider founded Evalueserve in December 2000, after spending a decade with McKinsey & Co (including two years as a Principal in Switzerland and India). Prior to starting Evalueserve, Marc established the McKinsey Knowledge Centre in Gurgaon, India, and grew it from 14 to 120 professionals between 1999 and end of 2000. Evalueserve now has 2,300 employees worldwide and research centres in Gurgaon (India); Shanghai (China); Valparaiso (Chile); Cluj (Romania); and London (UK).

Marc has vast consulting experience in various industries such as telecom, pharmaceuticals/healthcare, banking, insurance, steel, transportation and logistics around the world. He can be termed as a person who can live anywhere in world; learn the best of cultural, social and practical aspects; and work with people from various backgrounds to achieve a common objective. Marc has spoken at many events over the last few years, and is regularly quoted on TV and print media as an offshoring/outsourcing industry specialist. He is particularly renowned and much sought-after for his conference presentations on the future of BPO and KPO (Knowledge Process Offshoring).

Marc graduated from INSEAD, France, in 1991 with a Master's in Business Administration (MBA). He also holds a Master's degree in Telecommunications Engineering (MTech) from the Swiss Federal Institute of Technology, Zurich.