
THE HfS BLUEPRINT METHODOLOGY EXPLAINED

Relevant metrics for assessing service providers'
innovation and execution capabilities

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Executive Summary

This document introduces the HfS Blueprint, HfS Research's methodology to evaluate service provider marketplaces. HfS Blueprints are based on the following five beliefs:

1. **Meaningful innovation drives vision.** On one side, HfS Blueprints differentiate service providers' ability to innovate because the success of buyers is based on the ability of service providers to add more value than labor arbitrage through cloud technology, standardized services, quality management, and analytics.
2. **Execution means more than market share.** On the other side, HfS Blueprints evaluate how services deliver value to clients in the real world based on the scale and scope of services actually delivered.
3. **Relationship management drives success.** Our research findings have determined relationship management is a crucial and therefore a significant factor of the HfS Blueprint methodology is the strategic engagement of service providers.

Architects of Global Business

4. **The community determines how it is evaluated.** True to our social business roots, the experienced outsourcing buyer community will largely determine the importance of the HfS Blueprint evaluation criteria through a formal, proven process.
5. **One size does not fit all.** Our approach also reflects our namesake belief that few horses run well on every course by allowing our clients the flexibility to adapt HfS Blueprints to meet their specific business needs. HfS Blueprints also evaluate the ability of service providers to tailor solutions to meet specific service and industry needs, instead of suggesting that comprehensive, standardized solutions are what every client needs.

What is a Provider Blueprint?

Provider Capability Blueprints are evaluations of the service provider marketplace based on two high-level criteria, innovation and execution, that are depicted as follows:

Exhibit 1: HfS Provider Blueprint



Source: HfS Research, 2013

What is Innovation?

Innovation represents service providers' achievements towards improving services. The factors that make-up innovation include:

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- » **Comprehensive View of the Value Chain** – The strategy for delivery services to each part of the processes "value chain". For example, in Finance and Accounting, the components of the value chain may include order to cash, record to report, and procure to pay. In Customer Relationship Management, the components may include outbound service, inbound service, quality, training, workforce management, call routing, self service, and customer insights/analytics.
 - » **Plan to Deliver the Value Clients Need** - Clear understanding of what value levers exist and how the service provider will deliver that value. Examples of value may include labor arbitrage, technology, analytics, quality, revenue, global scale, and flexibility.
 - » **Integration of Business and IT Processes** - How the service provider integrates applications with manual labor to improve value to clients. Service providers may provide cloud-enabled technology, SaaS, workflow, or analytics applications.
 - » **Investments in Innovation and Capability** – The organic and inorganic development of services for clients.
 - » **Vision to Tailor Solutions for Specific Industries** – How the service provider tailors services for verticalized-specific needs.
 - » **Accommodation and Leveraging of External Drivers** – How the service provider takes advantage of advancements in software and hardware applications; supports mobility and bring-your-own-device policies; manages security in the service/solution; supports regulatory changes that affect clients; and enables social media, collaboration, and community building in the solution.

What is Execution?

Execution reflects the services delivered to clients in the real world. The factors that make-up execution include:

- » **Quality of Customer Relationships** – How service providers cultivate strategic relationships with clients including rationale behind client relationships won and lost over the last 12 months; the quality and goals of account management teams; how the service provider develops client communities; how customer feedback is incorporated; and how pricing models fit to customer needs.
- » **Current Market Share and Potential to Grow in the Market Place** – The portion of the market the service provider owns in terms of revenue and its capabilities to increase market share in a 3-year time frame.
- » **Solutions in the Real World** – The actual services delivered by the service provider for each preprocess in the value chain; the ability to service broad geographic needs with scale; and the real world ability to tailor services to specific client needs (larger vs. smaller customers, global vs. regional customers, end-to-end solutions vs. point solutions, and implemented vertically specific solutions).

What Methodology is used to Weight HfS Blueprint Evaluation Criteria?

For general research publications, HfS Research leverages the analytical hierarchy process to weight evaluation criteria in our HfS Blueprints. Weighting is based on averages crowdsourced from four major constituencies:

- » **Enterprise Buyers:** Leaders in companies that evaluate and/or buy services from service providers. This includes a combination of industry-wide results and the results of highly experienced HfS 50 Sourcing Executive Council members.
- » **Service Providers:** Leaders in companies that market and sell services to buyers.
- » **Advisors, Consultants, and Other Industry Stakeholders:** Individuals who facilitate decision-making between buyers and service providers
- » **HfS Research's Analyst Team:** The analysts of HfS Research.

Since aggregated weighting rarely reflect the interests of our clients, HfS Research allows subscribers to customize HfS Blueprints. Subscribers may generate their own weighting based on their own priorities, select some or all of the four constituencies listed above, leverage their industry's average weighting, leverage weighting of companies operating in the same geographic region, or any combination of these. Clients can also run what-if analyses to understand how future trends may impact results, as well as add and delete evaluation criteria to fit their needs.

What Methodology is used to Compare Service Providers?

- » For general publication, HfS Research's analysts conduct paired comparisons of service providers in each category of evaluation. This process is exhaustive and requires extensive data collection to evaluate service providers. Detailed results are provided in HfS Blueprints. Because this methodology leverages a "living" data set, major market changes can be quickly updated in HfS Blueprints and results can be rapidly released to the community to communicate how changes impact market leadership.
- » In addition, HfS Research subscribers may conduct their own evaluations based on their specific needs. These customized evaluations can replace HfS Research's analysts evaluations or be weighted however the subscriber chooses. The ability for subscribers to customize evaluations further improves the HfS Blueprint's value to clients rather than forcing a "one-size-fits-all" approach on the entire market.

How is Data Collected?

HfS Research collects data using the following methods:

- » **Tales from the Trenches:** Interviews with buyers who have evaluated service providers and experienced their services. Some are supplied by service providers, but many are interviewed through interviews conducted with the **HfS Sourcing Executive Council**, and participants in our extensive market researches.
- » **Sell-side Executive Briefings:** Structured discussions with service providers intended collect data necessary to evaluate their innovation and execution. We don't pull punches in these discussions because we need to get past marketing spin doctors to understand the real state of service providers' capabilities.
- » **Publicly-available information:** Financial data, website information, presentations given by senior executives, and other marketing collateral.

The Final Word: Focus On What Matters... to You

Buyers are more demanding and service providers are constantly striving to differentiate services. Vision (a.k.a. marketing spin) simply doesn't merit consideration when compared to innovations delivered to clients. And service providers' ability to cultivate relationships increasingly matter more than the number of FTEs Acme, Ltd. has in Bangalore. Most importantly, in the increasingly competitive and global markets buyers operate in, companies need to dynamically modify criteria and evaluations based on their specific needs (or meld theirs with other experienced constituencies' opinions). HfS Research's HfS Blueprint delivers all of this capability to the industry and our subscribers in spades.

About HfS Research

HfS Research (www.HfSResearch.com) is the leading independent global analyst authority and knowledge community for the business and IT services industry. HfS is unique in that it serves the research and strategy needs of business operations leaders across finance, supply chain, human resources, marketing, customer management, IT and core industry functions.

In addition to researching business operations strategies, HfS educates and facilitates discussion among the world's largest knowledge community of enterprise services professionals, currently comprising 120,000 subscribers. HfS Research also facilitates the [HfS Sourcing Executive Council](#), the acclaimed elite group of sourcing practitioners from leading organizations, which meets bi-annually to share the future direction of the global services industry and discuss the future enterprise operations framework.

Led by recognized industry expert Phil Fersht, HfS Research differentiates itself with its global team of expert services analysts with real industry experience, provocative and opinionated research, unrivaled market analytics and a view of technology as an enabler for business process improvement. HfS Research's on-demand expertise relationship model helps clients leverage HfS knowledge and strategic insight in a rapid, responsive and engaging manner.

In 2010 and 2011, HfS was awarded Analyst of the Year by the International Institute of Analyst Relations (IIAR), the premier body of analyst-facing professionals, and achieved the distinction of being voted the research analyst industry's most Innovative Analyst Firm in 2012.

Now in the sixth year of publication, HfS Research's acclaimed blog "[Horses for Sources](#)" is widely recognized as the leading destination for unfettered collective insight, research and open debate of sourcing industry issues and developments.

To learn more about HfS Research, please email research@HfSResearch.com.