THE BPO PROFESSION IN 2015

Today's Accidental Career Path, Tomorrow's Capability Broker

Authors:

Phil Fersht, CEO and President, HfS Research

Barbra Sheridan-McGann, Senior Vice President, Research HfS Research

April 2015

Executive Summary

As the BPO industry has steadily matured over the past two-plus decades, a core competency is emerging that encompasses all the elements of managing and creating value from business and technology services relationships. This core competency is centered on defining and working toward a common set of defined business outcomes, with an entrepreneurial spirit, which we call "The Capability Broker" career path.

HfS research shows 97% of the Global 2000 have a significant outsourcing relationship, with thousands of people with specific roles, metrics, deliverables, and proven results in BPO and IT engagements. Today, a generation of professionals has been in BPO long enough (the first contracts date back to more than 20 years ago), and with enough professional advancements and accumulated impact to call BPO an actual career. However, this career does not begin and end in BPO, as there is a link with corporate enterprises.

As BPO has matured, it has also evolved in most large enterprises to more than merely a stand-alone delivery model. Increasingly, maturing service buyers are incorporating a mix of offshore and on-site delivery staff with the rest of the enterprise. They are all becoming a more crucial element of a hybrid operating environment that frequently involves in-house shared services, offshore in-house centers, and other service provider delivery teams in adjacent areas. As businesses use these models and enabling technologies to define and deliver specific business outcomes in a more collaborative and flexible fashion, we see it all coming together as the "As-a-Service Economy."

In today's emerging "As-a-Service Economy," where on-tap service delivery becomes the norm for enterprises that need flexibility and third-party expertise, we have an opportunity to clearly define a career path for professionals who have developed an expertise in what started as a niche competency and has quickly grown into a recognizable and marketable set of skills. The BPO role encapsulates the skills required not only to deliver smoothly run operational processes but also to impact business outcomes that are strategic to the business, using creative thinking, business insight, and technology tools effectively.

Thriving in the As-a-Service Economy

Key Findings

In this report, we explore how BPO professionals feel about their roles and career options, particularly with the increasing use of automation, analytics, and other technologies, and their impact on the role of trust and collaboration between service buyers and service providers in effective BPO engagements. These insights are based on a study of survey responses and interviews conducted in February and March 2015 with more than 500 BPO industry stakeholders: enterprise buyers, service providers, and advisors.

The key findings include the following:

- 88% of experienced BPO professionals with more than 10 years' experience in the field view their role as one of driving innovation and change within their organization, and a similar percentage feel excited about the future of BPO as an industry. However, half of the BPO professionals with less than two years' experience are not excited about the potential for BPO, and very few see a promising career trajectory for themselves in this industry.

- Three out of four professionals at BPO service providers believe technology has increased the value and potential of BPO as a career choice. Half indicate that it is cloud solutions and BPaaS that are already affecting BPO jobs. In addition, four out of 10 BPO service buyers view analytics acumen as critical to their BPO career.

- Two-thirds of BPO buyers and an even higher percentage of service providers (80%) are under pressure to increase their skills in defining business outcomes beyond cost reduction and efficiency. Both groups say these are difficult skills to find, which makes training and mentoring programs increasingly critical.

- Training programs for developing functional expertise have been established at 80% of service providers, which is useful for practical specialization, and for program management at 70%. Now more programs are needed to address creativity, analytics, and problem solving, to fine-tune the skills of a Capability Broker who can define problems and business outcomes and architect solutions in collaboration with partners.

- Collaboration, transparency, and honesty are ranked as the most important tenets of trust in the relationship between an enterprise buyer and a service provider. These elements require a certain level of active listening and interaction, knowledge of the business and priorities, and flexibility to shift as the tide changes. Service buyers rank the following activities as methods that drive significant impact in an engagement: using design thinking for innovation (63%), spending time with the service provider's delivery team on-site (61%) as well as virtual visits (58%), and demonstrating better use of technology to drive results (50%).

The themes in our survey and interviews describe a profession that is becoming more sophisticated and important for achieving strategic business outcomes. The successful BPO professional can broker across organizations and geographies to assemble the best product, solution, and people to deliver the most effective result. To keep these professionals engaged, this valuable role that helps organizations be effective in the emerging As-a-Service

Economy requires a more comprehensively defined career path and recognition of the profession and the Capability Broker skills set.

Table of Contents

Thriving in the As-a-Service Economy

List of Exhibits

Part I. The Role of the Capability Broker

Effective Capability Brokers are hands-on operations executives who work for either the buyer organization or service provider to help define problems, pinpoint opportunities and new ideas, and shape solutions. These Capability Brokers proactively bring together the right IP, process acumen, transformation methods, technologies, and talent from each organization to create a flexible solution that changes as business, regulations, and technologies change. Simply put, these professionals define business outcomes and develop roadmaps for achieving these outcomes in a way that is akin to changing the wheels of a car while driving.

HfS has observed far too many BPO relationships that have become stagnant, in which service buyers are frustrated they are getting the same low-value transactional services they signed up for five years ago and feel their service provider is caught in the status quo of meeting basic operational metrics as opposed to trying to find new value thresholds for the relationship.

Capability Brokers need to inject entrepreneurship and trust into the partnership to avoid the perils of value stagnation

Objectives, goals, and C-Suite directives frequently change, especially in volatile markets. Hiring a service provider is actually a bit like hiring employees – why would you judge them on the same roles, goals, and metrics that were agreed on five years ago when they first joined the organization? Effective working relationships must be constantly reviewed and aligned with the goals of the business, and BPO is no different.

The Capability Broker's role is to engage with – and "broker" – the talent and goals of the BPO relationship to keep the relationship dynamic and entrepreneurial and, perhaps most importantly, to establish trust between the buyer and provider teams to deliver more than consistent low-value transactional work.

The inextricable link between talent and trust

Most BPO buyers know they need to trust their service provider with their higher-value processes to avoid the BPO relationship nose-diving into mediocrity. The solution should be the result of collaboration between the service buyer and the service provider that taps into the best of each – and that requires new levels of trust in engagement.

When HfS polled 58 BPO service buyers in a private focus group late last year, 43% declared that giving more responsibility to their service provider is clearly the most important factor in improving the quality and outcomes of their current sourcing initiative.

Exhibit 1: Service buyers trusting their service provider to take on higher-value services is critical to sustain value in a BPO relationship

Which of the following actions (select two) would improve the quality and outcome of your current sourcing initiative(s)?

Action	Percentage
"Letting go" and giving more responsibility and value processes to our service provider	43%
Jettison FTE pricing altogether	10%
Move to a more consultative-led engagement	5%
One-year SOWs that are regularly evaluated	10%
Have the threat of a competitive bid create anxiety in our service provider	24%
Nothing – we paid for cheap and cheerful, that's what we are stuck with	9%

Source: 58 Enterprise Service Buyers, HfS Blueprint Sessions VIII, November 2014

In this research, therefore, HfS also explores how service buyers and service providers can create new levels of trust to forge successful career paths in BPO. We believe combining effective career development and talent, and fostering greater trust between service buyers and providers, is the magic formula for creating a dynamic profession of capability brokering in BPO and operations that receives more recognition.

Part II. The Real Word on BPO Street: An HfS Study of 540 BPO Professionals

During February and March 2015, HfS Research conducted a survey and a series of quantitative and qualitative interviews with 540 BPO professionals to explore how they feel about their current BPO roles and the long-term potential of their BPO careers. HfS gauged the emerging critical skills and the levels of trust between service buyers and service providers, the critical factors that can forge the career path of a "Capability Broker."

More than half of the respondents were seasoned veterans, having been in BPO for more than 10 years; and about 25% have less than 5 years' experience. The respondents were primarily managers, directors, VPs, and other executives. A total of 37% of the participants were in North America, 26% were in India, and 23% in Europe. Financial Services and Finance and Accounting were the two highest represented industry and functional areas, which follows their history being the first to move into global BPO delivery. About 25% of the responses came from buyers and managers of BPO, operations, or shared services organizations; 31% from advisors and consultants; and 45% from service providers.

Three-quarters of BPO professionals are most satisfied with the intellectual challenge, but less than half fail to see their roles positioning them well for their long-term career aspirations.

BPO service buyers love their roles but struggle for recognition outside their niche

The greatest satisfaction BPO professionals have with their current roles is the intellectual challenge and skill development, where 77% of service buyers declared they were either satisfied or very satisfied intellectually and 65% with their skills development (Exhibit 2). Similar results were found for service provider and advisor executives.

Thriving in the As-a-Service Economy

Exhibit 2: Professionals in BPO like the intellectual challenge, but many fail to see corporate commitment to BPO as a career

How would you describe your satisfaction with your current role as it relates to:
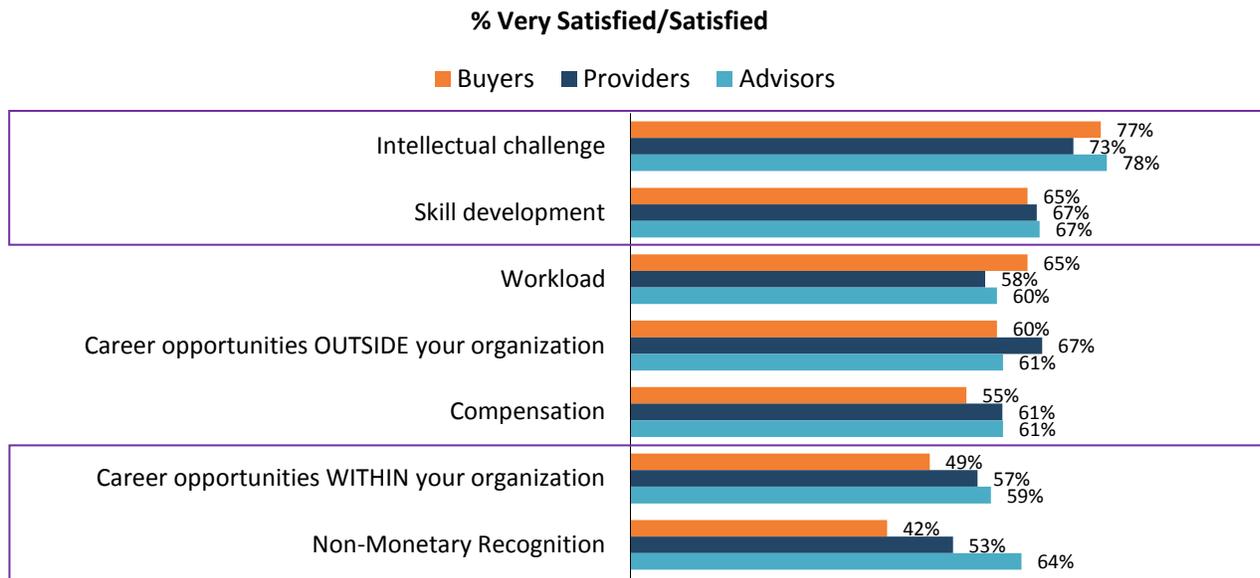
% Very Satisfied/Satisfied

■ Buyers ■ Providers ■ Advisors

Category	Buyers	Providers	Advisors
Intellectual challenge	77%	73%	78%
Skill development	65%	67%	67%
Workload	65%	58%	60%
Career opportunities OUTSIDE your organization	60%	67%	61%
Compensation	55%	61%	61%
Career opportunities WITHIN your organization	49%	57%	59%
Non-Monetary Recognition	42%	53%	64%

Source: HfS Research, 2015, Sample: Enterprise Buyers = 121; Advisors/Consultants = 158; Service Provider Executives = 229

This appreciation for the intellectual challenge has remained constant from three years ago (link to report), when HfS first examined how BPO professionals felt about their roles and careers. At the time, BPO was being reshaped from a "lift and shift" play to one that can drive additional business outcomes and collaboration between buyers and service providers to achieve results. Many executives spoke about how their roles have since evolved into driving effective problem solving and solution building and leveraging the depth and knowledge of the skills and capabilities across their own and their service providers' organizations as the relationships matured.

Satisfaction with skill development is also rising, a positive reflection of the investments this industry has made over the past two years in more formalized training programs. We see creativity along these lines among several ambitious service buyers and providers with business simulation leadership forums and a greater degree of job rotations from the lines of business to shared services centers, which was mentioned by a consumer product industry executive. There is also movement between leading BPO engagements to other executive positions, such as from an F&A BPO program to CFO of a business. This also helps bridge the gap that so often exists between the front office and the back office in many organizations, introduces more operations talent to BPO, and creates wider recognition and acknowledgement of BPO management as a core operational competency.

Service providers are reaching new levels of sophistication with training programs that take a partnership approach

When BPO staff attrition rates hit all-time highs several years ago, service providers were motivated to get creative and strategic with developing and retaining talent. Many of these initiatives started at the staff level, with culturally oriented social events and training opportunities, but are now becoming more advanced with leadership and mentoring programs, cross-training, and industry training. To engage employees in their industry, some service providers offer rotations for clinical staff between BPO service delivery and work in a partner hospital setting. These development opportunities do more to shape and stimulate the creative and challenging thinking and industry depth that are becoming increasingly critical for BPO.

Training programs are also becoming more sophisticated through university partnerships. The training and thought leadership programs of leading service providers now read like a "Who's Who" of academics. These efforts bring in professors, learning methodologies, and real-world business simulations.

The partnership approach needs to extend to creating careers

What has decreased within the past three years is satisfaction with career opportunities and, in particular, non-monetary recognition. In service buyer organizations, about half (51%) fail to see a career path, and more than half (58%) feel a lack of recognition. This area is where buyers and service providers need to turn their attention.

Knowing there is a next step, a next level to achieve, and in an environment that recognizes the successes of the role are critical elements of keeping people who are intellectually engaged committed for the long term. Although service providers seem to be setting the standard for creating career opportunities (57% see internal career opportunities and more than half external career potential), a collaborative effort across all organizations involved is needed to create a cohesive, well-defined, and engaging industry-recognized career path, as the use of technology shakes up what we know, and we move into the As-a-Service Economy that focuses on an integrated effort to achieve results.

Service providers and advisors are more satisfied with career opportunities than buyers because service providers develop a broader view of the industry while they work across multiple organizations. Service providers are aligned with the core business in their organizations and made to feel important with genuine incentives to develop their competencies. In contrast, operations professionals on the buy side are frequently poorly aligned with the core business of their organizations and are challenged to participate in activities that inspire creative thinking that involves the growth of their organization and are more than just the plumbing that keeps operations humming along. Among enterprise service buyers, managers who are deployed in a shared services organization or are responsible for managing a BPO engagement can feel more isolated within their own enterprise.

87% of professionals in BPO for less than two years do not view it as a long-term career

Although those who have been in a BPO role for less than two years share a positive view of the future of BPO as an industry, that perception does not translate into excitement about a long-term career. When these professionals move into a BPO role, it is not because they see a career path. Why is there a lack of excitement about BPO as a career choice?

Exhibit 3: Only one in eight professionals new to BPO see it as a long-term career

To what extent do you agree/disagree with the following? *(by BPO experience)*
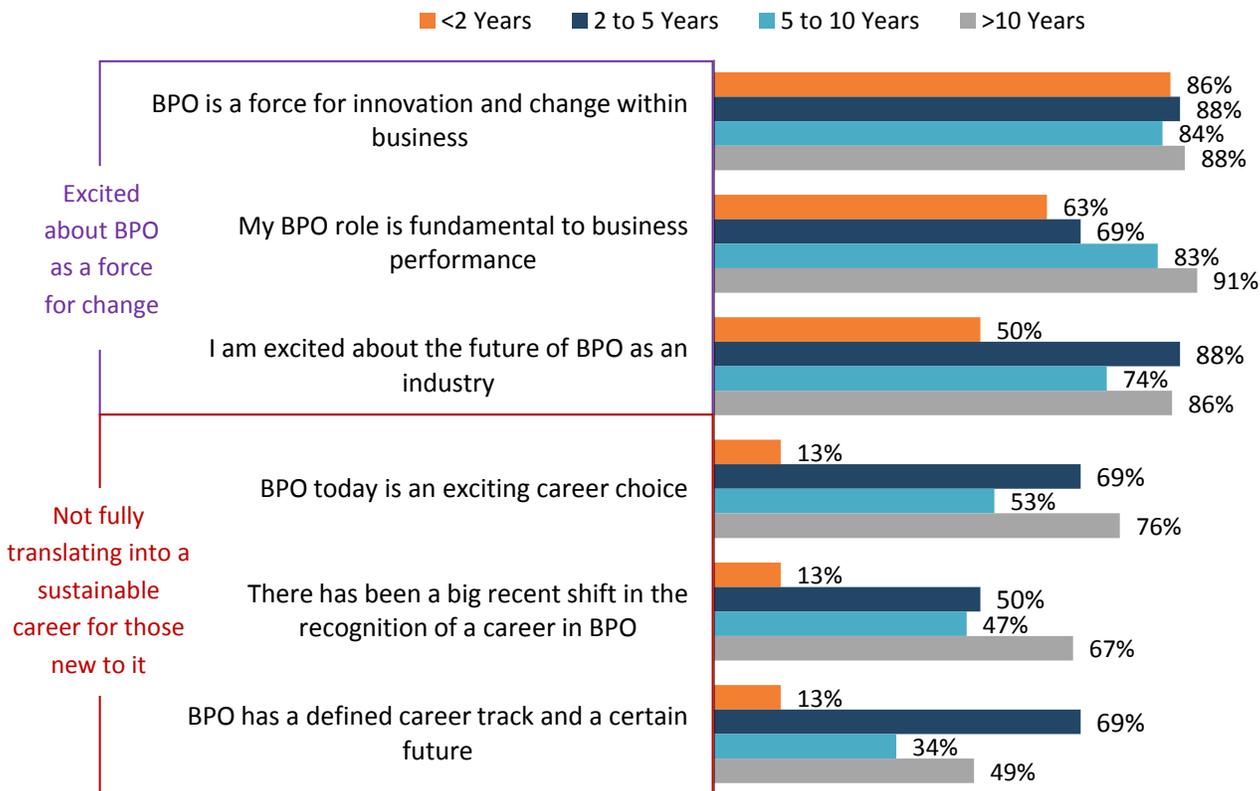
Source: HfS Research, 2015, Sample: Enterprise Buyers = 121; Advisors/Consultants = 158; Service Provider Executives = 229

One concern is the lack of visibility into other roles within the organization, which was expressed by half of the survey participants from buyer organizations (Exhibit 2), and outside it, as well as the lack of non-monetary recognition, which was noted by 58%. If you are in Finance, for example, you can see a path forward as a finance professional in a defined industry. There are Finance-specific roles, roles that use finance skills, certifications, training, and associations that provide guidance and networks.

Thriving in the As-a-Service Economy

This industry-recognized framework is more informal in BPO, although there are many training programs and initiatives, use for skills in other roles, etc. Within BPO, a manager is responsible for running a process or function, often a multi-cultural team across time zones, and coordinating buyer and service provider expectations – just to name a few elements of the role – and can take these skills and parlay them into a leadership role in another part of the business. BPO careers are simply not as well defined, mapped out, or recognized.

In many instances, BPO professionals see peers in other parts of the business being promoted for doing the same or less, simply because they are in a more established role and on a better-defined career trajectory. One way to develop "stickiness" on this path is through mentoring. For example, Capgemini runs a mentoring program that partners vice presidents with high-performing employees of the opposite gender. This type of mentoring is valuable because it brings together experience and perspective across generations, genders, cultures, and experience. When the mentor and the mentee truly share insights and guidance, both can gain ideas and engagement through the experience. One executive said, "I often leave the conversations feeling that I am the one who is inspired!"

The increasing role of technology in BPO is having a positive impact on engaging professionals in a long-term career choice, particularly in service providers.

» Only 6% of BPO service buyer professionals believe their jobs will be fully automated and eliminated

» Three out of four professionals at service providers believe technology has increased the value and potential of BPO as a career choice

» Six out of 10 service providers view cloud and BPaaS as career-critical

» Four out of 10 service buyers view analytics acumen as critical to their BPO career

The use of software robots in BPO is not raising alarm bells with the executives who participated in our research. Only 6% of BPO'ers (Exhibit 4) believe that these jobs will be fully automated and go away. Our research clearly shows it takes people to come up with the programs and operating infrastructure that runs the robots. Instead, three out of four professionals at service providers believe technology has increased the value and potential of BPO as a career choice.

Exhibit 4: Impact of technology on Interest in BPO careers

How does technology influence your decision to pursue a long-term career in BPO?

- Positively - Technology has raised the value and potential of BPO as long-term sustainable career
- Neutral - it hasn't really changed my decision-making
- Negatively - I am concerned that BPO jobs will be automated in the future and will go away

	Positively	Neutral	Negatively
Buyers	41%	55%	3%
Providers	73%	21%	6%
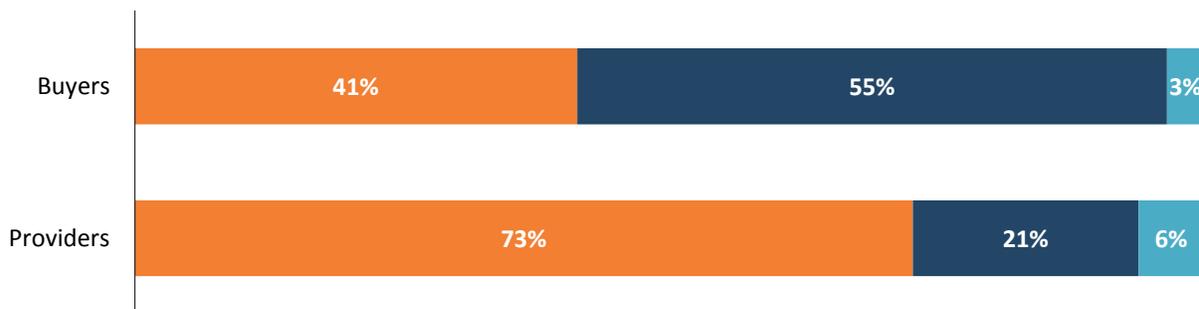
Source: HfS Research, 2015, Sample: Enterprise Buyers = 121; Service Provider Executives = 229

What may increase angst is staff seeing what they thought was a career path disappearing. This can happen in two ways. Typically, a staff person will look to advance from performing entry-level work to (1) performing advanced work and (2) supervising staff. When automation reduces or eliminates the staff needed to do the work, then the opportunity to supervise the work fades. In addition to advancement, the next step to more complex work may not be as clear as it once was. Thus, although automation can create more opportunities for interesting work identifying processes to automate and applying the technology, it also eliminates what staff is used to seeing as their next step. People in these jobs will need to make a concerted effort to cast their nets more widely for the next role, which makes insight into job opportunities within and outside their organization more relevant. Mercer introduced an online tool that helps their staff map out career options based on skills and positions, as one example of creating a path within their organization.

As we move into the As-a-Service Economy, technology is becoming more integral to BPO and therefore to the BPO career

The use of technology brings more options for how to do work and deliver value. BPO professionals use technology to automate routine tasks, enforce standards, create predictability, and drive analytics. In procurement and category management, for example, automated RFIs and RFPs simplify the overall process, since they require only 20–30% of the previous effort to generate and customize each request. Instead, time can be spent accumulating

market intelligence, understanding buyer needs, and focusing on the clients and stakeholders for a more valuable result.

Similarly, in transportation management, BPO workers who have tools to effectively optimize their network can start asking more "what if" questions, instead of just responding to requests and events as they happen. It makes transportation planning easier, and the work can become more scenario-driven and partnership-based.

The use of technology to drive increasingly smooth operations with straight-through processing and one-to-many platform-based solutions also reduces a client's reliance on internal technology. If there is an appreciation for the data security and compliance, and the controls that service providers and software vendors put in place, clients can rely increasingly less on internal technology and, in some cases, abandon legacy systems altogether.

"I clearly see less reliance on the technology we have in-house and more on service provider technology stack, whatever it is they are offering like Workday or their own tools like ADP," said a client executive. The critical change "from a governance standpoint is to stop worrying about how this tool works behind the scenes and be more focused on the outcome."

Figuring out how to make this approach work effectively and managing it over time falls under the scope of the service provider, which is reflected in how 60% of the service provider professionals agreed that cloud/BPaaS (Business Process-as-a-Service) will be the most impactful technology on their roles over the next two years (Exhibit 5).

Exhibit 5: Technology that will impact BPO careers – now and in two years' time

To what extent are the following technology trends having an impact on your BPO career?

	% Major Impact – Current	% Major Impact – Future
Big data/analytics	Buyers 39%, Providers 36%	Buyers 61%, Providers 54%
Cloud solutions/BPaaS	Buyers 29%, Providers 50%	Buyers 50%, Providers 60%
Mobility	Buyers 30%, Providers 30%	Buyers 49%, Providers 51%
Robotic process automation	Buyers 25%, Providers 32%	Buyers 43%, Providers 52%
Social media	Buyers 19%, Providers 24%	Buyers 30%, Providers 38%
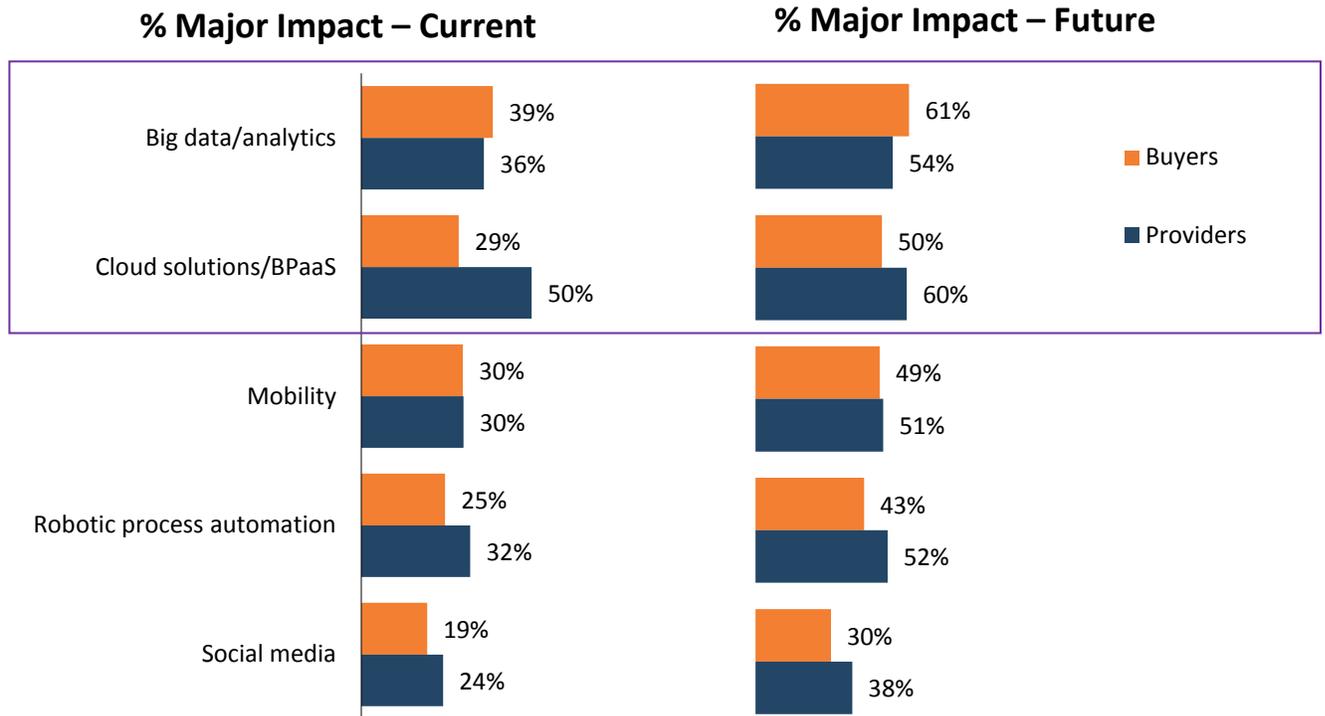
Source: HfS Research, 2015, Sample: Enterprise Buyers = 121; Service Provider Executives = 229

Within a client's business unit, however, the insights and outcomes that can be derived from the use of analytics affect BPO professionals' personal careers more than any other technology, as seen in the survey results. Four out of 10 service buyers viewed analytics acumen as critical to their BPO career. There is still an overarching perspective that the client has the better level of context and positioning to drive analytical insights and impacts versus the service provider, although use of service providers for analytics tools and support is increasing, particularly when embedded in current processes and activities.

Part III. Defining Business Outcomes beyond Cost and Driving an Automation Strategy Dominate the Changing BPO Skills Need

» Two-thirds of BPO buyers and an even higher percentage of service providers (80%) are under heavy pressure to increase their skills in defining business outcomes beyond cost reduction and efficiency

» Service providers overwhelmingly focus on developing skills that will take the providers out of the legacy FTE model

» 65% of BPO buyers see a critical need to understand and develop a process automation strategy

» Identifying risk/gain share opportunities was not seen as a major skill priority by 65% of buyers

BPO buyers and providers clearly see the focus on defining and achieving beyond cost as critical to their career development

"Today's job is more about how my internal customers look to me as outcomes-based, and how we can set up the hybrid solution for the outcomes we want with the best price and the most scalable options using internal and external resources."

The skills most needed in the sourcing industry are for defining and driving business outcomes and applying technology (Exhibit 6). As one VP of Governance described it, "today's job is more about how my internal customers look to me as outcomes-based, and how we can set up the hybrid solution for the outcomes we want with the best price and the most scalable options using internal and external resources." A service provider executive described it as the increasing need for consultative skills in a BPO role. Consultants are trained to manage stakeholders, improve processes, and bring together a "symphony" of resources to come up with a solution. This is a major departure from the skills set previously required to manage an outsourcing relationship.

Thriving in the As-a-Service Economy

Running an outsourcing relationship has been about making sure people are doing the work right and meeting the service level agreements. These measures have been based on quality and initiatives such as Lean and Six Sigma to drive the required metrics. However, over time, the "green" metrics lose their meaning if no additional incremental value is recognized. Simply running the same processes and paying the same rates to achieve adequate operation results will last only until the C-Suite demands new value from the operations. The CFO is not going to be bragging about the 30% they saved doing BPO five years ago. The executive's attention quickly moves to the "what next?" Where is that next 20–30% of productivity savings going to materialize?

The value of the quality diminishes over time, for example, if the invoices are keyed in the same way for years and years with no change. The next question is what to change to get the same output faster or a more strategic output that increases compliance. This type of question presents an opportunity to bring technology and consulting skills into the service delivery. These skills are the ones increasingly in demand in BPO roles – defining business outcomes (67% see a significant increase), improving end-to-end processes across BPO and internal delivery (58%), understanding and deploying automation (65%), and applying analytics (56%) and other technology tools and applications (55%).

Exhibit 6: Skill imperatives = defining business outcomes and applying automation to improve business performance

Regarding your current BPO relationships, to what extent is the importance of the following skill requirements increasing?

% Increasing Significantly

Skill requirement	Buyers	Providers	Advisors
Defining business outcomes beyond cost reduction and efficiency	67%	80%	79%
Understanding/using automation to improve business performance	65%	69%	61%
Improving end-to-end processes across BPO and internal delivery	58%	58%	55%
Analytical prowess to improve operations/productivity	56%	58%	60%
Understanding/using technology tools and applications to improve business performance	55%	67%	61%
Identifying new cost reduction opportunities	55%	58%	47%
Proactively identifying new ways of doing things that break old habits	45%	62%	57%
Influencing senior executives	41%	51%	45%
Improving client/service provider relationships	40%	55%	43%
Identifying new risk/gain share opportunities	35%	57%	57%

Source: HfS Research, 2015, Sample: Enterprise Buyers = 121; Advisors/Consultants = 158; Service Provider Executives = 229

Working smarter, not just cheaper: Automation skills have rapidly arrived at the top of the talent agenda

The skill for which demand and expectations have increased more than any other over the past year is automation. As the room for additional cost savings diminishes for BPO buyers, the logical next step is to reduce manual tasks (and ultimately unnecessary labor costs). With the heavy marketing by service providers and technology firms offering robotic process automation (RPA) solutions, the awareness on the buy side – and pressure on operations managers – to have a more defined, measurable automation strategy has never been as intense as it is today, and is likely to increase for some time to come.

HfS' view on RPA is that it provides that logical first step for buyers and service providers to reduce their reliance on throwing lower-cost human labor at problems. RPA provides the building blocks to develop more streamlined end-to-end processes, to perform more meaningful analytics, and to create more of a digital infrastructure across the business. Essentially, RPA is the new arbitrage for many but is unlikely to yield massive cost savings in the near to medium term. RPA is more about helping enterprises deploy their talent on higher-value activities. RPA is about working smarter, not just cheaper.

The more mature the BPO buyers, the greater the focus on technology

The type of skill most in demand changes over the course of the engagement between the client and the service provider, and a flexible Capability Broker has a critical role to play.

» In less mature (< 3 year) engagements, BPO buyers need skills – influencing senior executives and in technology especially automation – that will help ensure quick wins and continued executive support

» In the next stage of engagement (3–6 years), the focus on skills depth shifts to analytics along with automation to define and impact business outcomes beyond cost

» In the most mature relationships (> 6 years), the skills most needed involve the application of technology and identifying new ways to drive cost reduction and value

Service buyers feel they have a strong capability in place for launching BPO engagements tactically – SLA performance, contracts, and transition. However, only one in three service buyers feel they have the capability in place to drive an engagement forward strategically by defining and executing business outcomes beyond reducing costs. Almost 80% of service providers say that they have strong operational capability for BPO, and more than 50% claim above-average strength in strategic capability – analytics, technology, and innovation (Exhibit 7). Across the board, though, service buyers are just not seeing the same depth in service as providers see in their own organization.

Exhibit 7: Buyer rating of their service provider capability vs. service provider self-rating

In terms of your primary service provider's delivery team, how would you rate their current depth and capability of talent to deliver value in the following areas? (Buyers only)

How would you assess the depth of your own organization's BPO delivery talent in each of the following areas? (Service providers only)

■ Buyers
(% Highly/Somewhat Sufficient)

■ Service Providers
(% Very Strong/Strong)

Area	Buyers	Service Providers
Meeting operational SLA performance metrics	92%	84%
Understanding your business	78%	*Service Providers not asked*
Managing transitions	75%	70%
Identifying new cost reduction opportunities	61%	65%
Understanding/using technology tools and applications to improve business performance	59%	66%
Influencing executives	57%	57%
Understanding/using automation to improve business performance	57%	64%
Analytical prowess to improve operations/productivity	55%	59%
Improving end-to-end processes across BPO and internal delivery	55%	64%
Identifying risk/gain share opportunities	50%	56%
Driving new ideas and innovations	47%	61%
Contract negotiation	36%	34%
Identifying new risk/gain share opportunities	35%	57%
External benchmarking	28%	38%

Source: HfS Research, 2015, Sample: Enterprise Buyers = 121; Advisors/Consultants = 158; Service Provider Executives = 229

Here's an opportunity to get the talent discussion front and center in the engagement between the buyer and the service provider. When you think about a provider, do they offer well-organized career development, training in automation and analytics, etc., and do they underscore service delivery with education and career development? These areas can differentiate a service provider, in addition to aiding the decision-making processes. For example, during the recent HfS Progressive Finance and Accounting BPO Blueprint, the abilities of service providers to provide talent that could work collaboratively with clients to develop outcome-based initiatives scored the highest across the BPO industry. We see use of technology having an impact here as well.

Thriving in the As-a-Service Economy

Although many roles originated in the BPO role to manage and deliver a contract, over time, they moved to not just managing to the performance but also understanding the capability that drives the results, the broader context for the work, and how to better balance internally and externally between changing expectations and skills and other capabilities like technologies.

Part IV. Defining and Creating the Career Path of the Capability Broker as the As-a-Service Economy Emerges

» 80% of BPO service providers are investing in formal process-specific training

» There is still a huge focus on project management

» Barely half of service providers are formally training their staff in analytics

There are roles for service buyers and service providers in this talent evolution. The focus on and investment in talent development have picked up considerably over the past two years since the 2013 HfS survey. In particular, service providers are creating depth in processes, which is useful for continuing to drive quality. However, what's also needed is training and development in creativity, analytics, and problem solving to get to the next level. One approach is the use of design thinking to infuse a new level of interaction for creative problem solving. Design thinking (link) brings problem solving into a contextual, interactive discussion. This next level of collaboration also requires deeper skills in relationship management, for example, which only half of service provider executives say is an option in their company. Another area of training that needs further development is the technologies that map to each one, such as analytics and governance.

Exhibit 8: Formal internal and external training in 2013 vs. 2015

In which of the following areas does your organization train and develop staff? *(Service providers only)*

■2015 ■2013
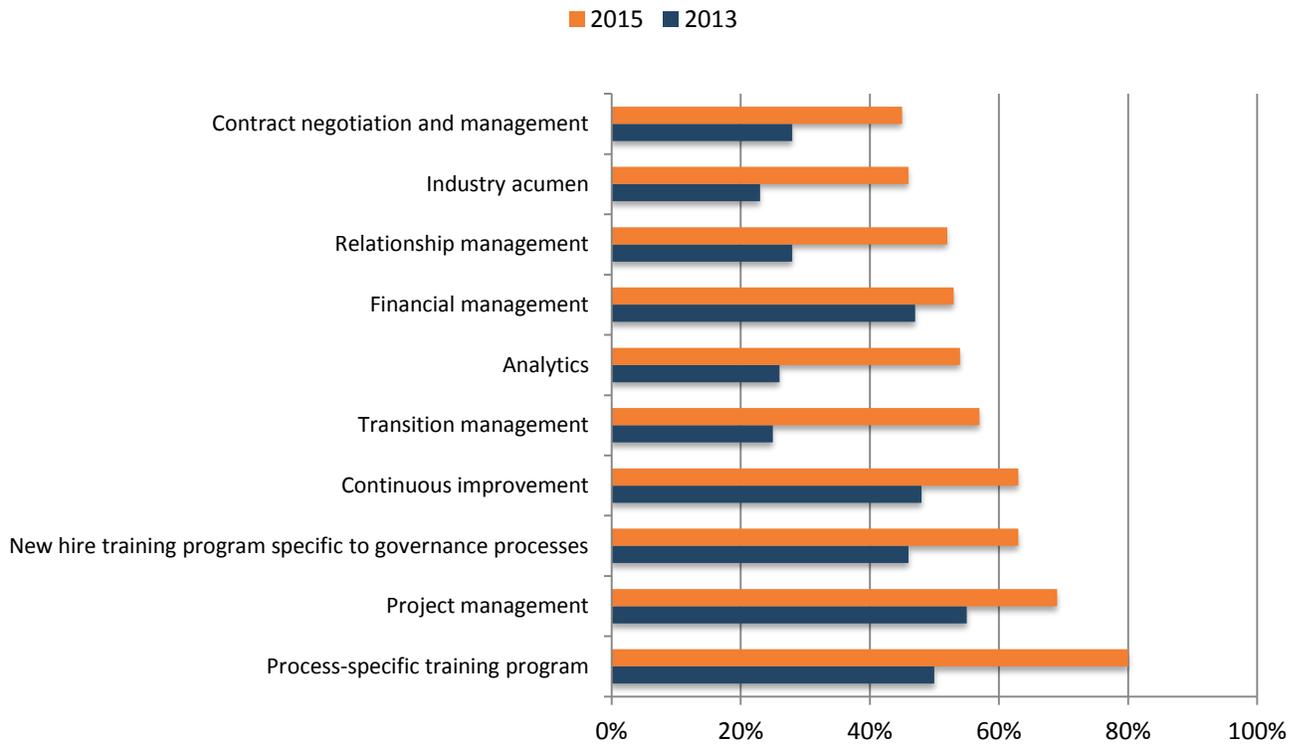
Source: HfS Research, 2015, Sample: Service Provider Executives = 229

Trust – what is working, and where can trust be improved?

To truly realize the value of As-a-Service, a new level of trust is needed between organizations, trust that each side is able and willing to engage in a proactive and progressive partnership. This trust must be shared and earned by both parties to show real commitment to driving value and results.

There is an opportunity, as our research has shown (link), to improve trust in the services industry. A survey of buyers during the HfS Blueprint Sessions in Chicago revealed that although 43% of buyers said "letting go and giving more responsibility to the provider" would be the top action to improve value and outcomes, the second most popular response was to threaten "a competitive bid to drive anxiety into the provider" – hardly a tactic to engender trust. BPO professionals as brokers can play a critical role in shepherding this trust, by enabling

collaboration, transparency, and honesty, the top three tenets of trust as ranked by buyers in our survey. Governance, also ranked high by 20%, provides the critical structure for ongoing success.

Exhibit 9: Twelve tenets of trust

Please select the THREE most important tenets of trust from the following that matter most to your organization's service provider relationships. *(Buyers only)*

Buyer view of the important tents of a buyer–service provider relationship
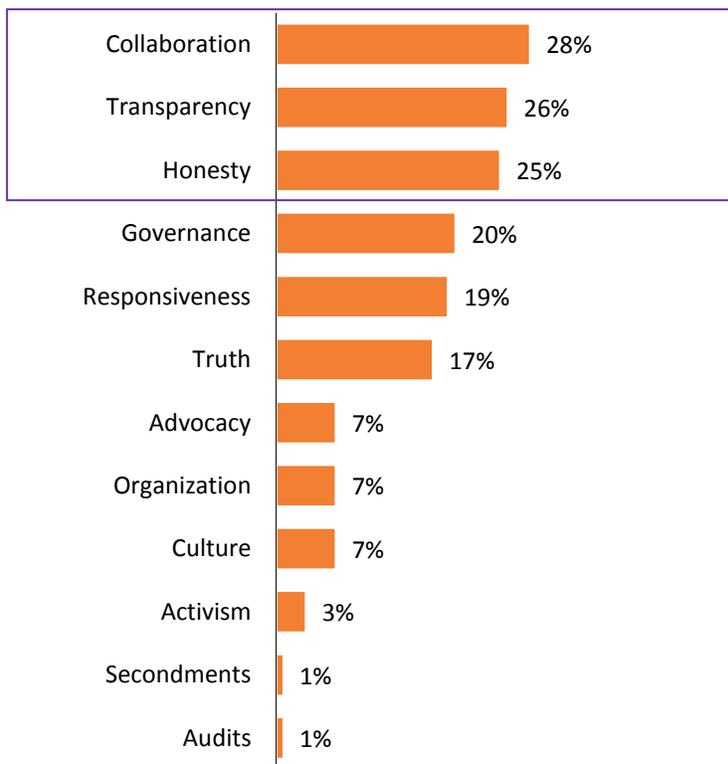
Tenet	Percentage
Collaboration	28%
Transparency	26%
Honesty	25%
Governance	20%
Responsiveness	19%
Truth	17%
Advocacy	7%
Organization	7%
Culture	7%
Activism	3%
Secondments	1%
Audits	1%

Source: HfS Research, 2015, Sample: Enterprise Buyers = 121; Advisors/Consultants = 158; Service Provider Executives = 229

As clients are split on whether they or the service provider should make the first move to improve trust (53% said the buyer and 47% said the service provider), it really depends on having the right skills set and leadership in place to effect change. Above all, said one executive, "Interpersonal skills are critical, period." It's also about recognizing a fit in culture during the sales stages. Capgemini, for example, takes steps to remove itself from a bidding process if the organization feels it is not well suited or a good fit for its talent to be recognized as valuable contributors to a business outcome for the service buyer.

To get to the next stage of transparency and flexibility for the As-a-Service Economy, companies must develop the culture for it

As BPO relationships mature, dysfunction is diminished, and bumps in the road are overcome with the right leadership in place. A global procurement services manager at a major manufacturing company noted that in her organization, where they have global shared services for procurement using a hybrid operating model of captives and outsourcing service providers, "it's collaborative and competitive at the same time." She has shifted work internally and externally over time as she's found the best source of capability and management at the right price point, and it's an ongoing process. "My role is to really continue to look at how we leverage all the capabilities we have across the hybrid models and what should be housed where," and facilitate the sharing of best practices and available resources. Now, she's looking at how to break down the silos internally in the shared services captives, to create opportunities for load balancing, addressing peak times in HR, for example, when a new benefits package is released or during annual enrollment, by cross training procurement resources. Over time, she's building a new team and a new culture.

Since many BPO professionals are on the career path because of the intellectual challenge and are excited by the possibilities of technology and driving strategic impact, undertaking more joint interaction, creativity, and use of technology could lead to more impactful BPO engagements and more satisfying careers in BPO. Activities that service buyers rank as opportunities to drive significant impact include joint sessions using design thinking for innovation (63%), spending time with a service provider's delivery team on-site (61%), and making regular virtual visits with the service provider's delivery team (58%).

Exhibit 10: Actions that affect the level of trust and engagement

How significantly would the following actions impact the level of trust and engagement with your primary BPO service provider? *(Buyers only)*

Ways to develop collaboration and transparency:

■ Significant Impact ■ Some Impact ■ Minimal Impact

Action	Significant Impact	Some Impact	Minimal Impact
Joint session using design thinking (for innovation)	63%	35%	2%
Assigning a person(s) from our organization into service provider delivery team to work onsite on a project	61%	29%	10%
Regular virtual visits with service provider delivery staff	58%	33%	8%
Investment by service provider to demonstrate better use of technology to drive results	50%	47%	3%
A joint governance training session to improve day-to-day operations	45%	40%	15%
Create a jointly funded role to drive improvements and innovations	41%	41%	19%
A view of the service provider talent development and retention plans	35%	55%	10%
Sharing insight into margins on a particular piece of work	35%	45%	20%
Jointly carving out a piece of the current contract or identify new work for gain-sharing	33%	52%	15%
Change in the service provider account leadership	28%	43%	28%
Change in our leadership or increased visibility from our leadership	22%	50%	28%

Source: HfS Research, 2015, Sample: Enterprise Buyers = 121; Advisors/Consultants = 158; Service Provider Executives = 229

These activities can tap into the capabilities in service providers such as labs for innovation, analytics training programs, and strategic initiatives and priorities of the service buyer, and develop shared culture, all leading to more impactful BPO engagements and more satisfying long-term careers in BPO.

Thriving in the As-a-Service Economy

Part V. Where to Next for the BPO Industry? Paving the Path for the Brokers of Capability

What is emerging today is a career path that may start in providing a service in BPO – be it a service provider, advisor, or service buyer – but evolves into being a solution architect, a problem solver, and a Capability Broker. A BPO professional has valuable experience in understanding how to work with a third-party service provider and / or with the internal global process owner, and has depth in a functional or industry process area. Tapping into the best of these organizations using this foundation, creating a solution, and managing toward the outcome is the end game. What we need to do in the services industry is better shape the path from entry level through leadership roles and ongoing support, training, and recognition so that BPO feels like the career path and profession that it is.

BPO leaders are in it to be a force for innovation and change. What BPO professionals appreciate the most about BPO is the intellectual challenge. This has remained constant since HfS' first look at talent in the industry three years ago. The challenge for our industry is to keep this intellectual stimulation active and foster the entrepreneurial spirit that can take shape as a Capability Broker.

Service providers seem to be putting together the "whole package" for talent/workforce engagement: intellectual challenge, skill development, compensation, and recognition. However, to bring us in to the As-a-Service Economy, service providers and service buyers must work together with advisors to align roles and career paths so that we create a cohesive industry of professionals, similar to the way accountants, recruiters, and engineers are recognized today. This may seem like reaching for the sun, but if we want to deliver value in an increasingly sophisticated business environment with multiple operating models, technologies, and economic factors, it will take a radically new and unique approach than what we have in place today.

Mentoring the new BPO generation out of its career malaise is critical for crafting a recognized profession. Managers, directors, and executives newer to BPO are not convinced it provides an exciting long-term career choice; thus, BPO faces a major challenge of engaging and inspiring bright dynamic talented leaders. Leaders who have been in the industry and helped shape it are more convinced about the longevity of a BPO career. They need to share this passion through mentoring and use it to shape tangible opportunities for steps forward.

Technology is a boon to the profession. Use of technology can make the job more interesting and engaging, and aid collaboration and results. We are at a critical juncture for implementing and training BPO professionals on the use of technology and providing opportunities for experimentation.

Trust is the cornerstone of a more impactful buyer-service provider relationship, and the Capability Broker plays a valuable role. Creating the transparency, honesty, governance, and collaborative environment is vital. Service buyers privately admit they need to move more high-value work to their service providers. The Capability Broker

needs to demonstrate to both parties the value of a trusted relationship to increase the overall value of the services.

As BPO blends with other operating models, such as shared services and global business services, better exploits the use of data and technology, and aligns more with business context and outcomes in the emerging As-a-Service Economy, this is an opportune time to take definitive steps to turn what perhaps started for many as an "accidental" career path into something much more dynamic and well-defined, with associated training, mentoring, roles, and recognition.

The resulting Capability Broker career path can create a more advanced and entrepreneurial engagement between a service buyer and a service provider.

About the Authors

Phil Fersht

Phil Fersht is President and CEO of leading global analyst authority, HfS Research. He is an acclaimed author, analyst and visionary in Global Business Services and Outsourcing, the Digital Transformation of enterprise operations and talent strategies.

Fersht founded HfS Research in 2010 and has overseen the development of the organization to become the leading analyst authority and knowledge community for global business services and outsourcing. He is also author and creator of the most widely read and acclaimed blog in the global services industry, entitled "Horses for Sources" and now entering its eighth year, attracting over a million visits per year across the globe. At HfS, he directs the firm's research, advisory and global knowledge community, which today totals over 150,000 professionals and is served by a global analyst team.

Under Fersht's stewardship, HfS Research has become the leading industry analyst firm for growing influence and value, based on the results of 1093 industry participants in the 2014 Analyst Value Survey. He was named "Analyst of the Year 2011" by the Institute of Industry Analyst Relations (IIAR), winning the premier analyst award for a second successive year - the most coveted global award for industry analysts in technology and services industry. In 2012, the International Institute of Analyst Relations (IIAR) awarded HfS research as Most Innovative Analyst Firm.

Over the past 20 years, Fersht has lived and worked in Europe, North America and Asia, where he has advised on hundreds of operations strategy, outsourcing, and global business services engagements. During his career, Phil Fersht has worked at Gartner Inc. (AMR Research), directing the firm's BPO and IT Services practices and served as market leader for Deloitte Consulting's BPO Advisory Services, where he led numerous outsourcing and offshoring advisory engagements with Fortune 500 enterprises. He began his career with IT analyst IDC.

Fersht contributes regularly to media such as Wall St Journal, Business Week, Economist, The Times of India and CIO Magazine and is a regular keynote speaker at major industry events, such as NASSCOM, Sourcing Interests Group and the HfS Blueprint Sessions.

He received a Bachelor of Science, with Honors, in European Business & Technology from Coventry University, United Kingdom and a Diplôme Universitaire de Technologie in Business & Technology from the University of Grenoble, France. He also has a diploma from the Market Research Society in the United Kingdom.

Phil can be reached at Phil.Fersht@HfSresearch.com and followed on Twitter @pfersht

Barbra Sheridan McGann

Barbra Sheridan McGann is a Senior Vice President, Research, at HfS. This role encapsulates her passion for research, analysis, and strategy, which has been 20 years in the making. Barbra's scope of work covers the business process outsourcing and emerging 'as a service' market broadly, as well diving into industry and functional areas of Healthcare & Life Sciences, Public Service, and Marketing. She's been recognized for her ability to distill complex issues and focus on a straightforward plan of action.

As the business process outsourcing market has matured, Barbra has tracked, analyzed, and advised on market and competitive moves and meaning for Accenture for over 5 years. She worked with Accenture leadership globally to develop organic and inorganic strategies that drove growth of new and mature offerings. Prior to that, Barbra helped launch and build the unique partnership between Accenture and Microsoft that created Avanade, an IT services company, focusing on the Public Sector and Financial Services markets. Barbra's career at Accenture started with reviews and events on software selection in the enterprise resource planning software market.

Barbra earned a Bachelor of Arts degree in English with Honors, and was recognized for outstanding leadership in Volunteerism with the Chet Pagni Service Award, from the University of San Diego. She's also completed post-graduate executive leadership work at Northwestern University and Smith College.

Barbra's home base is just outside the Windy City of Chicago, where she lives with her husband and two daughters, coaching soccer, leading Girl Scouts, and generally enjoying whatever activity is best suited for the ever-changing and unpredictable weather, from gardening and volleyball to cross country skiing.

Barbra can be reached at barbra.sheridan-mcgann@hfsresearch.com and followed on Twitter at: @sheridanmcgann

Thriving in the As-a-Service Economy

About HfS Research

HfS Research serves the research, governance, and services strategy needs of business operations and IT leaders across finance, supply chain, human resources, marketing, and core industry functions. The firm provides insightful and meaningful analyst coverage of best business practices and innovations that impact successful business outcomes, such as the Digital Transformation of operations, cloud-based business platforms, services talent development strategies, process automation and outsourcing, mobility, analytics, and social collaboration. HfS applies its acclaimed Blueprint Methodology to evaluate the performance of service and technology in terms of innovating and executing against those business outcomes.

HfS educates and facilitates discussions among the world's largest knowledge community of enterprise services professionals, currently comprised of 150,000 subscribers and members. HfS Research facilitates the HfS Sourcing Executive Council, an acclaimed elite group of sourcing practitioners from leading organizations that meets bi-annually to discuss the future direction of the global services industry and the future enterprise operations framework. HfS provides Sourcing Executive Council members with the HfS Governance Academy and Certification Program to help its clients improve the governance of their global business services and vendor relationships.

In 2010 and 2011, HfS Research's founder and CEO, Phil Fersht, was named "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.

In 2013, HfS was named first in increasing influence among leading analyst firms according to the 2013 Analyst Value Survey and second out of the 44 leading industry analyst firms in the 2013 Analyst Value Index.

Now in its seventh year of publication, HfS Research's acclaimed blog "Horses for Sources" is widely recognized as the most widely-read and revered destination for unfettered collective insight, research, and open debate about sourcing industry issues and developments. Horses for Sources now receives over a million web visits a year.

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

Thriving in the As-a-Service Economy