



## **The Outsourcing Unit Working Research Paper Series**

# **Paper 13/2 – South Africa's Maturing BPO Service Advantage: Case Studies of Success 2013**

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# **South Africa's Maturing BPO Service Advantage:**

## **Case Studies of Success 2013**

### **Executive Summary**

By the end of 2013 South Africa has become one of the world's upcoming Business Process Outsourcing (BPO) offshore destinations. Major companies like BP, Lufthansa, Amazon, ASDA and Shell have set up captive centres. Providers like Capita, Serco and WNS have acquired, or partnered with, local companies to steer their client work to South Africa's advantageous offering, and new outsourcing deals have been struck, for example Shop Direct-Serco-Teleperformance, O2-Capita South Africa, and iiNet-Merchants. Much of this has occurred in the last 30 months. Accelerating growth has seen South Africa become a 'go-to' destination.

Our main Report on South Africa's maturing BPO service advantage will appear with completion of all research streams in early 2014. It will see South Africa as maturing and becoming strategic in its ability to offer voice, complex back office BPO and a shared service platform for southern African markets. Moreover, South Africa's extant, strong capability in higher value work in legal process outsourcing, financial services BPO and knowledge process outsourcing provides the platform for delivering on its considerable potential in these areas over the next 5 years.

Meanwhile, here we report on a research stream into three rich longitudinal case studies of South African-based global sourcing arrangements. South Africa's maturation as a BPO destination is best exemplified by case studies. The cases also add valuable learning points for potential and existing South African clients and providers alike. To add to the four cases researched in 2012, and re-assessed to November 2013, this Report presents three illustrative cases demonstrating South Africa's excellence in voice and call centres, the rise of legal services outsourcing, and the considerable potential for shared services.

The TalkTalk-CCI case demonstrates scaling up and high performance through:

- Shared missions
- Partnering attitude
- Shoulder-to-shoulder planning
- Joint problem-solving
- Transparent communications
- Focused initiatives
- End-to-end management
- Transformational leadership pairs

The radiant.law case shows high performance in legal services outsourcing through ten practices:

1. Assign a high level person to manage the legal services outsourcing (LSO) provider relationship
2. Use an onshore engagement manager
3. Invest in face-to-face meetings
4. Treat the vendor as a partner, not a vendor
5. Resolve issues together

6. Protect against provider staff turnover
7. Keep playbooks updated
8. Use technology to automate/enable processes whenever possible
9. Experiment often, learn from failure, dare to try again
10. Allow trusted LSO providers to co-deliver an integrated seamless service

The BP captive centre shared services case demonstrates a long-standing shared services operation operating effectively in South Africa. We place the case in the larger context of the strength of shared services in South Africa, and find that:

1. Today's captive shared service centres might launch tomorrow's next BPO companies
2. Many Western-based companies engage a locally-based BPO firm to help establish shared services
3. Captive shared service centres help to build South Africa's experience, skills and reputation as a BPO destination
4. South Africa, through shared services capability, is a gateway to wider African operations for non-African and African companies alike.

Based on this case research we make three general recommendations:

For clients:

1. Do not just consider South Africa as a proven BPO destination for voice because it is now demonstrably moving higher up the value chain in the emerging markets of LPO, financial services and accounting.
2. South Africa is the gateway to the African continent; this potential will become increasingly important when considering a long-term strategy, whether on captives, shared services or outsourcing.

For government and industry:

3. The competitive advantage of nations is created, not inherited. Government and industry need to focus on keeping aligned factor conditions, firm strategy, structure and rivalry, demand conditions and related and supporting industries. BPO is a related and supporting industry, and vitally important to building industrial clusters and competitive advantage, as well as producing jobs and harnessing talent.

# South Africa's Maturing BPO Service Advantage

## Case Studies of Success 2013

### 1. Introduction: Overview of the Cases

The viability of South Africa as a destination for global BPO services is best demonstrated through proven case studies of performance over time. In a previous research stream, throughout 2012 we interviewed clients and providers from four successful BPO relationships (see Table 1). The four cases were similar in that the client companies all selected South Africa for customer care services, including voice, email, live chat, text, and other customer offerings. The four clients also echoed similar reasons for selecting South Africa, including economic value, high quality staff, high cultural compatibility, and favourable time zone. The four cases were dissimilar in their sourcing model—there were two outsourcing relationships, one captive centre and one acquisition.



















<div>  <div>Case Studies</div>  </div>				
Case	Client	Provider	Year	Model
1			2011	Outsourcing
2			2008	Outsourcing
3			2010	Model office to Captive
4			2012	Acquisition

Table 1 – Case Studies of Success – Cases 1, 2, 3 and 4

During 2013, we revisited these case studies and established sustained high performance across all four, together with a considerable up-scaling, and a broadening of service lines. Throughout 2013 we also undertook further research – through survey, interviews and case study work - into South African-based global sourcing arrangements (see Appendix 1 for details of full research base and methodology). The present Report builds on our 2012 reports, and provides further evidence of high performance success, this time in voice, legal services and shared services. We detail, analyse and draw the lessons from these three rich case studies (see Table 2).

<div>  <div>Case Studies</div>  </div>				
Case	Client	Provider	Year	Model
5			2005	Outsourcing
6			2011	Outsourcing
7			2008	Captive

**Table 2 – Case Studies of Success: Cases 5, 6 and 7**

**TalkTalk-CCI.** This case study highlights a success story based in Durban. The case explores a nine-year old outsourcing relationship between the London-based client, TalkTalk, and Communications Centres International, 'CCI', including the operational and service delivery centre in Durban, CCI Call Centres. This mature relationship has an exemplary strategic alignment that drives operational excellence. The case offer seven specific practices Western-based clients should consider to deeply partner with South Africa-based operational and service delivery providers. We also discuss the top six behaviours effective leadership pairs display to ensure service excellence.

**Radiant.law-Exigent.** The next case study highlights South Africa's ability to provide advanced skills in the context of legal services outsourcing (LSO). This case show how radiant.law and Exigent are rethinking legal services. Successfully leveraging an offshore LSO provider takes

careful management. We identify ten lessons from the case study. For other clients considering South Africa as a destination for LSO provision, these practices will help ensure success.

**Shared Services: South Africa as Gateway To Africa.** In 1990, Harvard Business School Professor, Michael Porter published *The Competitive Advantage of Nations*. In this book, he examined why industries flourish in certain geographic clusters, such as movie-making in Hollywood, information technologies in Silicon valley, and high performance cars in Germany. He developed a diamond-shaped model that describes six points that contribute to a country's competitive advantage. The six points are: firm rivalry (i.e., intense competition spawns innovation), input factor conditions (e.g., physical, capital, human, and knowledge resources), related and supporting industries, demand conditions (i.e., demanding home customers also spawn innovation), government, and chance. In this Report we consider South Africa's positive progress on all six factors, but note for the moment that one of Porter's main ideas is that a strong domestic market forms a sustainable platform for a strong international market. If his reasoning is sound, South Africa has every reason to believe that increasingly building a strong domestic market for outsourcing and shared services can accelerate the gaining of international advantage. On our analysis, the opportunity here is for South Africa to accelerate its role not only as an offshore shared services platform for global companies, but also as gateway to other African countries for overseas companies operating in those countries.

## 2. Case Study Five - TalkTalk and CCI: Transforming a Vendor into a Partner

*"I don't think you should manage offshore providers with the stick approach and say, 'we'll let you figure out how you want to manage your business and we'll just beat you every time you miss your numbers.' I don't believe in that."-- TalkTalk's Marketing, Acquisition, and Retention Director*

*"This year's really seen a pioneering shift in the way that we interact with TalkTalk and the way TalkTalk interacts with us."-- CCI's Account Director*

**About TalkTalk:** The company provides pay television, telecommunications, internet access, and mobile network services to businesses and consumers in the United Kingdom. In 2012, the company earned £1.7 billion in revenue and generated a net profit of £138 million. By 2013, TalkTalk had over 4 million customers, representing 20% of UK market share. Through its investments in own local telephone exchanges, TalkTalk can reach 95% of the country's households.<sup>1</sup>

**About CCI Call Centers:** The CCI Group consists of Communication Centres International (Group) Ltd, being the main group holding company and contracting party with TalkTalk. CCI Call Centres Pty Ltd, based in Kwa-Zulu Natal province of South Africa, is a wholly-owned subsidiary of Communication Centres International (Group) Ltd and the subcontractor that performs the operational and service delivery to TalkTalk. Communication Centres International (Group) Ltd is responsible for all matters of a legal and commercial nature with TalkTalk and bears the risk and responsibility to monitor all services resourced and governed to meet the needs of TalkTalk. Reference to CCI is therefore to Communication Centres International (Group) Ltd and/or CCI Call Centres Pty Ltd, as the case may be. CCI Call Centres Pty Ltd is the largest international outsourcer in South Africa with more than 2000 employees working in three delivery centers. Although financial data is not published, its website indicates, "CCI Call Centres is financially strong and profitable with sustainable growth." They service large international customers based in the United Kingdom and Australia.<sup>2</sup>

### 2.1. Case Overview

The viability of South Africa as a destination for global BPO services is best demonstrated through proven success stories. One such successful case is the nine-year old outsourcing relationship between the London-based client, TalkTalk, and its call centre provider, CCI Call Centres (hereafter "CCI"). To research the TalkTalk-CCI case study, we interviewed client, provider, and BPeSA-Durban representatives. As we quickly learned, TalkTalk and CCI literally grew up together since both companies were founded about the same time. TalkTalk was CCI's first client. Some key employees have toggled between both companies, bringing an unusual depth of familiarity and empathy between the partners. Although this co-evolved growth is unique among our South African cases, we will see that the lessons the partners learned over

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<sup>1</sup> Sources: <http://www.talktalkgroup.com/about-us/our-history.aspx>; Wikipedia, [http://en.wikipedia.org/wiki/TalkTalk\\_Group](http://en.wikipedia.org/wiki/TalkTalk_Group)

<sup>2</sup> From [http://www.cci-sa.co.za/pages/38858\\_companyprofile.htm](http://www.cci-sa.co.za/pages/38858_companyprofile.htm) and company sources. <http://communicationcentres.com/index.html>



the years provide valuable insights relevant to other outsourcing relationships. This mature relationship has an exemplary strategic alignment that drives operational excellence. If you are currently in a BPO relationship that operates primarily in a reactionary, “fire-fighting” mode, this case illustrates how deep partnering will help turn off the hoses.

The backdrop for the TalkTalk-CCI case study begins with the founding of TalkTalk in 2002 as a subsidiary of Carphone Warehouse. In that year, Carphone Warehouse acquired the company Opal Telecommunications, a switching network provider that could access BT’s fixed-lines. Opportunities for the subsidiary exploded with the passing of the United Kingdom’s Communications Act 2003. This Act took away the monopoly protection of BT’s fixed-line assets, allowing customers to switch telecommunications providers. The Communications Act also created the regulatory body called the Office of Communications, known as “Ofcom”. Ofcom oversees the telephone, television, radio, and postal services in the United Kingdom and also plays a key role in the story.<sup>3</sup>

According to TalkTalk’s website, its first big step while still a subsidiary of Carphone Warehouse was offering free calls between TalkTalk customers in 2004. The amount of new customer orders generated from this event was so tremendous that TalkTalk needed to engage the help of call centre service providers. They were using UK contact centres for Telesales and they brought on offshore centres in South Africa and India to reduce their cost per acquisition costs. One of those providers became start-up firm, CCI. This resulted partly from a chance meeting between the owner of CCI and a Director of TalkTalk. This led to TalkTalk trialing CCI and another centre in Cape Town, one in Kenya and one in India. The judgement was that none of the other offshore providers could deliver high quality sales with low cancellation rates. CCI did manage to achieve this – partly because of its investment in UK management team - and as such soon became the only TalkTalk offshore provider for customer sales, upsell and retention. TalkTalk also selected South Africa because of its high cultural affinity with Britain and because costs were and still are lower in South Africa than in the UK. The initial contract was signed in 2005. The scope included a 50 seat call centre for outbound sales (see Table 3).

**Table 3: Overview of the Case**

<b>SA Case Study #</b>	<b>Client</b>	<b>Provider</b>	<b>Year Contract was Signed</b>	<b>Services</b>	<b>Sourcing Model</b>
5	TalkTalk	CCI	2005	Full call centre services—outbound sales, inbound calls, upsell, cross-sell, web chat, email correspondence.	Outsourcing

In 2005, Ofcom required “local loop unbundling” (LLU), which meant that legacy telecommunications providers (most notably giant BT) had to allow other telecommunications providers to offer services through their local loops, i.e. the existing physical links to customers’ premises. BT eventually opened up over 2,000,000 local loops and AOL UK unbundled 100,000

<sup>3</sup> History of Ofcom comes from Wikipedia (<http://en.wikipedia.org/wiki/Ofcom>), UK Legislative <http://www.legislation.gov.uk/ukpga/2003/21/contents> and Ofcom (<http://www.ofcom.org.uk/about/>) websites



lines.<sup>4</sup> Ofcom's policy caused what one participant called "*a land grab environment*". To build market share quickly, TalkTalk announced in 2006 a bold and unprecedented service: It would offer customers free broadband. This announcement caused a surge in customer calls that can only be described as explosive. TalkTalk scrambled to find enough call centre seats to meet demand. CCI did its share by expanding the relationship to 200 seats in 2006. TalkTalk filled gaps with other call centres in India, Ireland, and the Philippines. TalkTalk's customers grew to 2.5 million that year.

In 2007, TalkTalk, while still owned by Carphone Warehouse, purchased AOL-UK's Broadband services. In 2009, TalkTalk purchased Tiscali. These purchases made TalkTalk amongst the biggest Home Broadband provider in the UK, with, at one time, 4.25 million home broadband subscribers<sup>5</sup>, compared with BT's 3.9 million. TalkTalk became an independent company in 2010 and TalkTalk Business was branded in 2012. While TalkTalk was growing rapidly and expanding into new services, the CCI relationship grew with it. By 2008, CCI had about 400 seats dedicated to TalkTalk, and about 700 seats by 2010. CCI's scope of services also expanded to include inbound and outbound new sales, upsells, cross sells, web chat, email correspondence, and back office data processing services.

Due to TalkTalk's rapid growth and acquisitions, it ended up with 18 call centres in UK, Ireland, India, the Philippines, and South Africa, some of which were quite small. The oversight costs required to manage so many centres was absurdly high. Executives from TalkTalk's customer service division decided to rationalize their portfolio of call centre service providers in 2011. Some providers were in the UK, while an Indian provider was selected for technical support; a Philippines-based provider was selected for customer service support, and CCI was selected for sales support. As one participant said, selecting CCI was a "*no brainer because the CCI site was the cheapest but delivering the best performance.*" Today, TalkTalk offshore outsources a lot of its commercial sales, upsells, and retentions to CCI but also keeps a sizeable proportion of this activity onshore in the United Kingdom.

In 2012, TalkTalk's Marketing, Acquisition, and Retention Director began her new job with a mission statement for her division. Her leadership defined what TalkTalk wanted customers to be saying about TalkTalk within the next two years, the key performance indicators (KPIs) to define success (like campaign KPIs), and the change initiatives needed to get there. Because CCI was now TalkTalk's primary and exclusive commercial partner, she decided to share this strategic document with CCI on the phone just prior to her next four day visit to Durban. She explained, "*Before I got to South Africa, I had a call with CCI and took them through our mission statement because I thought it would be good for them to get their heads around the mission before we showed up.*" When the CCI Account Director read it, he had a "eureka" moment, realizing that a mission statement for CCI could be created that mirrored TalkTalk's mission statement. Both parties realized they had a wonderful opportunity to redesign the outsourcing relationship.

## 2.2. How to Transform a BPO Relationship

Over the next eight months, TalkTalk and CCI transformed their relationship from a "typical" BPO relationship to a "high-performing" BPO relationship through an initiative they called "The Front Line Operating Model". TalkTalk and CCI aligned their missions, changed their attitudes,

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<sup>4</sup> History of Ofcom comes from Wikipedia (<http://en.wikipedia.org/wiki/Ofcom>), UK Legislative <http://www.legislation.gov.uk/ukpga/2003/21/contents> and Ofcom (<http://www.ofcom.org.uk/about/>) websites

<sup>5</sup> Source: <http://www.talktalkgroup.com/about-us/our-history.aspx>

altered their planning and forecasting processes, approached problems differently, increased the level of trust and communication, and broadened provider engagement beyond Service Level Agreements (SLAs). Specifically, the attitudes about the relationship transformed from a “vendor view” to a “partnership view”. Planning and forecasting transformed from throwing requirements “over the wall” to CCI to planning and forecasting together, which the partners call “shoulder to shoulder”. The role of CCI’s frontline employees expanded from post hoc implementers to strategy consultants. Their transformation has been so dramatic that TalkTalk adopted the new partnership model for their onshore call centers as well.

Our prior research has also uncovered many of these practices,<sup>6</sup> thus they have been “proven” across a variety of contexts. We believe that many companies can learn from these best practices, which are summarized in Table 4 and discussed in more detail below.

<b>Table 4: BPO Relationship Transformation</b>		
<b>Relationship Attribute</b>	<b>Typical BPO Relationship</b>	<b>High-performing BPO Relationship</b>
<b>1.Mission</b>	Disconnected	Shared
<b>2.Client Attitude of Provider</b>	Vendor View	Partnership View
<b>3.Planning &amp; Forecasting</b>	Reactionary: Client informs provider after the fact about its strategic initiatives	Shoulder-to-Shoulder: Client involves provider in planning and forecasting
<b>4.Problem Resolution</b>	Fault-Finding	Joint Problem-solving
<b>5.Communication</b>	Opaque	Transparent
<b>6.Prioritization</b>	Client sends provider long lists of things to fix	Client focuses provider on a few key initiatives
<b>7.Level of relationship management</b>	Client holds provider accountable to operational Service Level Agreements (SLAs)	Client’s involves provider in end-to-end process and provider contributes to improving the client’s Key Process Indicators (KPIs)

### 2.2.1. From Disconnected to Shared Missions

*“So my goal was to get them to buy into our mission and to empower them so that we could work shoulder-to-shoulder to deliver on the mission.” -- TalkTalk’s Marketing, Acquisition, and Retention Director*

Prior research has not directly examined the extent of strategic alignment between client and provider mission statements, so the practice at TalkTalk and CCI is particularly revelatory. Rather than TalkTalk having its own vision and CCI having its own vision, CCI decided to align its mission with TalkTalk’s to create a shared mission. Returning to the moment when CCI’s Account Director first received a copy of TalkTalk’s mission statement, he recalled, “So we then

<sup>6</sup>Our prior research on transforming ITO and BPO relationships spans multiple research projects. Most recently, we have identified best practices in the context of legal, financial and accounting, human resources, cloud, and supply chain services. See Lacity, M., Willcocks, P., and Burgess, A. (2014), *The Rise of Legal Services Outsourcing*, Bloomsbury Publishing, London; Lacity, M., and Willcocks, P. (2012), *Advanced Outsourcing Practice: Rethinking ITO, BPO, and Cloud Services*, Palgrave, London. Willcocks, L. Venters, W. and Whitley, E. (2014) *Moving To The Cloud Corporation*. Palgrave, London and 15 practice papers written for Accenture (see our research on high-performance BPO is available at <http://www.accenture.com/Microsites/highperfbpo/Pages/home.aspx>)

went away with their mission plan and said we should have our own version of their plan. As their key partner, we are responsible for 70% of all their activity, we need our own version of the plan. So we took exactly the same logic and said, ‘So what do we want TalkTalk, our client, to be saying about us as a business?’” This was one of the first big steps towards transforming the relationship from a traditional BPO relationship to a high-performing BPO relationship. But getting the ranks and files to embrace the new mission required a significant change in attitude.

### 2.2.2. From Vendor to Partnership Attitude

*“We are all in this together and we have a partnership approach to engagement.”*  
-- CCI’s Account Director

From ITO and BPO relationships that we previously studied,<sup>7</sup> we identified two client attitudes towards an outsourcing provider. Clients who held a “vendor view” attitude regarded the provider as labor-for-hire. As such, the clients informed providers on a need-to-know basis, expected the providers to instantly adapt to changes, and some clients verbally battered their providers if they did not react swiftly. In contrast, clients who held an attitude we call the “partnership view” regarded providers as strategic partners and considered providers as a valued member of the clients’ delivery teams. Some clients even invited their providers to participate in the client’s strategy or planning processes. The partnership view was a significant factor that distinguished high-performance among our case studies. Ideally, clients should approach outsourcing with a partnership view in mind, but as the TalkTalk-CCI case demonstrates, it is never too late to transform attitudes about provider relationships from “vendors” to “partners”.

Initially, TalkTalk seemed to hold more of this “vendor view” attitude towards CCI. One participant spoke about the relationship initially as a “master and slave approach to outsourcing” where the client is the master and the provider is the slave. As TalkTalk and CCI went on their journey to build the new Front Line Operating Model, most people clearly began to consider the other as a true partner. But not all people embrace changes so easily.

At TalkTalk roles were reallocated to key team members who were better able to adapt to the new model. This supports two larger points we uncovered in other cases of transformation: leaders cannot be afraid to expend their powers, and leaders must act swiftly to remove or workaround obstructions to transformation stemming from people, processes, or contracts.<sup>8</sup>

By the end of the process, CCI’s Account Director confirmed that both sides successfully view the relationship as a partnership. He said: *“It’s no longer a supplier/customer relationship, it’s a proper partnership. And that’s been a really positive transformation.”*

### 2.2.3. From Reactionary to Shoulder-to-shoulder Planning

*“We’re now in a situation where we know what’s coming over the next quarter, we know what the big events are, we know what we need to be aware of, and we know when they’re happening.”*-- CCI’s Account Director

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<sup>7</sup> See Lacity, M., and Willcocks, L. (2012), “Mastering High-Performance: Collaborative BPO Governance”: <http://www.accenture.com/Microsites/highperfbpo/Pages/key-behaviors.aspx#http://www.accenture.com/Microsites/highperfbpo/Pages/key-behaviors.aspx>.

<sup>8</sup> Lacity, M. and Willcocks, L. (2013), “[Beyond Cost Savings: Outsourcing Business Processes for Innovation](#),” *Sloan Management Review*, Vol. 54, 3, pp. 63-69.

In the past, TalkTalk's senior executives were making quick decisions and informing CCI mostly after the fact. This led CCI to be in a nearly constant reactionary state. This process was not so much by design, but by frenetic necessity. As commensurate with TalkTalk's explosive growth, its culture was described by participants as *"fast-moving, dynamic, with really aggressive targets for growth"* and *"very dynamic entrepreneurial business which is very hungry for growth"*. Participants estimate that before the Front Line Operating Model was enacted, CCI's management team was 90% reactive and 10% planned. That was causing service problems because CCI was constantly dealing with last minute changes, such as adapting to a change in one of TalkTalk's products or services. After the implementation of the Front Line Operating Model, participants estimated that the ratio has improved to 70% planned activities and 30% ad hoc activities. This is a commendable shift, and was accomplished primarily by putting frontline employees at the forefront of planning and forecasting.

TalkTalk and CCI realized that CCI's frontline employees could provide valuable insight into TalkTalk's marketing campaigns. CCI's frontline employees speak with TalkTalk's customers every day, so they are in a prime position to assess how customers might react to new campaigns. As part of the new Front Line Operating Model, a CCI agent is assigned to any new marketing campaigns being developed at TalkTalk headquarters. Agents participate in planning meetings via tele-presence and provide frontline input and feedback. In addition to their valuable input, the frontline employees become aware of the new campaigns well in advance so they can prepare their peers. Most importantly, they feel validated and valued by their client. As far as the effect on the agents, CCI's Account Director said, *"We get their feedback, we get their buy-in and then they're part owners of the roll out."*

#### **2.2.4. From Fault-finding to Joint Problem-solving**

*"We had never spent adequate time problem-solving with team managers and campaign managers regarding competitor and customer dynamics they were facing – conversations usually focused entirely on performance issues."*  
TalkTalk's Marketing, Acquisition, and Retention Director

All services—whether insourced or outsourced—will have issues. We define an issue as any circumstance which interrupts performance and can include service lapses, project delays, or difficult people.<sup>9</sup> In poor performing relationships, the partners blame each other and demand that the other side fix the problem. In high-performing outsourcing relationships we studied, partners seek to resolve service issues together.

At TalkTalk and CCI, the partners clearly moved from fault finding to shared accountability and joint problem-solving. Both TalkTalk and CCI participants used the phrase, "we no longer chase shadows", meaning the partners first determine whether a perceived problem is an actual problem. If it is an actual problem, the partners look for the root cause, which might be a client induced problem, a provider induced problem or a combination of both. It could even be caused by changing market forces. For example, if competitors like BT launch a big campaign, that could reduce CCI's save rate. Instead of bruising CCI for the lapse, the partners now discuss the reason and plan a response.

As part of the cycle of continuous improvement, TalkTalk's marketing leaders conduct two hour problem-solving sessions, called sprints, with the frontline agents whenever they visit CCI in

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<sup>9</sup> From Lacity, M., and Willcocks, L. (2013), "Mastering High-Performance: Resolving Conflicts in Business Process Outsourcing Relationships", available on <http://www.umsi.edu/~lacitym/LacityWillcocksResolvingConflicts2013.pdf>

South Africa. Sprints are conducted before the morning shift begins. TalkTalk's Marketing, Acquisition, and Retention Director explained the value: *"We'd get uninterrupted thinking and problem-solving time done in the morning and then start the chaos of the day. I think that's quite an important aspect of how we operate actually, is making sure you have the time for problem-solving in an uninterrupted environment."*

CCI's Account Director describes the before and after approach of problem-solving: *"So before, a grenade would come over the fence with the pin out, 'You haven't done this, You need to do X, Y and Z' and we'd have to man the panic stations. That's the old school of working. The new way of working is, we collectively discuss, 'Is it a problem?' Why do we think it's happened?' We now have the confidence to be able to be honest about our own failings and we also have the confidence to be honest about their failings, in a diplomatic manner of course."* As this last quote attests, joint problem-solving can only happen in environments of high trust and transparency.

### 2.2.5. From Opaque to Transparent Communication

*"CCI senior management team were really honest with me. They told me they were skeptical we'd be able to deliver the change initiatives, because they always have too many things to deliver in the here and now. This made me realize that I couldn't return from my visit with a list of 20 actions – it forced me to pare the list down to a 3-4 high priority, game-changing areas of focus. I was only able to do this because they took the risk to be brutally honest with me."* --  
TalkTalk's Marketing, Acquisition, and Retention Director

From our past ITO and BPO research, we found that both clients and providers wanted the other party to be more transparent, but each partner had a different view on what needed to be revealed. Providers wanted clients to be more transparent about their operations and wanted to be invited inside the "strategic tent".<sup>10</sup> Clients wanted providers to be more transparent about their profit margins, cost structure, subcontracting practices, risk profile, and true attrition rates. Clients also wanted to better understand how provider organizations allocate resources to staff client accounts.<sup>11</sup> We learned that TalkTalk and CCI became more transparent along many of these lines.

TalkTalk certainly invited CCI into the strategic tent. TalkTalk's role in this more transparent environment was formalized by giving 15 minute structured debriefings with the CCI shift teams each day, with a specific topic assigned to each weekday. For example, TalkTalk discusses product briefs one day, compliance one day, and quality on another day. The debriefings help prepare the South African team to better serve TalkTalk's customers. For example, when TalkTalk launched Dr. Who on their TV service, most of the South African agents had never seen the show. The debriefing prepared them in advance to learn about the show so they could better help clients with their orders.

CCI became much more transparent by having agents directly involved with TalkTalk's teams. This is a big mindset change for many service providers—indeed provider account managers are expected to manage client expectations and often buffer their clients from un-chaperoned contact with their frontline employees. CCI's Account Director admitted to being nervous about

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<sup>10</sup> See Willcocks, L. and Lacity, M. (2012), "Mastering High Performance: [Target Strategic Business Outcomes](#)

<sup>11</sup> See Lacity, M., and Rottman, J. (2011), "[Building a Better Outsourcing Community](#)," *Globalization Today*, March, pp. 29-31.



this transparency at first. He said, *“I’m the account director, right? So my role is to manage the account but also to ensure that we are always being perceived in the best possible way. I asked myself, do we really want to put frontline people in front of senior clients? They might be overly honest, they might be completely incorrect, all the rest of it. And actually, that’s been the best part of the whole process -- they are more than capable.”* TalkTalk’s Marketing, Acquisition, and Retention Director confirmed the agents’ performance. She said, *“They amaze me every day.”*

One further key thing the parties changed was shifting from communicating about immediate term, directly actionable needs to also giving rolling context of what was about to happen over four month horizons. The concept of ‘context’ has been critical to both parties.

### **2.2.6. From Long To-do Lists to Focused Initiatives**

*“Before, we were very much ‘try this’, ‘try this’, ‘try this’, and ‘try this.’ We had so many different initiatives happening at the same time, we could never really tell which effort was driving the results.”* – CCI Account Director

After visiting CCI’s South African call center, TalkTalk’s Marketing, Acquisition, and Retention Director went back and wrote up copious notes from all the problem-solving sprints, listening in on calls, and discussions. She was going to send detailed feedback to CCI, but decided instead to whittle the long list down to a few key points. Call center providers are so focused on daily delivery, that assigning them too many improvement tasks will frustrate and distract them. She explained, *“I looked at all my notes and I was going to press send. And then I just took a step back. I slept on it. The next day, I decided they can only focus on three things. This is one of my biggest learnings that I would give to anyone who wants to manage an offshore service provider: If you send laundry lists of things of things for them to do, people lose the wood for the trees and don’t know how to prioritize.”*

CCI’s Account Director noted that in the past, CCI was trying to do too many things at once. After the Front Line Operating Model went into effect, the partners prioritize their top initiatives. Furthermore, they implemented strict change control so only one team pilots a new initiative to isolate cause and effect. CCI’s Account Director described how change new initiatives are launched now. He said, *“So now it’s very much adopt the test and learn approach. We do it in a test and learn environment so you only have one team trialing it as opposed to everyone so you can see whether actually that change had the impact or whether that was just a general change.”*

### **2.2.7. From SLA to End-to-End Management**

*“We mirrored our proportion of TalkTalk’s commercial numbers that we need to deliver for them to hit their own numbers because that’s within our span of control.”* – CCI Account Director

Service Level Agreements (SLAs) formally define who, what, where, and when services are to be performed. SLAs aim to draw clear lines of responsibility and accountability between parties. While SLAs are an important part of the contractual governance for any outsourcing relationship, one big drawback of SLAs is that they focus management attention on past performance instead of future performance. Another issue with SLAs is that when clients hold providers accountable only to their SLAs, they are missing opportunities for extracting significant additional value from the outsourcing relationship. In high-performing BPO relationships we

studied, mature outsourcing clients worked with providers to manage processes end-to-end<sup>12</sup>; Clients focused providers on the client's key performance indicators (KPIs), not just on the SLAs. For call center operations, SLAs may include operational performance measures such as average time to answer a call or percentage of escalated calls. However, end-to-end KPIs are more strategic, such as conversion rates from marketing campaigns, retention rates, up-sells, cross-sells, and of course customer satisfaction. What value might be unlocked if clients focused their call center providers on these KPIs?

At TalkTalk, the client initially only held CCI accountable to its SLAs. But as one participant said, this is a naïve approach to outsourcing because the client should not absolve themselves of all the frontline delivery accountability. *"A mature client realizes that they are accountable for the end result just as much as the provider."* Conversely, the provider can also be more accountable for helping TalkTalk achieve its KPIs. During the transformation process, TalkTalk and CCI began to realize that CCI was central to nearly every customer touch point. CCI spoke to TalkTalk's customers when they first signed up for service, when they wanted to add services, and when they wanted to cancel services. CCI's Account Director said that in 2011, TalkTalk and CCI began to realize they were leaving value on the table by not exploiting CCI's 360 degree customer view. He said, *"We know why customers are taking products and why they're not taking products and what happened at point of sale that resulted in this complaint or upsell. So there are really clever things that you can leverage from having all that activity in one site."*

This 360 degree customer view could provide deep insights into helping TalkTalk achieve its KPIs, such as net ad churn rates, up-sale rates, and TalkTalk's most important KPI, "Fizzback", its customer satisfaction score. Fizzback is the name of the company that does surveys for customer to rate their satisfaction with agent interaction. The agent satisfaction (ASAT) metric is so important to TalkTalk that it is broadcast on monitors at TalkTalk's headquarters. CCI adopted this as one of their major KPIs and even award agents' bonuses based on their individual Fizzback scores. Fizzback scores are tallied at the individual, team, and campaign levels and are tracked and reported daily to all levels—agents, team managers, campaign managers, campaign directors, and head of site.

After the transformation, the partners clearly think end-to-end. CCI's Account Director explained, *"We watch the net numbers after three months, i.e., are we signing customers up in the right way? Are they enjoying the service? Are they staying with us after three months? And if they are staying with us after three months, what are they saying about us? Are they promoting us to their friends? So that's the thinking end-to-end part."*

## 2.3 Case Discussion

*"CCI's performance is just phenomenal. In terms of delivery for us, they've increased and improved dramatically. And on many levels, they're starting to give my onshore teams a run for their money."* -- TalkTalk's Marketing, Acquisition, and Retention Director

The quotation above testifies that transforming CCI from a vendor to a partner has yielded a significant and positive affect on performance. But the journey is not over. As of Fall 2013, TalkTalk and CCI have implemented about 60% of their Front Line Operating Model. The

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<sup>12</sup>See Lacity, M., and Willcocks, L. (2012), "Mastering High-Performance: [A holistic, end-to-end approach](#)"



partners estimate that it will take about another six to nine months to fully implement the model so that every agent—all 1,000 people working on the TalkTalk account—fully embraces the new mission and new operating procedures. TalkTalk's Marketing, Acquisition, and Retention Director envisions that eventually, the entire operation will be similar to a lean manufacturing site where every machine operator is completely bedded into the mission of continual improvement and reduced wastage.

The TalkTalk-CCI case warrants discussion of two additional topics not yet addressed: (1) the role of transformational leaders and (2) the benefits and risks of large-sized engagements. Pertaining to the first topic, we have thus far discussed seven *practices* that help transform typical BPO relationships into high-performing BPO relationships. But practices are enacted by *individuals* and increasingly our research is focused on the people driving transformation in outsourcing relationships. We've uncovered something quite special—it's the leadership *pair* that matters. We will explain this in more detail in a moment. Pertaining to the second topic, the magnitude of transformation described in this and other cases we have studied requires scale. Outsourcing relationships have to be large enough to warrant the level of client attention and resources a partnership requires, but there are also additional risks from large-sized relationships.

### 2.3.1 Transformational Leadership Pairs

Much of the academic, practitioner, and consulting outsourcing research—including our own—focuses on “best practices” for ensuring successful outsourcing outcomes for both clients and providers. Best practices are valuable because they are actionable, that is, best practices are activities that agents can enact to influence outcomes. Furthermore, best practices have been “proven” in many contexts as effective and therefore promise future adopters success through mimicry. Indeed, the seven practices discussed thus far are valuable because they can be emulated; Other BPO relationships can create shared missions, view each other as partners, plan and forecast together, solve problems jointly, open up communications, prioritize initiatives, and focus more on end-to-end processes. But it is not that easy. Behind the successful execution of best practices are the extraordinary leaders who drive the adoption. Furthermore, in the context of outsourcing, best practices must be coordinated between the client and provider. Our research shows that performance improves most dramatically when there is a strong leadership pair. ***An effective transformation leadership pair—one person from the client organization and another person from the provider organization—must work collaboratively to implement the seven best practices associated with transforming a relationship to high-performance.***

Our research identified background traits and six key behaviors of the leadership pair, which we published in *Sloan Management Review* in 2013<sup>13</sup>. As we were conducting research on the TalkTalk-CCI case, it became clear to us that their leadership pair, which includes the Marketing, Acquisition, and Retention Director at TalkTalk and the Account Director at CCI, exhibited nearly all of the important traits and behaviors. Pertaining to background traits, both leaders are experienced, capable, and have high levels of credibility, clout, and power within their own organizations. TalkTalk's Marketing, Acquisition, and Retention Director had a consulting career before being recruited in 2009 as Marketing Director. Sales and retention were added to her responsibilities in February 2013. She brought all the client-facing, fast-paced, high-energy leadership one finds from the top consulting firms to her new post. CCI's Account Director previously worked his way up the ladder of TalkTalk and moved Continents

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<sup>13</sup>See Lacity, M. and Willcocks, L. (2013), “[Beyond Cost Savings: Outsourcing Business Processes for Innovation](#),” *Sloan Management Review*, Vol. 54, 3, pp. 63-69.

several times before transferring to CCI. He has the respect of both sides because he knows every part of the business from both client and provider perspectives.

Our research identified six key behaviors of the effective leadership pair. The TalkTalk-CCI leadership pair displayed most of the following key behaviours:

**1. A focus on the future:** In high-performing relationships we studied, the leadership pair focused on where they wanted the BPO relationship to go, not where the relationship was or where it had been. In the TalkTalk-CCI story, we have already seen this behavior discussed in terms of the leadership pair moving the relationship from reactionary to shoulder-to-shoulder.

**2. A focus on client outcomes:** In our prior research, the effective leadership pair always did what was best for the client organization and then settled a commercially equitable agreement. Clearly, the TalkTalk-CCI leadership pair focuses on client outcomes (although neither discussed commercial implications).

**3. A spirit of togetherness:** We previously found that an effective leadership pair argued behind closed doors (sometimes frequently!), but presented a united front to stakeholders in their respective organizations and to the public at large. Certainly as outside researchers, the TalkTalk-CCI leadership pair presented a united front to us.

**4. Transparency:** In high-performing relationships, the effective leadership pair was open and honest about all operational issues. What is even more special about the TalkTalk-CCI leadership pair is that this transparency permeates the organizations down the chain of command. It is not merely the pair who is transparent in this relationship.

**5. Orientation toward problem-solving:** In high-performing relationships, the leadership pair sought to diagnose and fix problems; they did not seek to assign blame. The TalkTalk-CCI leadership pair embedded this approach beyond the pair to include frontline employees.

**6. Action-orientation:** As stated before, our research found that the leadership pair is not afraid to expend their powers and that leaders acted swiftly to remove or workaround obstructions to change stemming from people, processes, or contracts. We already discussed that TalkTalk's leader had to remove people who could not adapt to the new operating model. This was a difficult decision for her.

Because the leadership pair is so crucial to outsourcing success, the departure of either individual has the potential to erode performance. We asked TalkTalk's Marketing, Acquisition, and Retention Director, "What happens then when the times comes when you're not there and CCI's Account Director is not there?" She responded with what every true transformational leader needs to do—she made herself redundant. She said, *"My team has taken the operating model and the rhythm beyond anything I imagined. So the amazing thing is that I'm not that relevant now. It sounds awful, but I'm basically a cheerleader for them right now. My team is very clear on the roadmap."* CCI's Account Director also confirmed that the Front Line Operating Model does not rely on just the pair. He said, *"Talent: we have the right people in the right positions with the right skills set on both sides of the business."* In academic terms, we say that this leadership pair has *institutionalized* change.

### 2.3.2. The Big Deal about Big Deals

In our research, we've studied all sized outsourcing arrangements from very small contracts to contacts that operate in over 90 countries and comprise hundreds of Full Time Equivalents

(FTEs). Our prior research<sup>14</sup> found that large engagements with bundled services offer clients significant benefits. The major advantages include simplified procurement, simplified governance, fewer transaction costs, and economies of scale and scope. We see evidence of all these benefits at the TalkTalk-CCI relationship. In particular, we noted that bundled services (sales, retentions, up-sells and cross-sells) give CCI the previously mentioned advantage of the 360 degree view it has of TalkTalk's customers. However, larger deals bring greater risks. Therefore, careful consideration must always be given to the scale and scope of work assigned to providers.

Now that the CCI engagement has reached over 1,000 seats, a number of additional business benefits are possible. CCI can afford to invest in coaching, mentoring, and training to build critical middle management and leadership skills. Their program is called The Management Academy. This is precisely the type of initiative South Africa needs, as our prior research found that South Africa's challenges in the BPO space come primarily from its recent successes and the anticipated high levels of growth, which has created a shortage of middle management and leadership skills.<sup>15</sup> We recommended that South Africa needs to accelerate and scale the development of these skills. CCI's Account Director told us, *"we take advantage of scale and the fact we have a lot of people to work with and therefore, a lot of opportunity. We have people who have worked on TalkTalk for a good number of years and worked up the management chain. So they would be an agent, then they would be a team manager, and then they may become campaign managers. Now 50% of our campaign managers are South African nationals compared to before when we mainly hired UK nationals to run our campaigns."* At CCI, scale allows it to do this training in-house, leading to richer career paths, more satisfied employees, lower turnover, and ultimately better service to the client.

But we do have one word of caution. Despite all the additional value afforded by large-scale partnerships, reliance on one key partner increases switching costs, creates lock-in, and raises the risks of opportunism, i.e., the probability that one party can be self-seeking with guile.<sup>16</sup> Even though TalkTalk views CCI as a partner, it keeps a competitive lever on CCI through benchmarking. Benchmarking allows TalkTalk to understand the costs and service levels it can obtain in the UK and thus holds CCI accountable for equal or better service quality while benefiting from lower offshore rates. According to CCI's Account Director, benchmarking works as follows: *"So we get a percentage of the same calls as onshore get. We get all the same data as onshore get and it's just a very clear comparison of 'Here are your results, here are their*

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<sup>14</sup> See Willcocks, L., Oshri, I., and Hindle, J. (2010). *To Bundle or Not To Bundle? Effective Decision-Making for Business and IT Services*. OU/Accenture, London. A newer version is also available in Lacity, M., and Willcocks, P. (2012), *Advanced Outsourcing Practice: Rethinking ITO, BPO, and Cloud Services*, Palgrave, London. To understand the trade-offs between bundling services and multi-sourcing, we studied over 1,850 outsourcing contracts, and carried out interviews with 69 leading clients and providers in ITO and BPO services. We identify 20 drivers to consider when deciding between bundled or unbundled ITO and BPO services. These drivers are grouped into five areas: client factors, relational factors, provider market and capabilities factors, and cost effectiveness characteristics, and form the basis of a decision-making matrix designed for client use. From the research we also distill five profiles of clients more, or less, likely to buy bundled services: Strategic Explorer, Conservative, Operational Exploiter, Experimenter, and Multi-sourcer. This is a distinctive and new contribution to the understanding of clients, and how they can continue to develop their ability to harness the ever increasing capabilities of business and IT service providers.

<sup>15</sup> See Willcocks, L., Craig, A., and Lacity, M. (2012), "Becoming Strategic - South Africa's BPO Service Advantage," available at [http://www.outsourcingunit.org/WorkingPapers/WP12\\_4.pdf](http://www.outsourcingunit.org/WorkingPapers/WP12_4.pdf).

<sup>16</sup> These notions arise from Transaction Cost Economics. See Williamson, O. (1991), "Comparative Economic Organization: The Analysis of Discrete Structural Alternatives," *Administrative Science Quarterly*, Vol. 36, 2, pp. 269-296.

*results'. So it's quite a clever set up and it keeps everyone on their toes and everything is compared apples with apples."*

## **2.4. Case Conclusion**

Our broader research goal for this project was to investigate the viability of South Africa as a destination for global BPO services. We believe this is best demonstrated through proven success stories. Clearly, the TalkTalk-CCI case study is a testimony to the type of deep partnership that can occur between a Western-based client and a South African-based provider. Success is driven by a strong leadership pair who can institutionalize best practices associated with high performance.

### 3. Case Study Six - radiant.law: Rethinking Legal Services

*“Outsourcing to an LPO provider in South Africa has been a positive experience for us. We see huge potential in it.” -Jason McQuillen, co-founder, radiant.law*

*“We are still at an early stage with Exigent, but it’s been terrific. We’ve been using Exigent as our junior lawyers but we’re on a journey to move to fixed price outsourcing.” - Alex Hamilton, co-founder, radiant.Law.*

Table 5: Overview of the Case

SA Case Study #	Client	Provider	Year Contract was Signed	Services	Sourcing Model
6	radiant.Law	Exigent	2011	Legal services	Outsourcing

**About radiant.law:** Founded in 2011, radiant.law is a UK-based law firm that specializes in outsourcing, technology and commercial contracts and issues. Radiant.law is built from the ground up to improve the client experience by providing experienced lawyers, better value and price certainty. Presently this start-up firm has fewer than 10 people, and is ranked in Band 3 on outsourcing and on commercial contracts list of top legal firms by Chambers UK in 2013. Source: <http://www.radiantlaw.com/>. In October 2013 radiant.law won the Financial Times Innovative Lawyers Legal Industry Pioneer 2013 award. Source: [www.ft.com/innovative-lawyers](http://www.ft.com/innovative-lawyers).

**About Exigent:** “Exigent is a leading provider of innovative business solutions for the corporate and legal sector across four continents. With over 10 years’ experience, 250 employees, and a client portfolio including some of the UK, Australia, Canada and South Africa’s top law firms and corporates, we have developed expertise in delivering a broad range of high quality, innovative legal services; and have received multiple, industry recognised awards for our outsourcing services and products.” Source: <http://www.exigentlpo.com>

#### 3.1. Introduction

Internationally, South Africa is now recognized as a leading destination for the outsourcing of services. In 2012, UK’s National Outsourcing Association (NOA) awarded South Africa the Offshoring Destination of the Year. While South Africa’s call centres have been the focus of the world’s attention, our research previously found that South Africa has the potential to excel in the offshoring of more advanced services, particularly legal services outsourcing (LSO).<sup>17</sup> The perfect storm is blowing favorable winds to South Africa’s LSO market—the rise of process standards, enabling technologies, and favorable deregulation in high-cost countries allowing for alternative legal structures like LSOs. These global forces are creating a great disruption in the

<sup>17</sup> See An LSE Outsourcing Unit Working Paper 12/4: Becoming Strategic - South Africa’s BPO Service Advantage by Leslie Willcocks, Andrew Craig, and Mary Lacity, November 2012 available at [http://www.outsourcingunit.org/WorkingPapers/WP12\\_3.pdf](http://www.outsourcingunit.org/WorkingPapers/WP12_3.pdf)

delivery of legal services and South Africa, with its 20,000 qualified lawyers,<sup>18</sup> is primed to contribute to the new order.

Western-based clients in high-cost countries welcome the disruption. They are no longer willing to write hefty checks to domestic law firms for low-level work. Furthermore, they no longer want to assign their in-house lawyers low-level work. Why have fifth year lawyers formatting documents or reviewing simple non-disclosure agreements? Western-based clients are initially attracted to LSO because of the potential for cost savings. Indeed, the clients we interviewed for our book, *The Rise of Legal Services Outsourcing*<sup>19</sup>, reported total cost savings between 30 per cent and 50 per cent. But LSO has a much richer value proposition than just cost reduction, including the ability to focus in-house legal staff on higher-value work, faster service delivery, scalability, utility pricing, improved service quality, process transformation, access to innovation, and even commercialisation. However, the LSO market is still immature and many Western-based clients lack the experience to successfully engage an LSO provider directly. Rather, many Western-based clients need assistance in extracting value from LSO providers by engaging what we call “new age” law firms (see Figure 1).

UK-based radiant.law is one such firm, and they partner with the LSO provider, Exigent. Janet Taylor-Hall, Chief Executive Officer of Cognia Law, when commenting on the emerging LSO landscape in the context of new age legal models said: *“radiant.law are one of the real innovators in the legal sector with an approach to delivering value to clients that plays well to South Africa's strength. The radiant.law model aims to seamlessly combine technology, top quality senior legal skills and an offshore delivery team requiring something beyond vanilla LPO. This more sophisticated model requires good calibre lawyers who can realise the client communication element on a team level – especially with non-lawyers, e.g. business users - which has proved very difficult in India but is proving to be South Africa's strength.”*

Radiant.law was founded in 2011 by experienced lawyers, including a prior partner from a major US law firm. Frustrated by the fact that law firms seek to maximize their time rather than maximize the value delivered to clients, radiant.law's mission is to be more efficient and effective than traditional law firms. Radiant.law does not seek one silver bullet to reinvent legal services, but rather deploys much buckshot to remove the unnecessary duplication and the inefficiencies that frustrate clients. Here's how it maximizes value:

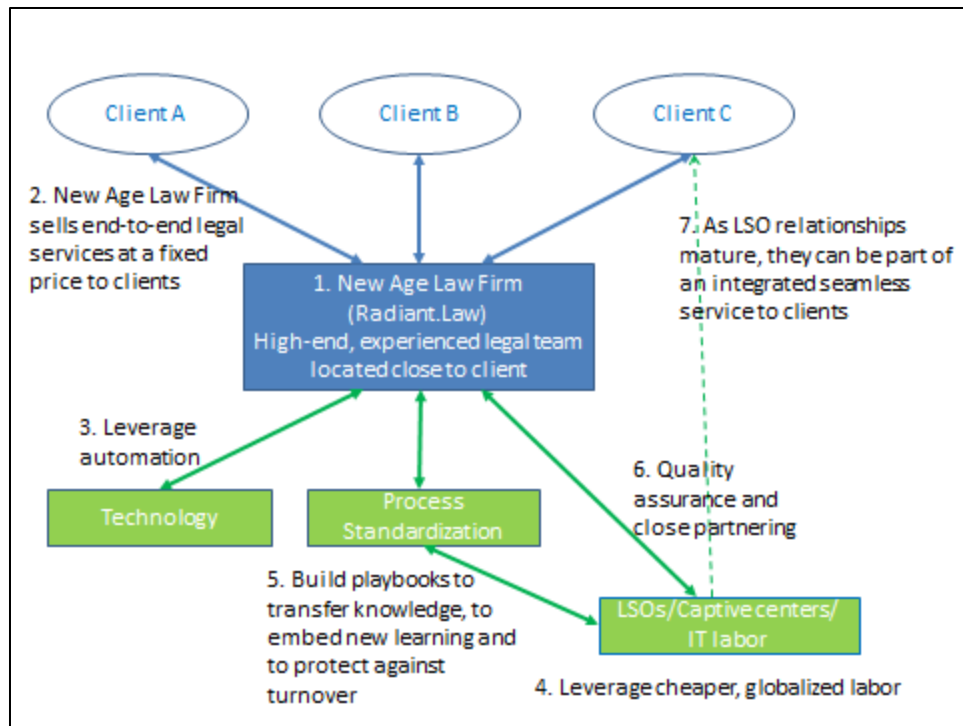
**1. Radiant.law is located within close proximity to London-based clients** to ensure high-touch, quality interaction (see number 1 in Figure 1). The real value of legal services comes from judgment calls from experienced lawyers. Experienced lawyers don't just perform services for which the clients ask; they make sure that clients are asking the right questions. They question assumptions. They spot when “expert systems” spit out suboptimal answers. Alex Hamilton, co-founder of radiant.law, said, *“It's that judgment call that I think will increasingly be valuable to clients; to be able to unask the question rather than just accept the premise of the question.”*

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<sup>18</sup> OMC Partners, *Comparative Location Survey for Legal Services Delivery*, November 2011. Available at [www.omc-partners.com](http://www.omc-partners.com)

<sup>19</sup> Lacity, M., Willcocks, P., and Burgess, A. (2014), *The Rise of Legal Services Outsourcing*, Bloomsbury Publishing, London.





**Figure 1: “New Age” Law Firms**

Radiant.law presently serves as the face for its UK-based clients. It sells services to large clients who are used to engaging law firms to help with million pound deals. They want experienced lawyers, high quality services, and reasonable prices. These types of clients often prefer to engage a company like radiant.law who can serve as LSO intermediary—at least for now – and provide a managed service. Jason McQuillen said of his three largest clients, *“The clients see potential in leveraging the power of LPO but are not exactly sure how to approach it, and are perhaps a little wary about the quality of work product. We have previously worked with these clients on traditional, multi million pound deals, and so it gives them comfort that their lawyers of choice can deliver the value for them and simultaneously de-risk the exercise. They know that we will always step in to resolve any complicated issues and make sure the job gets done to the required standards.”*

**2. Radiant.law offers clients fixed prices** to perform legal services associated with outsourcing, technology and commercial contracts. Fixed prices better align a law firm’s and a client’s objectives compared to the traditional hourly fee structure (see number 2 in Figure 1). A law firm that is paid a fixed fee is highly incented to work efficiently by deploying technology, leveraging global talent, and standardizing processes in order to maximize profitability.

**3. Radiant.law deploys technologies whenever possible.** Great technology exists in the market, but many enterprise legal functions do not want to buy legal IT software because of the expense, headaches, and likely small scale usage of IT. Many traditional law firms do not want to leverage technology that would reduce the people-hours they can charge to clients. But “new age” law firms are highly incented to automate and to experiment with new technologies based on innovations like machine learning (see number 3 in Figure 1). As one of radiant.law’s “buckshot”, technology is actually a core capability for this firm. Alex Hamilton said, “We’re



*probably doing more software development than your average large law firm, and we're certainly building more new unique tools. Increasingly that gives us a major competitive advantage."*

**4. Radiant.law leverages globalized labor** to keep costs low for tasks suitable to a junior lawyer, paralegal, or software developer (see number 4 in Figure 1). For software development, radiant.law hired freelancers based in the Philippines, Zimbabwe, Romania, Jamaica, Belarus, Italy, Bangladesh, and the Ukraine. Radiant.law found some of them as contractors through Odesk and has also hired two developers as full-time employees. Presently, radiant.law engages the LSO services of a South Africa-based provider—Exigent—to help keep their clients' costs lower than traditional law firms. Jason McQuillen, co-founder of radiant.law explained, *"We have a team in England with highly experienced lawyers who can do your big deals as well as anyone in the market. But we can also be your gateway to the LPO for dealing with your high volume, repeatable contracts that just need to get done. And that's proving very popular."*

**5. Radiant.law standardizes processes** to successfully engage global talent, and communicates these standards in "playbooks".<sup>20</sup> Playbooks help transfer knowledge to the LSO provider, protect against provider turnover, and can capture new learning if updated frequently (see number 5 in Figure 1). For one client, radiant.law has a detailed playbook for IT procurement with an agreed upon template for Statements of Work (SOW). The playbook defines bandwidths of acceptable terms. So, for example, a starting clause might be a week's notice for termination for convenience. The other party will likely push back on that clause, so the playbook authorizes Exigent to increase the clause to 30 days without additional approvals.

**6. Radiant.law assures quality through monitoring and close partnering** because process standardization cannot articulate requirements fully (see number 6 in Figure 1). During the transition, radiant.law reviews every draft created by Exigent. While this practice facilitates a high level of quality control, it is inefficient in the long run. Once knowledge has been transferred fully, the three parties—radiant.law, their client, and their LSO provider—will not need so much management oversight. Ultimately, if the LSO provider can become a truly trusted partner, it can interface directly and seamlessly with radiant.law's clients (see number 7 in Figure 1).

Although presently small in size, radiant.law aims to scale this model, growing to a hundred or more employees. In this case study, we explore further radiant.law's use of LSO in their business model and how it ultimately came to select South Africa and Exigent.

### 3.2. Radiant.law's Engagements with LSO Providers

*"In the UK, you frequently come across South Africans in top law firms and in corporate legal departments, and so there's sort of this implicit acceptance in the UK market of their quality, approach and work ethic."* -- Jason McQuillen, co-founder of radiant.law

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<sup>20</sup> Playbooks and other supporting documents help lawyers trained in one country (like South Africa) to understand the nuances and legal requirements of serving clients from other countries (like the United Kingdom). Playbooks also standardize service and establish clear lines of responsibility. See Lacity, M., and Willcocks, L. (2013), *"Legal Process Outsourcing, In-house Counsels, Law Firms and Providers: Researching Effective Practices," Web Journal of Current Legal Issues*, Vol. 19, 3.

Radiant.law initially selected an India-based LSO provider. One of radiant.law's cofounders knew the General Counsel and other senior folks from this LSO, so he felt comfortable engaging this provider. The Indian lawyers were well-trained in British Common Law and were quite good at following detailed instructions. Radiant.Law followed best practice by having a playbook of instructions for the LSO to follow. The LSO provider performed well on tasks that involved conformance, formatting, spell checking and cross referencing. However, the experience of radiant.law was that they needed more guidance on practical and commercial issues which one might believe to go without saying. The decision to switch providers reached a tipping point when the India-based LSO was bought by another firm and radiant.law's close contacts left the LSO.

Radiant.law chose South Africa as their next offshore location. South Africa shares the Commonwealth Law advantage of India, but radiant.law felt that South Africa has superior language understanding, cultural compatibility, and time zone advantages compared to India. Radiant.law's executives also felt that the soft skills are better in South Africa than in India. Alex Hamilton, co-founder of radiant.law said, *"It's easier working with South Africa than India because they're not so formal. They are culturally and emotionally simpatico."* Two of the lead lawyers at one of radiant.law's largest clients are actually South African, so the selection of a South African LSO provider had that additional advantage as well. Pertaining to the time zone advantage, Jason McQuillen, co-founder of radiant.law said, *"Because we're basically on the same time zone, we can offer same day turnaround to UK clients on particular types of work. And it's easier to actually have conversations with South Africa which we're doing more and more as we work together on more complex matters."*

Radiant.law decided to select Exigent because they were more flexible than other LSO providers. Jason McQuillen, co-founder of radiant.law, said, *"I guess this may be perceived as a case of lawyers not taking their own advice, but we're actually concentrating on building the relationship rather than a cast-iron contract."* Exigent was willing to start the relationship without a detailed contract. The initial contract is based on hourly rates. The partners will move to a fixed price deal after the transition period to mirror the fixed price structure radiant.law uses with its clients. Additionally, radiant.law would like to put in Service Level Agreements (SLAs) for their clients, such as promising a same day turnaround, and install an SLA for Exigent's portion of that cycle. Jason McQuillen, explained further why the contact is initially loosely defined: *"We consider ourselves in pilot stage and it makes no sense to draft a detailed contract without us knowing exactly what we want and what Exigent are truly capable of. In the meantime, we're just concentrating on building the partnership and our ways of working together and will set down at the appropriate time and formalize it. We don't place any caps on what they can do and are proactively up-skilling them."*

### 3.3. Practices to Manage a South Africa-based LSO Provider

*"Hyper communication is the key to success, especially at the beginning". --*  
Jason McQuillen, co-founder of radiant.law

Successfully leveraging an offshore LSO provider takes careful management. We've identified nearly thirty proven practices<sup>21</sup> Western-based clients use to make sure they get value from the relationships with their LSO providers. While researching the radiant.law-Exigent case, we found that the partners deployed many of the proven practices we previously identified, but we

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<sup>21</sup> See Lacity, M., and Willcocks, L. (2013), ["Legal Process Outsourcing, In-house Counsels, Law Firms and Providers: Researching Effective Practices,"](#) *Web Journal of Current Legal Issues*, Vol. 19, 3.

also uncovered three unique practices in this case (see Table 6). Below we discuss ten of them. For other clients considering South Africa as a destination for LSO provision, these practices will help ensure success.

**Table 6: Proven Practice for Managing LSO Providers**

Practice	Prior LSO Case Studies*	radiant.law
1. Assign a high-level point person to manage the LSO provider relationship	X	X
2. Use an onshore engagement manager (OEM)	X	X
3. Invest in face-to-face meetings	X	X
4. Treat the LSO provider as a partner, not a vendor	X	X
5. Resolve issues together	X	X
6. Protect against provider turnover	X	X
7. Keep playbooks updated	X	X
8. Use technology to automate or enable processes whenever possible.		X
9. Experiment often, learn from failure, and dare to try again		X
10. Allow trusted LSO providers to co-deliver an integrated, seamless service		X

\* Practices 1 through 7 are discussed further in Lacity, Willcocks, and Burgess (2014), *The Rise of Legal Services Outsourcing*, Bloomsbury, London.

**1. Assign a high-level point person to manage the LSO provider relationship during the transition.** As prescribed by best practices we've uncovered in our LSO research, radiant.law's point people are lawyers with experience, personal credibility and political clout within the client organization. Providers all appreciate the value of a supportive high-level point person. For example, the VP of one provider we interviewed said of his client's point person, *"His job is to make sure that elements that need to be engaged from the client side are engaged."*

**2. Use an onshore engagement manager (OEM).** Exigent's account manager for radiant.law is based in London and he serves as the onshore engagement manager (OEM), another practice we identified as crucial to LSO success.<sup>22</sup> An OEM is employed by the LSO provider but works at or near to the client site to coordinate work. Because the OEM is familiar with both the client's and LSO provider's processes, technologies, cultures, and employees, the OEM smoothes the transitions of work between the client and LSO provider. Because of the expense of an OEM, our prior research found the practice is best suited for project work, such as a large legal matter, where playbooks cannot be defined fully in advance and when requirements emerge as the legal matter progresses. For radiant.law, the OEM is a crucial player in adding flesh to the bare bones pilot relationship.

**3. Invest in face-to-face meetings.** One practice to facilitate knowledge transfer and to build closer relationships is for everyone to meet face-to-face. At one client company we studied, a senior leader visits his offshore LSO every six months. The GC said, *"It does add to the expense but we thought it was worthwhile."* Another client advised that if you can only afford to

<sup>22</sup> op. cit. Lacity, Willcocks, and Burgess (2014)

send one or two people to your offshore LSO provider, send operations people who can transfer knowledge to the provider's staff. If only senior executives from the client organization visit the provider, then this client said, *"You sit around, drink coffee, and show each other how great you are."* At radiant.law, they provide training over the phone regularly, but also believe in the need to visit the LPO personally. *"Making the investment to actually go down there, meet the team, discuss each other's needs and develop a rapport is really important."* -- Jason McQuillen, co-founder of radiant.law

To make that transition to fewer overseers, radiant.law visited South Africa to complete advanced training. It's really the more nuanced knowledge that needed to be mastered. Jason McQuillen said that while in South Africa for five days, *"We concentrated on providing greater context around tasks and talked about what clients ultimately want. For LPO to move up the value chain, they need to be able to make some judgment calls which is obviously a lot harder than just applying rules steadfastly."* A high level of experience, domain understanding, and cultural sensitivity is required to ask clients direct questions about what they need. If the LSO provider needs to clarify something with the end client, it needs to speak that client's language, not the language of law. So, for example, if the end client is a procurement manager, the lawyer should not ask them about an apparent conflict in a particular clause. Instead, the lawyer should ask the question in the form the procurement manager would understand, such as, *"The Master Service Agreement says 30 days, but this Statement Of Work says 15 days, what do you want?"* Jason McQuillen, co-founder of radiant.law, explained the ultimate goal: *"We want a team of lawyers at Exigent who can pick up a matter for our clients using our tools and our playbooks and can basically run with it. We will always QA and take ultimate responsibility for Exigent's work, but if everything is working to plan, the effort required to do that will lessen over time."*

**4. Treat the LSO provider as a partner, not a vendor.** This practice is fundamental and universal to all outsourcing relationships we've studied, be it call centers, information technology, finance, accounting, procurement, human resources or legal services. This practice is also borderless in that treating a provider as a partner is important whether that provider is sitting in the next cubical or located across vast distances and time zones. Alex Hamilton, co-founder of radiant.law, summarized how the relationship with his LSO provider functions in an environment of high uncertainty and experimentation (see practice 9). He said, *"It works because we behave like partners. We work very closely with Exigent's sales team in London. So what we found really works is to get very, very close to the people."* The partnership attitude manifests in behaviors, such as resolving issues transparently and cooperatively.

**5. Resolve issues together.** All services—whether insourced or outsourced—will have service issues. We define an issue as any circumstance which interrupts performance and can include service lapses, project delays, or difficult people.<sup>23</sup> In poor performing relationships, the partners blame each other and demand that the other side fix the problem. In high-performing outsourcing relationships we studied, partners see service quality as a shared responsibility and therefore seek to resolve service issues together. This practice is certainly evident at radiant.law and Exigent. Both parties share responsibility for the quality of Exigent's work. Jason McQuillen, co-founder of radiant.law said, *"You know, it really is a collaboration; if the work we're getting back is not what we expect, that's as much our fault as Exigent's because we're not being clear in telling them what we want, and tooling them up to deliver it."*

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<sup>23</sup> From Lacity, M., and Willcocks, L. (2013), "Mastering High-Performance: Resolving Conflicts in Business Process Outsourcing Relationships", available on <http://www.umsi.edu/~lacitym/LacityWillcocksResolvingConflicts2013.pdf>

**6. Protect against provider turnover.** As evidenced by the radiant.law case and other client cases we've studied, transitioning work to an LSO provider requires a significant amount of knowledge transfer upfront. Clients only want to do this expensive and time-consuming training once, yet turnover will occur and cause issues. High staff turnover in low cost countries has been a major problem for ITO, BPO, and LSO providers. In India, LSO turnover rates in Gurgaon can be as high as 30% because the proliferation of providers makes it easy for workers to find alternative employment. Turnover rates in South Africa are lower, but still clients need to understand that turnover will occur and it still could cause issues. At radiant.law, they spent significant time training Exigent's lawyers but found there could be dips in quality when the trained person left: *"We're not interested in rebuilding a law firm model with us as partners and an LPO as associates. We're building a delivery model with well-defined processes and tools embedded which any intelligent, diligent legal professional could understand and apply."* Our prior research found several practices to mitigate the risks of provider turnover: (1) Have the LSO provider overstaff the project to mitigate turnover risks. (2) Require the LSO provider's middle managers to shadow their predecessors before assuming responsibility. (3) Keep playbooks updated to onboard new team members quickly. Radiant.law certainly discussed the value of this last practice.

**7. Keep playbooks updated.** Playbooks that are frequently updated will bring new employees up to speed quickly. One GC in our LSO research explained, *"You developed a playbook so that even if the individual who's been working on this particular area goes, the impact would be reduced because all that knowledge and issues and understanding are being caught and you're always upgrading."* Radiant.law's co-founder Jason McQuillen concurred: *"Updated playbooks are a mechanism by which anyone who's new to the file can get up to speed quickly."* Playbooks are valuable not only for transitioning and coordinating work, but for continual improvement. Radiant.law and Exigent are still figuring out who will and how to keep the playbooks updated. Consider this scenario: The LSO provider hands work to radiant.law; radiant.law tweaks the work before sending it to the client. Who should compare the two versions, decide if the differences are significant and thus warrant an update to the playbook? From radiant.law's view point, they would like to delegate this feedback loop to the LSO provider, but in reality the process will have to be shared because it is possible that the LSO provider, not radiant.law, had the better version.

**8. Use technology to automate or enable processes whenever possible.** While this practice was proven to be effective in our prior LSO research, radiant.law has one unique twist. Most Western-based clients use their LSO provider's technology suite because it is usually superior to the client's technical capability. Radiant.law is unusual because it asks its LSO provider to use radiant.law's technology. Radiant.law has the primary interface with their clients, so they want the assurances that the technology is doing what they think it is doing. Radiant.law does not sell their tools, but rather uses their technologies to solve client's problems effectively. With software developers all over the world, Alex Hamilton, co-founder of radiant.law said, *"We're building and using a lot of technology. We use contract automation and other leading third party products, but we've also built a number of our own tools for collaborating, as well as extending Word. We're doing a lot of work in technology to get the knowhow at the right point in time to the right person."* He further acknowledges that developing a core capability in technology is the antithesis of what sensible people advise law



firms to do. He chuckled, *“Nicholas Carr<sup>24</sup> would be completely unimpressed by what we’re up to.”*

**9. Experiment often, learn from failure, and dare to try again.** Radiant.law is owned by the founding partners so it is not restricted by venture capitalist requirements to grow at a certain pace or to delivery profitability by a certain deadline. This freedom allows radiant.law to experiment with new technologies, processes, and other innovations in legal service as it figures out how to create the “new age” law firm. Their founders refer to their company as a type of “skunkworks of the law”. Skunkworks was a term given to Lockheed’s secret World War II projects that emanated foul odors from its facilities. In today’s vernacular, Skunkworks refers to research and development projects developed by small, nimble, and loosely-structured teams. In the context of offshore LSO, radiant.law deliberately over-sends challenging work to Exigent just to see if they can do it. Alex Hamilton said, *“If we send something to South Africa and it doesn’t come back right, I will pull an all-nighter if necessary to fix the document myself. Experimentation is the only way to know how far we can take the people or how far we can take technology.”*

**10. Allow trusted LSO providers to co-deliver an integrated, seamless service.** The first nine practices are orchestrated to reach this ultimate crescendo: radiant.law and Exigent provide an integrated, seamless service to radiant.law’s end clients. When can radiant.law let go of control to allow the LSO provider direct client contact? According to Jason McQuillen, co-founder of radiant.law, *“It’s an iterative process, and you need to be sure the service is of consistently high quality and stable before contemplating Exigent having direct contact with the client. It feels like we are definitely getting close to this in some work streams.”* Ideally, from the client’s perspective, they should not be able to tell if they are ultimately speaking to a radiant.law person or an Exigent person—service should be that seamless.

We do note that this practice is thus far unique among the LSO cases we’ve studied. We do foresee one risk with this practice: What is to prevent an LSO provider from mimicking the playbooks, processes, and tools and approaching clients directly? In this particular case, the LSO provider is actually much larger than the firm now serving as the intermediary between the LSO provider and large, UK-based clients. Non-compete clauses will likely be the first risk mitigation practice, but that only prevents poaching current clients, not future clients. Jason McQuillen was not worried. He said, *“Some people might think we’re a bit daft for up-skilling a third party who may compete with us in the not too distant future. But the legal industry needs this development – and it just gives us another reason to make sure we are always innovating and staying ahead of the pack.”*

### 3.4. Case Conclusion

*“Exigent communicates well, they have good turnaround, and are quick to respond to any issues raised. They seem genuinely pleased to be doing this work because from their lawyers’ point of view, they’re doing real legal work for a firm in London and ultimately some top notch clients that any firm would be proud to service.”* -- Jason McQuillen, co-founder, radiant.law

The radiant.law-Exigent case is clearly a success story. The case shows the great potential for South Africa to offer value-added, complex services beyond call centers. With its large number

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<sup>24</sup> In 2003, Nicolas Carr wrote what became a very famous article in the *Harvard Business Review* titled, “IT Doesn’t Matter”.

of lawyers, cultural and legal compatibility with Commonwealth countries, and favorable time zone advantages in relation to Western Europe, South Africa can be a major player in helping the world to rethink legal services. All the forces that are disrupting and threatening the pyramid structure of traditional law firms actually favor the rise of legal services outsourcing from South Africa. With companies like Exigent serving as proof of concept, we believe technology enablement, process standardization and deregulation provide great opportunities for South African to increase its market share in legal services.



## 4. Case Study Seven - The Value of South Africa's Shared Service Centres: The Case of BP

*"We see European companies, almost on a monthly basis now, looking to South Africa for shared services. South Africa has cheaper skills than Europe, but I think it is high quality skills. ....Growth in the rest of the world is deteriorating and everybody is looking at Africa as the next sort of diamond in the rough. Looking at the retail companies, for example, many of them know they need to get into Africa and need to get into Africa quickly." - Christo Roux, KPMG*

### 4.1. Introduction

According to Accenture,<sup>25</sup> the definition of shared services is "the consolidation of support functions (such as human resources, finance, information technology and procurement) from several departments into a standalone organizational entity whose only mission is to provide services as efficiently and effectively as possible." Shared services is hardly a new practice as General Electric—recognized as the first leader of shared services—implemented shared financial and accounting services in 1984. Digital Equipment Corporation (DEC) created shared financial services in 1985.<sup>26</sup> The recent downturn in the world economy has intensified the pressures for organizations to reduce costs, shed headcount, and to do more and more with fewer resources.<sup>27</sup> Shared services are seen as a powerful practice for relieving these pressures. Shared services offer the promise of lower costs, tighter controls, improved service levels, and scalability.<sup>28</sup>

According to Deloitte's survey<sup>29</sup> of 270 respondents reporting on 718 shared service centres, finance/accounting (93%) is the functional area most commonly moved to shared services, followed by human resources (60%), information technology (48%), and supply change management (47%). Increasingly, the trend is for business shared services, with several functional areas such as finance, accounting, human resources, and information technology unified into one global shared services organization. Deloitte found that 47% of respondents had shared services for more than one functional area. Global companies setting up companies in South Africa are also following this trend. In this section we document the case of BP's captive shared services centre, and assess the larger potential of shared services for South Africa,

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<sup>25</sup> Accenture (2005), *Driving High Performance in Government: Maximizing the Value of Public-Sector Shared Services*, white paper.

<sup>26</sup> Davis, T. (2005), "Integrating Shared Services With the Strategy and Operation of MNEs" *Journal of General Management*, Vol. 31, 2, pp. 1-17.

<sup>27</sup> Customer1 (2011), *White Paper: Business Shared Services: A Model for Streamlined Support*, <http://info.customer1.com/business-shared-services-white-paper>; also "Three Major Trends in Shared Services" <http://www.customer1.com/blog/shared-services-trends-2011>. KPMG (2011), *KPMG 2Q11 Sourcing Advisory Pulse Survey*. <http://www.equaterre.com/2Q11-KPMG-Sourcing-Advisory-Global-Pulse-Survey-2298C514.html?LayoutID=28>.

<sup>28</sup> See, "Creating Shared Services in the Private and Public Sectors," in Lacity, M., and Willcocks, P. (2012), *Advanced Outsourcing Practice: Rethinking ITO, BPO, and Cloud Services*, Palgrave, London.

<sup>29</sup> Deloitte (2011), "Global Shared Services Survey Results," [http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/IMOs/Shared%20Services/us\\_sdt\\_2011GlobalSharedServicesSurveyExecutiveSummary.pdf](http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/IMOs/Shared%20Services/us_sdt_2011GlobalSharedServicesSurveyExecutiveSummary.pdf).

positioning shared services as complementary to BPO developments, and with massive potential for helping the industry become a gateway to Africa for overseas and domestic companies.

## **4.2. Shared Services and BPO as Complementary Industries**

Thus far in our research on South Africa's business process outsourcing (BPO) industry, we have focused on how Western-based client firms *outsource* to South Africa-based BPO providers. In this section of the report, we explore how Western-based client firms are increasingly building shared service facilities in South Africa. We focus on BP's shared services centre as one such example. We show how shared services contribute significantly to South Africa's national advantage in business services. Specifically, shared services and outsourcing are related and mutually supporting industries in three ways:

### **1. Today's captive shared services centre might launch tomorrow's next BPO company.**

One only needs to look to India's BPO and ITO history to understand the impact of shared services on a nation's outsourcing capabilities. Initially, the first Western-based countries to foray into India erected captive centres for shared services because they wanted the assurances that come with complete control over operations. As time goes by, the Western-based companies relax, build centres of excellence offshore, and seek to further exploit its value by selling services to other companies. This is the moment when many Western-based companies look to a service provider to take over the shared services centre. General Electric (GE) provides a great example of launching a BPO company from a captive shared services centre.

GE—recognized as the first leader of shared services—set up its first captive centre in India in 1997. As time went by, GE built excellence in the service centre and realized that it could actually sell services to other companies. It created a subsidiary called GE Capital International Services (GECIS). Eventually, GECIS became the independent, publically traded company giant BPO provider known as Genpact. In 2013, Genpact has over 60,000 employees, earns over \$2 billion in revenue, and operates in India, China, Guatemala, Hungary, México, Morocco, the Philippines, Poland, the Netherlands, Romania, Spain, South Africa, Australia, UAE, Brazil, Kenya, and the United States (Wikipedia).

### **2. Many Western-based companies engage a BPO firm to help establish shared services.**

Some Western-based companies want to set up shared services in offshore countries, but they engage the help of a local BPO firm to launch the centre. This approach is known as the Build-Operate-Transfer model. A BOT is a type of arrangement in which a client firm pays a BPO provider to build an offshore delivery centre, hire and train employees, and operate it for a short period before transferring ownership to the client company. Clients select a BOT engagement model when they want to access a local provider's expertise in establishing what will eventually be a wholly owned captive centre.<sup>30</sup>

Amazon provides a good example. Amazon had compelling reasons for establishing call centre capabilities in South Africa, but it did not have the resources or time to build a 1,000 plus seat captive centre from scratch in its first year of call centre operation. In 2010 Amazon engaged the South African-based BPO service provider, Full Circle (now Capita South Africa), to assist in,

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<sup>30</sup> Vashistha, A. & Vashistha, A. 2006. *The Offshore Nation*, New York: McGraw-Hill.

effectively, a "build operate transfer" (BOT) model. Full Circle (now as Capita South Africa) helps international businesses, like Amazon, build service delivery capabilities in South Africa with its version of a BOT model it calls the "Model Office" solution. The Model Office is a facility that allows clients to experience customer service delivery from South Africa for a trial period prior to making any long-term investment or commitment with regard to location or specific operating model. For those clients wanting to move beyond the Model Office, Capita South Africa helps clients transition work to a client's own captive centre or even to other service providers.<sup>31</sup> The CEO of Capita South Africa explained: *"We offered them the Model Office as an option which meant that they could literally be up and running within two months, with the connectivity and the staff trained, out of Cape Town...So we literally helped them with the entire transition into our Model Office where they grew to approximately 220 seats."*

**3. Captive shared service centres help to build a country's experience, skills, and reputation as a BPO destination.** Even if a captive shared service centre never becomes a BPO provider or never engages a BPO provider, its mere presence bolsters the country's BPO capabilities. Think about this value: world-wide, nearly 500 captive centres had been established by large multinationals in 34 countries representing an economic value of \$12.3 billion and employing over 440,000 professionals.<sup>32</sup> When a multinational firm erects a captive centre in a foreign country, it helps to build the country's experience, skills, and reputation as a BPO destination. The phrase, "rising tides raise all ships" apply. The BP case discussed next provides one such example.

#### 4.3. BP Case Study: Building Shared Services in South Africa

Table 7: Overview of the Case					
SA Case Study #	Client	Provider	Year Contract was Signed	Services	Sourcing Model
7	BP	BP	2008	Shared services for financial services	Captive

BP, formerly known as British Petroleum, is a global energy company with business activities in more than 100 countries in five major focus areas: Exploration and Production; Integrated Supply and Training; Refining and Marketing; Alternative Energy; and Shipping and Operations. It has 86,000 employees worldwide and annual revenues of \$US 388 billion in 2012. BP has long-standing and significant operations in Africa.

Back in 2006, BP had major business accounts in twelve African Countries. Each country had its own back office support services which wasted resources and duplicated efforts. Furthermore, financial controls were not standardized. BP decided to erect an African-based captive shared services centre for finance and accounting services. Its main objectives were to reduce costs, reduce duplication, and to standardize and improve financial controls. BP

<sup>31</sup> See <http://www.fullcirclesa.com/docs/brochure.pdf>

<sup>32</sup> Oshri, I , & van Uhm, B. 2012. 'A historical review of the information technology and business process captive centre sector,' *Journal of Information Technology*, 27(4): 270–284.

selected Cape Town South Africa for its shared services centre. BP's Global Business Services Africa Manager, Welmie Schoeman, explained the location decision, *"We had venture strength in South Africa. BP's head office was in Cape Town at the time. Cape Town was the obvious choice for us because we were very closely located to some of the top universities and it was easy to source the right people for the roles we had on offer. So of all of the places in Africa that we could have done this from, Cape Town was the best choice."* BP did NOT base its location decision solely on cost. Cost arbitrage only adds value for a short time; BP was looking for shared services to add real business value.

BP's Cape Town shared service centre was established in 2008 and it was the first of its kind for BP. The shared services centre, called BSC for Business Service Centre, pioneered the sharing of back office services across multiple countries, multiple languages, and multiple currencies. The centre's primary mission was and still is close partnering with the business units. In 2013, the centre still contributes financial and strategic value to each business partner.

The BSC centre has survived all of the upheavals at BP, including head office moves and corporate restructuring. When BP moved its head offices from Cape Town to Johannesburg, it decided to leave the shared services centre in Cape Town. BP could not risk moving the centre because it was critical to sustain controls. Welmie Schoeman explained, *"The risk of moving the BSC was too big because of the capability and the knowledge that they would have lost. So we decided to leave the back office services in Cape Town and a case was made for it to stay."* In 2010, BP divested out of Africa, but rather than shut down the Cape Town BSC, it expanded its mission by transforming it into a regional GBS (Global Business Services) operating process towers (Order to Cash, Procure to Pay, Hydrocarbon Value Chain, Record to Report, and operational Treasury). Across the company, the BP business partners recognized that the Cape Town workforce is stable and has deep expertise. Its centre was recognized and valued.

Today, Cape Town's continues to help its business partners. GBS is supporting business projects. Welmie Schoeman added, *"When the businesses need support on those projects, they come to GBS because of our workforce. We help and support the business on many of their strategic projects and we happen to be successful. So they value that and they recognise that."* The Cape Town GBS is now integrated with BP's worldwide network of global business services. As evidence of GBS' importance to BP, the global shared service centres now report to the Vice President of Global Business Services based in the UK. Cape Town's GBS continues to do very well, and Schoeman credits his passionate, experienced and capable team.

The trajectory of BP's shared services centre in Cape Town is interesting from many perspectives. Initially set up to support BP's businesses in Africa, the centre was deemed so valuable that it remained even when head offices were moved and when African business interests were divested. Another interesting fact is that the Cape Town centre was built without relying on outsourcing service providers. In other parts of BP, BP rely on Accenture to help build and run shared services. (Indeed, the BP-Accenture partnership<sup>33</sup> is widely recognized as an exemplar of strategic partnering between a client and service provider.) In contrast, BP's GBS centre in Cape Town is entirely home grown with limited consulting help from KPMG and Adept.

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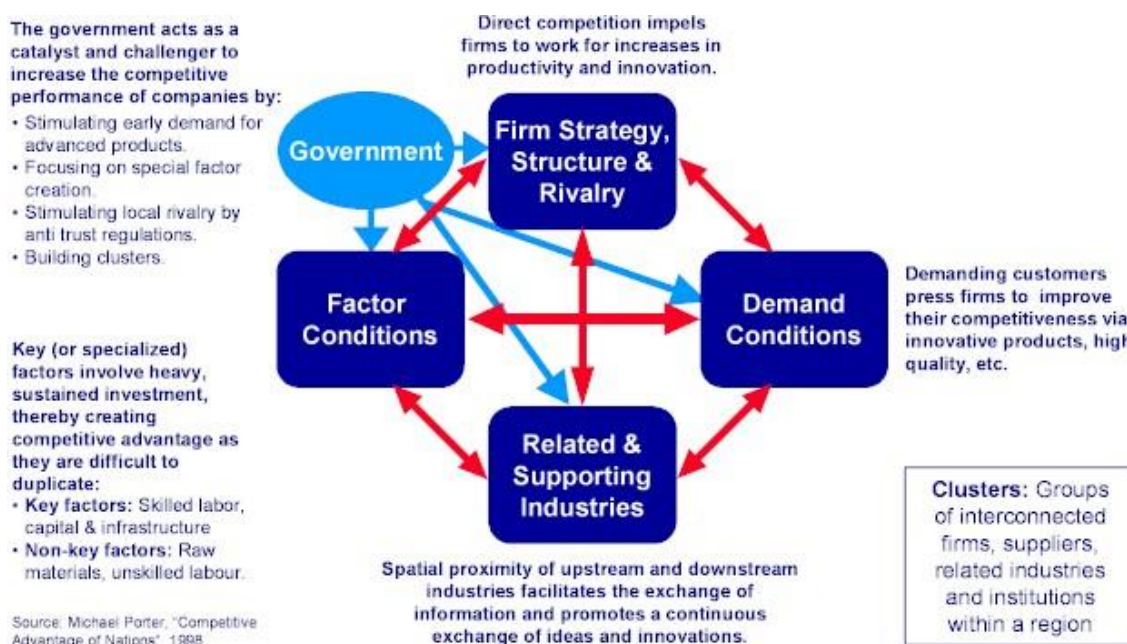
<sup>33</sup> See Willcocks, L. and Lacity, M. (2012), "Mastering High-Performance: Strategic F&A Partnering at BP" available at [http://outsourcingunit.org/WorkingPapers/WP12\\_1.pdf](http://outsourcingunit.org/WorkingPapers/WP12_1.pdf)



## 4.4. Competitive Advantage of Nations

We have demonstrated through the BP case study and other examples that shared services significantly contribute to South Africa's national advantage in business services. Why might this be theoretically so? We turn to two academic thought leaders to answer this question.

In 1990, Harvard Business School Professor, Michael Porter published *The Competitive Advantage of Nations*. In this book, he examined why industries cluster in certain geographic regions, such as movie-making in Hollywood, technologies in Silicon valley, and high performance cars in Germany. He developed a diamond-shaped model that describes six conditions that contribute to a country's competitive advantage (See Figure 2). The six conditions are firm rivalry (because intense competition spawns innovation), input factor conditions (e.g., physical, capital, human, and knowledge resources), related and supporting industries, demand conditions (because demanding home customers also spawn innovation), government, and chance.



**Figure 2: Michael Porter's Diamond Model of National Competitiveness**

Source: <http://www.caneval.com/vision/innovation/innovation2.html>

This framework is very useful for understanding South Africa's growing competitive advantage in business services. The **factor conditions** in South Africa are very strong, particularly low costs and a large number of high quality skills with great service and sales orientations. Porter's framework notes the important role a government plays in developing a national advantage and certainly South Africa's **government support** in investment grants has fueled foreign direct investment in BPO. (Although some participants told us the Department of Trade and Industry needs to better market their incentives to global companies, and keep ensuring

they are competitive.) **Demand conditions** facilitate a national advantage when customers are so demanding that providers must constantly innovate to retain them. Across all fourteen case studies we have done in South Africa, customers certainly have been described as “tough but fair” by both themselves and by their service providers. According to Porter, **tough rivalry among competitors** within a cluster within a country also serves to spawn innovation. Our own thinking on competitive strategy revises Porter to take into account the more recent key global developments and academic work on complementors that collaborate to compete<sup>34</sup>. Our point here is that rivals are only rivals at the point when they are competing for a particular client’s business. To build a national competitive advantage, we argue that rivals need to band together to attract foreign investors and customers. The final factor we want to focus upon is related and supporting industries. **For South Africa, shared services and outsourcing are related and mutually supporting industries that cluster to form a national competitive advantage in the business services sector. This also enhances the business environment and infrastructure making inward investment and set-up by overseas companies across sectors more attractive.**

Porter’s diamond model is useful to South Africans concerned with building a national competitive advantage in the business services sector. The diamond model prods South Africans to think about six factors--firm rivalry, factor conditions, demand conditions, related and supporting industries, government, and chance. For South Africa, shared services and outsourcing are **related and mutually supporting industries** that cluster to form a national competitive advantage in the business services space.

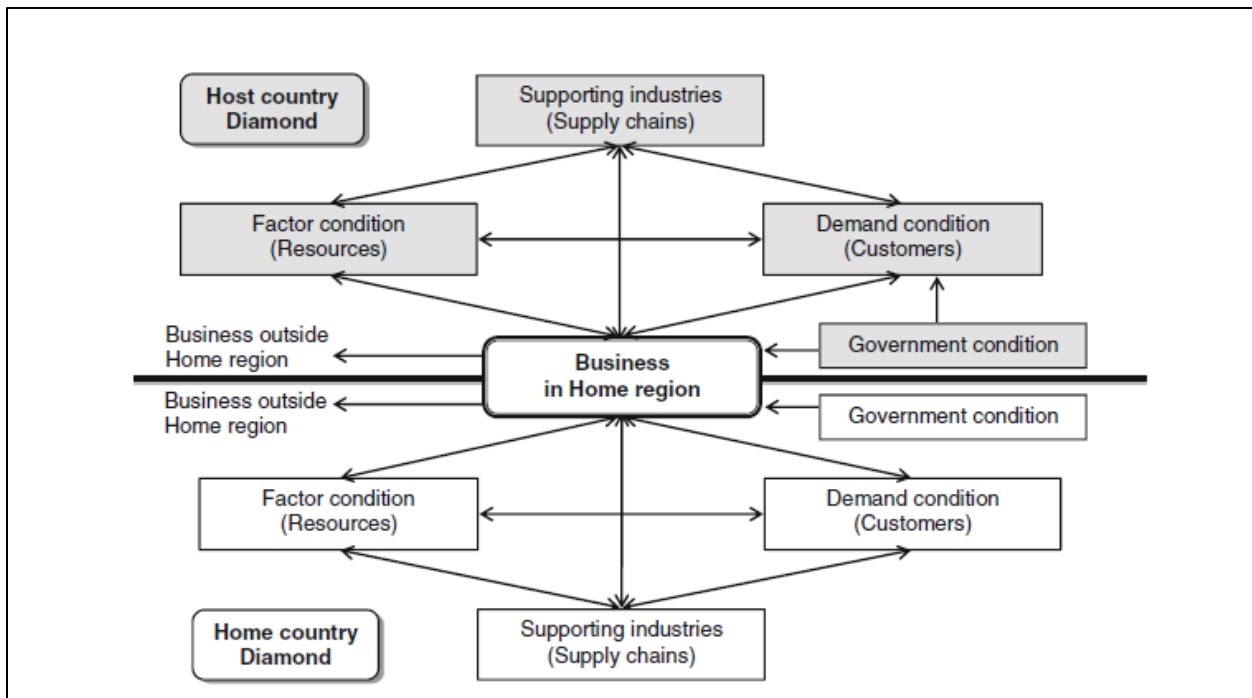
We expand the analysis. Instead of solely considering South Africa’s home country conditions, we propose to consider the foreign trading partner’s conditions as well by presenting the Double Diamond model (see Figure 3) developed by Rugman and D’Cruz. These two scholars note that a key limitation of Porter’s diamond model is that it is difficult to apply to the study of international trade.

The Double Diamond model was initially used to describe the international competitiveness of Canadian companies. Rugman and D’Cruz<sup>35</sup> argued that Canada’s home country conditions also depend on the conditions of its major trading partner, the United States. In the same way, we can use the Double Diamond model to better understand how South Africa’s national competitiveness in business services is also dependent on its major trading partners. National competitive advantage is not an absolute advantage, but rather a relative advantage; South Africa’s competitive advantage in the business services sector is relative to another nation’s competitive advantage, most notably the United Kingdom. South Africa benefits because costs are higher in the United Kingdom, but the time zone, language, and culture are highly compatible. The legal framework in terms of governance and compliance are also highly compatible. Christo Roux, Partner at KPMG, said, “*What I think attracts clients looking at centralizing in Africa to South Africa is that South Africa scores very highly in terms of governance and compliance.*”

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<sup>34</sup> See Willcocks, L. (2013) *Global Business Management Foundations* (Brookes Publishing , Stratford). This critiques Porter’s model of competitive rivalry based on the work on cooperation by Dixit, A. and Nalebuff, B. (2008) *The Art of Strategy*. (Norton, New York).

<sup>35</sup> Rugman, A. and D’Cruz, J. (1993), “The Double Diamond Model of International Competitiveness: The Canadian Experience,” *Management International Review*, Vol. 33, 2, pp. 17-39.



**Figure 3: Rugman and D'Cruz's Double Diamond Model of International Competitiveness.** Source: Rugman, A., Oh, C.H., Lim, D. (2012), "The Regional and Global Competitiveness of Multinational Firms," *Journal of the Academy of Marketing Science*, Vol. 40, pp. 218-235.

India is another interesting trading partner to consider. On the one hand, India is a rival for BPO and Shared Services customers, particularly customers based in Western Europe. On the other hand, India is helping to build BPO and shared service capabilities in South Africa. Large Indian Providers are buying or partnering with smaller South African providers. Alida Taylor of KPMG also explained the influx of Indian immigrants. She said, *"I have four companies from India doing marketing strategies and setting up their shop in different locations here in South Africa. As they start up, they are supported by their resources in India then move over to the South African workforce to take over as they grow their business. The Indian-owned providers can take on more clients from a service provider point of view."*

#### 4.5. Case Conclusion

It is vital to note that shared services and outsourcing are not mutually exclusive—shared services may involve various levels of outsourcing from out-tasking to strategic partnerships. Organizations may engage providers at any stage of the shared services implementation. Unilever, BAE Systems, and Lloyds of London engaged providers to help do the transformation, while Procter and Gamble engaged a provider after they had a well-functioning shared services organization.<sup>36</sup> Thus the choices are many, with many options along the continuums of silos versus cross-functional, local versus global, and insourced versus outsourced. We have shown that shared services and outsourcing are complementary industries in three ways:

1. Today's captive shared services centre might launch tomorrow's next BPO company.

<sup>36</sup> See, "Creating Shared Services in the Private and Public Sectors," in Lacity, M., and Willcocks, P. (2012), *Advanced Outsourcing Practice: Rethinking ITO, BPO, and Cloud Services*, Palgrave, London.



2. Many Western-based companies engage a BPO firm to help establish shared services.
3. Captive shared service centres help to build a country's experience, skills, and reputation as a BPO destination.
4. South Africa, through shared services capability, is a gateway to wider African operations for non-African and African companies alike.

## 5. Conclusion

Based on this case research we make three general recommendations:

For clients:

1. Do not just consider South Africa as a proven BPO destination for voice, because it is now demonstrably moving higher up the value chain in the emerging markets of LPO, financial services and accounting.
2. South Africa is the gateway to the African continent; this potential will become increasingly important when considering a long term strategy, whether on captives, shared services or outsourcing.

For government and industry:

1. The competitive advantage of nations is created, not inherited. Government and industry need to focus on keeping aligned factor conditions, firm strategy, structure and rivalry, demand conditions and related and supporting industries. BPO is a related and supporting industry, and vitally important to building industrial clusters and competitive advantage, as well as producing jobs and harnessing talent.

## Appendix 1 - Research Base and Methodology

The case studies in this Report are part of a much larger comprehensive study which draws upon primary research conducted by the authors between July 2012 and November 2013, with the research project continuing into March 2014. The research consists of:

1. A quantitative, comparative analysis of selected competitive country locations. Benchmark assessments of the United Kingdom were provided from our own database analysis. Data on the nine additional countries was then obtained by questionnaire from 30 senior global sourcing analysts working in client (10), provider (8), management consultancy (3), market analysis (5), and research (4) organizations. These analysts were carefully selected as a) highly experienced and knowledgeable professionals in the global sourcing field and b) having specific expert knowledge about South Africa and its competitors. (*Technical note: Some analysts did not rate all ten countries, but data was collected from at least 18 respondents for each country in the study. For each country analyst ratings were relatively close. Final figures in the Report show median ratings as the most representative*). In October 2013 this analysis was repeated with ten of the original global sourcing analysts able to rate all ten countries as competitors.

2. Further detailed qualitative research with 42 interviewees, consisting of 17 client executives and 13 providers operating in South Africa, 2 potential clients, and 10 market analysts. The interviews covered fourteen of the major captive/outsourcing arrangements in South Africa and involved eight of the major service providers. All respondents were experienced in global sourcing and expert in business and IT service location attractiveness. Interviews were typically 60-75 minutes in length with the tape transcription quotes verified by respondents. Client organizations were from utilities, telecommunications, energy, financial services, legal, retail and airline sectors. Additionally we devised and administered a survey instrument for measuring service performance. This invited respondents to measure the ten arrangements on Performance – quantity versus target, Business value – does it make business sense and Service quality. Service quality covered:

- Tangible physical evidence of delivery,
- Reliability – accuracy and dependability
- Responsiveness – right timing and speed
- Assurance – giving confidence and trust
- Empathy - attention to user

Scoring was on a scale 1-10 with 1-3 being inadequate, 4-6 meets minimum satisfaction threshold, 7-9 good to very good, and 10 exemplary.

3. Total research was through a mix of interview, questionnaire, desk research and client and provider interviews in Europe, Asia Pacific, and Africa across the July 2012 to November 2013 period. The research stream is continuing to end of March 2014.

4. The study draws directly on five recent LSE Outsourcing Unit streams of research and findings. The first is a study of High Performance BPO conducted by Mary Lacity and Leslie Willcocks throughout 2011-3, sponsored by Accenture. This looked at over 20 global BPO arrangements and drew also on a 230 plus respondent Everest survey. The reports can be found at [www.outsourcingunit.org](http://www.outsourcingunit.org). The study developed the eight factor benchmark for high performance BPO used in the present report. The second study into cloud computing by Leslie Willcocks, Will Venters and Edgar Whitley was published as *Cloud and The Future of Business*

LSE/Accenture, London. The third study is a follow-up on cloud and the diffusion of innovation. Its findings appear in Willcocks, L., Venters, W. and Whitley, E. (2014) *Moving To The Cloud Corporation*. (Palgrave, London). The fourth study of location attractiveness in BRIC and non-BRIC countries was published in Oshri, I., Kotlarsky, J. and Willcocks, L. (2011) *The Handbook of Global Outsourcing and Offshoring*. Palgrave, London. Its 20 factor Location Attractiveness instrument is used in the present study. The fifth study explored legal services outsourcing and is published as Lacity, M., Willcocks, L. and Burgess, A. (2014) *The Rise of Legal Services: Risk and Opportunity*. (Bloomsbury, London).

5. The study also draws upon the Outsourcing Unit's 21 year longitudinal case database of 1,600 plus global sourcing IT, BPO and offshoring arrangements studied in-depth from 1993-2013. Including survey work the research base represents data from 2,700 plus organizations. The most recent findings appear in Cullen, S., Lacity, M. and Willcocks, L. (2014) *Outsourcing – All You Need To Know* (White Plume, Melbourne) and Willcocks, L. and Lacity, M. (2012) *Advanced Outsourcing: Rethinking ITO, BPO and Cloud Services*, Palgrave London, and Willcocks, L. and Lacity, M. (2012) *The New IT Outsourcing Landscape*, Palgrave, London. The multiple case studies are also represented in Lacity and Willcocks (2009) *Information Systems and Outsourcing: Studies in Theory and Practice* (Palgrave), Oshri, Kotlarsky and Willcocks (2008) *Outsourcing Global Services* (Palgrave), Kotlarsky, Oshri and Van Fenema (2008) *Knowledge Processes in Globally Distributed Contexts* (Palgrave) and Willcocks and Lacity (2009) *The Practice of Outsourcing: From ITO to BPO and Offshoring* (Palgrave). The cases are in-depth and longitudinal i.e. studied qualitatively and quantitatively, in some cases over three generations of outsourcing. The research base covers all major economic and government sectors, including financial services, energy and utilities, defense and aerospace, retail, telecoms and IT, oil, transportation, central, state and local government, health care, industrial products and chemicals, and is drawn from medium, large and multinational organizations based in Europe, US and Asia Pacific.

## About the Authors

**Dr. Mary Lacity** is Curators' Professor of Information Systems and a Visiting Professor at the London School of Economics. She is also a Certified Outsourcing Professional®, Co-Chair of the IAOP Midwest Chapter, Industry Advisor for the Outsourcing Angels, Co-editor of the Palgrave Series: Work, Technology, and Globalization, and on the Editorial Boards for *Journal of Information Technology*, *MIS Quarterly Executive*, *Journal of Strategic Information Systems*, *IEEE Transactions on Engineering Management*, and *Strategic Outsourcing: An International Journal*. Her research focuses on global outsourcing of business and IT services. She has conducted case studies and surveys of hundreds of organizations on their outsourcing and management practices. She has given executive seminars worldwide and has served as an expert witness for the US Congress. She was the recipient of the 2008 Gateway to Innovation Award sponsored by the IT Coalition, Society for Information Management, and St. Louis RCGA and the 2000 World Outsourcing Achievement Award sponsored by PricewaterhouseCoopers and Michael Corbett and Associates. She has published 16 books, most recently *The Rise of Legal Services Outsourcing* (Bloomsbury, 2014 London, co-authors Leslie Willcocks and Andrew Burgess) and *Advanced Outsourcing Practice: Rethinking ITO, BPO, and Cloud Services* (Palgrave, 2012; co-author Leslie Willcocks). Her publications have appeared in the *Harvard Business Review*, *Sloan Management Review*, *MIS Quarterly*, *IEEE Computer*, *Communications of the ACM*, and many other academic and practitioner outlets. She was Program Co-chair for ICIS 2010. Before earning her Ph.D. at the University of Houston, she worked as a consultant for Technology Partners International and as a systems analyst for Exxon Company, US.

**Dr. Leslie P. Willcocks** has an international reputation for his work on global management, outsourcing, e-business, information management, IT evaluation, strategic IT and organizational change. He is Professor in Technology Work and Globalization at the Department of Management at London School of Economics and Political Science. He also heads the LSE's Outsourcing Unit research centre. He has been for the last 22 years Editor-in-Chief of the *Journal of Information Technology*. He is co-author of 39 books including most recently *Moving to The Cloud Corporation* (2014), *The Rise of Legal Services Outsourcing* (2014) and *Advanced Outsourcing Practice* (2012) and has published over 220 refereed papers in journals such as *Harvard Business Review*, *Sloan Management Review*, *California Management Review*, *MIS Quarterly* and *MISQ Executive*. He has delivered company executive programmes worldwide, is a regular keynote speaker at international practitioner and academic conferences, and has been retained as adviser and expert witness by major corporations and government institutions. Forthcoming books include *Global Outsourcing Discourse: Exploring Modes of IT Governance* (Palgrave, 2014). His research into the management of cloud business services appears as *Cloud and The Future of Business: From Cost to Innovation* ([www.outsourcingunit.org](http://www.outsourcingunit.org)). Email : [l.p.willcocks@lse.ac.uk](mailto:l.p.willcocks@lse.ac.uk)

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